



**REPORT TO THE GUADALUPE CITY COUNCIL  
Council Agenda of August 27, 2019**

  
Prepared by:  
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Finance – Special Projects

  
Approved by:  
Robert Perrault, Interim City Administrator

**SUBJECT:** Acceptance of City of Guadalupe Financial Statements for Fiscal Year ended June 30, 2018.

**RECOMMENDATION:** That the City Council receive and accept the City of Guadalupe Financial Statements for the Fiscal Year ended June 30, 2018 along with the Independent Auditor's Report.

**BACKGROUND**

An audit of the City's accounting records for fiscal year 2017-18 has been performed by Badawi and Associates, Certified Public Accountants.

The City received an unqualified audit opinion which indicates the financial statements 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 for the period under audit.

The Independent Auditor's Report, dated July 26, 2019 will be discussed at the meeting. This discussion will include the basic financial information, the notes (pages 40-84) and the Findings/Recommendations (pages 100-103).

**FISCAL IMPACT**

There are no fiscal impacts resulting from the audit.

**ATTACHMENTS:**

1. Financial Statements for Year Ended June 30, 2018

**City of Guadalupe**  
**Guadalupe, California**

**Basic Financial Statements**  
**For the Year Ended June 30, 2018**

**CITY OF GUADALUPE  
GUADALUPE, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Prepared by:  
FINANCE DEPARTMENT**

**City of Guadalupe**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

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**City of Guadalupe**  
**Basic Financial Statements**  
**For the year ended June 30, 2018**

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**BADAWI & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2018, 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, 2018, 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 5-18 and 86-91, 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 93 to 96 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 on pages 93 to 96 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 on pages 93 to 96 are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council  
of the City of Guadalupe  
Guadalupe, California  
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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 15 to the financial statements, the City continues to suffer from a significant deficit 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 operation. These conditions raise doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 15. 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 July 26, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Badawi and Associates  
Certified Public Accountants  
Oakland, California  
July 26, 2019



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2018**

**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, 2018. 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 \$23 million with an overall increase of about \$247,000 from the prior year. Governmental activities ended at over \$11 million and experienced a decrease in assets of about \$224,000. Business-type activities increased assets by over \$472,000, ending the year at over \$12 million in assets. Total primary government assets exceeded liabilities by over \$16 million.
- Total liabilities of the City at June 30, 2018 were at almost \$7 million. Liabilities increased for governmental activities by about \$100,000 and decreased for business-type activities by just under \$123,000. The City experienced an overall decrease in liabilities of almost \$25,000.
- As of the close of the current fiscal year, the City's total net position increased by about \$675,000. Net position for Governmental activities increased by about \$27,000 and business-type activities increased by almost \$648,000. The City experienced an increase of about 4.0 percent in total net assets from the prior year.
- Governmental funds reported combined ending fund balances of about \$2.5 million. The General Fund ended the current fiscal year with a negative fund balance of approximately \$-168,000. This is an improvement of about \$517,000 from the prior year when it closed at about \$-685,000.

## 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 19 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 16 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 is the trustee, or fiduciary, for a Capital Facilities Fund per an agreement with DJ Farms. The City also 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
	2018	2017	2018	2017	2018	2017	
<b>Assets</b>							
Current Assets	\$ 3,071,737	\$ 2,887,660	\$ 3,550,801	\$ 2,553,660	\$ 6,622,538	\$ 5,441,320	21.7%
Noncurrent Assets	8,267,223	8,675,689	8,508,476	9,033,811	16,775,699	17,709,500	-5.3%
Total Assets	11,338,960	11,563,349	12,059,277	11,587,471	23,398,237	23,150,820	1.1%
<b>Deferred Outflows of Resources</b>							
Deferred pensions	956,387	715,686	144,207	107,912	1,100,594	823,598	
<b>Liabilities</b>							
Current Liabilities	576,623	746,737	547,463	619,843	\$ 1,124,086	\$ 1,366,580	-17.7%
Noncurrent Liabilities	3,315,111	3,046,822	2,457,005	2,507,996	5,772,116	5,554,818	3.9%
Total Liabilities	3,891,734	3,793,559	3,004,468	3,127,839	6,896,202	6,921,398	-0.4%
<b>Deferred Inflows of Resources</b>							
Deferred pensions	236,714	345,716	2,306	18,740	239,020	364,456	
<b>Net Position</b>							
Net investment in capital assets	8,060,036	8,603,987	6,406,863	6,836,583	\$ 14,466,899	\$ 15,440,570	-6.3%
Restricted	2,173,381	2,569,084	147,100	147,100	2,320,481	2,716,184	-14.6%
Unrestricted	(2,066,518)	(3,033,311)	2,642,747	1,565,121	576,229	(1,468,190)	-139.2%
	\$ 8,166,899	\$ 8,139,760	\$ 9,196,710	\$ 8,548,804	\$ 17,363,609	\$ 16,688,564	4.0%

**Analysis of net position**

Total net position of the primary government increased approximately \$675,000 at the close of the fiscal year ending June 30, 2018. Total assets increased about \$247,000, deferred pension outflows increased \$277,000, total liabilities decreased \$25,000 and deferred pension inflows decreased \$125,000. The following analysis of governmental and business-type activities provides more detailed information explaining these changes.

**Governmental activities:**

Total assets increased \$224,000 largely due to an increase in General Fund cash and investments resulting from community development permits and public safety revenue received from outside agencies. Public safety vehicle and equipment purchases caused additional asset increases in 2018.

**FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS - continued**

**Governmental Activities - continued**

Deferred Pension outflows increased almost \$241,000. Deferred Pension Plan information is located in Note 8 to the financials.

Total liabilities increased about \$100,000 mainly due to an increase in interfund loans.

Deferred Pension inflows decreased \$109,000. Detailed Pension Plan information is located in Note 8 to the financials.

**Business-type activities:**

Total assets increased about \$472,000 due to an increase in cash and investments along with a decrease in depreciable capital assets.

Deferred Pension outflows increased about \$36,000. Detailed Pension Plan information is located in Note 8 to the financials.

Total liabilities decreased about \$123,000 due primarily to a decrease in cash overdraft and loan and lease obligations.

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

City of Guadalupe  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2018

**FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS - continued**

The City's net position increased by over \$726,000 during the current fiscal year. Information about changes in net position is summarized.

	City of Guadalupe Changes in Net Position For the Fiscal Years Ended June 30, 2018 and 2017 (In thousands)						Total Percent Change
	Governmental Activities		Business-type Activities		Total Primary Government		
	2018	2017	2018	2017	2018	2017	
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 1,244,915	\$ 483,480	\$ 4,986,515	\$ 4,313,426	\$ 6,231,430	\$ 4,796,906	29.9%
Operating grants and contributions	1,039,852	1,126,341			1,039,852	1,126,341	-7.7%
Capital grants and contributions	106,261				106,261		100.0%
General revenue:							
Sales tax	548,960	466,362			548,960	466,362	17.7%
Property tax	1,097,768	1,096,803			1,097,768	1,096,803	0.1%
Utility users tax	412,481	393,256			412,481	393,256	4.9%
Other taxes	453,358	468,164			453,358	468,164	-3.2%
Interest income	128,129	108,696			128,129	108,696	17.9%
Other revenues	231,722	204,907			231,722	204,907	13.1%
Total revenues	5,263,446	4,348,009	4,986,515	4,313,426	10,249,961	8,661,435	18.3%
<b>Program Expenses</b>							
Public safety	2,666,953	2,322,259			2,666,953	2,322,259	14.8%
Transportation	1,166,690	465,043			1,166,690	465,043	150.9%
Leisure, culture and social services	179,926	157,454			179,926	157,454	14.3%
Community development	806,060	744,506			806,060	744,506	8.3%
General government	870,667	1,293,858			870,667	1,293,858	-32.7%
Business-type activities			3,730,527	3,283,493	3,730,527	3,283,493	13.6%
Interest on long-term debt	11,070	9,025			11,070	9,025	22.7%
Total expenses	5,701,366	4,992,145	3,730,527	3,283,493	9,431,893	8,275,638	14.0%
Transfers	510,084	491,867	(510,084)	(491,867)			-
Change in net position	72,164	(152,269)	745,904	538,066	818,068	385,797	112.0%
Net position - beginning of year	8,139,760	8,292,029	8,548,804	8,010,738	16,688,564	16,302,767	2.4%
Prior year restatement	(45,025)		(97,998)		(143,023)		-100.0%
Net Position - beginning of year, restated	8,094,735	8,292,029	8,450,806	8,010,738	16,545,541	16,302,767	1.5%
Net position - end of year	\$ 8,166,899	\$ 8,139,760	\$ 9,196,710	\$ 8,548,804	\$ 17,363,609	\$ 16,688,564	4.0%

**FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS - continued**

**Analysis of the changes in net position:**

Total government-wide revenues of the primary government increased \$1.6 million, over 18 percent from the prior year, and total expenses increased almost \$1.15 million or a 14 percent increase. These changes are discussed in more detail below.

**Governmental Activities:**

Total revenues for governmental activities increased about \$915,000 from the prior year. Total expenditures increased over \$709,000.

**Revenue**

Charges for Services increased just over \$761,000 primarily due to increased permit activity from the Pasadera development. Sales tax increased about \$83,000 as a result of increased sales activity and the addition of a ¼ percent local sales tax measure in recent years. Additional investment income resulted from the increase in cash on hand along with increases in Utility Users tax and Property tax.

**Expenses**

Public safety increased almost \$345,000 mainly due to operating costs related to salary and benefits. General government decreased about \$423,000 primarily due to cost cutting measures, unfilled management positions and reductions in capital expenditures.

**Business-Type Activities:**

Total revenues for business-type activities increased about \$673,000 from the prior year. Total expenses increased about \$447,000.

**Revenue**

Charges for services for Business-Type activities increased \$673,000 primarily due to the various set-up, connection and meter fees charged related to the Pasadera development. In addition, a 4 percent rate increase (plus CPI) went into effect on January 1, 2018. Grant revenue from the Department of Water Resources for capital infrastructure projects was received in 2018.

**Expenses**

Business-type activity expenses increased \$447,000 mainly due to increased service activity related to the Pasadera development. In addition, capital outlay expense for the Tognazzini Well and 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 almost \$122,000 during fiscal year 2018. Total revenues for governmental funds increased \$915,000, total expenditures for governmental funds increased about \$800,000. Reasons for these changes are discussed in more detail below.

### **General Fund**

Total General Fund revenues increased \$630,000 in the current year primarily due to increased sales tax and permit fees. The increase related to almost 100 new homes permitted for the Pasadera development in FY 2018. Sales tax increased by about \$83,000 while the increase in permit fees from the Pasadera development rose to almost \$177,000 over prior year. In addition, revenue in the amount of about \$76,000 was received from the California Office of the Emergency Services (OES) to reimburse for Public Safety emergency mutual aid assistance resulting from area fires.

Total General Fund expenditures decreased about \$70,000 this year. This is primarily due to salary savings from General government and unfilled management positions.

### **Measure A**

Revenues for Measure A were up from prior year by about \$32,000. Expenditures increased by about \$28,000 mainly due to the scheduled maintenance for streets, curbs, gutters & sidewalks.

### **Gas Tax**

Revenues for Gas Tax were down by about \$95,000 primarily due to the reduction of Highway Users Tax (HUT). Expenditures increased by almost \$605,000 due to an increase in capital outlay compared to the previous year.

### **Other Governmental Funds**

Total other governmental funds revenues increased \$242,000. This increase is primarily due to the increase in Impact fees from the Pasadera Development. In addition, other grants related to Public Safety caused an upswing in 2018 revenue. Total other government fund expenditures increased about \$304,000. Public Safety and Community Development expense were the primary cause of the increase.

**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 increased by more than \$673,000 or 16 percent. Total operating expenses increased by about \$447,000 or 14 percent over prior year. The discussion below provides a detailed explanation for each business-type fund.

**Water Fund**

Water fund operating revenues increased \$10,000 compared to the prior year. The increase would have been higher after the rate increase in January 2018 (4 percent plus CPI) except revenues in 2016/17 were inflated by grant revenues for the Tognazzini Well project. Other fee revenue was higher resulting from the Pasadera development. Operating expenses in the current year increased by \$346,000 due primarily to increases in water services related to the Pasadera development.

**Wastewater Fund**

Wastewater fund operating revenues increased over \$700,000 compared to the prior year due to annual rate increase implemented in January 2018 (4 percent plus CPI). In addition, grant revenues from the Department of Water Resources for lift station and infrastructure improvements came in at over \$216,000. Fees for service were also up due to the Pasadera development. Operating expenses were up almost \$109,000 primarily due to the grant project expenses and wastewater services related to the Pasadera development.

**Solid Waste Fund**

Solid Waste revenue increased about \$14,000 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 of \$-68,537. The Solid Waste fund incurred zero expenses in 2018. The City anticipates the negative fund balance will be eliminated to be approximately September 2019.

**Transit Fund**

Transit fund revenue decreased \$52,000 due to a decrease in grant revenues for operations. A grant for LCTOP (Low Carbons) did not recur in 2018 in the amount of \$71,000. Operating expenses increased about \$34,000 primarily due to associated expenses relative to LTOP grant.

**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, 2018 is presented as required supplementary information following the notes to the financial statements.

The following summarizes the original and final budget compared with actual results for 2017-18:

General Fund	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 3,506,360	\$ 3,506,360	\$ 3,935,042	\$ 428,682
Expenditures	(4,087,178)	(4,087,178)	(3,929,250)	157,928
Other Financing Sources	617,850	617,850	510,960	(106,890)
Change in fund balances	37,032	37,032	516,752	479,720
Fund balance - beginning of year	(684,624)	(684,624)	(684,624)	-
Fund balances (deficit) - end of year	<u>\$ (647,592)</u>	<u>\$ (647,592)</u>	<u>\$ (167,872)</u>	<u>\$ 479,720</u>

Actual ending fund balance ended the year at a deficit of \$-167,872. This was an increase of about \$517,000 from the prior year when it closed at about \$-685,000. The net increase resulted from a variety of activities; the key changes are summarized as follows:

- Revenues were about \$429,000 higher than estimated which resulted from a rise in Building Permit revenue of over \$200,000 relative to the Pasadera development. The City experienced increases in sales tax of over \$106,000 as well as Property transfer tax, Franchise fees and Utility Users tax ending the year over \$45,000 above target. Grant revenue under the COPs grant and State Beverage Container grant also came in higher than expected adding an extra \$55,000.
- Expenditures were almost \$158,000 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, 2018, amounts to almost \$23 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, 2018 follows:

<u>Capital Assets, Net of Accumulated Depreciation</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 343,131	\$ 248,425	\$ 591,556
Infrastructure	4,071,429	5,627,530	9,698,959
Buildings and Improvements	3,600,440	1,785,124	5,385,564
Vehicles	207,186	594,695	801,881
Equipment	45,037	35,289	80,326
Construction in Progress		217,413	217,413
	<u>\$ 8,267,223</u>	<u>\$ 8,508,476</u>	<u>\$ 16,775,699</u>

Major capital asset expenditures during the fiscal year include:

- Facilities Improvements
- Pavement upgrades
- Water system improvements
- Wastewater improvements

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

City of Guadalupe  
 Management's Discussion and Analysis  
 Fiscal Year Ended June 30, 2018

**CAPITAL ASSETS - continued**

Capital assets activity for the fiscal year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<b>Governmental Activities:</b>				
Land	\$ 343,131	\$	\$	\$ 343,131
Buildings and improvements	5,244,508			5,244,508
Accumulated depreciation	(1,500,945)	(143,123)		(1,644,068)
Vehicles	1,187,781	107,091		1,294,872
Accumulated depreciation	(993,033)	(94,653)		(1,087,686)
Equipment	547,320	24,529		571,849
Accumulated depreciation	(500,838)	(25,974)		(526,812)
Infrastructure	6,998,887			6,998,887
Accumulated depreciation	(2,651,122)	(276,336)		(2,927,458)
<b>Total governmental capital assets, net</b>	<b>\$ 8,675,689</b>	<b>\$ (408,466)</b>	<b>\$ -</b>	<b>\$ 8,267,223</b>
<b>Business-Type Activities:</b>				
Land	\$ 248,425			\$ 248,425
Construction in progress	412,218	264,785	(459,590)	217,413
Buildings and improvements	9,869,371			9,869,371
Accumulated depreciation	(7,453,491)	(630,756)		(8,084,247)
Vehicles	1,681,713	6,498	(6,498)	1,681,713
Accumulated depreciation	(949,011)	(138,007)		(1,087,018)
Equipment	529,516			529,516
Accumulated depreciation	(472,870)	(21,357)		(494,227)
Infrastructure	6,998,888			7,458,478
Accumulated depreciation	(1,830,948)		459,590	(1,830,948)
<b>Total governmental capital assets, net</b>	<b>\$ 9,033,811</b>	<b>\$ (518,837)</b>	<b>\$ (6,498)</b>	<b>\$ 8,508,476</b>

Depreciation expense was charged to functions/programs as follows.

<b>Governmental activities:</b>	
Public safety	\$ 90,139
Transportation	25,082
Leisure, cultural & social services	32,310
Community development	361,295
General government	31,260
<b>Total governmental activities depreciation expense</b>	<b>\$ 540,086</b>
<b>Business-type activities:</b>	
Water	\$ 183,128
Waste water	474,982
Transit	109,030
<b>Total business-type activities depreciation expense</b>	<b>\$ 767,140</b>

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

*City of Guadalupe  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2018*

**LONG-TERM DEBT**

At June 30, 2018, the City of Guadalupe had almost \$2.8 million in long-term debt outstanding as summarized below:

Long-Term Debt	Governmental Activities	Business-type Activities	Total
Sewer Bonds	\$ 16,000	\$ -	\$ 16,000
OPEB	-	-	-
Certificates of participation	-	1,968,065	1,968,065
Compensated absences	249,701	-	249,701
Loans payable to successor agency trust fund	-	-	-
Note payable	-	-	-
Insurance claim payable	62,071	78,639	140,710
Capital leases payable	191,187	133,548	324,735
	<u>\$ 518,959</u>	<u>\$ 2,180,252</u>	<u>\$ 2,699,211</u>

Long-term debt governmental activity for the fiscal year ended June 30, 2018 was as follows:

Governmental activities:	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Sewer bonds	\$ 32,000	-	\$ 16,000	\$ 16,000
OPEB	-	-	-	0
Compensated absences	255,743	-	6,042	249,701
Insurance loan payable	115,195	20,697	73,821	62,071
Capital leases obligations	262,053	-	70,866	191,187
Total	<u>\$ 664,991</u>	<u>\$ 20,697</u>	<u>\$ 166,729</u>	<u>\$ 518,959</u>

Long-term debt business-type activity for the fiscal year ended June 30, 2018 was as follows:

Business-Type Activities:	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Certificates of participation	\$ 2,028,858	-	\$ 60,793	\$ 1,968,065
Loans payable to Successor Agency Trust Fund	-	-	-	-
Insurance loan payable	89,602	-	10,963	78,639
Capital lease obligations	168,371	-	34,823	133,548
Total	<u>\$ 2,286,831</u>	<u>\$ -</u>	<u>\$ 106,579</u>	<u>\$ 2,180,252</u>

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 11, 2017 the Council adopted the fiscal year 2017-18 budget (Resolution No. 2017-28). 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 2017-18 the General fund recouped a 75 percent prior year negative fund balance and ending the year at \$-167,872, from \$-684,624.. The primary goal is to reduce the ending deficit of almost \$-168,000 and begin the preservation of future reserves. The City's revenue continues to increase as the Pasadera Development added 100 homes this fiscal year and expects 150 over the next two fiscal years with build out expected within eight years. The Pasadera Development increases Building Permit and related construction fee revenues. Other revenues showing steady increases are Sales Tax, Business License, Utility Users Tax and Franchise Fees. In addition, Property taxes are expected to rise over time as a positive outcome of the new Pasadera development. It must be recognized that Building fees are one-time revenue sources and the City needs to look at finding alternatives to sustain recurring revenue streams including a new sales tax measure in 2020.

## **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 2017-18 the City continued with water and wastewater infrastructure improvements with the Tognazzini Well and Lift station projects 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: Carolyn Galloway-Cooper, 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, 2018**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,664,603	\$ 1,288,936	\$ 3,953,539
Accounts receivable	704,158	840,451	1,544,609
Prepaid expenses	229,863	877,915	1,107,778
Loans receivable	16,612	-	16,612
Internal balances	(543,499)	543,499	-
Total current assets	<u>3,071,737</u>	<u>3,550,801</u>	<u>6,622,538</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	343,131	465,838	808,969
Depreciable, net	7,924,092	8,042,638	15,966,730
Total capital assets	<u>8,267,223</u>	<u>8,508,476</u>	<u>16,775,699</u>
Total noncurrent assets	<u>8,267,223</u>	<u>8,508,476</u>	<u>16,775,699</u>
Total assets	<u>11,338,960</u>	<u>12,059,277</u>	<u>23,398,237</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related amounts	956,387	144,207	1,100,594
Total deferred outflows of resources	<u>956,387</u>	<u>144,207</u>	<u>1,100,594</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	168,326	216,823	385,149
Cash overdraft	-	99,818	99,818
Accrued salaries and wages payable	110,151	21,484	131,635
Interest payable	-	39,990	39,990
Deposits payable	77,916	35,987	113,903
Unearned revenue	110,010	-	110,010
Long-term debt - due within one year	110,220	133,361	243,581
Total current liabilities	<u>576,623</u>	<u>547,463</u>	<u>1,124,086</u>
Noncurrent liabilities:			
Net pension liability	2,655,209	410,114	3,065,323
Total OPEB liability	251,163	-	251,163
Long-term debt - due in more than one year	408,739	2,046,891	2,455,630
Total noncurrent liabilities	<u>3,315,111</u>	<u>2,457,005</u>	<u>5,772,116</u>
Total liabilities	<u>3,891,734</u>	<u>3,004,468</u>	<u>6,896,202</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related amounts	236,714	2,306	239,020
Total deferred inflows of resources	<u>236,714</u>	<u>2,306</u>	<u>239,020</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,060,036	6,406,863	14,466,899
Restricted for:			
Street maintenance	1,403,342	-	1,403,342
Other capital projects	422,777	-	422,777
Community development	170,293	-	170,293
Other purposes	176,969	147,100	324,069
Total restricted	<u>2,173,381</u>	<u>147,100</u>	<u>2,320,481</u>
Unrestricted	(2,066,518)	2,642,747	576,229
Total net position	<u>\$ 8,166,899</u>	<u>\$ 9,196,710</u>	<u>\$ 17,363,609</u>

**City of Guadalupe**  
**Statement of Activities**  
**For the year ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General Government	\$ 870,667	\$ 383,751	\$ 95,868	\$ -	\$ 479,619
Public Safety	2,666,953	382,724	258,309	-	641,033
Transportation	1,166,690	-	675,675	106,261	781,936
Leisure, cultural and social services	179,926	6,580	-	-	6,580
Community development	806,060	471,860	10,000	-	481,860
Interest on long-term debt	11,070	-	-	-	-
<b>Total governmental activities</b>	<b>5,701,366</b>	<b>1,244,915</b>	<b>1,039,852</b>	<b>106,261</b>	<b>2,391,028</b>
<b>Business-type activities:</b>					
Water	1,830,621	2,204,906	-	-	2,204,906
Wastewater Treatment	1,329,740	2,207,055	-	-	2,207,055
Solid Waste	-	77,128	-	-	77,128
Transit	570,166	497,426	-	-	497,426
<b>Total business-type activities</b>	<b>3,730,527</b>	<b>4,986,515</b>	<b>-</b>	<b>-</b>	<b>4,986,515</b>
<b>Total primary government</b>	<b>\$ 9,431,893</b>	<b>\$ 6,231,430</b>	<b>\$ 1,039,852</b>	<b>\$ 106,261</b>	<b>\$ 7,377,543</b>

**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, as restated**

**Net position - end of year**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (391,048)	\$ -	\$ (391,048)
(2,025,920)	-	(2,025,920)
(384,754)	-	(384,754)
(173,346)	-	(173,346)
(324,200)	-	(324,200)
(11,070)	-	(11,070)
<u>(3,310,338)</u>	<u>-</u>	<u>(3,310,338)</u>
-	374,285	374,285
-	877,315	877,315
-	77,128	77,128
-	(72,740)	(72,740)
<u>-</u>	<u>1,255,988</u>	<u>1,255,988</u>
<u>(3,310,338)</u>	<u>1,255,988</u>	<u>(2,054,350)</u>
1,097,768	-	1,097,768
548,960	-	548,960
412,481	-	412,481
453,358	-	453,358
<u>2,512,567</u>	<u>-</u>	<u>2,512,567</u>
128,129	-	128,129
231,722	-	231,722
510,084	(510,084)	-
<u>3,382,502</u>	<u>(510,084)</u>	<u>2,872,418</u>
72,164	745,904	818,068
8,094,735	8,450,806	16,545,541
<u>\$ 8,166,899</u>	<u>\$ 9,196,710</u>	<u>\$ 17,363,609</u>

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*



**City of Guadalupe**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	Major Funds				Total Governmental Funds
	General	Measure A	Gas Tax	Other Governmental Funds	
<b>ASSETS</b>					
Cash and investments	\$ 522,318	\$ 1,156,669	\$ 49,308	\$ 936,308	\$ 2,664,603
Accounts receivable	465,233	78,600	113,193	47,132	704,158
Prepaid expenses	204,117	11,022	-	14,724	229,863
Interfund loans receivable	-	-	62,732	420,833	483,565
Loans receivable	-	-	-	16,612	16,612
<b>Total assets</b>	<b>\$ 1,191,668</b>	<b>\$ 1,246,291</b>	<b>\$ 225,233</b>	<b>\$ 1,435,609</b>	<b>\$ 4,098,801</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable	108,979	29,782	21,937	7,628	168,326
Accrued salaries and wages payable	103,904	6,247	-	-	110,151
Deposits payable	77,916	-	-	-	77,916
Unearned revenue	110,010	-	-	-	110,010
Interfund loans payable	958,731	-	-	-	1,027,064
<b>Total liabilities</b>	<b>1,359,540</b>	<b>36,029</b>	<b>21,937</b>	<b>75,961</b>	<b>1,493,467</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue	-	-	106,261	-	106,261
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>106,261</b>	<b>-</b>	<b>106,261</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Prepaid expenses	204,117	11,022	-	14,724	229,863
<b>Restricted for:</b>					
Street maintenance	-	1,199,240	-	204,102	1,403,342
Other capital projects	-	-	97,035	325,742	422,777
Community development	-	-	-	170,293	170,293
Public safety	-	-	-	143,966	143,966
Utility infrastructure	-	-	-	5,777	5,777
Debt service	-	-	-	27,226	27,226
<b>Committed to:</b>					
Lighting and landscape	-	-	-	476,825	476,825
<b>Assigned to:</b>					
Capital projects	-	-	-	49,764	49,764
Unassigned	(371,989)	-	-	(58,771)	(430,760)
<b>Total fund balances</b>	<b>(167,872)</b>	<b>1,210,262</b>	<b>97,035</b>	<b>1,359,648</b>	<b>2,499,073</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,191,668</b>	<b>\$ 1,246,291</b>	<b>\$ 225,233</b>	<b>\$ 1,435,609</b>	<b>\$ 4,098,801</b>

**City of Guadalupe**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2018**

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<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 2,499,073</b>
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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	7,924,092
Total capital assets	8,267,223

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.

106,261

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.

286,621

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 recorded.

433,052

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	(2,655,209)
Net OPEB liability	(251,163)
Long term liabilities - due within one year	(110,220)
Long term liabilities - due in more than one year	(408,739)
Total long-term liabilities	(3,425,331)

**Net Position of Governmental Activities**

**\$ 8,166,899**

**City of Guadalupe**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2018**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Measure A	Gas Tax		
<b>REVENUES:</b>					
Taxes	2,118,556	480,581	149,131	\$ 131,041	\$ 2,879,309
Licenses and permits	943,370	-	-	139,615	1,082,985
Fines and penalties	22,485	-	-	-	22,485
Revenues from other agencies	370,296	5,907	-	280,113	656,316
Charges for current services	171,123	-	-	2,520	173,643
Interest	100,441	10,771	2,825	14,093	128,130
Other revenues	208,771	186	-	5,360	214,317
<b>Total revenues</b>	<b>3,935,042</b>	<b>497,445</b>	<b>151,956</b>	<b>572,742</b>	<b>5,157,185</b>
<b>EXPENDITURES:</b>					
Current:					
General Government	1,015,496	-	-	-	1,015,496
Public Safety	2,308,767	-	-	268,047	2,576,814
Transportation	-	404,384	733,791	3,433	1,141,608
Leisure, cultural and social services	142,616	-	-	5,000	147,616
Community development	366,343	-	-	78,422	444,765
Capital outlay	36,500	-	-	84,541	121,041
Debt service:					
Principal	50,058	-	20,808	16,000	86,866
Interest and fiscal charges	9,470	-	-	1,600	11,070
<b>Total expenditures</b>	<b>3,929,250</b>	<b>404,384</b>	<b>754,599</b>	<b>457,043</b>	<b>5,545,276</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,792</b>	<b>93,061</b>	<b>(602,643)</b>	<b>115,699</b>	<b>(388,091)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	510,960	-	-	6,800	517,760
Transfers out	-	-	-	(7,676)	(7,676)
<b>Total other financing sources (uses)</b>	<b>510,960</b>	<b>-</b>	<b>-</b>	<b>(876)</b>	<b>510,084</b>
<b>Net change in fund balances</b>	<b>516,752</b>	<b>93,061</b>	<b>(602,643)</b>	<b>114,823</b>	<b>121,993</b>
<b>FUND BALANCES:</b>					
Beginning of year, as restated	(684,624)	1,117,201	699,678	1,244,825	2,377,080
End of year	\$ (167,872)	\$ 1,210,262	\$ 97,035	\$ 1,359,648	\$ 2,499,073

# 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, 2018

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 121,993</b>
Amounts reported for governmental activities in the Statement of Activities were different because:	
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.	131,620
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.	(540,086)
Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable decreased compensated leave liabilities in the Government-Wide Statement of Net Position.	6,042
Current year employer OPEB contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a reduction to Total OPEB Liability on the Government-Wide Statement of Net Position. The amount of OPEB contribution is:	206,667
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.	(33,706)
Repayment of bond principal and other long-term debts was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Insurance claims payable	73,821
Long-term debt repayments	86,866
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.	(20,697)
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.	106,261
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.	286,621
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however, pension expense is not recognized in the governmental funds.	(353,238)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 72,164</b>

**City of Guadalupe**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 444,576	\$ 522,300	\$ -	\$ 322,060	1,288,936
Accounts receivable, net of allowance	315,140	462,617	10,361	52,333	840,451
Prepaid expenses	845,955	31,960	-	-	877,915
Interfund loan receivable, current portion	51,501				51,501
<b>Total current assets</b>	<b>1,657,172</b>	<b>1,016,877</b>	<b>10,361</b>	<b>374,393</b>	<b>3,058,803</b>
Noncurrent assets:					
Interfund loan receivable, net of current portion	491,998	-	-	-	491,998
Land	29,464	218,961	-	-	248,425
Work in progress	-	217,413	-	-	217,413
Buldings, structures and improvements	5,493,067	4,818,550	-	17,344	10,328,961
Vehicles	80,073	119,108	-	1,482,532	1,681,713
Equipment	392,348	126,558	-	10,610	529,516
Infrastructure	-	6,998,888	-	-	6,998,888
Less accumulated depreciation	(3,016,930)	(7,454,385)	-	(1,025,125)	(11,496,440)
<b>Total noncurrent assets</b>	<b>3,470,020</b>	<b>5,045,093</b>	<b>-</b>	<b>485,361</b>	<b>9,000,474</b>
<b>Total assets</b>	<b>5,127,192</b>	<b>6,061,970</b>	<b>10,361</b>	<b>859,754</b>	<b>12,059,277</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related amounts	62,096	82,111	-	-	144,207
<b>Total deferred outflows of resources</b>	<b>62,096</b>	<b>82,111</b>	<b>-</b>	<b>-</b>	<b>144,207</b>

**City of Guadalupe**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

LIABILITIES	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
<b>Current liabilities:</b>					
Accounts payable	94,565	76,598	-	45,660	216,823
Cash overdraft	-	-	99,818	-	99,818
Deposits payable	35,987	-	-	-	35,987
Accrued wages and benefits	10,807	10,677	-	-	21,484
Interest payable	22,588	17,402	-	-	39,990
Current portion of insurance claim payable	14,158	12,691	-	-	26,849
Current portion of capital lease obligations	16,053	28,315	-	-	44,368
Current portion of certificates of participation	40,304	21,840	-	-	62,144
<b>Total current liabilities</b>	<b>234,462</b>	<b>167,523</b>	<b>99,818</b>	<b>45,660</b>	<b>547,463</b>
<b>Noncurrent liabilities:</b>					
Insurance claim payable	27,310	24,480	-	-	51,790
Capital lease obligations, net of current portion	26,587	62,593	-	-	89,180
Certificates of participation, net of current portion	1,084,394	821,527	-	-	1,905,921
Net pension liability	176,599	233,515	-	-	410,114
<b>Total noncurrent liabilities</b>	<b>1,314,890</b>	<b>1,142,115</b>	<b>-</b>	<b>-</b>	<b>2,457,005</b>
<b>Total liabilities</b>	<b>1,549,352</b>	<b>1,309,638</b>	<b>99,818</b>	<b>45,660</b>	<b>3,004,468</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related amounts	992	1,314	-	-	2,306
<b>Total deferred inflows of resources</b>	<b>992</b>	<b>1,314</b>	<b>-</b>	<b>-</b>	<b>2,306</b>
<b>NET POSITION</b>					
Net investment in capital assets	1,810,684	4,110,818	-	485,361	6,406,863
Restricted for debt service	88,522	58,578	-	-	147,100
Unrestricted	1,739,738	663,733	(89,457)	328,733	2,642,747
<b>Total net position</b>	<b>\$ 3,638,944</b>	<b>\$ 4,833,129</b>	<b>\$ (89,457)</b>	<b>\$ 814,094</b>	<b>\$ 9,196,710</b>

**City of Guadalupe**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2018**

	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
<b>OPERATING REVENUES:</b>					
Water sales	\$ 1,998,262	\$ -	\$ -	\$ -	1,998,262
Standby charges	38,645	-	-	-	38,645
Connection fees	78,915	44,679	-	-	123,594
Sewer service charges	-	1,591,235	-	-	1,591,235
Refuse service charges	-	-	77,128	-	77,128
Revenues from other agencies	1,545	218,416	-	425,134	645,095
Other revenues	87,539	352,725	-	72,292	512,556
<b>Total operating revenues</b>	<b>2,204,906</b>	<b>2,207,055</b>	<b>77,128</b>	<b>497,426</b>	<b>4,986,515</b>
<b>OPERATING EXPENSES:</b>					
Personnel services	271,799	296,519	-	-	568,318
Maintenance and operations	1,300,590	516,599	-	461,136	2,278,325
Depreciation	206,108	474,982	-	109,030	790,120
<b>Total operating expenses</b>	<b>1,778,497</b>	<b>1,288,100</b>	<b>-</b>	<b>570,166</b>	<b>3,636,763</b>
<b>OPERATING INCOME (LOSS)</b>	<b>426,409</b>	<b>918,955</b>	<b>77,128</b>	<b>(72,740)</b>	<b>1,349,752</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest expense	(52,124)	(41,640)	-	-	(93,764)
Transfers out	(280,596)	(194,496)	-	(34,992)	(510,084)
<b>Total nonoperating revenues (expenses)</b>	<b>(332,720)</b>	<b>(236,136)</b>	<b>-</b>	<b>(34,992)</b>	<b>(603,848)</b>
<b>Change in net position</b>	<b>93,689</b>	<b>682,819</b>	<b>77,128</b>	<b>(107,732)</b>	<b>745,904</b>
<b>NET POSITION</b>					
Beginning of year, as restated	3,545,255	4,150,310	(166,585)	921,826	8,450,806
End of year	\$ 3,638,944	\$ 4,833,129	\$ (89,457)	\$ 814,094	\$ 9,196,710

**City of Guadalupe**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2018**

	Enterprise Funds				
	Water	Wastewater Treatment	Solid Waste	Transit	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 2,049,487	\$ 1,912,170	\$ 74,272	\$ 551,456	\$ 4,587,385
Cash received from connection fees	78,915	44,679	-	-	123,594
Cash received from standby charges and other agencies	39,332	-	-	-	39,332
Cash paid to suppliers for goods and services	(1,244,909)	(476,471)	-	(445,630)	(2,167,010)
Cash paid to employees and related benefits	(265,034)	(290,086)	-	-	(555,120)
<b>Net cash provided by (used in) operating activities</b>	<b>657,791</b>	<b>1,190,292</b>	<b>74,272</b>	<b>105,826</b>	<b>2,028,181</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Internal activity - cash paid to (received from) other funds for interfund loan payments	(170,166)	-	-	-	(170,166)
Net transfers	(280,596)	(194,496)	-	(34,992)	(510,084)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(450,762)</b>	<b>(194,496)</b>	<b>-</b>	<b>(34,992)</b>	<b>(680,250)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Net change in insurance payable	(5,616)	(5,348)	-	-	(10,964)
Net changes in capital lease obligations	(10,895)	(23,927)	-	-	(34,822)
Principal payments on certificates of participation	(38,952)	(21,840)	-	-	(60,792)
Interest payments on certificates of participation	(52,124)	(41,640)	-	-	(93,764)
Acquisition of capital assets	(164,352)	(100,433)	-	-	(264,785)
<b>Net cash used in capital and related financing activities</b>	<b>(271,939)</b>	<b>(193,188)</b>	<b>-</b>	<b>-</b>	<b>(465,127)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(64,910)</b>	<b>802,608</b>	<b>74,272</b>	<b>70,834</b>	<b>882,804</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>509,486</b>	<b>(280,308)</b>	<b>(174,090)</b>	<b>251,226</b>	<b>306,314</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 444,576</b>	<b>\$ 522,300</b>	<b>\$ (99,818)</b>	<b>\$ 322,060</b>	<b>\$ 1,189,118</b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>					
Cash and investments	\$ 444,576	\$ 522,300	\$ -	\$ 322,060	1,288,936
Cash overdraft	-	-	(99,818)	-	(99,818)
<b>Total</b>	<b>\$ 444,576</b>	<b>\$ 522,300</b>	<b>\$ (99,818)</b>	<b>\$ 322,060</b>	<b>\$ 1,189,118</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 426,409	\$ 918,955	\$ 77,128	\$ (72,740)	\$ 1,349,752
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	206,108	474,982	-	109,030	790,120
Changes in assets, deferred outflows and inflows of resources, and liabilities					
Accounts receivable	(45,958)	(250,206)	(2,856)	54,030	(244,990)
Prepaid expenses	(22,463)	(5,635)	-	-	(28,098)
Deferred outflows pensions	(15,628)	(20,667)	-	-	(36,295)
Accounts payable	78,144	45,763	-	15,506	139,413
Unearned revenue	-	-	-	-	-
Deposits payable	8,786	-	-	-	8,786
Accrued wages and benefits	2,440	713	-	-	3,153
Net pension liability	27,031	35,743	-	-	62,774
Deferred inflows pensions	(7,078)	(9,356)	-	-	(16,434)
<b>Total adjustments</b>	<b>231,382</b>	<b>271,337</b>	<b>(2,856)</b>	<b>178,566</b>	<b>678,429</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 657,791</b>	<b>\$ 1,190,292</b>	<b>\$ 74,272</b>	<b>\$ 105,826</b>	<b>\$ 2,028,181</b>



**City of Guadalupe**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**June 30, 2018**

	<u>Private-Purpose Trust Fund</u>
<b>ASSETS</b>	
Cash and investments	
Cash with fiscal agent	\$ 1,155,894
Accounts receivable	333,366
Property held for resale	101,736
Capital assets, net of accumulated depreciation	222,482
	<u>163,360</u>
<b>Total assets</b>	<u>1,976,838</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on refunding	92,886
	<u>92,886</u>
<b>Total deferred outflows of resources</b>	<u>92,886</u>
<b>LIABILITIES</b>	
Accounts payable	83,297
Interest payable	142,831
Unearned revenue	757,073
Long-term liabilities:	
Due within one year	258,026
Due after one year	4,552,870
	<u>5,794,097</u>
<b>Total liabilities</b>	<u>5,794,097</u>
<b>NET POSITION</b>	
Held in trust for other governments	<u>\$ (3,724,373)</u>

**City of Guadalupe**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the year ended June 30, 2018**

	Private-Purpose Trust Fund
<b>ADDITIONS:</b>	
Property taxes	\$ 516,433
Revenue from other agencies	82,685
Other revenues	58,598
<b>Total additions</b>	<u>657,716</u>
<b>DEDUCTIONS:</b>	
Program expenses	108,276
Administration expenses	90,000
Interest on long-term liabilities	190,037
Cost of debt issuance	282,899
Depreciation	9,900
<b>Total Deductions</b>	<u>681,112</u>
<b>Change in net position</b>	(23,396)
<b>NET POSITION:</b>	
Beginning of year	<u>(3,700,977)</u>
End of year	<u>\$ (3,724,373)</u>

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# NOTES TO BASIC FINANCIAL STATEMENTS

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**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**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, solid waste, 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 14 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 (the 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, 2018**

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**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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

*B. Basis of Accounting and Measurement Focus, Continued*

**Government-Wide Financial Statements, Continued**

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.

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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. *Basis of Accounting and Measurement Focus, Continued*

**Governmental Fund Financial Statements, Continued**

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.

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.

Gas Tax Special Revenue Fund accounts for the activities associated with any street or road purpose as defined in California code section S&H 2103, 2104, 2105, 2106, 2107, 2107.5, 2182, and 7104; which includes snow removal, engineering cost and administrative expense, undistributed engineering cost and administrative expense, snow grooming, heavy rainfall and storm damage and maintenance or reconstruction (Guidelines Relating to Gas Tax Expenditures for Cities and Counties, August 2015, page 3).



**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**Governmental Fund Financial Statements, Continued**

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.

A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

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.

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.

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 operations of the City's solid waste collection and disposal services, a self-supporting activity, which renders service on a user charge basis to residents and businesses.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**Proprietary Fund Financial Statements, Continued**

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 and an agency fund. The private purpose trust fund accounts for the assets and liabilities of the former Redevelopment Agency. The agency fund is used to account for funds held by the City for specified purpose that do not belong to the City. The fiduciary funds are accounted for on the accrual basis of accounting.

**C. Cash, Cash Equivalents and Investments**

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 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.

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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**C. Cash, Cash Equivalents and Investments, Continued**

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. Cash and investments are also restricted for deposits held for others within the enterprise funds.

**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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**E. Capital Assets, Continued**

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 fund types recognize the interest payable when the liability is incurred.

**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, 2018**

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**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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. *Deferred Outflows/Inflows of Resources, Continued***

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.

**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 new 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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**K. Fund Balances, Continued**

**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.

**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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**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.

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:



**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**N. Other Postemployment Benefits (OPEB), Continued**

Valuation Date July 1, 2016  
Measurement Date June 30, 2018  
Measurement Period July 1, 2017 to June 30, 2018

**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 2018, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The objective of this statement is to address reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The City restated its beginning net position as part of implementation of this statement.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* - The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 85, *Omnibus 2018* - The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). There was no effect on net position as a result of implementation of this statement.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*P. New Pronouncements, Continued*

- GASB Statement No. 86, *Certain Debt Extinguishment Issues* – The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. 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, 2018:

	Government-Wide Statement of Net Position			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 2,664,603	\$ 1,288,936	\$ 3,953,539	\$ 1,155,894	\$ 5,109,433
Cash overdraft	-	(99,818)	(99,818)	-	(99,818)
Total cash and Investments	2,664,603	1,189,118	3,853,721	1,155,894	5,009,615
Restricted cash and investments	-	-	-	333,366	333,366
<b>Total cash and Investments and restricted cash and investments</b>	<b>\$ 2,664,603</b>	<b>\$ 1,189,118</b>	<b>\$ 3,853,721</b>	<b>\$ 1,489,260</b>	<b>\$ 5,342,981</b>

**A. Summary of Cash and Investments**

Cash and investments as of June 30, 2018 consist of the following:

<b>Cash and investments:</b>	
Deposits	\$ 229,728
Petty cash	800
Local Agency Investment Fund (LAIF)	4,740,751
Common stock	38,336
<b>Total cash and investments</b>	<b>\$ 5,009,615</b>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**2. CASH AND INVESTMENTS, Continued**

**B. Deposits**

The carrying amount of the City's cash deposit was \$229,728 at June 30, 2018. Bank balances before reconciling items were \$723,006 at June 30, 2018. 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.

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**2. CASH AND INVESTMENTS, Continued**

*C. Investments, Continued*

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	\$ 30,990
Unrealized loss in changes in fair value of investments	(8,051)
<b>Total investment income</b>	<b>\$ 22,939</b>

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, 2018, 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, 2018, the City had \$4,740,751 invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.89% in the previous year. The LAIF fair value factor of 0.998126869 was used to calculate the fair value of the investments in LAIF.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**2. CASH AND INVESTMENTS, Continued**

**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, 2018, are shown below:

Investment Type	Totals	Remaining Maturity (in Months)		
		12 Months Or Less	13 to 24 Months	More Than 24 Months
LAIF	\$ 4,740,751	\$ 4,740,751	\$ -	\$ -
Common stock	38,336	38,336	-	-
<b>Total</b>	<b>\$ 4,779,087</b>	<b>\$ 4,779,087</b>	<b>\$ -</b>	<b>\$ -</b>

*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.

At June 30, 2018, the City's deposits and investments were rated as follows:

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	Rating as of Fiscal Year-End	
					Not Rated
State Pool	\$ 4,740,751	N/A	\$ -	\$ -	4,740,751
Common stock	38,336	N/A	-	-	38,336
<b>Total</b>	<b>\$ 4,779,087</b>		<b>\$ -</b>	<b>\$ -</b>	<b>4,779,087</b>

*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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**2. CASH AND INVESTMENTS, Continued**

**E. Investment Valuation, Continued**

Investments' fair value measurements at June 30, 2018 are described below:

Investment Type	Amount	Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
Investments subject to leveling:				
Common stock	\$ 38,336	\$ 38,336	\$ -	\$ -
Total investments subject to leveling	38,336	\$ 38,336	\$ -	\$ -
Investments not subject to leveling:				
State Pool	4,750,751			
Total investments	\$ 4,789,087			

**3. INTERFUND TRANSACTIONS**

**A. Interfund Loans Receivable**

At June 30, 2018, the City had the following interfund loans:

Loans To	Loans From			Total
	Non-Major Governmental Funds	Gas Tax	Water Fund	
General Fund	\$ 352,500	\$ 62,732	\$ 543,499	\$ 958,731
Non-Major Governmental Fund	68,333	-	-	68,333
Total	\$ 420,833	\$ 62,732	\$ 543,499	\$ 1,027,064

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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**3. INTERFUND TRANSACTIONS, Continued**

**A. Interfund Loans Receivable, Continued**

As of June 30, 2018, future minimum payments on the General Fund loans are as follows:

	<u>General Fund</u>
2019	146,733
2020	95,668
2021	107,334
2022	119,000
2023	130,666
2024-2028	359,330
	<u>\$ 958,731</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.

At June 30, 2018, the City had the following transfers in/out which arose in the normal course of operations:

<u>Transfer Out</u>	<u>Transfer In</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	
Non-Major Governmental Funds	\$ 876	\$ 6,800	\$ 7,676
Water Fund	280,596	-	280,596
Wastewater Treatment Fund	194,496	-	194,496
Transit Fund	34,992	-	34,992
<b>Total</b>	<u>\$ 510,960</u>	<u>\$ 6,800</u>	<u>\$ 517,760</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**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 \$16,612 at June 30, 2018 and the business loans receivable portion was \$10,294.

At June 30, 2018, 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>
2019	\$ 3,868
2020	5,158
2021	<u>1,268</u>
Total	<u>\$ 10,294</u>

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, 2018**

**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 July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
<b>Non-depreciable assets:</b>					
Land	\$ 343,131	\$ -	\$ -	\$ -	\$ 343,131
Construction in progress	-	-	-	-	-
<b>Total non-depreciable assets</b>	<u>343,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>343,131</u>
<b>Depreciable assets:</b>					
Buildings and improvements	5,244,508	-	-	-	5,244,508
Vehicles	1,187,781	107,091	-	-	1,294,872
Equipment	547,320	24,529	-	-	571,849
Infrastructure	6,998,887	-	-	-	6,998,887
<b>Total depreciable assets</b>	<u>13,978,496</u>	<u>131,620</u>	<u>-</u>	<u>-</u>	<u>14,110,116</u>
<b>Less accumulated depreciation:</b>					
Buildings and improvements	1,500,945	143,123	-	-	1,644,068
Vehicles	993,033	94,653	-	-	1,087,686
Equipment	500,838	25,974	-	-	526,812
Infrastructure	2,651,122	276,336	-	-	2,927,458
<b>Total accumulated depreciation</b>	<u>5,645,938</u>	<u>540,086</u>	<u>-</u>	<u>-</u>	<u>6,186,024</u>
<b>Total depreciable assets, net</b>	<u>8,332,558</u>	<u>(408,466)</u>	<u>-</u>	<u>-</u>	<u>7,924,092</u>
<b>Total capital assets</b>	<u>\$ 8,675,689</u>	<u>\$ (408,466)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,267,223</u>

Depreciation expense by program for capital assets for the year ended June 30, 2018 was as follows:

General government	\$ 31,260
Public safety	90,139
Transportation	25,082
Leisure, cultural & social services	32,310
Community development	361,295
<b>Total depreciation expense</b>	<u>\$ 540,086</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**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 July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
<b>Non-depreciable assets:</b>					
Land	\$ 248,425	\$ -	\$ -	\$ -	\$ 248,425
Construction in progress	412,218	264,785	-	(459,590)	217,413
<b>Total non-depreciable assets</b>	<b>660,643</b>	<b>264,785</b>	<b>-</b>	<b>(459,590)</b>	<b>465,838</b>
<b>Depreciable assets:</b>					
Buildings and improvements	9,869,371	-	-	-	9,869,371
Vehicles	1,681,713	6,498	(6,498)	-	1,681,713
Equipment	529,516	-	-	-	529,516
Infrastructure	6,998,888	-	-	459,590	7,458,478
<b>Total depreciable assets</b>	<b>19,079,488</b>	<b>6,498</b>	<b>(6,498)</b>	<b>459,590</b>	<b>19,539,078</b>
<b>Less accumulated Depreciation:</b>					
Buildings and improvements	7,453,491	630,756	-	-	8,084,247
Vehicles	949,011	138,007	-	-	1,087,018
Equipment	472,870	21,357	-	-	494,227
Infrastructure	1,830,948	-	-	-	1,830,948
<b>Total accumulated depreciation</b>	<b>10,706,320</b>	<b>790,120</b>	<b>-</b>	<b>-</b>	<b>11,496,440</b>
<b>Total depreciable assets, net</b>	<b>8,373,168</b>	<b>(783,622)</b>	<b>(6,498)</b>	<b>459,590</b>	<b>8,042,638</b>
<b>Total capital assets</b>	<b>\$ 9,033,811</b>	<b>\$ (518,837)</b>	<b>\$ (6,498)</b>	<b>\$ -</b>	<b>\$ 8,508,476</b>

Depreciation expense for the year ended June 30, 2018 was as follows:

Water	\$ 206,108
Wastewater	474,982
Transit	109,030
<b>Total depreciation expense</b>	<b>\$ 790,120</b>

**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, 2018**

**6. LONG-TERM DEBT**

**A. Governmental Activities**

For the year ended June 30, 2018, governmental activities long-term liabilities activity was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Sewer bonds	\$ 32,000	\$ -	\$ (16,000)	\$ 16,000	\$ 16,000
Capital lease obligations	262,053	-	(70,866)	191,187	73,125
Insurance claims payable	115,195	20,697	(73,821)	62,071	21,095
Compensated absences	255,743	-	(6,042)	249,701	-
<b>Total</b>	<b>\$ 664,991</b>	<b>\$ 20,697</b>	<b>\$ (166,729)</b>	<b>\$ 518,959</b>	<b>\$ 110,220</b>

**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 mature in April 2019. These payments are made to the Farmers Home Administration, the purchaser of the bonds. At June 30, 2018, the principal balance outstanding was \$16,000.

The annual debt service requirements on the Sewer Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 16,000	\$ 100	\$ 16,100
Total	\$ 16,000	\$ 100	\$ 16,100

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**6. LONG-TERM DEBT**

*A. Governmental Activities, Continued*

**Capital Lease Obligations**

The City leases vehicles and equipment under capital leases that expire through November 2021. Amortization on the assets leased is included in depreciation expense. At June 30, 2018, future minimum payments for governmental capital lease obligations were as follows:

Year Ending June 30,	Amount
2019	\$ 73,125
2020	73,125
2021	41,517
2022	3,420
Present value of minimum lease payments	191,187
Less current portion	(73,125)
Long-term principal obligations	<u>\$ 118,062</u>

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

*B. Business-Type Activities*

For the year ended June 30, 2018, business-type activities long-term liabilities activity was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Certificates of participation	\$ 2,028,858	\$ -	\$ (60,793)	\$ 1,968,065	\$ 62,144
Capital lease obligations	168,371	-	(34,823)	133,548	44,368
Insurance claims payable	89,602	-	(10,963)	78,639	26,849
Total	<u>\$ 2,286,831</u>	<u>\$ -</u>	<u>\$ (106,579)</u>	<u>\$ 2,180,252</u>	<u>\$ 133,361</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**6. LONG-TERM DEBT**

**B. Business-Type Activities, Continued**

**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 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. 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, 2018, the principal balance outstanding was \$1,081,240.

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 28,000	\$ 48,822	76,822
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
2024-2028	196,000	191,325	387,325
2029-2033	246,000	141,881	387,881
2034-2038	305,000	80,196	385,196
2039-2041	179,240	12,469	191,709
Total	<u>\$ 1,081,240</u>	<u>\$ 656,375</u>	<u>\$ 1,737,615</u>

**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. 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, 2018, the principal balance outstanding was \$885,762.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**6. LONG-TERM DEBT, Continued**

**B. Business-Type Activities, Continued**

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 34,144	\$ 37,237	\$ 71,381
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
2024-2028	226,925	128,904	355,829
2029-2033	277,754	77,105	354,859
2034-2035	196,749	16,676	213,425
Total	<u>\$ 886,825</u>	<u>\$ 393,910</u>	<u>\$ 1,280,735</u>

**Capital Lease Obligations**

The City leases vehicles and equipment under capital leases that expire through October 2022. Amortization on the assets leased is included in depreciation expense. At June 30, 2018, future minimum payments for business-type capital lease obligations were as follows:

For the Year Ending June 30,	Amount
2019	\$ 44,368
2020	44,368
2021	33,926
2022	10,886
Present value of minimum lease payments	<u>133,548</u>
Less current portion	<u>(44,368)</u>
Long-term principal obligations	<u>\$ 89,180</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**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. State water payments were \$712,535 for the year ended June 30, 2018. The City's allocation of CCWA's operating expenses for the year ended June 30, 2018 was \$120,900.

**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, 2018**

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**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, 2018**

**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 C/JPIA:

**Property Insurance:** The City participates in the all-risk property protection program of C/JPIA. 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 C/JPIA. 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 C/JPIA:

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 \$140,710 at June 30, 2018. The long-term liability applicable to governmental type and business-type activities have been allocated accordingly.

At June 30, 2018, the aggregate future maturities of the insurance claim payable were as follows:

For the Year Ending June 30,	Governmental	Business-Type	Total
2019	21,095	26,849	\$ 47,944
2020	21,533	27,406	48,939
2021	19,442	24,385	43,827
Total	\$ 62,071	\$ 78,639	\$ 140,710

**Additional information and complete financial statements for the C/JPIA 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, 2018**

**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, 2018, 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	6.896%	6.915%	6.250%	9.500%
Required employer contribution rates	8.921%	12.242%	6.533%	9.513%
Unfunded liability payment	\$ 80,819	\$ 40,492	\$ 265	\$ 1,062

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**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, 2017 were \$305,064.

**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 \$3,065,323.

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, 2016	0.02989%
Proportion - June 30, 2017	0.03091%
Change - Increase (Decrease)	<u>0.00102%</u>

For the year ended June 30, 2018, the City recognized pension expense of \$406,500.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**8. EMPLOYEE RETIREMENT PLANS, Continued**

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

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 329,839	\$ -
Changes in assumptions	572,341	43,762
Differences between expected and actual experience	-	20,850
Changes in employer's proportion	68,741	92,434
Differences between the employer's contribution and the employer's proportionate share of contributions	2,315	81,974
Net differences between projected and actual earnings on plan investments	127,358	-
Total	<u>\$ 1,100,594</u>	<u>\$ 239,020</u>

\$329,839 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, 2019. 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,	
2019	\$ 48,840
2020	356,594
2021	201,432
2022	(75,131)

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**8. EMPLOYEE RETIREMENT PLANS, Continued**

**E. Actuarial Assumptions**

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
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) Net of pension plan administrative expenses.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**8. EMPLOYEE RETIREMENT PLANS, Continued**

**F. Discount Rate, Continued**

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.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	80.00%	2.27%
Inflation Sensitive	6.00%	60.00%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.  
(b) An expected inflation of 3.0% used for this period.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**8. EMPLOYEE RETIREMENT PLANS, Continued**

*F. Discount Rate, Continued*

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -*  
The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.15%
Net Pension Liability	\$	4,953,793
Current Discount Rate		7.15%
Net Pension Liability	\$	3,065,323
1% Increase		8.15%
Net Pension Liability	\$	1,510,382

*G. Payable to the Pension Plan*

At June 30, 2018 the City reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**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 \$128-\$133 per 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.

*B. Employees Covered*

The following current and former employees were covered by the benefit terms under the OPEB plan as of the July 1, 2016 actuarial valuation:

Active Employees	24
Inactive employees or beneficiaries currently receiving benefits	3
	<hr/>
	27

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**9. OTHER POST EMPLOYMENT BENEFITS, Continued**

**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 \$128 per month for calendar year 2017 and \$133 per month for calendar year 2018. 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, 2017 to June 30, 2018, the City contributed \$206,667, including \$122,404 of pay-as-you-go amounts and \$84,263 in implicit rate subsidy.

**D. Total OPEB Liability**

The City's total OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016. Standard actuarial update procedures were used to project/discard 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	3.62%
Salary increases	4.00%
Healthcare cost trend rate	5.00% for 2017 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, 2016 valuation were based on a review of plan experience during the period July 1, 2013 to June 30, 2016.

The discount rate used to measure the total OPEB liability was 3.62%, which reflects the municipal bond 20-year high grade index rate, and assumes the net fiduciary position of the plan remains at \$0.



**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**9. OTHER POST EMPLOYMENT BENEFITS, Continued**

**E. Changes in the Total OPEB Liability**

	Increase (Decrease)
	<u>Total OPEB Liability</u>
<b>Balance at June 30, 2017</b> (Measurement date 06/30/2017)	<u>\$ 424,124</u>
<b>Changes in the year:</b>	
Service cost	22,060
Interest	11,646
Benefit changes	-
Investment experience	-
Plan experience	-
Assumption changes	-
Contribution - employer (1)	-
Expected investment income	-
Benefit payments (1)	(206,667)
Administrative expenses	-
<b>Net changes</b>	<u>(172,961)</u>
<b>Balance at June 30, 2018</b> (Measurement date 06/30/2018)	<u>\$ 251,163</u>

(1) Includes \$122,404 of pay-as-you-go contributions made from sources outside the trust, plus an implicit subsidy amount of \$84,263 on benefit payments from sources outside the trust.

**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 (2.62 percent) or 1-percentage point higher (4.62 percent) than the current discount rate:

	1% Decrease 2.62%	Discount Rate 3.62%	1% Increase 4.62%
Total OPEB Liability (Asset)	\$ 351,435	\$ 251,163	\$ 174,208

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
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**9. OTHER POST EMPLOYMENT BENEFITS, Continued**

**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 4.00%	Trend Rate 5.00%	1% Increase 6.00%
Total OPEB Liability (Asset)	\$ 164,385	\$ 251,163	\$ 366,731

**H. OPEB Expense**

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$33,706.

**10. CONTINGENCIES AND COMMITMENTS**

**A. Litigation**

The City is a defendant in various litigation in court. During the fiscal year 2017, the court found the City liable in one of the claims and awarded a judgment against the City for \$456,049. The City is appealing the judgment, and the outcome of the appeal is currently unknown.

**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).