

CITY OF MCFARLAND
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021



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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of McFarland
McFarland, 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 McFarland (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the entity'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.

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

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

Opinions

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

Emphasis of Matter

As disclosed in Note 12 to the basic financial statements, the City's beginning fund balance and net position was restated for the correction of errors in prior year financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Management has omitted management's discussion and analysis, that accounting principles generally accepted in the United States of America require 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Honorable Mayor and Members of the City Council
City of McFarland

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Roseville, California
September 30, 2022

BASIC FINANCIAL STATEMENTS

CITY OF MCFARLAND
GOVERNMENT-WIDE – STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Investments	\$ 1,924,033	\$ 1,935,039	\$ 3,859,072
Cash with Fiscal Agents	3,625,575	712,880	4,338,455
Receivables:			
Accounts	272,199	723,889	996,088
Intergovernmental	3,025,257	3,979	3,029,236
Interest	-	1,816	1,816
Other Assets	4,127	5,097	9,224
Internal Balances	(164,934)	164,934	-
Loans Receivable	3,681,013	-	3,681,013
Land Held For Resale	446,593	-	446,593
Capital Assets:			
Nondepreciable	5,470,789	1,280,063	6,750,852
Depreciable, Net	25,862,183	16,378,083	42,240,266
Total Assets	<u>44,146,835</u>	<u>21,205,780</u>	<u>65,352,615</u>
LIABILITIES			
Accounts Payable	215,694	237,762	453,456
Accrued Liabilities	141,479	35,967	177,446
Interest Payable	57,914	77,006	134,920
Deposits Payable	141,229	13,857	155,086
Unearned Revenue	46,106	41	46,147
Long-Term Liabilities:			
Due Within One Year	254,888	221,322	476,210
Due in More than One Year	5,418,859	5,715,000	11,133,859
Total Liabilities	<u>6,276,169</u>	<u>6,300,955</u>	<u>12,577,124</u>
NET POSITION			
Net Investment in Capital Assets	29,044,404	11,758,146	40,802,550
Restricted for:			
General	71,623	-	71,623
Streets and Roads	3,046,472	-	3,046,472
Community Development	5,140,338	-	5,140,338
Debt Service	214,907	635,874	850,781
Unrestricted	352,922	2,510,805	2,863,727
Total Net Position	<u>\$ 37,870,666</u>	<u>\$ 14,904,825</u>	<u>\$ 52,775,491</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF MCFARLAND
GOVERNMENT-WIDE – STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 1,856,294	\$ 650,122	\$ 6,755	\$ -	\$ (1,199,417)	\$ -	\$ (1,199,417)
Public Safety	2,974,468	424,061	192,205	-	(2,358,202)	-	(2,358,202)
Public Works	1,672,054	28,809	1,521,335	2,070,947	1,949,037	-	1,949,037
Community Development	451,880	12,082	-	-	(439,798)	-	(439,798)
Interest on Long-Term Debt	169,952	-	-	-	(169,952)	-	(169,952)
Total Governmental Activities	7,124,648	1,115,074	1,720,295	2,070,947	(2,218,332)	-	(2,218,332)
Business-Type Activities:							
Sewer	1,629,351	1,967,525	-	-	-	338,174	338,174
Refuse	1,290,791	1,388,813	3,435	-	-	101,457	101,457
Water	1,679,684	1,836,863	39,739	-	-	196,918	196,918
Public Transportation	121,493	-	-	-	-	(121,493)	(121,493)
Total Business-Type Activities	4,721,319	5,193,201	43,174	-	-	515,056	515,056
Total Primary Government	\$ 11,845,967	\$ 6,308,275	\$ 1,763,469	\$ 2,070,947	(2,218,332)	515,056	(1,703,276)
General Revenues:							
Taxes:							
Property Taxes					884,299	-	884,299
Sales and Use Taxes					419,656	-	419,656
Franchise Taxes					187,879	-	187,879
Intergovernmental, Unrestricted:							
Motor Vehicle In-Lieu Tax					1,487,052	-	1,487,052
Interest and Investment Earnings					4,561	16,888	21,449
Miscellaneous					156,230	-	156,230
Transfers					(159,450)	159,450	-
Total General Revenues and Transfers					2,980,227	176,338	3,156,565
CHANGE IN NET POSITION					761,895	691,394	1,453,289
Net Position - Beginning of Year, as Restated					37,108,771	14,213,431	51,322,202
Net Position - End of Year					\$ 37,870,666	\$ 14,904,825	\$ 52,775,491

See accompanying Notes to Basic Financial Statements.

CITY OF MCFARLAND
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	TDA - LTF	Gas Tax	CalHOME	HOME
ASSETS					
Cash and Investments	\$ -	\$ -	\$ 777,311	\$ 211,048	\$ -
Cash with Fiscal Agent	-	-	-	-	-
Receivables:					
Accounts	268,816	-	-	-	3,383
Intergovernmental	795,563	2,097,961	-	-	-
Other Assets	4,127	-	-	-	-
Due from Other Funds	-	-	-	-	-
Loans Receivable	-	-	-	2,971,107	709,906
Land Held for Resale	446,593	-	-	-	-
	<u>1,515,099</u>	<u>2,097,961</u>	<u>777,311</u>	<u>3,182,155</u>	<u>713,289</u>
Total Assets	<u>\$ 1,515,099</u>	<u>\$ 2,097,961</u>	<u>\$ 777,311</u>	<u>\$ 3,182,155</u>	<u>\$ 713,289</u>
LIABILITIES					
Accounts Payable	\$ 190,343	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	139,387	-	-	-	-
Deposits Payable	141,229	-	-	-	-
Due to Other Funds	124,043	722,442	-	-	88,840
Advances from Other Funds	158,868	-	-	-	-
Unearned Revenue	45,630	-	-	-	-
Total Liabilities	<u>799,500</u>	<u>722,442</u>	<u>-</u>	<u>-</u>	<u>88,840</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	2,097,961	-	2,971,107	709,906
FUND BALANCES					
Nonspendable	450,720	-	-	-	-
Restricted	-	-	777,311	211,048	-
Unassigned	264,879	(722,442)	-	-	(85,457)
Total Fund Balances	<u>715,599</u>	<u>(722,442)</u>	<u>777,311</u>	<u>211,048</u>	<u>(85,457)</u>
	<u>\$ 1,515,099</u>	<u>\$ 2,097,961</u>	<u>\$ 777,311</u>	<u>\$ 3,182,155</u>	<u>\$ 713,289</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,515,099</u>	<u>\$ 2,097,961</u>	<u>\$ 777,311</u>	<u>\$ 3,182,155</u>	<u>\$ 713,289</u>

See accompanying Notes to Basic Financial Statements.

CITY OF MCFARLAND
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2021

Development Impact	McFarland Improvement Authority	Other Governmental Funds	Total
\$ 38,735	\$ -	\$ 896,939	\$ 1,924,033
-	3,625,575	-	3,625,575
-	-	-	272,199
-	-	131,733	3,025,257
-	-	-	4,127
1,209,542	-	-	1,209,542
-	-	-	3,681,013
-	-	-	446,593
<u>\$ 1,248,277</u>	<u>\$ 3,625,575</u>	<u>\$ 1,028,672</u>	<u>\$ 14,188,339</u>
\$ -	\$ -	\$ 25,351	\$ 215,694
-	-	2,092	141,479
-	-	-	141,229
-	229,419	50,864	1,215,608
-	-	-	158,868
-	-	476	46,106
-	229,419	78,783	1,918,984
-	-	-	5,778,974
-	-	-	450,720
1,248,277	3,396,156	965,265	6,598,057
-	-	(15,376)	(558,396)
<u>1,248,277</u>	<u>3,396,156</u>	<u>949,889</u>	<u>6,490,381</u>
<u>\$ 1,248,277</u>	<u>\$ 3,625,575</u>	<u>\$ 1,028,672</u>	<u>\$ 14,188,339</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF MCFARLAND
RECONCILIATION OF GOVERNMENTAL FUNDS – BALANCE SHEET TO
GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2021**

Fund Balance - Total Governmental Funds	\$ 6,490,381
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds balance sheet.	31,332,972
Some of the City's revenue is not available to pay for current period expenditures, and therefore, are not reported in the governmental funds balance sheets.	5,778,974
Interest on long-term debt is recognized as it accrues, regardless of when it is due.	(57,914)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Bonds Payable (net of unamortized premium)	(4,658,346)
Loans Payable	(770,898)
Capital Leases	(212,078)
Compensated Absences	<u>(32,425)</u>
 Net Position of Governmental Activities	 <u><u>\$ 37,870,666</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF MCFARLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	TDA - LTF	Gas Tax	CalHOME	HOME
REVENUES					
Taxes	\$ 2,582,222	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	408,036	-	-	-	-
Fines and Forfeitures	73,178	-	-	-	-
Use of Money and Property	31,937	-	-	-	-
Intergovernmental Revenues	1,712,694	21,346	739,057	-	-
Charges for Services	593,832	-	-	-	-
Contributions	6,755	-	-	-	-
Other Revenues	155,545	-	-	213,000	-
Total Revenues	<u>5,564,199</u>	<u>21,346</u>	<u>739,057</u>	<u>213,000</u>	<u>-</u>
EXPENDITURES					
Current:					
General Government	871,629	-	-	-	-
Public Safety	2,957,184	-	-	-	-
Public Works	502,758	-	-	-	-
Community Development	393,992	-	-	-	-
Debt Service:					
Principal	103,200	-	-	-	-
Interest and Fiscal Charges	11,511	-	-	-	-
Capital Outlay	2,684,367	-	-	-	-
Total Expenditures	<u>7,524,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,960,442)	21,346	739,057	213,000	-
OTHER FINANCING SOURCES (USES)					
Transfers In	668,860	-	-	-	-
Transfers Out	-	-	-	-	-
USDA Loan	99,652	-	-	-	-
Capital Lease Issuance	218,734	-	-	-	-
Total Other Financing Sources (Uses)	<u>987,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(973,196)	21,346	739,057	213,000	-
Fund Balance - Beginning of Year, as Restated	1,688,795	(743,788)	38,254	(1,952)	(85,457)
FUND BALANCES - END OF YEAR	<u>\$ 715,599</u>	<u>\$ (722,442)</u>	<u>\$ 777,311</u>	<u>\$ 211,048</u>	<u>\$ (85,457)</u>

See accompanying Notes to Basic Financial Statements.

CITY OF MCFARLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Development Impact	McFarland Improvement Authority	Other Governmental Funds	Total
\$ -	\$ -	\$ 396,664	\$ 2,978,886
12,082	-	-	420,118
-	-	-	73,178
-	-	570	32,507
-	-	777,100	3,250,197
-	-	-	593,832
-	-	-	6,755
-	685	-	369,230
<u>12,082</u>	<u>685</u>	<u>1,174,334</u>	<u>7,724,703</u>
-	-	709,285	1,580,914
-	-	3,500	2,960,684
-	-	123,551	626,309
-	-	-	393,992
-	100,000	-	203,200
-	170,300	-	181,811
-	-	-	2,684,367
<u>-</u>	<u>270,300</u>	<u>836,336</u>	<u>8,631,277</u>
12,082	(269,615)	337,998	(906,574)
-	-	-	668,860
(731,443)	-	(96,867)	(828,310)
-	-	-	99,652
<u>-</u>	<u>-</u>	<u>-</u>	<u>218,734</u>
<u>(731,443)</u>	<u>-</u>	<u>(96,867)</u>	<u>158,936</u>
(719,361)	(269,615)	241,131	(747,638)
<u>1,967,638</u>	<u>3,665,771</u>	<u>708,758</u>	<u>7,238,019</u>
<u>\$ 1,248,277</u>	<u>\$ 3,396,156</u>	<u>\$ 949,889</u>	<u>\$ 6,490,381</u>

See accompanying Notes to Basic Financial Statements.

CITY OF MCFARLAND
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2021

Net Change to Fund Balance - Total Governmental Funds \$ (747,638)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for Capital Outlay	2,741,895
Less: Current Year Depreciation	(1,261,508)
Less: Current Year Adjustments	(199,425)

Some revenues reported in the statement of activities will not be collected for several months after the City's year end and do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.	321,290
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums when debt is first issued; however, the amounts are deferred and amortized in the government-wide financial statements.

Principal Payments	203,200
Issuance of Debt and Capital Leases	(318,386)
Amortization of premium	11,859

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

Change in Compensated Absences	10,608
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Change in Net Position of Governmental Activities	\$ 761,895
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**CITY OF MCFARLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

ASSETS	Enterprise Funds				
	Sewer	Refuse	Water	Nonmajor	Total
				Public Transportation	
Current Assets:					
Cash and Investments	\$ 560,794	\$ 38,848	\$ 1,335,397	\$ -	\$ 1,935,039
Cash with Fiscal Agent - Restricted	481,658	-	231,222	-	712,880
Receivables:					
Accounts	267,571	214,766	241,552	-	723,889
Intergovernmental	3,979	-	-	-	3,979
Interest	-	-	1,816	-	1,816
Due from Other Funds	4,419	4,114	1,360	604	10,497
Other Assets	-	-	5,097	-	5,097
Total Current Assets	1,318,421	257,728	1,816,444	604	3,393,197
Noncurrent Assets:					
Advances to other Funds	158,868	-	-	-	158,868
Capital Assets:					
Nondepreciable					
Land	1,120,000	-	160,063	-	1,280,063
Depreciable:					
Buildings, Equipment and Infrastructure	14,873,147	309,677	12,481,930	650,876	28,315,630
Accumulated Depreciation	(5,358,718)	(303,935)	(5,827,219)	(447,675)	(11,937,547)
Total Noncurrent Assets	10,793,297	5,742	6,814,774	203,201	17,817,014
Total Assets	12,111,718	263,470	8,631,218	203,805	21,210,211
LIABILITIES					
Current Liabilities:					
Accounts Payable	51,705	111,848	63,683	10,526	237,762
Accrued Liabilities	15,383	2,782	15,733	2,069	35,967
Interest Payable	51,594	-	25,412	-	77,006
Due to Other Funds	-	-	-	4,431	4,431
Deposits from Others	-	-	13,857	-	13,857
Unearned Revenue	-	-	-	41	41
Compensated Absences	17,220	7,592	10,492	1,018	36,322
Bonds Payable	123,333	-	61,667	-	185,000
Total Current Liabilities	259,235	122,222	190,844	18,085	590,386
Noncurrent Liabilities:					
Bonds Payable	3,809,048	-	1,905,952	-	5,715,000
Total Noncurrent Liabilities	3,809,048	-	1,905,952	-	5,715,000
Total Liabilities	4,068,283	122,222	2,096,796	18,085	6,305,386
NET POSITION					
Net Investment in Capital Assets	6,702,048	5,742	4,847,155	203,201	11,758,146
Restricted for Debt Service	430,064	-	205,810	-	635,874
Unrestricted	911,323	135,506	1,481,457	(17,481)	2,510,805
Total Net Position	\$ 8,043,435	\$ 141,248	\$ 6,534,422	\$ 185,720	\$ 14,904,825

See accompanying Notes to Basic Financial Statements.

CITY OF MCFARLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Enterprise Funds				Total
	Sewer	Refuse	Water	Nonmajor Public Transportation	
OPERATING REVENUES					
Charges for Services	\$ 1,910,280	\$ 1,388,813	\$ 1,836,863	\$ -	\$ 5,135,956
Other Revenue	57,245	-	-	-	57,245
Total Operating Revenues	<u>1,967,525</u>	<u>1,388,813</u>	<u>1,836,863</u>	<u>-</u>	<u>5,193,201</u>
OPERATING EXPENSES					
Salaries and Employee Benefits	553,829	61,575	501,753	68,049	1,185,206
Services and Supplies	324,963	1,220,373	358,418	11,403	1,915,157
Utilities	143,691	-	220,545	-	364,236
Depreciation	412,011	8,843	502,993	42,041	965,888
Total Operating Expenses	<u>1,434,494</u>	<u>1,290,791</u>	<u>1,583,709</u>	<u>121,493</u>	<u>4,430,487</u>
OPERATING INCOME (LOSS)	533,031	98,022	253,154	(121,493)	762,714
NONOPERATING REVENUES (EXPENSES)					
Grants	-	3,435	39,739	-	43,174
Interest Income	9,194	1,627	6,067	-	16,888
Interest Expense	(194,857)	-	(95,975)	-	(290,832)
Total Nonoperating Revenues (Expenses)	<u>(185,663)</u>	<u>5,062</u>	<u>(50,169)</u>	<u>-</u>	<u>(230,770)</u>
INCOME (LOSS) BEFORE TRANSFERS	347,368	103,084	202,985	(121,493)	531,944
Transfers In	-	-	-	223,125	223,125
Transfers Out	(19,955)	(19,955)	(19,955)	(3,810)	(63,675)
CHANGE NET POSITION	327,413	83,129	183,030	97,822	691,394
Net Position - Beginning of Year	7,716,022	58,119	6,351,392	87,898	14,213,431
NET POSITION - END OF YEAR	<u>\$ 8,043,435</u>	<u>\$ 141,248</u>	<u>\$ 6,534,422</u>	<u>\$ 185,720</u>	<u>\$ 14,904,825</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF MCFARLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Enterprise Funds				
	Sewer	Refuse	Water	Nonmajor	Total
				Public Transportation	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 1,952,715	\$ 1,345,654	\$ 1,844,441	\$ (563)	\$ 5,142,247
Payments to Suppliers	(534,000)	(1,236,332)	(640,086)	(150,921)	(2,561,339)
Payments to Employees	(548,281)	(55,581)	(495,744)	(67,831)	(1,167,437)
Net Cash Provided (Used) by Operating Activities	<u>870,434</u>	<u>53,741</u>	<u>708,611</u>	<u>(219,315)</u>	<u>1,413,471</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Grant Proceeds	-	3,435	39,739	-	43,174
Loans from Other Funds	43,976	-	-	-	43,976
Transfers from Other Funds	-	-	-	223,125	223,125
Transfers to Other Funds	(19,955)	(19,955)	(19,955)	(3,810)	(63,675)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>24,021</u>	<u>(16,520)</u>	<u>19,784</u>	<u>219,315</u>	<u>246,600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payments Related to the Acquisition of Capital Assets	(25,985)	-	-	-	(25,985)
Principal Repayments Related to Capital Purposes	(120,453)	-	(59,547)	-	(180,000)
Interest Repayments Related to Capital Purposes	(194,857)	-	(95,975)	-	(290,832)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(341,295)</u>	<u>-</u>	<u>(155,522)</u>	<u>-</u>	<u>(496,817)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Earnings	9,194	1,627	6,067	-	16,888
Net Cash Provided (Used) by Investing Activities	<u>9,194</u>	<u>1,627</u>	<u>6,067</u>	<u>-</u>	<u>16,888</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	562,354	38,848	578,940	-	1,180,142
Cash and Cash Equivalents - Beginning of Year	<u>480,098</u>	<u>-</u>	<u>987,679</u>	<u>-</u>	<u>1,467,777</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,042,452</u>	<u>\$ 38,848</u>	<u>\$ 1,566,619</u>	<u>\$ -</u>	<u>\$ 2,647,919</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 533,031	\$ 98,022	\$ 253,154	\$ (121,493)	\$ 762,714
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	412,011	8,843	502,993	42,041	965,888
Decrease (Increase) in:					
Accounts Receivable	(49,657)	(39,045)	6,359	-	(82,343)
Due from Other Governments	39,266	-	-	-	39,266
Due from Other Funds	(4,419)	(4,114)	(1,360)	(604)	(10,497)
Increase (Decrease) in:					
Accounts Payable	(27,705)	7,991	(59,763)	(1,549)	(81,026)
Accrued Liabilities	(137)	2,198	1,484	177	3,722
Deposits	-	-	1,219	-	1,219
Due to Other Funds	(37,641)	(23,950)	-	(137,969)	(199,560)
Unearned Revenues	-	-	-	41	41
Compensated Absences	5,685	3,796	4,525	41	14,047
Net Cash Provided (Used) by Operating Activities	<u>\$ 870,434</u>	<u>\$ 53,741</u>	<u>\$ 708,611</u>	<u>\$ (219,315)</u>	<u>\$ 1,413,471</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF MCFARLAND
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2021**

	Private Purpose Trust Fund
	Successor Agency
ASSETS	
Cash and Investments	\$ 6,665
Total Assets	6,665
 NET POSITION	
Restricted for Successor Agency	6,665
Total Net Position	\$ 6,665

**CITY OF MCFARLAND
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2021**

	<u>Private Purpose Trust Fund</u>
	<u>RDA</u>
	<u>Successor Agency</u>
ADDITIONS	
Property Taxes	\$ -
Total Additions	<u>-</u>
DEDUCTIONS	
Administration	<u>-</u>
Total Deductions	<u>-</u>
CHANGE IN NET POSITION	-
Net Position - Beginning of Year	<u>6,665</u>
NET POSITION - END OF YEAR	<u><u>\$ 6,665</u></u>

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of McFarland, California (the City) was incorporated on July 18, 1957. The City is a full-service city and operates under a Council – City Administration form of government, providing the following services: general government; public safety; public works; and recreation and development. The City is located in Kern County approximately 25 miles north of Bakersfield, the County government seat.

The City has defined its reporting entity in accordance with accounting principles generally accepted in the United States of America which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. The Basic Financial Statements present information on the activities of the reporting entity, including all the fund types of the City.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Reporting for component units on the City's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the City's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

Blended Component Units

Parking Authority – The McFarland Parking Authority of the City of McFarland (the "Parking Authority") was formed by the City on April 12, 2012, by Resolution No. 2012-069, under Part 2 of Division 18 of the California Streets and Highways Code, Section 32650. The Parking Authority's legislative body is the City Council as Board of Directors of the Parking Authority. The fundamental aim of the Parking Authority is to purchase property and construct a public parking lot on that property. The Parking Authority did not report any activity during the year. Separate financial statements are not available for the Authority.

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

McFarland Improvement Authority – On April 12, 2012, under Resolution No., 2012-070, the Parking Authority and the City entered into a Joint Exercise of Powers Agreement to create the McFarland Improvement Authority (the “improvement Authority”). The Improvement Authority’s legislative body is the City Council as Commissioners of the Improvement Authority. The fundamental aim of the Improvement Authority is to provide for the financing of capital improvements and working capital. The Improvement Authority issued bonds for the purpose of funding capital improvements. Separate financial statements are not available for the Authority.

McFarland Public Financing Corporation – On July 31, 2001, the City and the Successor Agency to the Former McFarland Redevelopment Agency entered into a Joint Exercise of Powers Agreement establishing the McFarland Public Financing Corporation (the “Corporation”) for the purpose of issuing its bonds to be used to provide financial assistance to the City, the Agency or any other public entity of the State of California. The City Council of McFarland is the governing body for the Corporation. The McFarland Public Financing Corporation did not report any activity during the year. Separate financial statements are not available for the Corporation.

Discretely Presented Component Units

There are no component units of the City which meet the criteria for discrete presentation.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all of the nonfiduciary activities of the City and its blended component units. These statements include the financial activities of the overall government, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide Financial Statements (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 each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular 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) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis is placed on major funds within the governmental and proprietary categories, each is displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

- The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General fund includes such activities as general government, public safety, public works, and recreation and development.
- The TDA-LTF Fund is used to account for the City's share of the Transportation Development Allocation which is legally restricted for specific purposes, primarily street construction and maintenance and related street expenditures. This fund also accounts for other State and Federal grant revenues related to street maintenance or construction.
- The Gas Tax Fund is used to account for highway users tax allocated by the state of California.
- The CalHOME Fund is used to account for a CalHOME Homeownership Project Development Program award.
- The HOME Fund is used to account for a Home Investment Partnership Program award.
- The Development Impact Fund is used to account for impact fees.
- The McFarland Improvement Authority Fund is reported as debt service fund and is used to account for the activities of the McFarland Improvement Authority, including debt repayment.

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The City reports the following major proprietary funds:

- The Sewer Fund is used to account for the provisions of sewer service to the residents of the City. All activities necessary to provide such service are accounted for in this fund.
- The Refuse Fund is used to account for the collection and disposal of refuse within the City. All activities necessary to provide such service are accounted for in this fund.
- The Water Fund is used to account for the provisions of water service to residents of the City. All activities necessary to provide such service are accounted for in this fund.

The City reports the following additional fund type:

- The RDA Successor Agency Private Purpose Trust Fund is a fiduciary fund used to account for monies received from the Kern County Auditor Controller for the repayment of the enforceable obligations of the former McFarland Redevelopment Agency. These funds are restricted for the sole purpose of payment on items on an approved Recognized Payment Obligation Schedule (ROPS).

C. Basis of Accounting and Measurement Focus

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales tax, grants, entitlements, and donations. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax 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.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest and charges for services are considered susceptible to accrual and are accrued when their receipt occurs within 60 days after the end of the fiscal year. Certain state and federal grants are considered susceptible to accrual and are accrued when their receipt occurs within 180 days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the various functions of the governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Cash and Investments

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

Certain disclosure requirements for deposits and investment risks were made in the following areas: Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentrations of Credit Risk.

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

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Interest earned on investments is allocated using the Local Agency Fund (LAIF) factor to selected funds by the City.

The City participates in an investment pool LAIF, which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the state of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying basic financial statements.

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receivables

Receivables for governmental activities consist mainly of accounts, intergovernmental, and interest. Receivables for business-type activities consist mainly of user fees, intergovernmental, and interest earnings. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

F. Other Assets

Prepaid Items

Payments made for services that will benefit future accounting periods are recorded as prepaid costs in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid costs do not reflect current appropriable resources and thus, an equivalent portion of fund balance is reported as nonspendable.

G. Loans Receivable

Loans receivable represent low interest notes and related accrued interest to finance multi-family and single family construction and rehabilitation projects, homebuyer assistance for low income families, as well as business start-up costs. Loan terms are 15 to 55 years with an interest rate at 0% to 5%. The primary source of funding for these loans comes from grants from the Community Development Block Grant (CDBG) program and Home Investment Partnerships (HOME) program. The CDBG and HOME grants contain monitoring requirements to ensure grant compliance. These requirements are reflected in the loan agreements.

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, traffic signals, drainage systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$1,000 (\$25,000 for infrastructure) and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Capital assets used in operations are depreciated or amortized using the straight line method over the assets estimated useful life in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Buildings	15 to 40 Years
Improvements Other Than Buildings	15 to 40 Years
Machinery and Equipment	5 to 20 Years
Infrastructure	20 to 50 Years

I. Property Tax

Secured property taxes are levied during September of each year for the fiscal year beginning with the preceding July 1 and ending the following June 30. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. The Kern County Assessor establishes the value of the property on January 1. Taxes are payable in two installments on November 1 and February 1, and are delinquent if not paid by December 10 and April 10, respectively. In 1978, a state constitutional amendment (Proposition 13) provided that the tax rate be limited to 1% of market value, levied only by the County and shared with all other jurisdictions. Such limitation on the rate may only be increased through voter approval. The County collects property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdiction's assessed valuations and on the tax rate for voter-approved debt.

J. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Interfund Transactions (Continued)

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenditures or expenses in the reimbursing fund and reductions to expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

K. Unearned Revenue

Under the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue.

L. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits up to certain limits. For governmental funds, compensated absences are recorded as current and noncurrent liabilities only on the government-wide financial statements. For proprietary funds, current and noncurrent liabilities for compensated absences are recorded in both the government wide financial statements and the fund financial statements. There is no liability for unpaid sick leave since the City does not pay such amounts when employees separate from service with the City.

M. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Net Position

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is categorized as follows:

- **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 the balance in this category.
- **Restricted Net Position** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This category represents net position of the City, not restricted for any project or other purpose.

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

O. Fund Balance

Fund balances of the governmental funds are presented in the financial statements 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. Fund balances are classified as follows:

- **Nonspendable** – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** – Amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- **Committed** – Amounts that are obligated to a specific purpose which are internally imposed by the government through formal action (Ordinances and Resolutions) at the highest level of decision making authority (City Council). These commitments can only be overturned by a like action.
- **Assigned** – Amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess Fund Balances may be assigned by the City Council, City Manager, or Finance Director for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the City Council at any public meeting.

**CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Balance (Continued)

- **Unassigned** – Residual positive fund balances within the General Fund, which have not been classified within the other above mentioned categories. Unassigned Fund Balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When expenditures are incurred for purposes for which all restricted, committed, assigned, and unassigned fund balances are available, the City’s policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance to be charged: Restricted, Committed, Assigned, and Unassigned.

The City does not have a formal minimum fund balance requirement.

P. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool for all funds. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements are not pooled.

Statement of Net Position:

Cash and Investments	\$ 3,859,072
Cash with Fiscal Agents	4,338,455

Statement of Fiduciary Net Position:

Cash and Investments	6,665
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Total	\$ 8,204,192
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Cash and investments as of June 30, 2021 consist of the following:

Deposits with Financial Institutions	\$ 7,843,883
Cash on Hand	3,000
Investments	357,309
Total	\$ 8,204,192

**CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Deposits

At year end, the carrying amount of the City's cash deposits (including amounts in checking accounts and money market accounts) was \$8,197,527 and the bank balance was \$7,646,376. The difference between the bank balance and the carrying amount represents outstanding warrants and wire transfers and deposits in transit.

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial credit risk.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2021, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in fully collateralized accounts, as permitted by the California Government Code.

Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an Agent of Depository has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository is considered to be held for, and in the name of, the local governmental agency.

Investments

The City had the following investments at June 30, 2021:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date</u>
State Treasurer's Investment Pool (LAIF)	\$ 357,309	N/A
Total Investments	<u>\$ 357,309</u>	

Interest rate risk – The City's exposure to interest rate risk is identified by the above weighted average maturities. The City has no investment policy for interest rate risk.

Credit rating risk – The City is required to disclose the credit quality ratings of investments in debt securities as issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2021, the Credit rating for investment in LAIF was unavailable. The City has no investment policy for credit risk.

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Concentration of credit risk – The City is required to disclose any investment in any one issuer that represents 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As such, the City has no concentration of credit risk that exceeds 5%. The City has no investment policy for concentration of credit risk.

Custodial credit risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). The City has no investment policy for custodial credit risk.

The table below identifies the investment types that are authorized for the City of McFarland 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 addresses investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government code or the City’s investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Minimum Quality Requirements</u>
Local Agency Bonds	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
State Obligations	5 Years	None	None
CA Local Agency Obligations	5 Years	None	None
U.S. Agency Obligations	5 Years	None	None
Bankers Acceptance	180 Days	40%	None
Commercial Paper - Select Agencies	270 Days	25%	A-1
Commercial Paper - Other Agencies	270 Days	40%	A-1
Negotiable Certificates of Deposit	5 Years	30%	None
CD Placement Service	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Notes	5 Years	30%	A
Mutual and Money Market Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 Years	None	None
Mortgage Pass-Through Securities	5 Years	20%	AA
Bank/Time Deposits	5 Years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None

**CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs

The City's position in external investment pools is, in itself, regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the City's investment in external investment pools is not recognized in the three-tiered fair value hierarchy described above.

Investment in External Investment Pools

The City maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. At June 30, 2021, the County's investment in LAIF valued at amortized cost was \$357,309 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$193.3 billion. Of that amount, 97.69% is invested in non-derivative financial products and 2.31% in structured notes and asset-backed securities.

Restricted Cash and Investments with Fiscal Agents

Cash and investments at June 30, 2021 that are restricted by legal or contractual requirements are comprised of the following:

Governmental Activities:

McFarland Improvement Authority

Debt Service Reserves	\$ 3,625,575
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Business-Type Activities:

Sewer Fund:

Debt Service Reserves	481,658
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Water Fund:

Debt Service Reserves	231,222
Total	712,880

Total Restricted Cash and Investments	\$ 4,338,455
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CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 CAPITAL ASSETS

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

	Balance June 30, 2020	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2021
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 993,176	\$ -	\$ -	\$ -	\$ 993,176
Construction In Progress	4,486,550	2,465,633	-	(2,474,570)	4,477,613
Total Capital Assets, Not Being Depreciated	<u>5,479,726</u>	<u>2,465,633</u>	<u>-</u>	<u>(2,474,570)</u>	<u>5,470,789</u>
Capital Assets, Being Depreciated:					
Infrastructure	30,497,035	-	-	2,275,145	32,772,180
Machinery and Equipment	1,507,856	15,925	-	-	1,523,781
Vehicles	878,683	260,337	-	-	1,139,020
Total Capital Assets, Being Depreciated	<u>32,883,574</u>	<u>276,262</u>	<u>-</u>	<u>2,275,145</u>	<u>35,434,981</u>
Less Accumulated Depreciation for:					
Infrastructure	(6,386,155)	(1,025,066)	-	-	(7,411,221)
Machinery and Equipment	(1,156,713)	(124,986)	-	-	(1,281,699)
Vehicles	(768,422)	(111,456)	-	-	(879,878)
Total Accumulated Depreciation	<u>(8,311,290)</u>	<u>(1,261,508)</u>	<u>-</u>	<u>-</u>	<u>(9,572,798)</u>
Total Capital Assets, Being Depreciated, Net	<u>24,572,284</u>	<u>(985,246)</u>	<u>-</u>	<u>2,275,145</u>	<u>25,862,183</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,052,010</u>	<u>\$ 1,480,387</u>	<u>\$ -</u>	<u>\$ (199,425)</u>	<u>\$ 31,332,972</u>
	Balance June 30, 2020	Additions	Retirements	Transfers/ Adjustments	Balance June 30, 2021
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,280,063	\$ -	\$ -	\$ -	\$ 1,280,063
Construction In Progress	3,750,702	-	-	(3,750,702)	-
Total Capital Assets, Not Being Depreciated	<u>5,030,765</u>	<u>-</u>	<u>-</u>	<u>(3,750,702)</u>	<u>1,280,063</u>
Capital Assets, Being Depreciated:					
Infrastructure	6,836,223	-	-	-	6,836,223
Buildings and Improvements	4,828,308	-	-	3,750,702	8,579,010
Machinery and Other	11,883,946	25,985	(15,000)	-	11,894,931
Vehicles	1,005,466	-	-	-	1,005,466
Total Capital Assets, Being Depreciated	<u>24,553,943</u>	<u>25,985</u>	<u>(15,000)</u>	<u>3,750,702</u>	<u>28,315,630</u>
Less Accumulated Depreciation for:					
Infrastructure	(381,440)	(170,905)	-	-	(552,345)
Buildings and Improvements	(2,340,625)	(431,496)	-	-	(2,772,121)
Machinery and Other	(7,452,590)	(317,425)	3,000	-	(7,767,015)
Vehicles	(800,004)	(46,062)	-	-	(846,066)
Total Accumulated Depreciation	<u>(10,974,659)</u>	<u>(965,888)</u>	<u>3,000</u>	<u>-</u>	<u>(11,937,547)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,579,284</u>	<u>(939,903)</u>	<u>(12,000)</u>	<u>3,750,702</u>	<u>16,378,083</u>
Business-Type Activities Capital Assets, Net	<u>\$ 18,610,049</u>	<u>\$ (939,903)</u>	<u>\$ (12,000)</u>	<u>\$ -</u>	<u>\$ 17,658,146</u>

**CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation

Depreciation expense was charged to governmental functions as follows at June 30, 2021:

General Government	\$ 285,988
Public Safety	71,312
Public Works	846,320
Community Development	57,888
Total Depreciation Expense - Governmental Functions	<u>\$ 1,261,508</u>

Depreciation expense was charged to business-type functions as follows at June 30, 2021:

Solid Waste	\$ 412,011
Refuse	8,843
Water	502,993
Public Transit	42,041
Total Depreciation Expense - Business-Type Functions	<u>\$ 965,888</u>

NOTE 4 INTERFUND TRANSACTIONS

Due to/from Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2021:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 124,043
McFarland Improvement Authority	-	229,419
TDA - LTF	-	722,442
HOME	-	88,840
Development Impact	1,209,542	-
Sewer	4,419	-
Refuse	4,114	-
Water	1,360	-
Nonmajor Governmental Funds	-	50,864
Nonmajor Enterprise Fund	604	4,431
Total	<u>\$ 1,220,039</u>	<u>\$ 1,220,039</u>

**CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 INTERFUND TRANSACTIONS (CONTINUED)

Advances from/to Other Funds

The amount payable to the Sewer Fund relate to a loan for capital projects, including park facilities and other public infrastructure and facilities. The loan is scheduled to be repaid in 2024:

	Advances to Other Funds	Advances from Other Funds
General Fund	\$ -	\$ 158,868
Sewer	158,868	-
Total	<u>\$ 158,868</u>	<u>\$ 158,868</u>

Transfers

Transfers are indicative of funding for capital projects, and lease payments or debt service. The following are the interfund transfer balances for the year ended June 30, 2021:

	Transfer In	Transfer Out
General Fund	\$ 668,860	\$ -
Development Impact	-	731,443
Sewer	-	19,955
Refuse	-	19,955
Water	-	19,955
Nonmajor Governmental Funds	-	96,867
Nonmajor Enterprise Fund	223,125	3,810
Total	<u>\$ 891,985</u>	<u>\$ 891,985</u>

During the year, the City transferred \$508,318 from its Development Impact Fund to the General Fund and \$223,125 to the Public Transportation Fund to fund capital projects. Transfers from COPS (\$35,417) and Road Maintenance and Rehabilitation (\$61,450) to the General Fund were made to fund related projects expended in the General Fund.

NOTE 5 UNEARNED/UNAVAILABLE REVENUE

Unearned revenue consists of moneys received where the City has not yet incurred the qualifying expenditures.

Deferred inflows of resources represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has one transaction type that qualifies for reporting under this category: unavailable revenue. Unavailable revenue is only reported in the governmental funds balance sheet under the modified accrual basis of accounting.

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 UNEARNED/UNAVAILABLE REVENUE (CONTINUED)

At June 30, 2021, components of unearned and unavailable revenues were as follows:

	<u>Unearned Revenue</u>	<u>Unavailable Revenue</u>	<u>Total</u>
General Fund:			
Grant Revenue	\$ 45,630	\$ -	\$ 45,630
TDA:			
Grant Revenue	-	2,097,961	2,097,961
CalHOME:			
Grant Revenue and Loans	-	2,971,107	2,971,107
HOME:			
Grant Revenue and Loans	-	709,906	709,906
Nonmajor Governmental Funds:			
Grant Revenue and Loans	476	-	476
Total Governmental Activities	<u>\$ 46,106</u>	<u>\$ 5,778,974</u>	<u>\$ 5,825,080</u>
Public Transit:			
Grant Revenue	<u>\$ 41</u>		
Total Business-type Activities	<u>\$ 41</u>		

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

Type of Indebtedness	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Amounts Due Within One Year
Governmental Activities					
Direct Placement					
Revenue Bonds	\$ 4,450,000	\$ -	\$ (100,000)	\$ 4,350,000	\$ 105,000
Unamortized Premiums on Bonds	320,205	-	(11,859)	308,346	-
Direct Borrowing					
Notes Payable	691,284	99,652	(20,038)	770,898	20,094
Other Liabilities					
Capital Leases	76,506	218,734	(83,162)	212,078	97,369
Compensated Absences	43,033	-	(10,608)	32,425	32,425
Total Governmental Activities	<u>\$ 5,581,028</u>	<u>\$ 318,386</u>	<u>\$ (225,667)</u>	<u>\$ 5,673,747</u>	<u>\$ 254,888</u>
Business-Type Activities					
Direct Placement					
Revenue Bonds	\$ 6,080,000	\$ -	\$ (180,000)	\$ 5,900,000	\$ 185,000
Other Liabilities					
Compensated Absences	22,275	14,047	-	36,322	36,322
Total Business-Type Activities	<u>\$ 6,102,275</u>	<u>\$ 14,047</u>	<u>\$ (180,000)</u>	<u>\$ 5,936,322</u>	<u>\$ 221,322</u>

The capital lease liability is liquidated by lease payments made by the departments leasing the equipment. Compensated absences for the governmental activities are generally liquidated by the fund where the accrued liability occurred.

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Individual issues of debt payable outstanding at June 30, 2021 are as follows:

Governmental Activities

Revenue Bonds:

Series 2017 Lease Revenue Bonds dated December 1, 2017 in the original amount of \$4,450,000 at 3-4% interest; principal and interest payable each March 1 and September 1 until September 2, 2047 maturity. Bonds issued by the McFarland Improvement Authority. Secured by a pledge of lease revenues.

\$ 4,350,000

Total Revenue Bonds 4,350,000

Notes Payable:

Note payable to the United States Department of Agriculture in the amount of \$770,898; principal and interest at 3.375% due each October 1 through 2058.

770,898

Total Notes Payable 770,898

Total Governmental Activities \$ 5,891,796

Business-Type Activities

Revenue Bonds:

Revenue Bonds dated September 21, 2010, in the original amount of \$7,500,000 at .65% to 5% interest; payable semi-annually commencing April 1, 2011. Principal is due annually commencing October 1, 2011, with final payment due October 1, 2040. Secured by a pledge of water and wastewater net revenues.

\$ 5,900,000

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

The following are schedules of debt service requirements as of June 30, 2021:

Year Ending June 30,	Governmental Activities			
	Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2022	\$ 105,000	\$ 167,300	\$ 20,094	\$ 2,207
2023	105,000	164,150	20,151	2,150
2024	110,000	161,000	20,207	2,093
2025	115,000	157,700	20,264	2,036
2026	115,000	154,250	20,321	1,979
2027 - 2031	650,000	708,800	102,466	9,032
2032 - 2036	780,000	570,000	103,915	7,579
2037 - 2041	955,000	400,600	105,385	6,105
2042 - 2046	1,155,000	194,200	106,875	4,611
2047 - 2051	260,000	10,400	108,387	3,095
2052 - 2056	-	-	109,919	1,558
2057 - 2058	-	-	32,914	188
Total	<u>\$ 4,350,000</u>	<u>\$ 2,688,400</u>	<u>\$ 770,898</u>	<u>\$ 42,633</u>

Year Ending June 30,	Business-Type Activities	
	Revenue Bonds	
	Principal	Interest
2022	\$ 185,000	\$ 284,534
2023	190,000	277,213
2024	200,000	268,925
2025	210,000	260,213
2026	215,000	250,375
2027 - 2031	1,250,000	1,074,750
2032 - 2036	1,600,000	720,000
2037 - 2041	2,050,000	266,250
Total	<u>\$ 5,900,000</u>	<u>\$ 3,402,259</u>

Pledged Revenues

The City has pledged future water and wastewater utility revenue to repay revenue bonds issued in 2010. The various bonds were issued for the purchase of construction of various water or wastewater infrastructure. At June 30, 2021, \$5,900,000 remains outstanding to be repaid by future water and wastewater revenues. If such revenues prove insufficient, the remainder will be repaid as a general obligation of the City. For the fiscal year ended June 30, 2021, the net revenue available for service of this debt was \$786,185. The debt principal and interest paid in fiscal year 2020-2021 equals \$470,832 (59% of available pledged net revenues).

**CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 LEASES

Capital Leases

The City has entered into certain capital lease agreements under which the related equipment will become the property of the City when all terms of the lease agreements are met.

	Stated Interest Rate	Present Value of Remaining Payments at June 30, 2021
Governmental Activities	5.25 - 5.29%	\$ 212,078

Structures, improvements, equipment, and related accumulated depreciation under capital lease are as follows at June 30, 2021:

	Governmental Activities
Equipment and Vehicles	\$ 340,020
Less: Accumulated Depreciation	(94,540)
Net Value	\$ 245,480

As of June 30, 2021, capital lease annual amortization is as follows:

Year Ending June 30,	Governmental Activities
2022	\$ 124,485
2023	128,311
2024	27,158
Total Requirements	279,954
Less: Interest	(67,876)
Present Value of Remaining Payments	\$ 212,078

**CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

The fund balances for all major and nonmajor governmental funds as of June 30, 2021 were distributed as follows:

	General	TDA - LTF	Gas Tax	CalHOME	HOME	Development Impact	McFarland Improvement Authority	Other Governmental Funds	Total
Nonspendable:									
Prepays	\$ 4,127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,127
Land Held for Resale	446,593	-	-	-	-	-	-	-	446,593
Subtotal	450,720	-	-	-	-	-	-	-	450,720
Restricted for:									
Streets and Transportation	-	-	777,311	-	-	-	-	893,642	1,670,953
Impact Fees	-	-	-	-	-	1,248,277	-	-	1,248,277
CalHOME	-	-	-	211,048	-	-	-	-	211,048
General Government	-	-	-	-	-	-	-	71,623	71,623
Debt Service	-	-	-	-	-	-	272,821	-	272,821
Capital Projects	-	-	-	-	-	-	3,123,335	-	3,123,335
Subtotal	-	-	777,311	211,048	-	1,248,277	3,396,156	965,265	6,598,057
Unassigned	264,879	(722,442)	-	-	(85,457)	-	-	(15,376)	(558,396)
Total	<u>\$ 715,599</u>	<u>\$ (722,442)</u>	<u>\$ 777,311</u>	<u>\$ 211,048</u>	<u>\$ (85,457)</u>	<u>\$ 1,248,277</u>	<u>\$ 3,396,156</u>	<u>\$ 949,889</u>	<u>\$ 6,490,381</u>

NOTE 9 RETIREMENT PLAN

A. General Information about the Pension Plan

Plan Description

The City's defined contribution plan provides for retirement benefits to plan members and beneficiaries. The plan is administrated by John Hancock Life Insurance Company.

Funding Policy

The City contributes 10% of permanent employees' salaries who have at least three years of service. Vesting is at 33% per year over three years. In the event an employee terminates service prior to retirement, the employee is entitled to a refund of the employee's contributions plus interest plus the vested portion of the City's contributions. During the current year, the City was required to make contributions to the plan in the amount of \$206,509. The plan also included \$4,753 of forfeitures during the current year.

CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

For general liability and workers' compensation programs, the City is a member of the Central San Joaquin Valley Risk Management Authority (the RMA). The RMA is comprised of 55 member cities and special districts and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the RMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each member has a representative on the Board of Directors with officers of the RMA being elected annually by the Board Members.

General Liability – Annual deposits are paid by members and are adjusted retrospectively to cover costs. Each member has a specific self-insured retention (SIR) level. The City of McFarland's SIR is \$25,000. The city is responsible for the first \$25,000 of each occurrence. The City does not share or pay for losses of other members with SIRs under \$25,000. Specific coverage includes general and automobile liability, personal injury, errors and omissions, and certain other coverage. Claims from \$25,000 to \$1,000,000 are covered by a special pre-funded self-insurance pool maintained by the RMA. Claims from \$1,000,000 to \$4,000,000 are self-insured by the California Affiliated Risk Management Authorities (CARMA), a joint powers authority providing excess coverage to a membership consisting of six underlying joint powers authorities, representing approximately 175 cities and special districts. Claims from \$4,000,000 to \$39,000,000 are covered by Excess Comprehensive General Liability Policies.

Workers' Compensation – Annual deposits are paid by members and are adjusted retrospectively to cover costs. Each member has a specific self insured retention (SIR) level. The City of McFarland's SIR is \$25,000 per occurrence. The City is responsible for the first \$25,000 of each occurrence. The City does not share or pay for losses of other members with SIRs under \$25,000. Losses between \$25,000 and \$500,000 are covered by a special pre-funded self-insurance pool maintained by the RMA.

Claims from \$500,000 to \$5,000,000 are self-insured by the Local Agency Workers' Compensation Excess Joint Powers Authority which is a joint powers authority providing excess coverage to 36 members including cities, special districts, and joint powers authorities. Claims in excess of \$5,000,000 are self-insured by the California State Association of Counties Excess Insurance Authority, another joint powers authority.

There were no settlements in excess of insurance coverage in any of the three prior fiscal years.

**CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 RISK MANAGEMENT (CONTINUED)

The audited financial information from CSJVRMA for the year ended June 30, 2021 is as follows:

Total Assets	\$ 150,621,596
Total Liabilities	<u>129,774,819</u>
Net Position	<u>\$ 20,846,777</u>
Total Revenues	\$ 56,130,164
Total Expenses	<u>55,047,729</u>
Change in Net Position	<u>\$ 1,082,435</u>

Complete audited financial statements can be obtained from their office at 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833.

NOTE 11 OTHER INFORMATION

Fund Deficits

The City has accumulated fund deficits in the following individual funds:

Governmental Funds:	
TDA-LTF	\$ 722,442
CDBG	14,462
COPS	914
HOME	85,457

Commitments

The City has signed agreements to construct various capital improvements subsequent to June 30, 2021. The balance owed on the commitments at June 30, 2021 was approximately \$1,908,588.

Contingencies

Federal and State Government Programs – The City participates in several federal and state grant programs. These programs are subject to audit and review by the grantor pursuant to grant provisions. Expenditures may be disallowed by the granting agencies that cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is involved in several lawsuits. Due to the nature of the cases, The City’s counsel is unable to estimate at this time the probability of favorable or unfavorable outcomes. Therefore, no provision has been made in the financial statements for a loss contingency.

**CITY OF MCFARLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 PRIOR PERIOD ADJUSTMENT

The City determined that certain transactions were recorded incorrectly in a prior year.

The impact of the restatements on the fund balances / net position as previously reported is presented below:

	Government-Wide Statements Governmental Activities	TDA - LTF
Fund Balance / Net Position - June 30, 2020	\$ 36,259,129	\$ (29,759)
<u>Adjustments:</u>		
To recognize TDA revenues earned in prior years, but not recorded until the current year.	849,642	
To record unavailable revenue for TDA amounts previously recorded as revenue and not received within the availability period.		(714,029)
Restated Fund Balance / Net Position - June 30, 2020	\$ 37,108,771	\$ (743,788)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**CITY OF MCFARLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,622,384	2,622,384	\$ 2,582,222	\$ (40,162)
Licenses and Permits	387,886	387,886	408,036	20,150
Fines and Forfeitures	50,000	50,000	73,178	23,178
Use of Money and Property	16,947	16,947	31,937	14,990
Intergovernmental Revenues	4,482,794	4,482,794	1,712,694	(2,770,100)
Charges for Services	612,000	674,105	593,832	(80,273)
Contributions	-	-	6,755	6,755
Other Revenues	39,000	39,000	155,545	116,545
Total Revenues	<u>8,211,011</u>	<u>8,273,116</u>	<u>5,564,199</u>	<u>(2,708,917)</u>
EXPENDITURES				
Current:				
General Government	973,821	973,821	871,629	102,192
Public Safety	3,108,518	3,108,518	2,957,184	151,334
Public Works	746,940	746,940	502,758	244,182
Community Development	572,026	634,131	393,992	240,139
Debt Service:				
Principal	578,706	578,706	103,200	475,506
Interest and Other Charges	6,760	6,760	11,511	(4,751)
Capital Outlay	7,235,141	7,235,141	2,684,367	4,550,774
Total Expenditures	<u>13,221,912</u>	<u>13,284,017</u>	<u>7,524,641</u>	<u>5,759,376</u>
Excess of Revenues Over (Under) Expenditures	(5,010,901)	(5,010,901)	(1,960,442)	3,050,459
OTHER FINANCING SOURCES (USES)				
Transfers In	3,355,900	3,355,900	668,860	(2,687,040)
Transfers Out	(378,189)	(378,189)	-	378,189
USDA Loan	-	-	99,652	99,652
Capital Lease issuance	-	-	218,734	218,734
Total Other Financing Sources (Uses)	<u>2,977,711</u>	<u>2,977,711</u>	<u>987,246</u>	<u>(2,209,199)</u>
NET CHANGE IN FUND BALANCES	(2,033,190)	(2,033,190)	(973,196)	841,260
Fund Balances - Beginning of Year	<u>1,688,795</u>	<u>1,688,795</u>	<u>1,688,795</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ (344,395)</u>	<u>\$ (344,395)</u>	<u>\$ 715,599</u>	<u>\$ 1,059,994</u>

**CITY OF MCFARLAND
 BUDGETARY COMPARISON SCHEDULE
 TDA - LTF – MAJOR SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental Revenues	\$ 324,304	\$ 324,304	\$ 21,346	\$ (302,958)
Total Revenues	<u>324,304</u>	<u>324,304</u>	<u>21,346</u>	<u>(302,958)</u>
Excess of Revenues Over (Under) Expenditures	324,304	324,304	21,346	(302,958)
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(324,304)</u>	<u>(324,304)</u>	-	324,304
Total Other Financing Sources (Uses)	<u>(324,304)</u>	<u>(324,304)</u>	-	<u>324,304</u>
NET CHANGE IN FUND BALANCES	-	-	21,346	21,346
Fund Balances - Beginning of Year	<u>(743,788)</u>	<u>(743,788)</u>	<u>(743,788)</u>	-
FUND BALANCES - END OF YEAR	<u>\$ (743,788)</u>	<u>\$ (743,788)</u>	<u>\$ (722,442)</u>	<u>\$ 21,346</u>

**CITY OF MCFARLAND
BUDGETARY COMPARISON SCHEDULE
GAS TAX – MAJOR SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental Revenues	\$ 347,110	\$ 347,110	\$ 739,057	\$ 391,947
Total Revenues	<u>347,110</u>	<u>347,110</u>	<u>739,057</u>	<u>391,947</u>
Excess of Revenues Over (Under) Expenditures	347,110	347,110	739,057	391,947
OTHER FINANCING SOURCES (USES)				
Transfers Out	(347,110)	(347,110)	-	347,110
Total Other Financing Sources (Uses)	<u>(347,110)</u>	<u>(347,110)</u>	<u>-</u>	<u>347,110</u>
NET CHANGE IN FUND BALANCES	-	-	739,057	739,057
Fund Balances - Beginning of Year	<u>38,254</u>	<u>38,254</u>	<u>38,254</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 38,254</u></u>	<u><u>\$ 38,254</u></u>	<u><u>\$ 777,311</u></u>	<u><u>\$ 739,057</u></u>

**CITY OF MCFARLAND
BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT IMPACT – MAJOR SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Licenses and Permits	\$ 125,000	\$ 125,000	\$ 12,082	\$ (112,918)
Use of Money and Property	2,000	2,000	-	(2,000)
Total Revenues	<u>127,000</u>	<u>127,000</u>	<u>12,082</u>	<u>(114,918)</u>
 Excess of Revenues Over (Under) Expenditures	 127,000	 127,000	 12,082	 (114,918)
 OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(1,086,725)</u>	<u>(1,086,725)</u>	<u>(731,443)</u>	<u>355,282</u>
Total Other Financing Sources (Uses)	<u>(1,086,725)</u>	<u>(1,086,725)</u>	<u>(731,443)</u>	<u>355,282</u>
 NET CHANGE IN FUND BALANCES	 (959,725)	 (959,725)	 (719,361)	 240,364
 Fund Balances - Beginning of Year	 <u>1,967,638</u>	 <u>1,967,638</u>	 <u>1,967,638</u>	 <u>-</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 1,007,913</u>	 <u>\$ 1,007,913</u>	 <u>\$ 1,248,277</u>	 <u>\$ 240,364</u>

CITY OF MCFARLAND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 1 APPROPRIATED BUDGET AND BUDGETARY CONTROL

The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year for the General and Special Revenue funds. The budgets are presented for reporting purposes on a budgetary basis consistent with accounting principles generally accepted in the United States of America. The McFarland Improvement Authority does not adopt a budget.

The appropriated budget is prepared by fund, function, and department. The City Manager may make transfers of appropriations within a department and make transfers of appropriations between departments as long as there is no increase or decrease to the overall budget. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the ensuing year's budget.

The City Council adopts budgets for the Enterprise funds. However, all Proprietary fund types are accounted for on a cost of service (net income), or "capital maintenance" measurement focus. As a result, budget comparisons are impractical. Additionally, the City is not legally mandated to report the results of operations for these Proprietary fund types on a budget comparison basis; therefore, budgetary data related to these funds has not been presented.

The City did not present a budgetary schedule for the CalHOME Fund or the HOME Fund since these funds did not report a budget this year.

COMBINING FUND STATEMENTS

**CITY OF MCFARLAND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue					Total
	CDBG	Lighting & Landscape	COPS	Miscellaneous Grants	Road Maint & Rehab	
ASSETS						
Cash and Investments	\$ -	\$ 257,053	\$ -	\$ -	\$ 639,886	\$ 896,939
Receivables:						
Intergovernmental	7,791	-	-	123,942	-	131,733
Total Assets	<u>\$ 7,791</u>	<u>\$ 257,053</u>	<u>\$ -</u>	<u>\$ 123,942</u>	<u>\$ 639,886</u>	<u>\$ 1,028,672</u>
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ 25,351	\$ -	\$ 25,351
Accrued Liabilities	-	2,092	-	-	-	2,092
Due to Other Funds	22,253	789	914	26,908	-	50,864
Unearned Revenue	-	-	-	60	416	476
Total Liabilities	<u>22,253</u>	<u>2,881</u>	<u>914</u>	<u>52,319</u>	<u>416</u>	<u>78,783</u>
FUND BALANCES						
Restricted	-	254,172	-	71,623	639,470	965,265
Unassigned	(14,462)	-	(914)	-	-	(15,376)
Total Fund Balances	<u>(14,462)</u>	<u>254,172</u>	<u>(914)</u>	<u>71,623</u>	<u>639,470</u>	<u>949,889</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,791</u>	<u>\$ 257,053</u>	<u>\$ -</u>	<u>\$ 123,942</u>	<u>\$ 639,886</u>	<u>\$ 1,028,672</u>

**CITY OF MCFARLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	Special Revenue					Total
	CDBG	Lighting & Landscape	COPS	Miscellaneous Grants	Road Maint & Rehab	
REVENUES						
Taxes	\$ -	\$ 138,225	\$ -	\$ -	\$ 258,439	\$ 396,664
Use of Money and Property	-	570	-	-	-	570
Intergovernmental Revenues	-	-	35,417	741,683	-	777,100
Total Revenues	<u>-</u>	<u>138,795</u>	<u>35,417</u>	<u>741,683</u>	<u>258,439</u>	<u>1,174,334</u>
EXPENDITURES						
Current:						
General Government	-	-	-	709,285	-	709,285
Public Safety	-	-	-	3,500	-	3,500
Public Works	-	123,551	-	-	-	123,551
Total Expenditures	<u>-</u>	<u>123,551</u>	<u>-</u>	<u>712,785</u>	<u>-</u>	<u>836,336</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	15,244	35,417	28,898	258,439	337,998
OTHER FINANCING SOURCES (USES)						
Transfers Out	-	-	(35,417)	-	(61,450)	(96,867)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(35,417)</u>	<u>-</u>	<u>(61,450)</u>	<u>(96,867)</u>
NET CHANGE IN FUND BALANCES	-	15,244	-	28,898	196,989	241,131
Fund Balance - Beginning	<u>(14,462)</u>	<u>238,928</u>	<u>(914)</u>	<u>42,725</u>	<u>442,481</u>	<u>708,758</u>
FUND BALANCE - END OF YEAR	<u>\$ (14,462)</u>	<u>\$ 254,172</u>	<u>\$ (914)</u>	<u>\$ 71,623</u>	<u>\$ 639,470</u>	<u>\$ 949,889</u>



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