

City of Guadalupe
Guadalupe, California

Basic Financial Statements
For the Year Ended June 30, 2019

**CITY OF GUADALUPE
GUADALUPE, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Prepared by:

FINANCE DEPARTMENT

City of Guadalupe
Basic Financial Statements
For the year ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of Guadalupe
Guadalupe, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guadalupe, California (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 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 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, schedule of plan contributions, and schedule of changes in total other post-employment benefits on pages 5-19 and 84-89, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements on pages 92 to 95 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

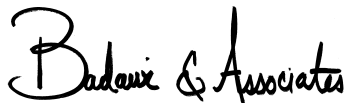
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Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 14 to the financial statements, the City continues to suffer from an insufficient fund balance in the General Fund. In addition, the General Fund has a large balance of interfund loans payable. There are doubts about the General Fund's ability to repay the interfund loans payable without having a significant impact on the City's operations. The impact on the economy and City revenues due to COVID-19 are also a concern. These conditions raise doubt about the City's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2020, 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.



Badawi and Associates
Certified Public Accountants
Berkeley, California
April 28, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

INTRODUCTION

This discussion and analysis of the City of Guadalupe financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. For the most complete picture of the City, please read this document in conjunction with the City's basic financial statements, and the accompanying notes to the basic financial statements. Comparisons between this year and the prior year are presented showing percentage changes.

FINANCIAL HIGHLIGHTS

- Total assets of the City at the close of the most recent fiscal year ended at about \$24 million with an overall increase of about \$1.4 million from the prior year. Governmental activities ended at over \$12.2 million and experienced an increase in assets of about \$931,000. Business-type activities increased assets by over \$499,000, ending the year at over \$12.5 million in assets. Total primary government assets exceeded liabilities by over \$18.8 million.
- Total liabilities of the City at June 30, 2019 were at almost \$7 million. Liabilities increased for governmental activities by about \$80,000 and decreased for business-type activities by about \$183,000. The City experienced an overall decrease in liabilities of almost \$102,000.
- As of the close of the current fiscal year, the City's total net position increased by about \$1.5 million. Net position for Governmental activities increased by about \$891,000 and business-type activities increased by about \$641,000. The City experienced an increase of about 8.8 percent in total net assets from the prior year.
- Governmental funds reported combined ending fund balances of about \$3.8 million. The General Fund ended the current fiscal year with a positive fund balance of approximately \$15,000. This is an improvement of about \$183,000 from the prior year when it closed at about \$-168,000.
- In FY 2018-19, 67 more homes were permitted for the Pasadera development within the City. The "Pasadera Development" will include approximately 800 homes and approximately 250,000 square feet of commercial space. Project build out is estimated to occur within 10 to 15 years.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's Annual Financial Report consists of four main components: (1) management's discussion and analysis, (2) the basic financial statements, (3) required supplementary information, and (4) combining fund financial statements. The basic financial statements include two kinds of statements that present different views of the City, the government-wide and the fund financial statements.

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.
- The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The basic financial statements also include notes that provide additional information essential to understanding the data contained in the government-wide and fund financial statements.

Government-Wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the City's assets and liabilities, as well as any deferred outflows or inflows of resources. The statement of activities includes all current year revenues and expenses regardless of when cash is received or paid. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the City is improving or declining.

The government-wide financial statements of the City are divided as follows:

- *Governmental activities* – Most of the City's basic services are included here, such as police, fire public works, community development, parks and recreation and general government.
- *Business-type activities* – Certain services provided by the City are funded by customer fees. Among these are water and sewer services, solid waste and transit services.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the City's largest funds, not the City as a whole. The City has 25 funds that are considered governmental, four funds that are considered proprietary, and one fund that is considered fiduciary.

OVERVIEW OF THE FINANCIAL STATEMENTS - continued

The City has three types of fund financial statements:

Governmental funds - Governmental funds tell how general government services such as police, fire and public works were financed in the short-term as well as what remains for future spending. Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship (or differences) between governmental funds and governmental activities follow the governmental funds statements.

Additional information regarding the City's ability to continue as a going concern is available in Note 14 of the Financial Statements.

Proprietary Funds – Services for which customer fees are intended to finance the costs of operations are generally reported in proprietary funds. Proprietary fund statements, like the government wide statements, provide short-term and long term financial information about the activities of the City that operate as businesses, such as water and sewer services.

Fiduciary Funds – Fiduciary Fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong. The City elected to serve as the successor agency for its former redevelopment agency which was dissolved by state law. The successor agency activity is accounted for in a private purpose trust fund.

The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these resources to finance operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City's overall financial condition. The following tables address the financial results of the City as a whole.

**City of Guadalupe
 Summary of Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent Change
	2019	2018	2019	2018	2019	2018	
Assets							
Current Assets	\$ 4,501,556	\$ 3,071,737	\$ 4,650,514	\$ 3,550,801	\$ 9,152,070	\$ 6,622,538	38.2%
Noncurrent Assets	7,768,476	8,267,223	7,908,762	8,508,476	15,677,238	16,775,699	-6.5%
Total Assets	12,270,032	11,338,960	12,559,276	12,059,277	24,829,308	23,398,237	6.1%
Deferred Outflows of Resources							
Deferred amounts	940,018	956,387	127,834	144,207	1,067,852	1,100,594	
Liabilities							
Current Liabilities	663,424	576,623	483,660	547,463	\$ 1,147,084	\$ 1,124,086	2.0%
Noncurrent Liabilities	3,308,575	3,315,111	2,337,800	2,457,005	5,646,375	5,772,116	-2.2%
Total Liabilities	3,971,999	3,891,734	2,821,460	3,004,468	6,793,459	6,896,202	-1.5%
Deferred Inflows of Resources							
Deferred pensions	180,126	236,714	27,160	2,306	207,286	239,020	
Net Position							
Net investment in capital assets	7,650,414	8,060,036	5,904,115	6,406,863	\$ 13,554,529	\$ 14,466,899	-6.3%
Restricted	2,145,544	2,173,381	149,254	147,100	2,294,798	2,320,481	-1.1%
Unrestricted	(738,033)	(2,066,518)	3,785,121	2,642,747	3,047,088	576,229	428.8%
	\$ 9,057,925	\$ 8,166,899	\$ 9,838,490	\$ 9,196,710	\$ 18,896,415	\$ 17,363,609	8.8%

Analysis of net position

Total net position of the primary government increased approximately \$1.5 million at the close of the fiscal year ending June 30, 2019. Total assets increased about \$1.4 million, deferred pension outflows decreased \$32,000, total liabilities decreased \$102,000 and deferred pension inflows decreased \$31,000. The following analysis of governmental and business-type activities provides more detailed information explaining these changes.

Governmental activities:

Total assets increased \$931,000 largely due to an increase in General Fund cash and investments resulting from community development permits. Public safety vehicle and equipment purchases caused additional asset increases in 2019. Along with receipt of land from the Pasadera development to the Park Development fund.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS - continued

Governmental Activities - continued

Deferred outflows of resources decreased almost \$16,000. Deferred Pension Plan information is located in Note 8 to the financials.

Total liabilities increased about \$80,000 mainly due to an increase in accounts payable and accrued salaries.

Deferred Pension inflows decreased \$56,000. Detailed Pension Plan information is located in Note 8 to the financials.

Business-type activities:

Total assets increased about \$499,000 due to an increase in cash and investments along with an increase in other current assets.

Deferred Pension outflows decreased about \$16,000. Detailed Pension Plan information is located in Note 8 to the financials.

Total liabilities decreased about \$183,000 due primarily to a decrease in cash overdraft and loan and lease obligations.

Deferred Pension inflows increased about \$25,000. Detailed Pension Plan information is located in Note 8 to the financials.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS - continued

The City's net position increased by over \$1.5 million during the current fiscal year. Information about changes in net position is summarized.

Changes in Net Position
 For the Fiscal Years Ended June 30, 2019 and 2018

	Governmental		Business-type		Total Primary		Total Percent Change
	Activities		Activities		Government		
	2019	2018	2019	2018	2019	2018	
Revenues							
Program revenues:							
Charges for services	\$ 2,288,481	\$ 1,244,915	\$ 4,865,076	\$ 4,986,515	\$ 7,153,557	\$ 6,231,430	14.8%
Operating grants and contributions	1,201,260	1,039,852			1,201,260	1,039,852	15.5%
Capital grants and contributions	-	106,261			-	106,261	-100.0%
General revenue:							
Sales tax	610,148	548,960			610,148	548,960	11.1%
Property tax	1,383,270	1,097,768			1,383,270	1,097,768	26.0%
Utility users tax	408,899	412,481			408,899	412,481	-0.9%
Other taxes	485,682	453,358			485,682	453,358	7.1%
Interest income	185,165	128,129			185,165	128,129	44.5%
Other revenues	247,706	231,722			247,706	231,722	6.9%
Total revenues	6,810,611	5,263,446	4,865,076	4,986,515	11,675,687	10,249,961	13.9%
Program Expenses							
Public safety	2,630,902	2,666,953			2,630,902	2,666,953	-1.4%
Transportation	1,455,823	1,166,690			1,455,823	1,166,690	24.8%
Leisure, culture and social services	299,212	179,926			299,212	179,926	66.3%
Community development	826,241	806,060			826,241	806,060	2.5%
General government	1,040,875	870,667			1,040,875	870,667	19.5%
Business-type activities	-	-	3,872,416	3,730,527	3,872,416	3,730,527	3.8%
Interest on long-term debt	17,412	11,070			17,412	11,070	57.3%
Total expenses	6,270,465	5,701,366	3,872,416	3,730,527	10,142,881	9,431,893	7.5%
Transfers	350,880	510,084	(350,880)	(510,084)	-	-	-
Change in net position	891,026	72,164	641,780	745,904	1,532,806	818,068	87.4%
Net position - beginning of year	8,166,899	8,094,735	9,196,710	8,450,806	17,363,609	16,545,541	4.9%
Net position - end of year	\$ 9,057,925	\$ 8,166,899	\$ 9,838,490	\$ 9,196,710	\$ 18,896,415	\$ 17,363,609	8.8%

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS - continued

Analysis of the changes in net position:

Total government-wide revenues of the primary government increased \$1.4 million, about 13.9 percent from the prior year, and total expenses increased almost \$710,000 or about 7.5% increase. These changes are discussed in more detail below.

Governmental Activities:

Total revenues for governmental activities increased about \$1.5 million from the prior year. Total expenditures increased over \$569,000.

Revenue

Charges for Services increased just over \$1 million primarily due to receipt of property in lieu of Quimby Act fees as part of the Pasadera development project and also increased building permit activity. Sales tax increased about \$61,000 as a result of increased sales activity and the addition of a ¼ percent local sales tax measure in recent years. Property tax increased about \$285,000, also due to new residential development. Investment income resulted in an increase of about \$57,000 due to LAIF account interest income.

Expenses

Transportation increased almost \$290,000 mainly due to pavement maintenance project and ATP Cycle 3 project. General government increased about \$170,000 primarily due to capital expenditures and payroll.

Business-Type Activities:

Total revenues for business-type activities decreased about \$121,000 from the prior year. Total expenses increased about \$141,000.

Revenue

Charges for services for Business-Type activities decreased \$121,000 primarily due to decreased water usage from commercial customers, specifically related to Curation (formerly Apio), which is our top usage account. Curation dropped a water line and began a new system of water reuse. Authorized rate increases and CPI rate adjustments will increase revenue in future years. Additional development sales revenue is also anticipated in the future.

Expenses

Business-type activity expenses increased \$141,000 mainly due to increased service activity related to the Pasadera development. In addition, capital outlay expense for the Lift Station caused an increase in overall costs.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of City Government, reporting City operations in more detail than the government-wide statements.

Governmental Funds:

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Total fund balance for governmental funds increased by \$1.3 million during fiscal year 2019. Total revenues for governmental funds increased \$1.6 million, total expenditures for governmental funds increased about \$289,000. Reasons for these changes are discussed in more detail below.

General Fund

Total General Fund revenues decreased \$60,000 in the current year. Taxes increased by about \$230,000, but license and permits decreased \$206,000.

Total General Fund expenditures increased about \$58,000 this year. This is primarily due to payroll related costs from General government, community development and capital outlay.

Measure A

Revenues for Measure A were up from prior year by about \$31,000. Expenditures increased by about \$441,000 mainly due to pavement maintenance project and ATP Cycle 3 project.

Park Development Fund

Revenues for the Park Development Fund is up by about \$702,000 primarily due to receipt of property in lieu of Quimby Act fees as part of the Pasadera development project.

Capital Facilities Fund

Revenues for the Capital Facilities Fund is up by about \$730,000 primarily due to receipt of impact fees from the Pasadera development and People Self Help Housing funding.

Other Governmental Funds

Total other governmental funds revenues increased \$282,000. This increase is primarily due to the increase in Impact fees from the Pasadera Development. Total other government fund expenditures decreased about \$217,000, mainly due to decrease in expenditures for the Gas Tax fund.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS - continued

Enterprise Funds:

The City's four enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Total operating revenues decreased by more than \$120,000. Total operating expenses increased by about \$140,000 over prior year. The discussion below provides a detailed explanation for each business-type fund.

Water Fund

Water fund operating revenues decreased \$24,000 compared to the prior year primarily due to decreased water usage from commercial customers, specifically related to Curation (formerly Apio), which is our top usage account. Curation dropped a water line and began a new system of water reuse. Authorized rate increases and CPI rate adjustments will increase revenue in future years. Additional development sales revenue is also anticipated in the future. Operating expenses in the current year decreased by \$10,000.

Wastewater Fund

Wastewater fund operating revenues decreased over \$188,000 compared to the prior year due to grant revenues from the Department of Water Resources for lift station and infrastructure improvements came in at over \$216,000 for prior year not received in the current year. Operating expenses were up almost \$130,000 primarily due to the grant project expenses and wastewater services related to the Pasadera development.

Solid Waste Fund

Solid Waste revenue increased about \$3,000 due to the re-negotiated contract for the city's waste hauler. The service provider is required to pay a surcharge until the current deficit is relieved. The Solid Waste fund incurred zero expenses in 2019. The City anticipates the negative fund balance will be eliminated to be in the next fiscal year.

Transit Fund

Transit fund revenue increased \$88,000 due to an increase in grant revenues for operations. Operating expenses increased about \$19,000 due to maintenance and operations.

Fiduciary Funds:

The City has one Fiduciary Fund which is used to account for resources held for the benefit of parties outside the government and is not reflected in the government wide financials because the resources of those funds are not available to support City programs. The accounting used for fiduciary funds is presented with the fund financials statements in the supplemental information section.

GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budgetary comparison schedule for the year ended June 30, 2019 is presented as required supplementary information following the notes to the financial statements.

The following summarizes the original and final general fund budget compared with actual results for 2018-19:

General Fund	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 3,642,771	\$ 3,642,771	\$ 3,874,623	\$ 231,852
Expenditures	(4,130,110)	(4,099,375)	(3,995,054)	104,321
Other Financing Sources	451,000	398,868	303,628	(95,240)
Change in fund balances	(36,339)	(57,736)	183,197	240,933
Fund balance - beginning of year	(167,872)	(167,872)	(167,872)	-
Fund balances (deficit) - end of year	<u>\$ (204,211)</u>	<u>\$ (225,608)</u>	<u>\$ 15,325</u>	<u>\$ 240,933</u>

Actual ending fund balance ended the year was \$15,325. This was an increase of about \$183,000 from the prior year when it closed at \$-167,872. The net increase resulted from a variety of activities; the key changes are summarized as follows:

- Revenues were about \$231,000 higher than estimated which resulted from a rise in Building Permit revenue relative to the Pasadera development. The City experienced increases in sales tax of over \$456,000 as well as \$180,000 in tax increments.
- Expenditures were almost \$104,000 less than estimated primarily due to general reduction in personnel costs and unfilled management positions.

CAPITAL ASSETS

Capital Assets Summary. The City of Guadalupe's investment in capital assets for its governmental and business type activities as of June 30, 2019, amounts to almost \$15 million (net of accumulated depreciation). The investment in capital assets includes land, park improvements, buildings and building improvements, vehicles and equipment, streets, bikeways and water, wastewater and storm drain systems.

CAPITAL ASSETS - continued

A summary of the City's capital assets at June 30, 2019 follows:

Capital Assets, Net of Accumulated Depreciation	Governmental Activities	Business-type Activities	Total
Land	\$ 343,131	\$ 248,425	\$ 591,556
Infrastructure	3,795,093	5,167,940	8,963,033
Buildings and Improvements	3,457,317	1,662,801	5,120,118
Vehicles	153,571	485,339	638,910
Equipment	19,364	10,180	29,544
Construction in Progress		334,077	334,077
	<u>\$ 7,768,476</u>	<u>\$ 7,908,762</u>	<u>\$ 15,677,238</u>

Major capital asset expenditures during the fiscal year include:

- Vehicles
- Wastewater improvements (lift station)

Property, plant and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10-50
Buildings and Structures	20-50
Improvements other than buildings	20-50
Equipment	5-15

CAPITAL ASSETS - continued

Capital assets activity for the fiscal year ended June 30, 2019 was as follows:

	Balance			Balance
	June 30, 2018	Additions	Deductions	June 30, 2019
Governmental Activities:				
Land	\$ 343,131	\$	\$	\$ 343,131
Buildings and improvements	5,244,508			5,244,508
Accumulated depreciation	(1,644,068)	(143,123)		(1,787,191)
Vehicles	1,294,872	41,038		1,335,910
Accumulated depreciation	(1,087,686)	(94,653)		(1,182,339)
Equipment	571,849			571,849
Accumulated depreciation	(526,812)	(25,673)		(552,485)
Infrastructure	6,998,887			6,998,887
Accumulated depreciation	(2,927,458)	(276,336)		(3,203,794)
Total governmental capital assets, net	\$ 8,267,223	\$ (498,747)	\$ -	\$ 7,768,476
Business-Type Activities:				
Land	\$ 248,425			\$ 248,425
Construction in progress	217,413	116,664		\$ 334,077
Buildings and improvements	9,869,371		459,590	\$10,328,961
Accumulated depreciation	(8,084,247)	(581,913)		(8,666,160)
Vehicles	1,681,713			1,681,713
Accumulated depreciation	(1,087,018)	(109,356)		(1,196,374)
Equipment	529,516			529,516
Accumulated depreciation	(494,227)	(25,109)		(519,336)
Infrastructure	7,458,478		(459,590)	6,998,888
Accumulated depreciation	(1,830,948)			(1,830,948)
Total business type capital assets, net	\$ 8,508,476	\$ (599,714)	\$ -	\$ 7,908,762

Depreciation expense was charged to functions/programs as follows:

City of Guadalupe
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

Governmental activities:

Public safety	\$	81,143
Transportation		36,115
Leisure, cultural & social services		32,310
Community development		361,295
General government		28,922
Total governmental activities depreciation expense	\$	<u>539,785</u>

Business-type activities:

Water	\$	192,262
Waste water		443,732
Transit		80,384
Total business-type activities depreciation expense	\$	<u>716,378</u>

Additional information on the City's capital assets can be found in Note 5 to the basic financial statements.

LONG-TERM DEBT

At June 30, 2019, the City of Guadalupe had almost \$2.4 million in long-term debt outstanding as summarized below:

Long-Term Debt	Governmental Activities	Business-type Activities	Total
Sewer Bonds	\$ -	\$ -	\$ -
OPEB	-		-
Certificates of participation		1,905,921	1,905,921
Compensated absences	227,215		227,215
Loans payable to successor agency trust fund		-	-
Note payable			-
Insurance claim payable	21,819	70,719	92,538
Capital leases payable	118,062	98,726	216,788
	\$ 367,096	\$ 2,075,366	\$ 2,442,462

Long-term debt governmental activity for the fiscal year ended June 30, 2019 was as follows:

Governmental activities:	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Sewer bonds	\$ 16,000		\$ 16,000	\$ -
OPEB	-			0
Compensated absences	249,701		22,486	227,215
Insurance loan payable	62,071	71,577	111,829	21,819
Capital leases obligations	191,187		73,125	118,062
Total	\$ 518,959	\$ 71,577	\$ 223,440	\$ 367,096

Long-term debt business-type activity for the fiscal year ended June 30, 2019 was as follows:

Business-Type Activities:	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Short-term loan	\$ -	\$ -		\$ -
Certificates of participation	\$ 1,968,065		\$ 62,144	\$ 1,905,921
Loans payable to Successor Agency Trust Fund	-		-	-
Insurance loan payable	78,639	206	8,126	70,719
Capital lease obligations	133,548	-	34,822	98,726
Total	\$ 2,180,252	\$ 206	\$ 105,092	\$ 2,075,366

Additional information about the City of Guadalupe's long-term debt can be found in Note 6 to the basic financial statements.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

On July 31, 2018 the Council adopted the fiscal year 2018-19 budget (Resolution No. 2018-47). The General Fund portion of that budget contains a balanced budget.

Fiscal Outlook. Revenues continue to increase and sustain the City's general fund. In fiscal year 2018-19 the General fund increased from prior year's negative fund balance, ending the year at \$15,325, from a negative \$167,872. The primary goal is to begin the preservation of future reserves. The City's revenue continues to increase as the Pasadera Development added additional homes this fiscal year and expects 150 over the next two fiscal years with build out expected within eight years. Development construction has continued amid the COVID virus pandemic. The Pasadera Development has increased Building Permit and related construction fee revenues so far this fiscal year 2020. Other revenues showing steady increases are Sales Tax, Business License, Utility Users Tax and Franchise Fees. However, the City may begin to see an impact in sales tax revenue starting in April 2020 with the potential of deferral of sales tax payments to local jurisdictions to relief small businesses. City Staff will continue to monitor closely and is working with FEMA to obtain reimbursement for costs related to the pandemic. Amid the pandemic, the City still needs to look at finding alternatives to sustain recurring revenue streams for the future including a new sales tax measure in 2020 and continuation of increase of water and wastewater rates.

CITY OF GUADALUPE ACTIVITIES

The City of Guadalupe utilizes grants as much as possible to carry out capital projects. Significant success has been achieved through this process. In conjunction with grants, the city seeks low interest loans when available. Infrastructure improvements continue to be a high priority. A continued focus for the future is improvements to the wastewater collection and water distribution systems. Measure A and Gas Tax funding is used for street maintenance projects. In FY 2018-19 the City continued with water and wastewater infrastructure improvements with the Lift station project to add a back-up water source for the City.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT TEAM

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Guadalupe - Attn: Lorena Zarate, 918 Obispo Street, Guadalupe, CA 93434.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Guadalupe
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 3,568,068	\$ 2,617,684	\$ 6,185,752
Accounts receivable	698,082	603,571	1,301,653
Prepaid expenses	18,776	937,261	956,037
Loans receivable	13,173	-	13,173
Property held for resale	695,455	-	695,455
Internal balances	(491,998)	491,998	-
Total current assets	<u>4,501,556</u>	<u>4,650,514</u>	<u>9,152,070</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	343,131	582,502	925,633
Depreciable, net	7,425,345	7,326,260	14,751,605
Total capital assets	<u>7,768,476</u>	<u>7,908,762</u>	<u>15,677,238</u>
Total noncurrent assets	<u>7,768,476</u>	<u>7,908,762</u>	<u>15,677,238</u>
Total assets	<u>12,270,032</u>	<u>12,559,276</u>	<u>24,829,308</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	847,806	127,834	975,640
OPEB related amounts	92,212	-	92,212
Total deferred outflows of resources	<u>940,018</u>	<u>127,834</u>	<u>1,067,852</u>
LIABILITIES			
Current liabilities:			
Accounts payable	244,834	225,199	470,033
Cash overdraft	18,780	19,826	38,606
Accrued salaries and wages payable	156,573	18,602	175,175
Interest payable	-	39,990	39,990
Deposits payable	71,660	42,716	114,376
Unearned revenue	77,357	-	77,357
Long-term debt - due within one year	94,220	137,327	231,547
Total current liabilities	<u>663,424</u>	<u>483,660</u>	<u>1,147,084</u>
Noncurrent liabilities:			
Net pension liability	2,651,234	399,761	3,050,995
Total OPEB liability	384,465	-	384,465
Long-term debt - due in more than one year	272,876	1,938,039	2,210,915
Total noncurrent liabilities	<u>3,308,575</u>	<u>2,337,800</u>	<u>5,646,375</u>
Total liabilities	<u>3,971,999</u>	<u>2,821,460</u>	<u>6,793,459</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	180,126	27,160	207,286
Total deferred inflows of resources	<u>180,126</u>	<u>27,160</u>	<u>207,286</u>
NET POSITION			
Net investment in capital assets	7,650,414	5,904,115	13,554,529
Restricted for:			
Street maintenance	1,191,876	-	1,191,876
Other capital projects	720,415	-	720,415
Community development	78,668	-	78,668
Other purposes	154,585	149,254	303,839
Total restricted	<u>2,145,544</u>	<u>149,254</u>	<u>2,294,798</u>
Unrestricted	(738,033)	3,785,121	3,047,088
Total net position	<u>\$ 9,057,925</u>	<u>\$ 9,838,490</u>	<u>\$ 18,896,415</u>

See accompanying Notes to Basic Financial Statements.

City of Guadalupe
Statement of Activities
For the year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General Government	\$ 1,040,875	\$ 259,672	\$ 128,650	\$ -
Public Safety	2,630,902	283,661	245,400	-
Transportation	1,455,823	-	818,140	-
Leisure, cultural and social services	299,212	711,422	-	-
Community development	826,241	1,033,726	9,070	-
Interest on long-term debt	17,412	-	-	-
Total governmental activities	6,270,465	2,288,481	1,201,260	-
Business-type activities:				
Water	1,819,488	2,180,450	-	-
Wastewater Treatment	1,463,818	2,018,975	-	-
Solid Waste	-	80,184	-	-
Transit	589,110	585,467	-	-
Total business-type activities	3,872,416	4,865,076	-	-
Total primary government	\$ 10,142,881	\$ 7,153,557	\$ 1,201,260	\$ -

General Revenues:

Taxes:

Property taxes

Sales taxes

Utilities Uses Tax

Other taxes

Total taxes

Investment earnings

Other

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

Net (Expense) Revenue
and Changes in Net Position

Total	Governmental Activities	Business-Type Activities	Total
\$ 388,322	\$ (652,553)	\$ -	\$ (652,553)
529,061	(2,101,841)	-	(2,101,841)
818,140	(637,683)	-	(637,683)
711,422	412,210	-	412,210
1,042,796	216,555	-	216,555
-	(17,412)	-	(17,412)
<u>3,489,741</u>	<u>(2,780,724)</u>	<u>-</u>	<u>(2,780,724)</u>
2,180,450	-	360,962	360,962
2,018,975	-	555,157	555,157
80,184	-	80,184	80,184
585,467	-	(3,643)	(3,643)
<u>4,865,076</u>	<u>-</u>	<u>992,660</u>	<u>992,660</u>
<u>\$ 8,354,817</u>	<u>(2,780,724)</u>	<u>992,660</u>	<u>(1,788,064)</u>
	1,383,270	-	1,383,270
	610,148	-	610,148
	408,899	-	408,899
	485,682	-	485,682
	<u>2,887,999</u>	<u>-</u>	<u>2,887,999</u>
	185,165	-	185,165
	247,706	-	247,706
	350,880	(350,880)	-
	<u>3,671,750</u>	<u>(350,880)</u>	<u>3,320,870</u>
	891,026	641,780	1,532,806
	8,166,899	9,196,710	17,363,609
	<u>\$ 9,057,925</u>	<u>\$ 9,838,490</u>	<u>\$ 18,896,415</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

City of Guadalupe
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds				Other Govern- mental Funds	Total Govern- mental Funds
	General	Measure A	Park Develop- ment	Capital Facilities		
ASSETS						
Cash and investments	\$ 759,180	\$ 830,935	\$ 10,917	\$1,059,296	\$ 907,740	\$3,568,068
Accounts receivable	551,357	92,583	63	6,169	47,910	698,082
Prepaid expenses	14,776	-	-	-	4,000	18,776
Interfund loans receivable	-	-	-	68,333	320,000	388,333
Loans receivable	-	-	-	-	13,173	13,173
Property held for resale	-	-	695,455	-	-	695,455
Total assets	\$1,325,313	\$ 923,518	\$ 706,435	\$1,133,798	\$1,292,823	\$5,381,887
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	132,664	27,205	-	-	84,965	244,834
Cash overdraft	-	-	-	-	18,780	18,780
Accrued salaries and wages payable	151,908	2,736	-	-	1,929	156,573
Deposits payable	71,660	-	-	-	-	71,660
Unearned revenue	77,357	-	-	-	-	77,357
Interfund loans payable	811,998	-	-	-	68,333	880,331
Total liabilities	1,245,587	29,941	-	-	174,007	1,449,535
Deferred inflows of resources:						
Unavailable revenue	64,401	-	-	-	9,695	74,096
Total deferred inflows of resources	64,401	-	-	-	9,695	74,096
Fund Balances:						
Nonspendable:						
Prepaid expenses	14,776	-	-	-	4,000	18,776
Restricted for:						
Street maintenance	-	893,577	-	-	298,299	1,191,876
Other capital projects	-	-	706,435	-	13,980	720,415
Community development	-	-	-	-	78,668	78,668
Public safety	-	-	-	-	113,525	113,525
Utility infrastructure	-	-	-	-	11,516	11,516
Debt service	-	-	-	-	29,544	29,544
Lighting and landscape	-	-	-	-	617,967	617,967
Committed to:						
Capital projects	-	-	-	1,133,798	71,748	1,205,546
Unassigned	549	-	-	-	(130,126)	(129,577)
Total fund balances	15,325	893,577	706,435	1,133,798	1,109,121	3,858,256
Total liabilities, deferred inflows of resources, and fund balances	\$1,325,313	\$ 923,518	\$ 706,435	\$1,133,798	\$1,292,823	\$5,381,887

See accompanying Notes to Basic Financial Statements.

City of Guadalupe
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balances - Total Governmental Funds \$ 3,858,256

Amounts reported for governmental activities in the Statement of Net Position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Except for the internal service funds reported below, the capital assets were adjusted as follows:

Non-depreciable	343,131
Depreciable, net	<u>7,425,345</u>
Total capital assets	<u>7,768,476</u>

Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.	74,096
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Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.	315,440
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In the Government-Wide Financial Statement certain OPEB amounts are deferred and amortized over a period of time, however, in the governmental funds no transactions are recorded.	92,212
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In the Government-Wide Financial Statement certain pension amounts are deferred and amortized over a period of time, however, in the governmental funds no transactions are	352,240
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Net pension liability	(2,651,234)
Net OPEB liability	(384,465)
Long term liabilities - due within one year	(94,220)
Long term liabilities - due in more than one year	<u>(272,876)</u>
Total long-term liabilities	<u>(3,402,795)</u>

Net Position of Governmental Activities \$ 9,057,925

City of Guadalupe
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2019

	Major Funds				Other Govern- mental Funds	Total Govern- mental Funds
	General	Measure A	Park Develop- ment	Capital Facilities		
REVENUES:						
Taxes	2,349,261	508,780	-	-	\$ 381,947	\$3,239,988
Licenses and permits	736,416	-	-	804,342	31,703	1,572,461
Fines and penalties	25,101	-	-	-	-	25,101
Revenues from other agencies	343,729	-	-	-	457,766	801,495
Charges for current services	87,086	-	703,622	-	5,547	796,255
Interest	123,127	19,951	156	16,936	24,995	185,165
Other revenues	209,903	-	-	-	12,408	222,311
Total revenues	3,874,623	528,731	703,778	821,278	914,366	6,842,776
EXPENDITURES:						
Current:						
General Government	1,026,400	-	-	-	-	1,026,400
Public Safety	2,275,212	-	-	-	233,435	2,508,647
Transportation	-	845,416	-	-	538,092	1,383,508
Leisure, cultural and social services	165,310	-	-	-	101,592	266,902
Community development	393,225	-	-	-	71,721	464,946
Capital outlay	68,238	-	-	-	11,555	79,793
Debt service:						
Principal	50,057	-	-	-	36,808	86,865
Interest and fiscal charges	16,612	-	-	-	800	17,412
Total expenditures	3,995,054	845,416	-	-	994,003	5,834,473
REVENUES OVER (UNDER) EXPENDITURES	(120,431)	(316,685)	703,778	821,278	(79,637)	1,008,303
OTHER FINANCING SOURCES (USES):						
Transfers in	366,360	-	-	-	62,732	429,092
Transfers out	(62,732)	-	-	-	(15,480)	(78,212)
Total other financing sources (uses)	303,628	-	-	-	47,252	350,880
Net change in fund balances	183,197	(316,685)	703,778	821,278	(32,385)	1,359,183
FUND BALANCES:						
Beginning of year	(167,872)	1,210,262	2,657	312,520	1,141,506	2,499,073
End of year	\$ 15,325	\$ 893,577	\$ 706,435	\$1,133,798	\$1,109,121	\$3,858,256

City of Guadalupe

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 1,359,183
Amounts reported for governmental activities in the Statement of Activities were different	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	41,038
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.	(539,785)
Accrued compensated leave payable is not recorded in the governmental funds, but the accrued payable decreased in the Government-Wide Statement of Net Position causing an expenditure on the Statement of Activities.	22,486
OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(41,090)
Repayment of debt principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Insurance claims payable	111,829
Long-term debt repayments	89,125
Re-assessing insurance claims liabilities results in an expenditure (revenue) on the Government-Wide Statement of Activities, but is not recognized in the fund financial statements. This amount reflects a decrease (increase) in the amount of insurance claims payable.	(71,577)
Revenues that are not considered to be available are reported as unavailable revenues in the governmental funds, however, these amounts are recognized in the Government-Wide Statement of Activities. This amount represents the change in unavailable revenues.	(32,165)
Current year employer pension contributions are recorded as expenditures in the governmental funds, however, these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position.	315,440
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however, pension expense is not recognized in the governmental funds.	(363,458)
Change in Net Position of Governmental Activities	\$ 891,026

City of Guadalupe
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
ASSETS					
Current assets:					
Cash and investments	\$ 811,141	\$ 1,459,698	\$ -	\$ 346,845	2,617,684
Accounts receivable, net of allowance	258,139	270,851	10,553	64,028	603,571
Prepaid expenses	932,575	4,686	-	-	937,261
Interfund loan receivable, current portion	58,168				58,168
Total current assets	2,060,023	1,735,235	10,553	410,873	4,216,684
Noncurrent assets:					
Interfund loan receivable, net of current portion	433,830	-	-	-	433,830
Land	29,464	218,961	-	-	248,425
Work in progress	-	334,077	-	-	334,077
Buldings, structures and improvements	5,493,067	11,817,438	-	17,344	17,327,849
Vehicles	80,073	119,108	-	1,482,532	1,681,713
Equipment	392,348	126,558	-	10,610	529,516
Less accumulated depreciation	(3,209,192)	(7,898,117)	-	(1,105,509)	(12,212,818)
Total noncurrent assets	3,219,590	4,718,025	-	404,977	8,342,592
Total assets	5,279,613	6,453,260	10,553	815,850	12,559,276
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	55,046	72,788	-	-	127,834
Total deferred outflows of resources	55,046	72,788	-	-	127,834

City of Guadalupe
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
LIABILITIES					
Current liabilities:					
Accounts payable	32,299	152,509	-	40,391	225,199
Cash overdraft	-	-	19,826	-	19,826
Deposits payable	42,716	-	-	-	42,716
Accrued wages and benefits	10,065	8,537	-	-	18,602
Interest payable	22,588	17,402	-	-	39,990
Current portion of insurance claim payable	14,437	12,969	-	-	27,406
Current portion of capital lease obligations	16,053	28,315	-	-	44,368
Current portion of certificates of participation	42,153	23,400	-	-	65,553
Total current liabilities	180,311	243,132	19,826	40,391	483,660
Noncurrent liabilities:					
Insurance claim payable	22,665	20,648	-	-	43,313
Capital lease obligations, net of current portion	15,692	38,666	-	-	54,358
Certificates of participation, net of current portion	1,042,241	798,127	-	-	1,840,368
Net pension liability	172,141	227,620	-	-	399,761
Total noncurrent liabilities	1,252,739	1,085,061	-	-	2,337,800
Total liabilities	1,433,050	1,328,193	19,826	40,391	2,821,460
DEFERRED INFLOWS OF RESOURCES					
Pension related amounts	11,695	15,465	-	-	27,160
Total deferred inflows of resources	11,695	15,465	-	-	27,160
NET POSITION					
Net investment in capital assets	1,669,621	3,829,517	-	404,977	5,904,115
Restricted for debt service	88,522	60,732	-	-	149,254
Unrestricted	2,131,771	1,292,141	(9,273)	370,482	3,785,121
Total net position	\$ 3,889,914	\$ 5,182,390	\$ (9,273)	\$ 775,459	\$ 9,838,490

City of Guadalupe

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the year ended June 30, 2019

	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
OPERATING REVENUES:					
Water sales	\$ 1,925,825	\$ -	\$ -	\$ -	1,925,825
Standby charges	36,515	-	-	-	36,515
Connection fees	155,390	190,724	-	-	346,114
Sewer service charges	-	1,620,499	-	-	1,620,499
Refuse service charges	-	-	80,119	-	80,119
Revenues from other agencies	-	34,624	-	511,299	545,923
Other revenues	62,720	173,128	65	74,168	310,081
Total operating revenues	2,180,450	2,018,975	80,184	585,467	4,865,076
OPERATING EXPENSES:					
Personnel services	279,852	280,621	-	-	560,473
Maintenance and operations	1,295,698	694,520	-	508,726	2,498,944
Depreciation	192,262	443,732	-	80,384	716,378
Total operating expenses	1,767,812	1,418,873	-	589,110	3,775,795
OPERATING INCOME (LOSS)	412,638	600,102	80,184	(3,643)	1,089,281
NONOPERATING REVENUES (EXPENSES):					
Interest expense	(51,676)	(44,945)	-	-	(96,621)
Transfers out	(109,992)	(205,896)	-	(34,992)	(350,880)
Total nonoperating revenues (expenses)	(161,668)	(250,841)	-	(34,992)	(447,501)
Change in net position	250,970	349,261	80,184	(38,635)	641,780
NET POSITION					
Beginning of year, as restated	3,638,944	4,833,129	(89,457)	814,094	9,196,710
End of year	<u>\$ 3,889,914</u>	<u>\$ 5,182,390</u>	<u>\$ (9,273)</u>	<u>\$ 775,459</u>	<u>\$ 9,838,490</u>

City of Guadalupe
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2019

	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 2,050,145	\$ 2,020,017	\$ 79,992	\$ 573,772	\$ 4,723,926
Cash received from connection fees	155,390	190,724	-	-	346,114
Cash received from standby charges and other agencies	38,645	-	-	-	38,645
Cash paid to suppliers for goods and services	(1,444,584)	(591,335)	-	(513,995)	(2,549,914)
Cash paid to employees and related benefits	(267,299)	(265,182)	-	-	(532,481)
Net cash provided by (used in) operating activities	532,297	1,354,224	79,992	59,777	2,026,290
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Internal activity - cash paid to (received from) other funds for interfund loan payments	51,501	-	-	-	51,501
Net transfers	(109,992)	(205,896)	-	(34,992)	(350,880)
Net cash provided by (used in) noncapital financing activities	(58,491)	(205,896)	-	(34,992)	(299,379)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Net change in insurance payable	(4,366)	(3,554)	-	-	(7,920)
Net changes in capital lease obligations	(10,895)	(23,927)	-	-	(34,822)
Principal payments on certificates of participation	(40,304)	(21,840)	-	-	(62,144)
Interest payments on certificates of participation	(51,676)	(44,945)	-	-	(96,621)
Acquisition of capital assets	-	(116,664)	-	-	(116,664)
Net cash used in capital and related financing activities	(107,241)	(210,930)	-	-	(318,171)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	366,565	937,398	79,992	24,785	1,408,740
CASH AND CASH EQUIVALENTS - Beginning of year	444,576	522,300	(99,818)	322,060	1,189,118
CASH AND CASH EQUIVALENTS - End of year	\$ 811,141	\$ 1,459,698	\$ (19,826)	\$ 346,845	\$ 2,597,858
FINANCIAL STATEMENT PRESENTATION:					
Cash and investments	\$ 811,141	\$ 1,459,698	\$ -	\$ 346,845	2,617,684
Cash overdraft	-	-	(19,826)	-	(19,826)
Total	\$ 811,141	\$ 1,459,698	\$ (19,826)	\$ 346,845	\$ 2,597,858
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 412,638	\$ 600,102	\$ 80,184	\$ (3,643)	\$ 1,089,281
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	192,262	443,732	-	80,384	716,378
Changes in assets, deferred outflows and inflows of resources, and liabilities					
Accounts receivable	57,001	191,766	(192)	(11,695)	236,880
Prepaid expenses	(86,620)	27,274	-	-	(59,346)
Deferred outflows pensions	7,050	9,323	-	-	16,373
Accounts payable	(62,266)	75,911	-	(5,269)	8,376
Unearned revenue	-	-	-	-	-
Deposits payable	6,729	-	-	-	6,729
Accrued wages and benefits	(742)	(2,140)	-	-	(2,882)
Net pension liability	(4,458)	(5,895)	-	-	(10,353)
Deferred inflows pensions	10,703	14,151	-	-	24,854
Total adjustments	119,659	754,122	(192)	63,420	937,009
Net cash provided by (used in) operating activities	\$ 532,297	\$ 1,354,224	\$ 79,992	\$ 59,777	\$ 2,026,290

City of Guadalupe
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2019

	<u>Private-Purpose Trust Fund</u>
ASSETS	
Cash and investments	\$ 991,979
Cash with fiscal agent	300,798
Accounts receivable	196,404
Property held for resale	222,482
Capital assets, net of accumulated depreciation	<u>153,460</u>
Total assets	<u>1,865,123</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	<u>87,422</u>
Total deferred outflows of resources	<u>87,422</u>
LIABILITIES	
Accounts payable	80,850
Interest payable	59,513
Unearned revenue	445,960
Long-term liabilities:	
Due within one year	219,215
Due after one year	<u>4,333,040</u>
Total liabilities	<u>5,138,578</u>
NET POSITION	
Held in trust for other governments	<u>\$ (3,186,033)</u>

City of Guadalupe
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the year ended June 30, 2019

	<u>Private-Purpose Trust Fund</u>
ADDITIONS:	
Property taxes	\$ 847,285
Revenue from other agencies	167,944
Other revenues	19,010
Total additions	<u>1,034,239</u>
DEDUCTIONS:	
Program expenses	302,236
Administration expenses	125,000
Interest on long-term liabilities	140,456
Depreciation	9,900
Total Deductions	<u>577,592</u>
Change in net position	456,647
NET POSITION:	
Beginning of year, as restated	<u>(3,642,680)</u>
End of year	<u><u>\$ (3,186,033)</u></u>

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Guadalupe (the City) was incorporated on August 3, 1946. The City is a general law city under the laws of the State of California and operates under a Council-Administrator form of government. The City provides the following services: public safety (police and fire), construction and maintenance of highways and streets, sanitation, culture and recreation, public improvements, planning, zoning and general administration. Enterprise funds, operated in a manner similar to a private business, include water, wastewater, and transit.

The City has defined its reporting entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, amended by GASB Statements No. 39 and 61. These statements provide guidance for determining which organizations, functions and activities of a government should be included in the general purpose financial statements.

The criteria for inclusion in the basic financial statements are generally based upon the ability of the City to exercise oversight responsibility over such organizations, functions and activities. Oversight responsibility is generally defined as the existence of financial interdependency and/or the ability to appoint governing boards, to designate management, to significantly influence operations, to approve operating budgets or to control day to day activities.

The accompanying financial statements include all activities and reporting entities over which the City exercises oversight responsibility. Effective January 31, 2012, the Community Redevelopment Agency of the City of Guadalupe (the Agency) was dissolved through the Supreme Court decision on Assembly Bill 1X26. This action impacted the reporting entity of the City that previously had reported the Agency as a blended component unit. See Note 11 for additional information on the dissolution and reporting of the Agency as a Private Purpose Trust Fund.

In determining the financial reporting entity for the City of Guadalupe, the following governmental unit has met the criteria for inclusion in the City's financial statements.

Guadalupe Public Financing Authority

The Guadalupe Public Financing Authority (Authority) was established in 2000, and is a separate government entity under the laws of the State of California. The purpose of the Authority is to provide financing for the construction and acquisition of selected City facilities. The City Council of the City of Guadalupe and the Board of Directors of the Authority are legally separate boards; however, they share a common membership. Activities of the Authority are accounted for in the applicable City governmental or enterprise funds. Separate financial statements are not prepared for the Authority, as it is included in the accompanying financial statements as a blended component unit.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Other Governmental Agencies

Other governmental agencies provide various levels of services to residents of the City, either entirely or partially. The entities include, but are not limited to, the State of California, the County of Santa Barbara, as well as several school districts. Each of these agencies has an independently elected governing board or is dependent on an independently elected governing board other than the City Council of the City of Guadalupe.

The City has no ability to appoint or control the management of any of these entities and is not responsible for any operating losses or debts incurred. As a result of the above analysis, financial information for these agencies is not included within the scope of this report.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

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

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

These financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred inflows/outflows of resources, and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

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

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

Certain eliminations have been made in regards 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, internal fund 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/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements including all NCGA Statements and Interpretations currently in effect.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that meet specific qualifications.

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. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures/expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

The City reports the following funds as major governmental funds of the City.

General Fund accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund.

Measure A Special Revenue Fund accounts for the activities associated with maintaining, improving or constructing roadways, bridges and bicycle and pedestrian bridges, safe routes to school improvements, storm damage repair for transportation facilities, roadway drainage facilities, and landscaping maintenance.

Park Development Special Revenue Fund accounts for amounts received from developers and the public for fees related to parks and recreation and uses those fees for park maintenance, creation, and upgrades.

Capital Facilities Capital Projects Fund accounts for special projects that must be approved by Council, such as public safety, and public infrastructure and facilities.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

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, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. The proprietary funds' "deposits" in the City-wide cash management pool are, in substance, demand deposits and are, therefore, considered cash equivalents for purposes of the Statement of Cash Flows.

The City reports the Water, Sewer, Solid Waste and Transit funds as proprietary funds of the City.

Water Fund: This enterprise fund accounts for the operation of the City's water utility, a self-supporting activity, which renders a service on a user charge basis to residents and businesses.

Wastewater Treatment Fund: This enterprise fund accounts for the operations of the City's wastewater treatment plant. The fund accounts for the operation of the City's sewer utility, a self-supporting activity, which renders a service on a user charge basis to residents and businesses.

Solid Waste Fund: This enterprise fund accounts for the discontinued operations of the City's solid waste collection and disposal services, which rendered service on a user charge basis to residents and businesses. Because the fund balance is negative, customers are continuing to be charged until the fund has paid off its debts to the City. It is anticipated that this fund will close in the fiscal year ending June 30, 2020.

Transit Fund: This enterprise fund accounts for the operations of the City's transit service within the City and surrounding areas.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Fiduciary funds include a private purpose trust fund which accounts for the assets and liabilities of the former Redevelopment Agency.

C. Cash, Cash Equivalents 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.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

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

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - 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.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, 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. 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. The City does not have any investments that are measured using Level 3 inputs.

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (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 the change 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.

The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt, for acquisition and construction of capital projects, and to meet bond indenture debt reserve requirements.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The City's policy is to capitalize all capital assets with costs exceeding \$5,000 and with useful lives exceeding one year.

With the implementation of GASB Statement No. 34, the City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each fiscal year until the asset is fully depreciated.

The City has assigned the useful lives listed below to capital assets.

Vehicles	5 - 10 years
Buildings and Improvements	20 - 35 years
Equipment	5 - 15 years
Infrastructure	10 - 50 years

F. Interest Payable

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the Fund Financial Statements, proprietary and fiduciary fund types recognize the interest payable when the liability is incurred, but governmental fund types do not recognize an interest payable. Instead interest expense is recorded when the payment is made.

G. Long-Term Debt

Government-Wide Financial Statements

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

Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable is reported net of the applicable bond premium or discount. Bond issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

Fund Financial Statements

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Long-Term Debt, Continued

Fund Financial Statements, Continued

Bond premiums and discounts are recognized during the current period as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Bond proceeds are reported as other financing sources.

Proprietary Fund and Fiduciary Fund Financial Statements use the same principles as those used in the Government-Wide Financial Statements.

H. Property Taxes

California Constitution Article XIII A limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

Property tax revenues are recognized in the fiscal year for which taxes have been levied, and collected within sixty days of fiscal year-end. Property tax assessment and collection is administered by the County of Santa Barbara.

Property taxes are billed and collected as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/Lien Date(s)	January 1	January 1
Levy Date(s)	September 1	January 1
Due Date(s)	November 1 (50%) February 1 (50%)	Upon Billing
Delinquency Date(s)	December 10 (Nov.) April 10 (Feb.)	August 31

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (balance sheet) 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Net Position

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position are classified in the following categories:

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

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position" as defined above.

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

K. Fund Balances

Fund Financial Statements

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). The classifications of fund balances are as follows:

Non-spendable Fund Balances

This component consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balances

This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed Fund Balances

This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority which includes the City Municipal Code, Ordinances and Resolutions. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (City Municipal Code, Ordinance and Resolution) it employed previously to commit those amounts.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Fund Balances, Continued

Assigned Fund Balances

This component consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the City Council or its designated officials to assign amounts to be used. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions.

Unassigned Fund Balance

This component consists of amounts that have not been restricted, committed or assigned to specific purposes.

Hierarchy of Expenditures to Classify Fund Balance Amounts

The City has formally adopted a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for a specific purpose. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

L. Compensated Leave Payable

In compliance with GASB Statement No. 16, the City has established a liability for accrued sick leave and vacation in relevant funds. For governmental funds, the current liability appears in the respective funds. All vacation paid is accrued when incurred in the government-wide and proprietary funds financial statements. This liability is set up for current employees at their current rates of pay. If sick leave and vacation are not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

M. Pension

The City recognizes a net pension liability, which represents the City's proportionate share of net pension liability reflected in the actuarial reports provided by the California Public Employees' Retirement System (CalPERS) plan (Plan). The net pension liability is measured as of the City's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in the net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Pension, Continued

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's CalPERS 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. Projected earnings on pension investments are recognized as a component of pension expense.

N. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date - July 1, 2018
- Measurement Date - June 30, 2019
- Measurement Period - July 1, 2018 to June 30, 2019

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

P. New Pronouncements

In 2019, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations* - The objective of this statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The requirements of this statement did not apply to the City for the current fiscal year.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. New Pronouncements, Continued

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - The objective of this statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The requirements of this statement did not apply to the City for the current fiscal year.

2. CASH AND INVESTMENTS

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

The following is a summary of cash and investments at June 30, 2019:

	Government-Wide Statement of Net Position			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 3,568,068	\$ 2,617,684	\$ 6,185,752	\$ 991,979	\$ 7,177,731
Cash overdraft	(18,780)	(19,826)	(38,606)	-	(38,606)
Total cash and Investments	3,549,288	2,597,858	6,147,146	991,979	7,139,125
Restricted cash and investments	-	-	-	300,798	300,798
Total cash and investments and restricted cash and investments	\$ 3,549,288	\$ 2,597,858	\$ 6,147,146	\$ 1,292,777	\$ 7,439,923

A. Summary of Cash and Investments

Cash and investments as of June 30, 2019 consist of the following:

Cash and investments:	
Deposits	\$ 639,573
Petty cash	800
Local Agency Investment Fund (LAIF)	6,456,821
Common stock	41,931
Total cash and investments	\$ 7,139,125

B. Deposits

The carrying amount of the City's cash deposits was \$639,573 at June 30, 2019. Bank balances before reconciling items were \$1,087,213 at June 30, 2019. The City's cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, Continued

B. Deposits, Continued

The California Government Code (Code) Section 53652 requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. The 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.

The market value of pledged securities 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 mortgage notes having a value of 150% of the City's total cash deposits.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

C. Investments

Under the provisions of the City's investment policy, and in accordance with the Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Securities of the Unites States Government, or its agencies	5 years	N/A	N/A
Certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan companies	5 years	N/A	N/A
Negotiable certificates of deposit	5 years	N/A	N/A
Commercial paper	5 years	N/A	N/A
Money market funds rated "AAAm" or "AAAmg" by Standard & Poor's Corporation	5 years	N/A	N/A
Local Agency Investment Fund (State Pool)	5 years	N/A	N/A
Repurchase agreements	5 years	N/A	N/A

Investments are stated at fair value using the aggregate method in all funds, resulting in the following investment income in all funds:

Interest and dividend income	\$ 138,224
Unrealized gain in changes in fair value of investments	3,595
Total investment income	\$ 141,819

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

The City's portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise. The portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. Generally the City's practice is to buy and hold investments until maturity dates. Consequently, the City's investments are carried at fair value.

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2019, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes - are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2019, the City had \$6,456,821 invested in LAIF, which had invested 1.77% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.67% in the previous year. The LAIF fair value factor of 1.001711790 was used to calculate the fair value of the investments in LAIF.

D. Risk Disclosures

Interest Risk: Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City's portfolio not to exceed three years. Investments held in the City Treasury grouped by maturity date at June 30, 2019, are shown below:

Investment Type	Totals	Remaining Maturity (in Months) 12 Months Or Less
LAIF	\$ 6,456,821	\$ 6,456,821
Common stock	41,931	41,931
Total	\$ 6,498,752	\$ 6,498,752

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

At June 30, 2019, the City's deposits and investments were rated as follows:

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year-End	
				Not Rated
State Pool	\$ 6,456,821	N/A	\$	6,456,821
Common stock	41,931	N/A		41,931
Total	<u>\$ 6,498,752</u>		\$	<u>6,498,752</u>

Custodial Credit Risk: For an investment, custodial credit risk 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. None of the City's investments were subject to custodial credit risk.

E. Investment Valuation

Investments (except money market accounts that are included as part of restricted cash and investments) are measured at fair value on a recurring basis. Recurring fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized 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.

Investments' fair value measurements at June 30, 2019 are described below:

Investment Type	Amount	Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
Investments subject to leveling:				
Common stock	\$ 41,931	\$ 41,931	\$ -	\$ -
Total investments subject to leveling	<u>41,931</u>	<u>\$ 41,931</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not subject to leveling:				
State Pool	<u>6,456,821</u>			
Total investments	<u>\$ 6,498,752</u>			

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

3. INTERFUND TRANSACTIONS

A. Interfund Loans Receivable

At June 30, 2019, the City had the following interfund loans:

Loans To	Loans From		
	Non-Major Governmental Funds	Water Fund	Total
General Fund	\$ 320,000	\$ 491,998	\$ 811,998
Non-Major Governmental Fund	68,333	-	68,333
Total	<u>\$ 388,333</u>	<u>\$ 491,998</u>	<u>\$ 880,331</u>

Interfund loans occur when one fund loans another fund amounts for a specific purpose. The City intends to pay amounts back to the appropriate loaning fund in a manner similar to how an external loan would be paid, with a set payment schedule and interest based on the LAIF interest rate. The purpose of the interfund loans to the General Fund was to reduce a negative cash balance and support continued operations. The purpose of the Library Fund interfund loan was to pay the library lease payments, which will be supported through development fees in future years.

As of June 30, 2019, future minimum payments on the General Fund loans are as follows:

	<u>General Fund</u>
2020	95,668
2021	107,334
2022	119,000
2023	130,666
2024	142,332
2025-2028	216,998
	<u>\$ 811,998</u>

The Library Fund does not have a set payment schedule.

B. Transfers

Interfund transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and to move unrestricted fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs. Interfund transfers to the General Fund are for the variable cost allocation plan for services provided to other funds of the City.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

3. INTERFUND TRANSACTIONS, Continued

B. Transfers, Continued

At June 30, 2019 the City had the following transfers in/out which arose in the normal course of operations:

Transfer Out	Transfer In		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 62,732	\$ 62,732
Non-Major Governmental Funds	15,480	-	15,480
Water Fund	109,992	-	109,992
Wastewater Treatment Fund	205,896	-	205,896
Transit Fund	34,992	-	34,992
Total	\$ 366,360	\$ 62,732	\$ 429,092

4. LOANS AND NOTES RECEIVABLE

The City has made various loans under Community Development Block Grants to qualified homeowners and businesses. Under the terms of the business loans, repayments are due in monthly installments through 2021. Under the terms of the homeowner agreements, repayments of the loans are only required upon the sale of the home. The outstanding balance of the total loans receivable was \$13,173 at June 30, 2019 and the business loans receivable portion was \$6,856.

At June 30, 2019, the aggregate maturities of the City's business loans and notes receivable were as follows:

<u>For the Year Ending June 30,</u>	<u>Business Loans</u>
2020	3,009
2021	3,847
Total	\$ 6,856

The homeowner loans receivable amount of \$6,318 does not have a fixed repayment schedule.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

The following is a summary of changes in the capital assets for the governmental activities during the fiscal year:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019
Non-depreciable assets:				
Land	\$ 343,131	\$ -	\$ -	\$ 343,131
Total non-depreciable assets	<u>343,131</u>	<u>-</u>	<u>-</u>	<u>343,131</u>
Depreciable assets:				
Buildings and improvements	5,244,508	-	-	5,244,508
Vehicles	1,294,872	41,038	-	1,335,910
Equipment	571,849	-	-	571,849
Infrastructure	6,998,887	-	-	6,998,887
Total depreciable assets	<u>14,110,116</u>	<u>41,038</u>	<u>-</u>	<u>14,151,154</u>
Less accumulated depreciation:				
Buildings and improvements	1,644,068	143,123	-	1,787,191
Vehicles	1,087,686	94,653	-	1,182,339
Equipment	526,812	25,673	-	552,485
Infrastructure	2,927,458	276,336	-	3,203,794
Total accumulated depreciation	<u>6,186,024</u>	<u>539,785</u>	<u>-</u>	<u>6,725,809</u>
Total depreciable assets, net	<u>7,924,092</u>	<u>(498,747)</u>	<u>-</u>	<u>7,425,345</u>
Total capital assets	<u>\$ 8,267,223</u>	<u>\$ (498,747)</u>	<u>\$ -</u>	<u>\$ 7,768,476</u>

Depreciation expense by program for capital assets for the year ended June 30, 2019 was as follows:

General government	\$ 28,922
Public safety	81,143
Transportation	36,115
Leisure, cultural & social services	32,310
Community development	361,295
Total depreciation expense	<u>\$ 539,785</u>

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of changes in the capital assets for business-type activities during the fiscal year:

	Balance June 30, 2018	Additions	Retirements	Transfer	Balance June 30, 2019
Non-depreciable assets:					
Land	\$ 248,425	\$ -	\$ -	\$ -	\$ 248,425
Construction in progress	217,413	116,664	-	-	334,077
Total non-depreciable assets	<u>465,838</u>	<u>116,664</u>	<u>-</u>	<u>-</u>	<u>582,502</u>
Depreciable assets:					
Buildings and improvements	9,869,371	-	-	459,590	10,328,961
Vehicles	1,681,713	-	-	-	1,681,713
Equipment	529,516	-	-	-	529,516
Infrastructure	7,458,478	-	-	(459,590)	6,998,888
Total depreciable assets	<u>19,539,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,539,078</u>
Less accumulated Depreciation:					
Buildings and improvements, and infrastructure	9,915,195	581,913	-	-	10,497,108
Vehicles	1,087,018	109,356	-	-	1,196,374
Equipment	494,227	25,109	-	-	519,336
Total accumulated depreciation	<u>11,496,440</u>	<u>716,378</u>	<u>-</u>	<u>-</u>	<u>12,212,818</u>
Total depreciable assets, net	<u>8,042,638</u>	<u>(716,378)</u>	<u>-</u>	<u>-</u>	<u>7,326,260</u>
Total capital assets	<u>\$ 8,508,476</u>	<u>\$ (599,714)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,908,762</u>

Depreciation expense for the year ended June 30, 2019 was as follows:

Water	\$ 192,262
Wastewater	443,732
Transit	80,384
Total depreciation expense	<u>\$ 716,378</u>

B. Governmental Fund Financial Statements

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

6. LONG-TERM DEBT

A. Governmental Activities

For the year ended June 30, 2019, governmental activities long-term liabilities activity was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Sewer bonds	\$ 16,000	\$ -	\$ (16,000)	\$ -	\$ -
Capital lease obligations	191,187	-	(73,125)	118,062	73,125
Insurance claims payable	62,071	71,577	(111,829)	21,819	21,095
Compensated absences	249,701	-	(22,486)	227,215	-
Total	\$ 518,959	\$ 71,577	\$ (223,440)	\$ 367,096	\$ 94,220

Sewer Bonds

Principal payments on the 1971 Sewer Bonds Series B and the 1978 Sewer Bonds are due on April 1st each year with interest due semi-annually at 5% per annum. The bonds matured in April 2019. These payments are made to the Farmers Home Administration, the purchaser of the bonds. At June 30, 2019, the principal balance was paid in full.

Capital Lease Obligations

The City leases vehicles and equipment under capital leases with terms that expire in December 2021. Amortization on the assets leased is included in depreciation expense. At June 30, 2019, future minimum payments for governmental capital lease obligations were as follows:

Year Ending June 30,	Amount
2020	\$ 73,125
2021	41,517
2022	3,420
Present value of minimum lease payments	118,062
Less current portion	(73,125)
Long-term principal obligations	\$ 44,937

Compensated Absences

Compensated absences in the governmental funds are generally liquidated by the General Fund on a pay as you go basis.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

6. LONG-TERM DEBT, Continued

B. Business-Type Activities

For the year ended June 30, 2019, business-type activities long-term liabilities activity was as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Certificates of participation	\$ 1,968,065	\$ -	\$ (62,144)	\$ 1,905,921	\$ 65,553
Capital lease obligations	133,548	-	(34,822)	98,726	44,368
Insurance claims payable	78,639	206	(8,126)	70,719	27,406
Total	<u>\$ 2,180,252</u>	<u>\$ 206</u>	<u>\$ (105,092)</u>	<u>\$ 2,075,366</u>	<u>\$ 137,327</u>

Certificates of Participation 2000 - Original Issue \$1,429,800

On December 21, 2000, the City issued certificates of participation through the Guadalupe Financing Authority which were purchased by the US Department of Agriculture (USDA) Rural Utilities Service (RUS), amounting to \$1,429,800, in an agreement which included a grant of \$875,200 for water and sewer line replacement. Under the terms of the agreement, the City has net water revenues and net wastewater revenues for the payment of debt service. For the fiscal year ending June 30, 2019, the net water and wastewater revenues were \$604,900 and \$1,043,834 respectively. The principal and interest payments for the debt during the fiscal year ended June 30, 2019 were \$76,822. The certificates of participation bear interest at 4.5% per annum, with principal and interest payments due semiannually through August 1, 2041. At June 30, 2019, the principal balance outstanding was \$1,053,240.

The annual debt service requirements on the Certificates of Participation-2000 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 30,000	\$ 47,527	\$ 77,527
2021	31,000	46,164	77,164
2022	32,000	44,734	76,734
2023	34,000	43,257	77,257
2024	36,000	41,690	77,690
2025-2029	205,000	182,331	387,331
2030-2034	257,000	130,571	387,571
2035-2039	318,000	66,205	384,205
2040-2041	102,800	5,074	107,874
Total	<u>\$ 1,045,800</u>	<u>\$ 607,553</u>	<u>\$ 1,653,353</u>

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

6. LONG-TERM DEBT, Continued

B. Business-Type Activities, Continued

Certificates of Participation 2005 - Original Issue \$1,203,900

On July 27, 2005, the City issued certificates of participation which were purchased by the US Department of Agriculture (USDA) Rural Utilities Service (RUS), amounting to \$1,203,900, in an agreement which included a grant for water tank construction and upgrades. Under the terms of the agreement, the City has pledged tax increment revenues for the payment of debt service. Where tax increment revenues are no longer available for the payment of debt service, the City has pledged net water revenues for the payment of debt service. For the fiscal year ending June 30, 2019, the net water revenues were \$604,900 and the principal and interest payments for the debt during the fiscal year were \$71,381. The certificates of participation bear interest at 4.125% per annum, with principal and interest payments due semiannually through July 28, 2035. At June 30, 2019, the principal balance outstanding was \$852,681.

The annual debt service requirements on the Certificates of Participation-2005 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 35,553	\$ 35,801	\$ 71,354
2021	37,019	34,307	71,326
2022	38,546	32,750	71,296
2023	40,135	31,130	71,265
2024	41,793	29,442	71,235
2025-2029	236,286	119,365	355,651
2030-2034	289,212	65,429	354,641
2035-2036	134,137	8,449	142,586
Total	<u>\$ 852,681</u>	<u>\$ 356,673</u>	<u>\$ 1,209,354</u>

Capital Lease Obligations

The City leases vehicles and equipment under capital leases that have terms that expire in December 2021. Amortization on the assets leased is included in depreciation expense. At June 30, 2019, future minimum payments for business-type capital lease obligations were as follows:

For the Year Ending June 30,	Amount
2020	\$ 44,368
2021	33,926
2022	20,432
Present value of minimum lease payments	98,726
Less current portion	<u>(44,368)</u>
Long-term principal obligations	<u>\$ 54,358</u>

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

7. JOINT EXERCISE OF POWERS AGREEMENT

The City of Guadalupe participates in two joint ventures under joint powers agreements.

A. *Central Coast Water Authority*

The Central Coast Water Authority (CCWA) is a joint powers authority organized in 1991 for the purpose of providing the financing, construction, operation and maintenance of certain local (non-state owned) facilities required to deliver water from the State Water Project to certain water purveyors and users in Santa Barbara County. CCWA is composed of eight members, all of which are public agencies. The Board of Directors is made up of one representative from each participating entity. Votes on the Board are apportioned between the entities based upon each entity's pro-rata share of the water provided by the project.

Each participant is required to pay to CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement costs of the DWR facilities), debt service on CCWA bonds and all CCWA operating and administrative costs. Each participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. The City's share of State water payments was \$629,372 for the year ended June 30, 2019. The City's allocation of CCWA's operating expenses for the year ended June 30, 2019 was \$124,848.

Additional information and complete financial statements for the CCWA may be obtained by contacting The Central Coast Water Authority at 255 Industrial Way, Buellton, CA 93427.

B. *California Joint Powers Insurance Authority*

The City is a member of the California Joint Powers Insurance Authority (CJPIA). CJPIA is composed of over 100 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The CJPIA's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Self-Insurance Program of CJPIA:

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

7. JOINT EXERCISE OF POWERS AGREEMENT, Continued

B. California Joint Powers Insurance Authority, Continued

Self-Insurance Program of CJPIA, Continued:

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability:

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of the other members. A variable credibility factor is determined for each member, which established the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from the \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as no such portion of it is retained by CJPIA. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3.0 million annual aggregate deductible is fully retained by CJPIA. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies. The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained with the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

Workers' Compensation:

The City also participates in the worker's compensation pool administered by CJIPA. In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of the other members. A variable credibility factor is determined for each member, which established the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

7. JOINT EXERCISE OF POWERS AGREEMENT, Continued

B. California Joint Powers Insurance Authority, Continued

Workers' Compensation, Continued:

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

Purchased Insurance under CJPIA:

Property Insurance: The City participates in the all-risk property protection program of CJPIA. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to CJPIA. City property currently has all-risk property insurance protection in the amount of \$500,000,000. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Adequacy of Protection under CJPIA:

During the past three fiscal years, the above programs of protection have had no settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in 2017-18.

Insurance Claim Payable:

The Authority has assessed a retrospective claims liability balance to pool members. The City's share of the liability is \$92,538 at June 30, 2019. The long-term liability applicable to governmental type and business-type activities have been allocated accordingly.

At June 30, 2019, the aggregate future maturities of the insurance claim payable were as follows:

For the Year Ending June 30,	Governmental	Business-Type	Total
2020	\$ 21,095	\$ 27,406	\$ 48,501
2021	724	43,313	44,037
Total	\$ 21,819	\$ 70,719	\$ 92,538

Additional information and complete financial statements for the CJPIA may be obtained by contacting the California Joint Powers Insurance Authority at 8081 Moody Street, La Palma, CA 90623

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

8. EMPLOYEE RETIREMENT PLANS

A. Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension 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 risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

B. 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 each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	Safety	PEPRA Miscellaneous	PEPRA Safety
Hire date	Prior to Jan 1, 2013	Prior to Jan 1, 2013	On or after Jan 1, 2013	On or after Jan 1, 2013
Benefit formula	2.0% @55	2.0% @55	2.0% @62	2.0% @57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	55	62	57
Monthly benefits, as a % of eligible compensation	2%	2%	2%	2%
Required employee contribution rates	6.902%	6.921%	6.250%	9.500%
Required employer contribution rates	9.409%	12.848%	6.842%	10.020%
Unfunded liability payment	\$ 102,614	\$ 58,166	\$ 329	\$ 1,593

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

8. EMPLOYEE RETIREMENT PLANS, Continued

C. Contributions

Section 20814(C) of the California Public Employees’ Retirement Law (PERL) 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 both Plans 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 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 measurement period ended June 30, 2018 were \$329,838.

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

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$3,050,995.

The City’s net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City’s proportionate share of the net pension liability was based on the City’s plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available. The City’s proportionate share of the net pension liability for each Plan as of June 30, 2016 and 2017 were as follows:

Proportion - June 30, 2017	0.03091%
Proportion - June 30, 2018	<u>0.03166%</u>
Change - Increase (Decrease)	0.00075%

For the year ended June 30, 2019, the City recognized pension expense of \$441,894.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

8. EMPLOYEE RETIREMENT PLANS, Continued

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

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
	<u> </u>	<u> </u>
Pension contributions subsequent to measurement date	\$ 363,003	\$ -
Changes in assumptions	327,972	66,872
Differences between expected and actual experience	87,511	15,167
Changes in employer's proportion	178,835	-
Differences between the employer's contribution and the employer's proportionate share of contributions	953	125,247
Net differences between projected and actual earnings on plan investments	<u>17,366</u>	<u>-</u>
Total	<u>\$ 975,640</u>	<u>\$ 207,286</u>

\$363,003 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Pension Expense
<u> </u>	<u> </u>
2020	\$ 319,873
2021	179,843
2022	(69,508)
2023	(24,857)

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

8. EMPLOYEE RETIREMENT PLANS, Continued

E. 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 in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Mortality(1)	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

F. Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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 pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

8. EMPLOYEE RETIREMENT PLANS, Continued

F. Discount Rate, Continued

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(1)	Assumed asset allocation	Real return years 1 - 10(2)	Real return years 11+(3)
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	—	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	—	-0.92%
Total	100.00%		

(1) In the Sytem's CAFR, Fixed income is included in Global debt securities;

Liquidity is included in Short-term investments;

Inflation assets are included in both Global equity securities and Global debt securities

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

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

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:

1% Decrease	6.15%
Net Pension Liability	\$ 5,002,476
Current Discount Rate	7.15%
Net Pension Liability	\$ 3,050,995
1% Increase	8.15%
Net Pension Liability	\$ 1,445,435

G. Payable to the Pension Plan

At June 30, 2019 the City reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

9. OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The City’s other post-employment benefits (OPEB) plan, an agent multiple-employer defined benefit plan, is for retiree health benefits and is administrated by the California Public Employees Retirement System (PERS) Health Benefit Program. The City entered the PERS medical insurance program in 1990 under the Public Employees Medical and Hospital Care Act (PEMHCA). The required employer contribution was \$133-\$136per month for each retiree, spouse or surviving spouse, and dependent. The City provides post-employment health care insurance to all employees who retire from the City on or after attaining age 50 with at least 5 years of PERS credited service. For employees first covered under PERS on or after January 1, 2013, the eligibility requirements are attaining age 52 and 5 years of PERS credited service. Benefits are paid for the lifetime of the retiree, spouse or surviving spouse, and dependents up to the age of 65. The City's OPEB Plan does not issue a publicly available financial report.

B. Employees Covered

The following current and former employees were covered by the benefit terms under the OPEB plan as of the July 1, 2018 actuarial valuation:

Active Employees	28
Inactive employees or beneficiaries currently receiving benefits	3
	31

C. Contributions

The City currently finances benefits on a pay-as-you-go basis, and sets its maximum monthly contribution rates for health insurance on behalf of active employees according to the PEMHCA statutory minimum. The minimum was \$133 per month for calendar year 2018 and \$136 per month for calendar year 2019. This amount is indexed to the rate of medical inflation and increased each year accordingly. The City also pays a 0.32% of premiums as an administrative fee on behalf of employees and retirees. For the measurement period July 1, 2018 to June 30, 2019, the City contributed \$4,842 in benefit payments for retirees.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

9. OTHER POST EMPLOYMENT BENEFITS, Continued

D. Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018. Standard actuarial update procedures were used to project/discount from the valuation to measurement dates. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.13%
Salary increases	3.00%
Healthcare cost trend rate	5.90% for 2019, decreasing 0.10% each year to an ultimate rate of 5.00% for 2028 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection.

Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2018 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2018.

The discount rate used to measure the total OPEB liability was 3.13%, which reflects the municipal bond 20-year high grade index rate, and assumes the net fiduciary position of the plan remains at \$0.

E. Changes in the Total OPEB Liability

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at June 30, 2018	
(Measurement date 06/30/2018)	\$ 251,163
Changes in the year:	
Service cost	22,620
Interest	11,639
Changes of benefit terms	-
Difference between expected and actual experience	72,513
Changes of assumptions	31,372
Benefit payments	(4,842)
Net changes	<u>133,302</u>
Balance at June 30, 2019	
(Measurement date 06/30/2019)	<u>\$ 384,465</u>

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

9. OTHER POST EMPLOYMENT BENEFITS, Continued

F. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage point higher (4.13 percent) than the current discount rate:

	1% Decrease 2.13%	Discount Rate 3.13%	1% Increase 4.13%
Total OPEB Liability (Asset)	\$ 460,601	\$ 384,465	\$ 324,527

G. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (4.00 percent) or 1-percentage point higher (6.00 percent) than the current healthcare cost trend rate:

	1% Decrease (4.90% decreasing to 4.00%)	Trend Rate (5.90% decreasing to 5.00%)	1% Increase (6.90% decreasing to 6.00%)
Total OPEB Liability (Asset)	\$ 314,787	\$ 384,465	\$ 475,775

H. OPEB Expense and Deferred Outflows and Inflows of Resources

At June 30, 2019, the City's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 64,365	\$ -
Changes in assumptions or other inputs	27,847	-
Differences between projected and actual return on investments	-	-
	<u>\$ 92,212</u>	<u>\$ -</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal year ending June 30,	Pension Expense
2020	\$ 11,673
2021	11,673
2022	11,673
2023	11,673
2024	11,673
2025-2027	33,847

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$45,932.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

10. CONTINGENCIES AND COMMITMENTS

A. *Litigation*

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. *Grant Commitments*

The City had received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

11. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (the "Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Guadalupe that previously had reported the City's Redevelopment Agency within the reporting entity as a blended component unit.

The Bill provided that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 9, 2012, the City Council elected to become the Successor Agency for the former Redevelopment agency in accordance with the Bill as part of City Resolution No. 2 (2012).

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California were prohibited from entering into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets could only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the 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.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure of encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency of the Bill.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

11. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDVELOPMENT AGENCY,
Continued

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 a considerable legal 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 unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency were transferred to and are reported in a fiduciary fund (private-purpose trust fund, the Trust Fund) in the financial statements of the City.

A. Cash and Investments

The City maintained investments with the State of California Local Agency Investment Fund (LAIF) for all City activities, including the Trust Fund. The Trust had \$991,979 in cash and investments as of June 30, 2019, that was held in LAIF. The City manages the Trust Fund’s cash and investments in a consistent manner with the rest of its cash and investment pool. Refer to Note 2 for additional information regarding LAIF.

B. Cash with Fiscal Agent

The Trust Fund had \$300,798 in cash and investments as of June 30, 2019, held by fiscal agents pledged for the payment or security of certain bonds. The California Government code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the Trust’s general investment policy. In no instance have additional types of investments, not permitted by the Trust’s general investment policy, been authorized.

C. Property Held for Resale

At June 30, 2019, the carrying value of property held for resale was as follows:

West side of Obispo Street	\$	105,507
Next door to Royal Theatre		75,308
Royal Theatre		<u>41,667</u>
Total	\$	<u><u>222,482</u></u>

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

11. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDVELOPMENT AGENCY,
Continued

D. Capital Assets

For the year ended June 30, 2019, capital assets activity was as follows:

	Balance June 30, 2018	Transfers/ Additions	Retirements	Balance June 30, 2018
Capital assets being depreciated				
Infrastructure	\$ 201,197	\$ -	\$ -	\$ 201,197
Structures and improvements	83,333	-	-	83,333
Less accumulated depreciation	(121,170)	(9,900)	-	(131,070)
Net capital assets	<u>\$ 163,360</u>	<u>\$ (9,900)</u>	<u>\$ -</u>	<u>\$ 153,460</u>

E. Long-Term Liabilities

For the year ended June 30, 2019, long-term liabilities activity was as follows:

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019	Due within One Year
Note payable	\$ 9,861	\$ 720	\$ (4,859)	\$ 5,722	\$ 4,215
2017 Tax allocation bonds	4,900,000	-	(260,000)	4,640,000	215,000
Discount on 2017 bonds	(98,965)	-	5,498	(93,467)	-
Total	<u>\$ 4,810,896</u>	<u>\$ 720</u>	<u>\$ (259,361)</u>	<u>\$ 4,552,255</u>	<u>\$ 219,215</u>

Note Payable

The Trust Fund had a note payable to a private party related to the purchase of property currently held for resale. Principal and interest payments on the note payable are due on the 16th of each month and the note matures in 2021. Interest accrues at 9.0% per annum. At June 30, 2019, the principal balance outstanding was \$5,722.

At June 30, 2019, the aggregate maturities of the note payable were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2020	\$ 4,215	\$ 515	\$ 4,730
2021	1,507	136	1,643
Total	<u>\$ 5,722</u>	<u>\$ 651</u>	<u>\$ 6,373</u>

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

**11. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDVELOPMENT AGENCY,
Continued**

E. Long-Term Liabilities, Continued

Tax Allocation Bonds

On April 3, 2003, the former redevelopment agency issued \$6,455,000 of tax allocation bonds for a refunding of Series 1997 Tax Allocation Bonds. The bonds were scheduled to mature through August 1, 2035, with interest rates from 2.0 to 5.125%.

On November 1, 2017, the Successor Agency to the Guadalupe Community Redevelopment Agency issued \$4,900,000 of tax allocation bonds (Bonds) to refund the 2003 series bonds. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in \$1,326,400 gross debt service (principal and interest) savings over 18 years, an economic gain of \$147,832, and an accounting deferred loss on refunding of \$92,886.

The scheduled payment of principal of and interest on the Bonds when due is guaranteed under an insurance policy issued concurrently with the Bonds. The Bonds mature through August 1, 2035, with interest rates from 1.5% to 3.5%. Principal on the bonds is due annually on August 1 of each year, commencing August 1, 2018, and interest on the Bonds is due semiannually on February 1 and August 1 of each year, commencing February 1, 2018. At June 30, 2019, the total principal and interest remaining to be paid on the bonds was \$6,065,034. The outstanding principal balance net of bond discounts was \$4,546,533.

For the year ended June 30, 2019, the aggregate maturities of the tax allocation bonds were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2020	215,000	140,681	355,681
2021	220,000	136,331	356,331
2022	225,000	131,600	356,600
2023	230,000	126,194	356,194
2024	240,000	120,019	360,019
2025-2029	1,295,000	488,547	1,783,547
2030-2034	1,530,000	257,600	1,787,600
2035-2036	685,000	24,062	709,062
Subtotal	4,640,000	\$ 1,425,034	\$ 6,065,034
Bond Discount	(93,467)		
	<u>\$ 4,546,533</u>		

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

**11. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDVELOPMENT AGENCY,
Continued**

E. Long-Term Liabilities, Continued

Pollution Remediation

The Trust owns property designated by the Santa Barbara County Public Health Department as a LUFT (Leaking Underground Fuel Tank) site (#52010). The property cleanup project has been accepted into the State Water Resources Cleanup of Underground Storage Tanks Fund (USTCF), which approved a total Letter of Commitment (LOC) in the amount of \$1.5 Million. These funds are available for reimbursement of most of the costs associated with assessment and cleanup of the contamination under the site, associated with a former gasoline storage tank leak.

Between the fiscal years 2008/2009 through June 30, 2019, the former Agency expended a total of \$890,184 toward the cleanup costs. Cleanup costs incurred and paid for the 2018/19 fiscal year, but which the City had not yet been reimbursed for by the State as of June 30, 2019, totaled \$175,052. These costs are anticipated to take as long as until November 2019 to be reviewed for payment. Some of these costs (approximately \$25,378) were contested by the State and re-petitioned. Re-petitioned costs can take several years to be reviewed and decided on.

Tasks in 2018/19 included: 1) providing electronic technical assistance services (ETAC) required by the State for submitting reimbursement request #12; 2) evaluation, preparation and submittal of a Project Execution Plan (PEP) update and Budget Change Order Request for future site corrective action activities anticipated, as required by the State; 3) final system construction, final permitting, project management, system startup, and initial system operations and maintenance (O&M) activities related to approved remedial actions [soil vapor extraction (SVE)]; 4) providing ETAC services required for submitting reimbursement request #13; 5) on-going remediation system repairs, reporting, permitting, project management, system restart, and system operations and maintenance (O&M) activities related to approved remedial actions (SVE)]; 6) assistance with waste management, profiling and removal activities; and, 7) ETAC services required for submitting reimbursement request #14.

In January 2017, the LOC directed that soil vapor extraction (SVE) activities be employed at the site for a period of approximately 12 months. Between January 10, 2017 and June 30, 2018, DMI-EMK initiated these SVE activities, coordinating the field activities and obtaining the associated permits required before field activities can be implemented. While field work was anticipated to commence by September 2017 and finish around September 2018, due to difficulties with the utility companies (gas and electric), obtaining final permit approvals, and significant electrical issues at the site, the system is currently anticipated to run through March or April of 2020.

DMI-EMK estimates that, once closure is granted by the County, it will take approximately 6 more months before a final closure letter can be obtained for the site. As such, it is anticipated that the soonest a final closure letter can be obtained for this site is approximately November-December 2020.

Estimated future costs beyond June 30, 2019 are anticipated to be approximately \$300,000 to \$400,000 through obtaining site closure - assuming the site is found to meet the low-threat closure criteria after 12 months of active remediation. Based on the above, the total current estimated costs for cleanup activities is approximately \$1,200,000-\$1,300,000, well below the \$1.5 Million budget allotted this site by the State.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

**11. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDVELOPMENT AGENCY,
Continued**

F. Prior Period Adjustment

The City recorded a prior period adjustment to correct an error in accounting for interest payable and interest expense in the fiscal year ended June 30, 2018 in the Successor Agency Trust Fund.

Net position as previously reported at June 30, 2018:	\$ (3,724,373)
Overstatement of interest payable:	81,693
Net position as restated at June 30, 2018:	<u>\$ (3,642,680)</u>

12. OPERATING LEASES

The City leases equipment under operating leases with lease terms in excess of one year. The agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors but it is unlikely that the City will cancel the agreements prior to the expiration date. Rent expense under operating leases was \$11,334 for the year ended June 30, 2019.

At June 30, 2019, future minimum lease payments under these operating leases were as follows:

For the Year Ending June 30,	Payment
2020	\$ 12,006
2021	12,006
2022	7,084
2023	6,100
2024	<u>6,100</u>
Total	<u>\$ 43,296</u>

13. DEFICIT FUND BALANCES/NET POSITION

Major Funds

A deficit net position of \$9,273 exists for the Solid Waste Fund. Over the years, the difference was due to the City not always increasing customer rates to cover increases by the waste hauler, discrepancies between the waste hauler's customer data base and the City's customer data base and prior year loans to cover negative balances in the Solid Waste Fund.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2019

14. GOING CONCERN

The City continues to have more expenditures than revenues in its General Fund. Transfers from other funds based on cost allocation analysis is creating a positive net change in fund balance. In order to continue operations, in prior years the General Fund borrowed from other funds. These borrowings still need to be repaid. There are doubts about the General Fund's ability to continue to repay these interfund loans in their entirety if economic activity declines. Below is how management intends to address those issues:

The City is experiencing an increase in business licenses and building permits from the Pasadera residential development. New business activity results in a positive economic boost to the General Fund.

The General Fund's priority is to eliminate future borrowing from other funds, payoff current inter-fund loans and be economically self-sufficient. Inter-fund loan payment schedules will be reviewed annually and, if possible, revised in an effort to decrease balances at a faster rate.

The 2019-20 month-end cash balances have been positive. Staff will submit a monthly cash balance report to Council to ensure pooled cash does not result in usage of other funds' cash by the General Fund. If a negative balance exists in the General Fund, the Council and staff will review and apply available methods to reverse the deficit within one month.

15. SUBSEQUENT EVENTS

On March 19th, 2020, the governor of California (State) issued an Executive Order (Order) effective immediately for all individuals living in the State to stay home or at their place of residence. The State identified sixteen critical infrastructure sectors that were exempt from the Order. Among the sectors deemed essential were government facilities, and water and wastewater systems.

This subsequent event had a ripple-effect through state-wide and local economies where nonessential businesses suspended operations. The employees of these businesses were furloughed or laid-off. Revenues such as gas taxes, sales taxes and building permits are expected to be dramatically less than prior years. City Staff will continue to monitor revenues closely and is working with FEMA to obtain reimbursement for costs related to the pandemic.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Guadalupe
Required Supplementary Information
For the year ended June 30, 2019

1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Control and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. After adoption of the final budget, transfers of appropriations within a General Fund department, or within other funds, can be made by the City Administrator. Budget modifications between funds and increases or decreases to a fund's overall budget, must be approved by the City Council. No amendments were made during the fiscal year.

Budgetary control is enhanced by integrating the budget into the general ledger accounts. Encumbrance accounting is employed (e.g., purchase orders) to avoid expenditures over budget. Encumbrances outstanding at fiscal year-end are automatically re-budgeted in the following fiscal year.

The following are the budget comparison schedules for all major Governmental Funds.

City of Guadalupe
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,091,000	\$ 2,091,000	\$ 2,349,261	\$ 258,261
Licenses and permits	783,520	783,520	736,416	(47,104)
Fines and penalties	21,800	21,800	25,101	3,301
Revenues from other agencies	382,122	382,122	343,729	(38,393)
Charges for current services	101,650	101,650	87,086	(14,564)
Interest	109,700	109,700	123,127	13,427
Other revenues	152,979	152,979	209,903	56,924
Total revenues	3,642,771	3,642,771	3,874,623	231,852
EXPENDITURES:				
Current:				
General Government	1,198,835	1,110,293	1,026,400	83,893
Public Safety	2,348,287	2,348,287	2,275,212	73,075
Leisure, cultural and social services	154,239	148,739	165,310	(16,571)
Community development	411,898	386,898	393,225	(6,327)
Capital outlay	37,200	37,200	68,238	(31,038)
Debt service:				
Principal	51,830	51,830	50,057	1,773
Interest and fiscal charges	16,128	16,128	16,612	(484)
Total expenditures	4,218,417	4,099,375	3,995,054	104,321
REVENUES OVER (UNDER) EXPENDITURES	(575,646)	(456,604)	(120,431)	336,173
OTHER FINANCING SOURCES (USES):				
Transfers in	451,000	461,600	366,360	(95,240)
Transfers out	-	(62,732)	(62,732)	-
Total other financing sources (uses)	451,000	398,868	303,628	(95,240)
Net change in fund balances	(124,646)	(57,736)	183,197	240,933
FUND BALANCES:				
Beginning of year	(167,872)	(167,872)	(167,872)	-
End of year	\$ (292,518)	\$ (225,608)	\$ 15,325	\$ 240,933

City of Guadalupe
Budgetary Comparison Schedule - Measure A Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 457,000	\$ 457,500	\$ 508,780	\$ 51,280
Interest	6,500	6,500	19,951	13,451
Total revenues	463,500	464,000	528,731	64,731
EXPENDITURES:				
Current:				
Transportation	786,307	786,307	845,416	(59,109)
Total expenditures	786,307	786,307	845,416	(59,109)
REVENUES OVER (UNDER) EXPENDITURES	(322,807)	(322,307)	(316,685)	5,622
OTHER FINANCING SOURCES (USES):				
Transfers out	(76,400)	(54,069)	-	54,069
Total other financing sources (uses)	(76,400)	(54,069)	-	54,069
Net change in fund balances	(399,207)	(376,376)	(316,685)	59,691
FUND BALANCES:				
Beginning of year	1,210,262	1,210,262	1,210,262	-
End of year	\$ 811,055	\$ 833,886	\$ 893,577	\$ 59,691

City of Guadalupe
Budgetary Comparison Schedule - Park Development Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for current services	\$ 500	\$ 500	\$ 703,622	\$ 703,122
Interest	15	15	156	141
Total revenues	515	515	703,778	703,263
REVENUES OVER (UNDER) EXPENDITURES	515	515	703,778	703,263
Net change in fund balances	515	515	703,778	703,263
FUND BALANCES:				
Beginning of year	2,657	2,657	2,657	-
End of year	\$ 3,172	\$ 3,172	\$ 706,435	\$ 703,263

City of Guadalupe
Required Supplementary Information
For the year ended June 30, 2019

2. DEFINED BENEFIT PENSION PLANS

A. Schedule of the City's Proportionate Share of the Net Pension Liability - Last 10 Years*

Fiscal year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	3.16600%	0.03091%	0.02989%	0.02666%	0.0312%
Proportionate share of the net pension liability	\$3,050,995	\$3,065,323	\$2,586,229	\$1,830,129	\$1,939,137
Covered payroll	\$2,153,332	\$1,925,534	\$1,572,208	\$1,479,094	\$1,548,925
Proportionate Share of the net pension liability as percentage of covered payroll	141.69%	159.19%	164.50%	123.73%	125.19%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	73.31%	74.06%	78.40%	79.82%

* Historical information is required only for measurement period for which GASB 68 is applicable

B. Schedule of Plan Contributions - Last 10 Years*

Fiscal Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 363,003	\$ 329,839	\$ 305,064	\$ 251,172	\$ 211,025
Contribution in relation to the actuarially determined contributions	<u>(363,003)</u>	<u>(329,839)</u>	<u>(305,064)</u>	<u>(251,172)</u>	<u>(211,025)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$2,025,580	\$2,153,332	\$1,925,534	\$1,572,208	\$1,479,094
Contributions as a percentage of covered payroll	17.92%	15.32%	15.84%	15.98%	14.27%

* Historical information is required only for measurement periods for which GASB 68 is applicable

City of Guadalupe
Required Supplementary Information
For the year ended June 30, 2019

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Schedule of Changes in Total OPEB Liability and Related Ratios

<i>Measurement Period</i>	2019	2018¹
Total OPEB Liability		
Service Cost	\$ 22,620	\$ 22,060
Interest	11,639	11,646
Changes of benefit terms	-	-
Difference between expected and actual experience	72,513	-
Changes of assumptions	31,372	-
Benefit payments	<u>(4,842)</u>	<u>(206,667)</u>
Net change in total OPEB liability	133,302	(172,961)
Total OPEB liability - beginning (a)	<u>251,163</u>	<u>424,124</u>
Total OPEB liability - ending (b)	<u>\$ 384,465</u>	<u>\$ 251,163</u>
Covered-employee payroll	\$ 2,525,683	\$ 2,267,277
Total OPEB liability as a percentage of covered-employee payroll	15.2%	11.1%

¹Amount includes implicit subsidy associated with benefits paid for this year.

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SUPPLEMENTARY INFORMATION

City of Guadalupe
Combining Balance Sheet
Other Governmental Funds
June 30, 2019

	Special Revenue				
	Local Transportation	Library	Public Facilities	Guadalupe Lighting and Assessment	Public Safety
ASSETS					
Cash and investments	\$ 150,374	\$ 10,110	\$ 11,449	\$ 302,311	\$ 95,968
Accounts receivable	15,270	74	67	1,267	29,181
Prepaid items	-	4,000	-	-	-
Interfund loans receivable	-	-	-	320,000	-
Loans receivable	-	-	-	-	-
Total assets	\$ 165,644	\$ 14,184	\$ 11,516	\$ 623,578	\$ 125,149
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	-	-	5,611	-
Cash overdraft	-	-	-	-	-
Accrued wages and benefits	-	-	-	-	1,929
Interfund loans payable	-	68,333	-	-	-
Total liabilities	-	68,333	-	5,611	1,929
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	9,695
Total deferred inflows of resources	-	-	-	-	9,695
Fund Balances:					
Nonspendable:					
Prepaid items	-	4,000	-	-	-
Restricted for:					
Street maintenance	165,644	-	-	-	-
Other capital projects	-	-	-	-	-
Community development	-	-	-	-	-
Public safety	-	-	-	-	113,525
Utility infrastructure	-	-	11,516	-	-
Debt service	-	-	-	-	-
Lighting and landscape	-	-	-	617,967	-
Assigned to:					
Capital projects	-	-	-	-	-
Unassigned	-	(58,149)	-	-	-
Total fund balances	165,644	(54,149)	11,516	617,967	113,525
Total liabilities and fund balances	\$ 165,644	\$ 14,184	\$ 11,516	\$ 623,578	\$ 125,149

Special Revenue			Capital Projects			Total Other
Community Development	Transportation Grant	Gas Tax	City Hall	Traffic Mitigation	Sewer Bond Debt Service	Governmental Funds
\$ 83,239	\$ -	\$ 139,711	\$ 13,899	\$ 71,382	\$ 29,297	907,740
578	-	779	81	366	247	47,910
-	-	-	-	-	-	4,000
-	-	-	-	-	-	320,000
13,173	-	-	-	-	-	13,173
<u>\$ 96,990</u>	<u>\$ -</u>	<u>\$ 140,490</u>	<u>\$ 13,980</u>	<u>\$ 71,748</u>	<u>\$ 29,544</u>	<u>\$ 1,292,823</u>
18,322	53,197	7,835	-	-	-	84,965
-	18,780	-	-	-	-	18,780
-	-	-	-	-	-	1,929
-	-	-	-	-	-	68,333
<u>18,322</u>	<u>71,977</u>	<u>7,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,007</u>
-	-	-	-	-	-	9,695
-	-	-	-	-	-	9,695
-	-	-	-	-	-	4,000
-	-	132,655	-	-	-	298,299
-	-	-	13,980	-	-	13,980
78,668	-	-	-	-	-	78,668
-	-	-	-	-	-	113,525
-	-	-	-	-	-	11,516
-	-	-	-	-	29,544	29,544
-	-	-	-	-	-	617,967
-	-	-	-	71,748	-	71,748
-	(71,977)	-	-	-	-	(130,126)
<u>78,668</u>	<u>(71,977)</u>	<u>132,655</u>	<u>13,980</u>	<u>71,748</u>	<u>29,544</u>	<u>1,109,121</u>
<u>\$ 96,990</u>	<u>\$ -</u>	<u>\$ 140,490</u>	<u>\$ 13,980</u>	<u>\$ 71,748</u>	<u>\$ 29,544</u>	<u>\$ 1,292,823</u>

City of Guadalupe
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the year ended June 30, 2019

	Special Revenue				
	Local Transportation	Library	Public Facilities	Guadalupe Lighting and Assessment	Public Safety
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ 215,504	\$ -
Licenses and permits	-	7,799	-	-	-
Revenues from other agencies	143,130	-	-	-	190,226
Charges for current services	-	-	5,547	-	-
Interest	4,087	231	192	10,697	2,841
Other revenues	-	4,000	-	-	8,408
Total revenues	147,217	12,030	5,739	226,201	201,475
EXPENDITURES:					
Current:					
Public Safety	-	-	-	-	233,435
Transportation	185,675	-	-	-	-
Leisure, cultural and social services	-	7,408	-	-	-
Community development	-	-	-	71,721	-
Capital outlay	-	-	-	-	11,555
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	185,675	7,408	-	71,721	244,990
REVENUES OVER (UNDER) EXPENDITURES	(38,458)	4,622	5,739	154,480	(43,515)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(14,988)	-
Total other financing sources (uses)	-	-	-	(14,988)	-
Net change in fund balances	(38,458)	4,622	5,739	139,492	(43,515)
FUND BALANCES:					
Beginning of year	204,102	(58,771)	5,777	478,475	157,040
End of year	\$ 165,644	\$ (54,149)	\$ 11,516	\$ 617,967	\$ 113,525

Special Revenue			Capital Projects			Total Other
Community Development	Transportation Grant	Gas Tax	City Hall	Traffic Mitigation	Sewer Bond Debt Service	Governmental Funds
\$ -	\$ -	\$ 148,079	\$ -	\$ -	\$ 18,364	\$ 381,947
-	-	-	3,121	20,783	-	31,703
-	18,149	106,261	-	-	-	457,766
-	-	-	-	-	-	5,547
3,051	-	1,647	294	1,201	754	24,995
-	-	-	-	-	-	12,408
<u>3,051</u>	<u>18,149</u>	<u>255,987</u>	<u>3,415</u>	<u>21,984</u>	<u>19,118</u>	<u>914,366</u>
-	-	-	-	-	-	233,435
-	90,126	262,291	-	-	-	538,092
94,184	-	-	-	-	-	101,592
-	-	-	-	-	-	71,721
-	-	-	-	-	-	11,555
-	-	20,808	-	-	16,000	36,808
-	-	-	-	-	800	800
<u>94,184</u>	<u>90,126</u>	<u>283,099</u>	<u>-</u>	<u>-</u>	<u>16,800</u>	<u>994,003</u>
<u>(91,133)</u>	<u>(71,977)</u>	<u>(27,112)</u>	<u>3,415</u>	<u>21,984</u>	<u>2,318</u>	<u>(79,637)</u>
-	-	62,732	-	-	-	62,732
(492)	-	-	-	-	-	(15,480)
<u>(492)</u>	<u>-</u>	<u>62,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,252</u>
(91,625)	(71,977)	35,620	3,415	21,984	2,318	(32,385)
170,293	-	97,035	10,565	49,764	27,226	1,141,506
<u>\$ 78,668</u>	<u>\$ (71,977)</u>	<u>\$ 132,655</u>	<u>\$ 13,980</u>	<u>\$ 71,748</u>	<u>\$ 29,544</u>	<u>\$ 1,109,121</u>

City of Guadalupe
Budgetary Comparison Schedule - Capital Facilities Fund
For the year ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 281,250	\$ 281,250	\$ 804,342	\$ 523,092
Interest	2,400	2,400	16,936	14,536
Total revenues	283,650	283,650	821,278	537,628
REVENUES OVER (UNDER) EXPENDITURES	283,650	283,650	821,278	537,628
Net change in fund balances	283,650	283,650	821,278	537,628
FUND BALANCES:				
Beginning of year	312,520	312,520	312,520	-
End of year	<u>\$ 596,170</u>	<u>\$ 596,170</u>	<u>\$ 1,133,798</u>	<u>\$ 537,628</u>

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 Members of the City Council
of the City of Guadalupe
Guadalupe, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guadalupe, California (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 April 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 2019-001 in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as items 2019-002 to 2019-005 in the accompanying schedule of findings and responses to be significant deficiencies.

To the Honorable Mayor and Members of the City Council
of the City of Guadalupe
Guadalupe, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Badawi & Associates, CPAs
Berkeley, California
April 28, 2020

City of Guadalupe
Schedule of Findings and Responses
For the year ended June 30, 2019

FINDINGS - FINANCIAL STATEMENTS AUDIT

2019-001 - Insufficient Fund Balance in the General Fund and the Ability of the City to Continue As a Going Concern (Material Weakness)

Criteria:

General purpose local governments, regardless of size, at a minimum should maintain a fund balance in the general fund of either 1) no less than 5 to 15 percent of regular general fund operating revenues, or 2) no less than 1 to 2 months of regular general fund operating expenditures.

Condition:

The General Fund did not maintain a sufficient or adequate fund balance level to ensure continuity of operations as of June 30, 2019. The General Fund finished the year with a balance of \$15,325 compared to a negative fund balance of \$(167,872) in the prior fiscal year. This balance represents 0.4% of operating revenues and 1 day of operating expenditures. The fund balance in spendable form is \$549. As of June 30, 2019 the General Fund owed internally to the Lighting and Assessment Fund and the Water Fund the amounts of \$320,000 and \$491,998, respectively. These interfund loans were made so that the General Fund could sustain its basic operations.

The aforementioned conditions have raised doubt about the City's ability to continue as a going concern, as described further in Note 14.

Cause:

The City has either overspent its budget in the past or the budget was not balanced which led to overspending and the insufficient fund balance situation.

Effect:

Insufficient fund balances and decrease in revenues in the past have created a budget shortfall that requires continued cost cutting measures to reach a budget that will increase the fund balance to an acceptable level as well as provide the necessary revenues and financing for continued operations of the City. In addition, an insufficient General Fund balance puts the City in a vulnerable position in times of economic stress.

Recommendation:

We recommend the City continue to analyze all potential cost cutting measures and revenue sources, and review options to adhere to a budget plan for the General Fund and other funds to increase the fund balance, as well as provide continued financing for City operations.

Management Response:

The City has a positive fund balance currently as of March 2020. The City's goal is to maintain a positive fund balance and the preservation of future reserves. The City adopted Financial Policies with its 2019-2021 Budget that target the establishment of reserve funds at optimum levels. However, the City of Guadalupe declared a local state of Emergency in March 2020 due to the COVID19 pandemic. Although the pandemic brings much uncertainty, the City expects sales tax revenue to be negatively impacted, along with business licenses, property tax and local streets and roads funding. City staff will

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monitor the financial situation and impact of the pandemic on a monthly basis for the remainder of fiscal year 2020 and into fiscal year 2021. Amid the pandemic, building Permit and related construction fee revenues have aid the City’s cash flow as the Pasadera development continues construction. The City is also working with FEMA to obtain reimbursement for COVID19 related expenses. The City is looking to sustain recurring revenue streams for the future including a new sales tax measure in 2020 and continuation of increase of water and wastewater rates. In addition, Users Tax, Franchise Fees and Property taxes are expected to rise over time as a positive long-term outcome of the new Pasadera development.

2019-002 - Recordkeeping of Capital Assets (Significant Deficiency)

Criteria:

A good internal control system over capital assets requires that the City maintain detailed records of all its capital assets to be able to support amounts reported on the financial statements and to ensure the safeguarding of assets and timely payment on long-term debt.

Condition:

We noted during the audit that the City did not maintain adequate records for capital assets to enable it to exercise control over that activity. Instead, the City is relying on a loosely maintained spreadsheets that were originally developed by the previous audit firm used by the City. The spreadsheets contained multiple depreciation errors, assets that weren’t accounted for, and unclear fund assignments.

Cause:

The City did not keep accurate and complete records of its capital assets.

Effect:

Capital assets may be misstated and/or not properly or timely accounted for.

Recommendation:

We recommend that the City implement a tracking system and to conduct an inventory of its capital assets.

Management Response:

The City approved a new financial accounting software system to be implemented starting in fiscal year 2020. As part of this system, a fixed asset module will be included, which will integrate seamlessly into the general ledger module. The goal will be to include all assets of the City by cost, category, governmental unit and other detailed identification. Tracking of acquisitions and disposals of assets will become more efficient and accurate.

2019-003 - Control Over Expenditures and Accounts Payable (Significant Deficiency)

Criteria:

A good internal control system over expenditures and accounts payable requires that certain tasks such as creating new vendors, correctly coding, inputting invoices, and processing checks be segregated and

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not performed by the same individual. In addition, changes to the master file should be reviewed and reconciled by a qualified individual independent from the accounts payable process.

Condition:

During our audit we noted that the Accounts Payable Clerk is responsible for setting up new vendors in the system. There is no independent review of changes made to the vendor master files. In addition, we noted that the reviewer of the accounts payable does not keep track of the sequence numbers of the checks reviewed. We also noted in our testing procedures, some invoices were missing, and some did not have explicit approval signatures. Lastly, expenditures were sometimes coded to incorrect accounts, funds, and fiscal year. Some of these mistakes were caught and fixed later, but not all.

Cause:

Duties in the accounts payable system are not properly segregated to ensure that good checks and balances are in place.

Effect:

Errors in accounts payable may not be detected timely. In addition, unauthorized payments to vendors or payments to unauthorized vendors may not be detected timely.

Recommendation:

We recommend that the City improve and strengthen its procedures for review and reconciliation to ensure that changes to the vendor master files are properly reviewed and reconciled by an independent person and there is adequate segregation of duties in place.

Management Response:

Accounts Payable Clerk sets up new vendor and the Finance Director reviews the entry and signs off. Only department heads and management code invoices. Business Manager checks the entry of invoices before processing checks. Accounts Payable Clerk also keeps track of all voided checks and sequence of check numbers. City Staff is hopeful that the new accounting software will accommodate workflow and authorization parameters to improve our controls and segregation of duties.

2019-004 - Control Over Payroll and Related Liabilities (Significant Deficiency)

Criteria:

A good internal control system over payroll requires that certain tasks such as creating new employees, inputting pay rates, and processing payroll be segregated and not performed by the same individual. In addition, payroll should be reviewed and reconciled by a qualified individual independent from the payroll process.

Condition:

During our audit we noted that there was one person who was responsible for setting up new employees, making and updating all changes in the payroll system as well as processing payroll. Additionally, we noted that after November 2018 there was no review of the bi-weekly payroll.

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Cause:

Duties in the payroll system are not properly segregated to ensure that good checks and balances are in place.

Effect:

Payroll amounts may be misstated due to errors not detected during the review process. In addition, incorrect or unauthorized pay rates may be used and not detected timely.

Recommendation:

We recommend that the City improve and strengthen its procedures for review and reconciliation to ensure that payroll is properly reviewed and reconciled by an independent person and there is adequate segregation of duties in place.

Management Response:

Finance Director currently reviews the processing of payroll and the payroll bank account reconciliation. City Staff is hopeful that the new accounting software will accommodate workflow and authorization parameters to improve our controls and segregation of duties.

2019-005 - Control Over Journal Entries and Financial Reporting (Significant Deficiency)

Criteria:

A good internal control system over financial reporting requires that certain tasks such as creating journal entries and reviewing journal entries be segregated and not performed by the same individual.

Condition:

During our audit we noted that there was mainly one person who was responsible for creating journal entries with no independent review of those entries by an independent person. We also noted multiple journal entry errors that were both corrected and uncorrected.

Cause:

Duties in the financial reporting system are not properly segregated to ensure good checks and balances are in place.

Effect:

Journal entries amounts may be misstated due to errors not detected during the review process. In addition, unauthorized entries may be posted and not detected timely.

Recommendation:

We recommend that the City improve and strengthen its procedures for review and reconciliation to ensure that journal entries are properly reviewed and reconciled by an independent person and there is adequate segregation of duties in place.

Management Response:

Finance Director proposes journal entries and Business Manager reviews and enters the journal entries. The City will review and set up controls to ensure approval controls of journal entries takes place for

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all changes to the accounting records. City Staff is hopeful that the new accounting software will accommodate workflow and authorization parameters to improve our controls and segregation of duties.