

Approved: CC 7-11-2023
Motion: Megan Lizalde / Gilbert Robles
Ayes: 5/0

City of Guadalupe



Basic Financial Statements

Fiscal Year July 1, 2021 through June 30, 2022

City of Guadalupe
Guadalupe, California

Basic Financial Statements
For the Year Ended June 30, 2022

**CITY OF GUADALUPE
GUADALUPE, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED June 30, 2022**

Prepared by:

FINANCE DEPARTMENT

City of Guadalupe
Basic Financial Statements
For the year ended June 30, 2022

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For the year ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Substantial Doubt About the Entity's Ability to Continue as a 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 have expenditures higher than revenues in the General Fund. In addition, the General Fund has a large interfund loans payable balance. There are doubts about the General Fund's ability to repay the interfund loans payable without having a significant impact on the City's operations. These conditions raise doubt about the City's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 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.

Responsibilities of Management for the Financial Statements

The City's 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 73-81, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

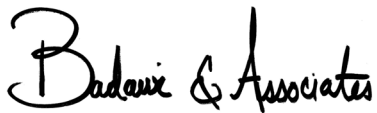
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements on pages 84-87 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

To the Honorable Mayor and Members of the City Council
of the City of Guadalupe
Guadalupe, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2023, 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.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
June 22, 2023

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Guadalupe
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 5,195,003	\$ 4,960,063	\$ 10,155,066
Accounts receivable	1,199,985	790,090	1,990,075
Prepaid expenses	451,499	665,816	1,117,315
Leases receivable	-	232,260	232,260
Loans receivable	32,884	-	32,884
Internal balances	207	(207)	-
Total current assets	<u>6,879,578</u>	<u>6,648,022</u>	<u>13,527,600</u>
Noncurrent assets:			
Leases	-	536,605	536,605
Capital assets:			
Non-depreciable	674,008	3,279,312	3,953,320
Depreciable, net	12,947,700	5,649,611	18,597,311
Total capital assets	<u>13,621,708</u>	<u>8,928,923</u>	<u>22,550,631</u>
Total noncurrent assets	<u>13,621,708</u>	<u>8,928,923</u>	<u>22,550,631</u>
Total assets	<u>20,501,286</u>	<u>16,113,550</u>	<u>36,614,836</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	971,934	146,551	1,118,485
OPEB related amounts	146,450	-	146,450
Total deferred outflows of resources	<u>1,118,384</u>	<u>146,551</u>	<u>1,264,935</u>
LIABILITIES			
Current liabilities:			
Accounts payable	796,821	172,705	969,526
Accrued salaries and wages payable	246,043	34,901	280,944
Interest payable	-	31,670	31,670
Deposits payable	80,928	48,651	129,579
Unearned revenue	585,217	-	585,217
Long-term debt - due within one year	-	74,136	74,136
Total current liabilities	<u>1,709,009</u>	<u>362,063</u>	<u>2,071,072</u>
Noncurrent liabilities:			
Net pension liability	1,682,235	253,652	1,935,887
Total OPEB liability	403,579	-	403,579
Long-term debt - due in more than one year	404,092	1,627,667	2,031,759
Total noncurrent liabilities	<u>2,489,906</u>	<u>1,881,319</u>	<u>4,371,225</u>
Total liabilities	<u>4,198,915</u>	<u>2,243,382</u>	<u>6,442,297</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - leases	-	768,865	768,865
Pension related amounts	1,459,058	220,003	1,679,061
OPEB related amounts	223,486	-	223,486
Total deferred inflows of resources	<u>1,682,544</u>	<u>988,868</u>	<u>2,671,412</u>
NET POSITION			
Net investment in capital assets	13,621,708	7,227,120	20,848,828
Restricted for:			
Street maintenance	1,487,476	-	1,487,476
Other capital projects	618,982	-	618,982
Other purposes	2,147,581	147,033	2,294,614
Total restricted	<u>4,274,859</u>	<u>147,033</u>	<u>4,421,892</u>
Unrestricted	(2,158,356)	5,653,698	3,495,342
Total net position	<u>\$ 15,738,211</u>	<u>\$ 13,027,851</u>	<u>\$ 28,766,062</u>

See accompanying Notes to Basic Financial Statements.

City of Guadalupe
Statement of Activities
For the year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General Government	\$ 1,616,981	\$ 500,325	\$ 554,161	\$ -
Public Safety	3,789,931	610,879	237,375	-
Transportation	1,441,750	-	1,153,440	108,678
Leisure, cultural and social services	615,885	32,944	322,349	2,053,082
Community development	1,005,502	276,094	35,342	54,886
Interest on long-term debt	2,010	-	-	-
Total governmental activities	8,472,059	1,420,242	2,302,667	2,216,646
Business-type activities:				
Water	1,816,922	2,642,700	30,683	-
Wastewater Treatment	1,500,816	2,646,368	13,827	-
Solid Waste	-	-	-	-
Transit	626,912	45,180	690,640	-
Total business-type activities	3,944,650	5,334,248	735,150	-
Total primary government	\$ 12,416,709	\$ 6,754,490	\$ 3,037,817	\$ 2,216,646

General Revenues and Transfers:

Taxes:

Property taxes

Sales taxes

Utilities Uses Tax

Other taxes

Total taxes

Investment earnings

Other

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

Net (Expense) Revenue
and Changes in Net Position

Total	Governmental Activities	Business-Type Activities	Total
\$ 1,054,486	\$ (562,495)	\$ -	\$ (562,495)
848,254	(2,941,677)	-	(2,941,677)
1,262,118	(179,632)	-	(179,632)
2,408,375	1,792,490	-	1,792,490
366,322	(639,180)	-	(639,180)
-	(2,010)	-	(2,010)
5,939,555	(2,532,504)	-	(2,532,504)
2,673,383	-	856,461	856,461
2,660,195	-	1,159,379	1,159,379
-	-	-	-
735,820	-	108,908	108,908
6,069,398	-	2,124,748	2,124,748
\$ 12,008,953	(2,532,504)	2,124,748	(407,756)
	1,954,091	-	1,954,091
	1,330,009	-	1,330,009
	503,050	-	503,050
	547,954	-	547,954
	4,335,104	-	4,335,104
	18,824	(40,571)	(21,747)
	163,177	(363,844)	(200,667)
	623,471	(623,471)	-
	5,140,576	(1,027,886)	4,112,690
	2,608,072	1,096,862	3,704,934
	13,130,139	11,930,989	25,061,128
\$	\$ 15,738,211	\$ 13,027,851	\$ 28,766,062

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

City of Guadalupe
Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds			
	General	Community Development	ARPA	Capital Improvement Program
ASSETS				
Cash and investments	\$ 736,391	\$ 490,635	\$ 589,603	\$ 8
Accounts receivable	465,908	559,580	-	-
Prepaid expenses	429,013	-	-	-
Interfund loans receivable	78,098	-	-	628,676
Loans receivable	-	32,884	-	-
Total assets	\$ 1,709,410	\$ 1,083,099	\$ 589,603	\$ 628,684
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 104,918	\$ 33,378	\$ -	\$ 628,676
Accrued salaries and wages payable	236,315	-	-	-
Deposits payable	80,928	-	-	-
Unearned revenue	7,214	-	578,003	-
Interfund loans payable	497,777	1,098,995	11,600	-
Total liabilities	927,152	1,132,373	589,603	628,676
Deferred inflows of resources:				
Unavailable revenue	1,021	509,571	-	-
Total deferred inflows of resources	1,021	509,571	-	-
Fund Balances:				
Nonspendable:				
Prepaid expenses	429,013	-	-	-
Restricted for:				
Street maintenance	-	-	-	-
Other capital projects	-	-	-	-
Community development	20,820	-	-	-
Public safety	-	-	-	-
Utility infrastructure	-	-	-	-
Debt service	-	-	-	-
Lighting and landscape	-	-	-	-
Committed to:				
Capital projects	-	-	-	8
General Reserve	165,702	-	-	-
Emergency Reserve	165,702	-	-	-
Unassigned	-	(558,845)	-	-
Total fund balances	781,237	(558,845)	-	8
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,709,410	\$ 1,083,099	\$ 589,603	\$ 628,684

Other Governmental Funds	Total Governmental Funds
\$ 3,378,366	\$ 5,195,003
174,497	1,199,985
22,486	451,499
1,005,569	1,712,343
-	32,884
\$ 4,580,918	\$ 8,591,714

\$ 29,849	\$ 796,821
9,728	246,043
-	80,928
-	585,217
103,764	1,712,136
143,341	3,421,145

74,780	585,372
74,780	585,372

22,486	451,499
1,487,476	1,487,476
618,982	618,982
-	20,820
170,262	170,262
814,204	814,204
31,777	31,777
1,131,338	1,131,338
120,473	120,481
-	165,702
-	165,702
(34,201)	(593,046)
4,362,797	4,585,197
\$ 4,580,918	\$ 8,591,714

City of Guadalupe
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2022

Total Fund Balances - Total Governmental Funds	<u>\$ 4,585,197</u>
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. The capital assets were adjusted as follows:	
Non-depreciable	674,008
Depreciable, net	<u>12,947,700</u>
Total capital assets	<u>13,621,708</u>
Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.	585,372
Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.	534,053
In the Government-Wide Financial Statement certain OPEB amounts are deferred and amortized over a period of time, however, in the governmental funds no transactions are recorded.	(77,036)
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.	(1,021,177)
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	(1,682,235)
Net OPEB liability	(403,579)
Long term liabilities - due within one year	-
Long term liabilities - due in more than one year	<u>(404,092)</u>
Total long-term liabilities	<u>(2,489,906)</u>
Net Position of Governmental Activities	<u><u>\$ 15,738,211</u></u>

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City of Guadalupe
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2022

	Major Funds			
	General	Community Development	ARPA	Capital Improvement Program
REVENUES:				
Taxes	\$ 3,789,586	\$ -	\$ -	\$ -
Licenses and permits	875,813	-	-	-
Fines and penalties	6,375	-	-	-
Revenues from other agencies	688,953	2,567,029	352,927	-
Charges for current services	449,303	-	-	-
Interest	48,964	(3,086)	-	-
Other revenues	141,561	276,449	-	-
Total revenues	6,000,555	2,840,392	352,927	-
EXPENDITURES:				
Current:				
General government	1,390,226	-	-	-
Public safety	4,090,986	-	-	-
Transportation	-	-	-	-
Leisure, cultural and social services	369,691	191,360	-	-
Community development	497,624	-	-	-
Capital outlay	-	-	-	3,873,508
Debt service:				
Interest and fiscal charges	2,010	-	-	-
Total expenditures	6,350,537	191,360	-	3,873,508
REVENUES OVER (UNDER) EXPENDITURES	(349,982)	2,649,032	352,927	(3,873,508)
OTHER FINANCING SOURCES (USES):				
Transfers in	973,105	53,117	-	3,873,508
Transfers out	(212,242)	(2,420,091)	(352,927)	-
Total other financing sources (uses)	760,863	(2,366,974)	(352,927)	3,873,508
Net change in fund balances	410,881	282,058	-	-
FUND BALANCES:				
Beginning of year, as restated	370,356	(840,903)	-	8
End of year	\$ 781,237	\$ (558,845)	\$ -	\$ 8

Other Governmental Funds	Total Governmental Funds
\$ 1,148,077	\$ 4,937,663
44,477	920,290
-	6,375
365,663	3,974,572
28,645	477,948
(27,054)	18,824
50,000	468,010
<u>1,609,808</u>	<u>10,803,682</u>
-	1,390,226
54,830	4,145,816
327,001	327,001
20,030	581,081
88,205	585,829
116,354	3,989,862
-	2,010
<u>606,420</u>	<u>11,021,825</u>
<u>1,003,388</u>	<u>(218,143)</u>
53,449	4,953,179
<u>(1,344,448)</u>	<u>(4,329,708)</u>
<u>(1,290,999)</u>	<u>623,471</u>
(287,611)	405,328
<u>4,650,408</u>	<u>4,179,869</u>
<u>\$ 4,362,797</u>	<u>\$ 4,585,197</u>

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, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 405,328
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.	2,953,472
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.	(570,429)
Accrued compensated leave payable is not recorded in the governmental funds, but the accrued payable increased in the Government-Wide Statement of Net Position causing an expense on the Statement of Activities.	(31,512)
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.	(64,234)
Repayment of debt principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Long-term debt repayments	3,704
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.	(414,465)
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.	534,053
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however, pension expense is not recognized in the governmental funds.	(207,845)
Change in Net Position of Governmental Activities	\$ 2,608,072

City of Guadalupe
Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds				Total
	Water	Wastewater Treatment	Transit	(Nonmajor) Solid Waste	
ASSETS					
Current assets:					
Cash and investments	\$ 2,048,401	\$ 2,208,416	\$ 703,246	\$ -	4,960,063
Accounts receivable, net of allowance	306,865	429,796	53,429	-	790,090
Prepaid expenses	595,327	70,489	-	-	665,816
Interfund loan receivable, current portion	78,166	-	-	-	78,166
Leases receivable, current portion	-	232,260	-	-	232,260
Total current assets	3,028,759	2,940,961	756,675	-	6,726,395
Noncurrent assets:					
Interfund loan receivable, net of current portion	219,330	-	-	-	219,330
Leases receivable, net of current portion	-	536,605	-	-	536,605
Capital assets:					
Land	29,464	218,961	-	-	248,425
Work in progress	623,345	2,407,542	-	-	3,030,887
Buldings, infrastructure and improvements	5,133,448	12,052,727	84,787	-	17,270,962
Vehicles	68,251	113,286	1,647,520	-	1,829,057
Equipment	392,348	162,411	10,610	-	565,369
Less accumulated depreciation	(3,613,236)	(9,231,904)	(1,170,637)	-	(14,015,777)
Total capital assets	2,633,620	5,723,023	572,280	-	8,928,923
Total noncurrent assets	2,852,950	6,259,628	572,280	-	9,684,858
Total assets	5,881,709	9,200,589	1,328,955	-	16,411,253
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	63,106	83,445	-	-	146,551
Total deferred outflows of resources	63,106	83,445	-	-	146,551

City of Guadalupe
Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds				Total
	Water	Wastewater Treatment	Transit	(Nonmajor) Solid Waste	
LIABILITIES					
Current liabilities:					
Accounts payable	21,714	89,423	61,568	-	172,705
Due to other funds	194,768	97,498	5,437	-	297,703
Deposits payable	48,651	-	-	-	48,651
Accrued wages and benefits	16,570	18,331	-	-	34,901
Interest payable	17,611	14,059	-	-	31,670
Current portion of certificates of participation	47,616	26,520	-	-	74,136
Total current liabilities	346,930	245,831	67,005	-	659,766
Noncurrent liabilities:					
Certificates of participation, net of current portion	905,200	722,467	-	-	1,627,667
Net pension liability	109,226	144,426	-	-	253,652
Total noncurrent liabilities	1,014,426	866,893	-	-	1,881,319
Total liabilities	1,361,356	1,112,724	67,005	-	2,541,085
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - leases	-	768,865	-	-	768,865
Pension related amounts	94,735	125,268	-	-	220,003
Total deferred inflows of resources	94,735	894,133	-	-	988,868
NET POSITION					
Net investment in capital assets	1,680,804	4,974,036	572,280	-	7,227,120
Restricted for debt service	88,455	58,578	-	-	147,033
Unrestricted	2,719,465	2,244,563	689,670	-	5,653,698
Total net position	\$ 4,488,724	\$ 7,277,177	\$ 1,261,950	\$ -	\$ 13,027,851

City of Guadalupe
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2022

	Enterprise Funds				Total
	Water	Wastewater Treatment	Transit	(Nonmajor) Solid Waste	
OPERATING REVENUES:					
Water sales	\$ 2,409,700	\$ -	\$ -	\$ -	\$ 2,409,700
Standby charges	27,189	-	-	-	27,189
Connection fees	115,237	285,344	-	-	400,581
Sewer service charges	-	1,838,549	-	-	1,838,549
Refuse service charges	-	-	-	-	-
Other revenues	90,574	281,250	45,180	-	417,004
Total operating revenues	2,642,700	2,405,143	45,180	-	5,093,023
OPERATING EXPENSES:					
Personnel services	327,434	278,944	-	-	606,378
Maintenance and operations	1,320,121	752,696	530,394	-	2,603,211
Depreciation	128,926	434,578	96,518	-	660,022
Total operating expenses	1,776,481	1,466,218	626,912	-	3,869,611
OPERATING INCOME (LOSS)	866,219	938,925	(581,732)	-	1,223,412
NONOPERATING REVENUES (EXPENSES):					
Revenues from other agencies	30,683	13,827	690,640	-	735,150
Interest income	(16,761)	(18,836)	(4,974)	-	(40,571)
Interest expense	(40,441)	(34,598)	-	-	(75,039)
Other income (loss)	(363,844)	241,225	-	-	(122,619)
Total nonoperating revenues (expenses)	(390,363)	201,618	685,666	-	496,921
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	475,856	1,140,543	103,934	-	1,720,333
Contributed capital	-	-	-	-	-
Transfers in	33,692	442	2,453	-	36,587
Transfers out	(324,723)	(299,200)	(35,000)	(1,135)	(660,058)
Total contributions and transfers	(291,031)	(298,758)	(32,547)	(1,135)	(623,471)
Change in net position	184,825	841,785	71,387	(1,135)	1,096,862
NET POSITION					
Beginning of year	4,303,899	6,435,392	1,190,563	1,135	11,930,989
End of year	<u>\$ 4,488,724</u>	<u>\$ 7,277,177</u>	<u>\$ 1,261,950</u>	<u>\$ -</u>	<u>\$ 13,027,851</u>

City of Guadalupe
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2022

	Enterprise Funds	
	Water	Wastewater Treatment
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,532,432	\$ 2,033,857
Cash received from connection fees	115,237	285,344
Cash received from standby charges and other agencies	27,189	-
Cash paid to suppliers for goods and services	(1,081,433)	(810,675)
Cash paid to employees and related benefits	(346,345)	(302,811)
Net cash provided by (used in) operating activities	1,247,080	1,205,715
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating grants received	30,683	13,827
Internal activity - cash paid to (received from) other funds for interfund loan payments	245,270	78,899
Net transfers	(291,031)	(298,758)
Net cash provided by (used in) noncapital financing activities	(15,078)	(206,032)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Net changes in capital lease obligations	-	(4,870)
Principal payments on certificates of participation	(45,586)	(24,960)
Interest payments on certificates of participation	(41,226)	(35,078)
Sale (Acquisition) of capital assets	(255,898)	(1,693,258)
Net cash provided by (used in) capital and related financing activities	(342,710)	(1,758,166)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	(16,761)	(18,836)
Net cash provided by (used in) investing activities	(16,761)	(18,836)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	872,531	(777,319)
CASH AND CASH EQUIVALENTS - Beginning of year	1,175,870	2,985,735
CASH AND CASH EQUIVALENTS - End of year	\$ 2,048,401	\$ 2,208,416
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ 866,219	\$ 938,925
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	128,926	434,578
Changes in assets, deferred outflows and inflows of resources, and liabilities		
Accounts receivable	40,372	(71,942)
Prepaid expenses	264,884	(30,873)
Deferred outflows pensions	(75)	(100)
Accounts payable	(26,196)	(27,106)
Deposits payable	(8,214)	-
Accrued wages and benefits	2,269	4,140
Net pension liability	(104,165)	(137,736)
Deferred inflows pensions	83,060	109,829
Total adjustments	380,861	266,790
Net cash provided by (used in) operating activities	\$ 1,247,080	\$ 1,205,715

Enterprise Funds		
Transit	(nonmajor) Solid Waste	Total
\$ 286,232	\$ -	\$ 4,852,521
-	-	400,581
-	-	27,189
(513,533)	-	(2,405,641)
-	-	(649,156)
(227,301)	-	2,225,494
690,640	-	735,150
5,437	-	329,606
(32,547)	(1,135)	(623,471)
663,530	(1,135)	441,285
-	-	(4,870)
-	-	(70,546)
-	-	(76,304)
(67,443)	-	(2,016,599)
(67,443)	-	(2,168,319)
(4,974)	-	(40,571)
(4,974)	-	(40,571)
363,812	(1,135)	457,889
339,434	1,135	4,502,174
\$ 703,246	\$ -	\$ 4,960,063
\$ (581,732)	\$ -	\$ 1,223,412
96,518	-	660,022
241,052	-	209,482
-	-	234,011
-	-	(175)
16,861	-	(36,441)
-	-	(8,214)
-	-	6,409
-	-	(241,901)
-	-	192,889
354,431	-	1,002,082
\$ (227,301)	\$ -	\$ 2,225,494

City of Guadalupe
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2022

	<u>Private-Purpose Trust Fund</u>
ASSETS	
Cash and investments	\$ 784,416
Cash with fiscal agent	309,008
Accounts receivable	89,170
Property held for resale	222,482
Capital assets, net of accumulated depreciation	<u>119,639</u>
Total assets	<u>1,524,715</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	<u>71,030</u>
Total deferred outflows of resources	<u>71,030</u>
LIABILITIES	
Accounts payable	27,735
Interest payable	53,779
Unearned revenue	503,493
Long-term liabilities:	
Due within one year	230,000
Due after one year	<u>3,673,028</u>
Total liabilities	<u>4,488,035</u>
NET POSITION	
Held in trust for other governments	<u>\$ (2,892,290)</u>

City of Guadalupe
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the year ended June 30, 2022

	Private-Purpose Trust Fund
ADDITIONS:	
Property taxes	\$ 518,363
Revenue from other agencies	56,405
Other revenues	(4,944)
Total additions	<u>569,824</u>
DEDUCTIONS:	
Program expenses	447,012
Administration expenses	140,557
Interest on long-term liabilities	140,449
Depreciation	9,900
Total Deductions	<u>737,918</u>
Change in net position	(168,094)
NET POSITION:	
Beginning of year	<u>(2,724,196)</u>
End of year	<u>\$ (2,892,290)</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

The accompanying financial statements include all activities and reporting entities over which the City exercises oversight responsibility. Effective January 31, 2012, the Community Redevelopment Agency of the City of Guadalupe (the Agency) was dissolved through the Supreme Court decision on Assembly Bill 1X26. This action impacted the reporting entity of the City that previously had reported the Agency as a blended component unit. See Note 13 for additional information on the dissolution and reporting of the Agency as a Private Purpose Trust Fund.

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

Guadalupe Public Financing Authority

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Other Governmental Agencies

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

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

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

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

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

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

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

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

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

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

Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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

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

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

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

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

Community Development fund accounts for monies spent and activities performed under the Community Development Block Grant

Capital Improvement Program fund is used to account for projects approved by Council from various funding sources.

ARPA fund is used to account for the federal Coronavirus State & Local Fiscal Recovery Funds approved through the American Rescue Plan Act.

The Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided.

Proprietary Fund Financial Statements

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

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

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

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The proprietary funds' "deposits" in the City-wide cash management pool are, in substance, demand deposits and are, therefore, considered cash equivalents for purposes of the Statement of Cash Flows.

The City reports the Water, Wastewater, and Transit funds as major 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.

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

The City reports on non-major proprietary fund:

Solid Waste Fund: This enterprise fund accounts for the discontinued operations of the City's solid waste collection and disposal services, which rendered service on a user charge basis to residents and businesses. This fund was closed in the fiscal year ended June 30, 2022.

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 fund statements consist of a private purpose trust fund which accounts for the assets and liabilities of the former Redevelopment Agency.

C. Cash, Cash Equivalents and Investments

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

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

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

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

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

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

D. Restricted Cash and Investments

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets

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

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

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

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

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

F. Interest Payable

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

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

G. Long-Term Debt

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Net Position

Government-Wide Financial Statements

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

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

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

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

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

K. Fund Balances

Fund Financial Statements

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

Non-spendable Fund Balances

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

Restricted Fund Balances

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

Committed Fund Balances

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Fund Balances, Continued

Assigned Fund Balances

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

Unassigned Fund Balance

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

Hierarchy of Expenditures to Classify Fund Balance Amounts

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

L. Compensated Leave Payable

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

M. Pension

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Pension, Continued

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

N. Other Postemployment Benefits (OPEB)

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

- Valuation Date - July 1, 2020
- Measurement Date - June 30, 2022
- Measurement Period - July 1, 2021 to June 30, 2022

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

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

- GASB Statement No. 87, *Leases* - The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The City added one lessor lease to the Proprietary Funds Financial Statements and updated the note disclosures as a result of implementing this statement.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. New Pronouncements, Continued

- GASB Statement No. 89, *Construction-period interest* - The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 92, *Omnibus 2020* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 93, *Interbank offered rates (LIBOR removal and lease modifications)* - The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 99, *Omnibus 2022* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. 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, 2022:

	<u>Government-Wide Statement of Net Position</u>			<u>Fund Financials</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Fiduciary Funds</u>	
	<u>Activities</u>	<u>Activities</u>		<u>Statement of</u>	
				<u>Net Position</u>	<u>Total</u>
Cash and investments	\$ 5,195,003	\$ 4,960,063	\$10,155,066	\$ 784,416	\$10,939,482
Restricted cash and investments	-	-	-	309,008	309,008
Total cash and investments and					
restricted cash and investments	<u>\$ 5,195,003</u>	<u>\$ 4,960,063</u>	<u>\$10,155,066</u>	<u>\$ 1,093,424</u>	<u>\$11,248,490</u>

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments

Cash and investments as of June 30, 2022 consist of the following:

Cash and investments:	
Deposits	\$ 2,038,279
Petty cash	2,800
Local Agency Investment Fund (LAIF)	8,849,656
Common stock	48,747
Total cash and investments	<u><u>\$ 10,939,482</u></u>

B. Deposits

The carrying amount of the City's cash deposits was \$2,038,279 at June 30, 2022. Bank balances before reconciling items were \$1,930,722 at June 30, 2022. 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.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

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

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

Interest and dividend income	\$ 37,550
Unrealized gain (loss) in changes in fair value of investments	<u>(112,425)</u>
Total investment income	<u><u>\$ (74,875)</u></u>

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 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.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

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, 2022, the City had \$8,849,656 invested in LAIF, which had invested 1.88% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.31% in the previous year. The LAIF fair value factor of 0.987125414 was used to calculate the fair value of the investments in LAIF.

D. Risk Disclosures

Interest Risk: Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City’s portfolio not to exceed three years. Investments held in the City Treasury grouped by maturity date at June 30, 2022, are shown below:

Investment Type	Totals	Remaining Maturity (in Months) 12 Months Or Less
LAIF	\$ 8,849,656	\$ 8,849,656
Common stock	48,747	48,747
Total	\$ 8,898,403	\$ 8,898,403

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, 2022, the City’s deposits and investments were rated as follows:

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year-End Not Rated
State Pool	\$ 8,849,656	N/A	\$ 8,849,656
Common stock	48,747	N/A	48,747
Total	\$ 8,898,403		\$ 8,898,403

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.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

2. CASH AND INVESTMENTS, Continued

E. Investment Valuation

Investments (except money market accounts that are included as part of restricted cash and investments) are measured at fair value on a recurring basis. Recurring fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments' fair value measurements at June 30, 2022 are described below:

Investment Type	Amount	Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
Investments subject to leveling:				
Common stock	\$ 48,747	\$ 48,747	\$ -	\$ -
Total investments subject to leveling	48,747	48,747	-	-
Investments not subject to leveling:				
State Pool	8,849,656			
Total investments	\$ 8,898,403			

3. INTERFUND TRANSACTIONS

A. Interfund Loans Receivable

At June 30, 2022, the City had the following interfund loans:

	Loans From				Total
	General Fund	Capital Improvement Program	Non-Major Governmental Funds	Water Fund	
Loans To General Fund	\$ -	\$ 7,782	\$ 192,500	\$ 297,496	\$ 497,778
Community Development	78,098	281,190	744,736	-	1,104,024
ARPA Fund	-	11,600	-	-	11,600
Non-Major Governmental Fund	-	30,401	68,333	-	98,734
Water Fund	-	194,768	-	-	194,768
Sewer Fund	-	97,498	-	-	97,498
Transit Fund	-	5,437	-	-	5,437
Total	\$ 78,098	\$ 628,676	\$ 1,005,569	\$ 297,496	\$ 2,009,839

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

3. INTERFUND TRANSACTIONS, Continued

A. Interfund Loans Receivable, Continued

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 historical 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. In the fiscal year ending June 30, 2020, the Park Development Fund loaned proceeds from the sale of property to the Community Development Fund to aid in liquidity for community projects.

The remaining loans are short term balances. The General Fund loaned the Community Development Fund \$78,098 to cover negative cash. The entire balance due from other funds to the Capital Improvement Program is for services rendered before June 30, 2022 but were paid after that date. They will be paid back in the fiscal year ending June 30, 2023.

Other than the short-term amount of \$7,782 owed to the Capital Improvement Program that was paid off immediately, future minimum payments on the General Fund long-term loans as of June 30, 2022 were as follows:

	<u>General Fund</u>
2023	\$ 130,666
2024	142,332
2025	153,998
2026	31,500
2027	31,500
	<u>\$ 489,996</u>

The Community Development Fund is intended to settle the loan from the Park Development Fund of \$744,736 in the fiscal year ending June 30, 2023. The Library Fund interfund loan does not have a set payment schedule. All other loans will be paid in the fiscal year ending June 30, 2023.

B. Transfers

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

3. INTERFUND TRANSACTIONS, Continued

B. Transfers, Continued

At June 30, 2022 the City had the following transfers in/out which arose in the normal course of operations:

Transfer Out	Transfer In							Total
	General Fund	Community Development	Capital Improvement Program	Non-Major Governmental Funds	Water Fund	Wastewater Treatment Fund	Transit Fund	
General Fund	\$ -	\$ -	\$ 207,242	\$ 5,000	\$ -	\$ -	\$ -	\$ 212,242
Community Development	-	-	2,420,091	-	-	-	-	2,420,091
ARPA Fund	212,623	44,994	11,600	48,007	33,250	-	2,453	352,927
Non-Major Governmental Funds	108,547	-	1,234,575	442	442	442	-	1,344,448
Water Fund	316,600	8,123	-	-	-	-	-	324,723
Wastewater Fund	299,200	-	-	-	-	-	-	299,200
Transit Fund	35,000	-	-	-	-	-	-	35,000
Non-Major Proprietary Funds	1,135	-	-	-	-	-	-	1,135
Total	\$ 973,105	\$ 53,117	\$ 3,873,508	\$ 53,449	\$ 33,692	\$ 442	\$ 2,453	\$4,989,766

The transfers to the General Fund were to pay for overhead and operations. The transfers to the Capital Improvement Program Fund were to pay for various capital projects. The transfers out from the ARPA Fund were to pay for COVID-19 pandemic relief.

4. LEASES RECEIVABLE

In implementing GASB Statement 87 in the fiscal year 2022, the City recognized a lease receivable and deferred inflows of resources for the leasing of various City-owned land. In 2020, the City's Wastewater Enterprise Fund entered into a lease with Clay's Septic & Jetting, Inc. (Lessee) for the use of City land for the storage of Lessee's equipment in exchange for monthly payments of \$20,000. The lease term runs through August 2025 and has a discount rate of 0.865%. In June 30, 2022, the Wastewater Fund recognized revenues and interest of \$240,000. Receivables on the lease as of June 30, 2022 were \$768,865.

5. 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 2023. 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 \$32,884 at June 30, 2022 and the business loans receivable portion was \$5,066.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

5. LOANS AND NOTES RECEIVABLE, CONTINUED

At June 30, 2022, 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>
2023	<u>\$ 5,066</u>
Total	<u><u>\$ 5,066</u></u>

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

6. 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:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance</u> <u>June 30, 2022</u>
Non-depreciable assets:				
Land	\$ 343,131	\$ -	\$ -	\$ 343,131
Construction in progress	3,407,021	193,951	(3,270,095)	330,877
Total non-depreciable assets	<u>3,750,152</u>	<u>193,951</u>	<u>(3,270,095)</u>	<u>674,008</u>
Depreciable assets:				
Buildings and improvements	5,388,648	112,961	-	5,501,609
Vehicles	906,923	75,159	(24,291)	957,791
Equipment	682,990	59,658	-	742,648
Infrastructure	7,747,792	2,511,743	3,270,095	13,529,630
Total depreciable assets	<u>14,726,353</u>	<u>2,759,521</u>	<u>3,245,804</u>	<u>20,731,678</u>
Less accumulated depreciation:				
Buildings and improvements	(2,070,468)	(153,413)	-	(2,223,881)
Vehicles	(784,171)	(58,577)	24,291	(818,457)
Equipment	(578,722)	(23,726)	-	(602,448)
Infrastructure	(3,804,479)	(334,713)	-	(4,139,192)
Total accumulated depreciation	<u>(7,237,840)</u>	<u>(570,429)</u>	<u>24,291</u>	<u>(7,783,978)</u>
Total depreciable assets, net	<u>7,488,513</u>	<u>2,189,092</u>	<u>3,270,095</u>	<u>12,947,700</u>
Total capital assets	<u><u>\$ 11,238,665</u></u>	<u><u>\$ 2,383,043</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,621,708</u></u>

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense by program for capital assets for the year ended June 30, 2022 was as follows:

General government	\$ 40,277
Public safety	64,759
Transportation	10,916
Leisure, cultural & social services	34,804
Community development	<u>419,673</u>
Total depreciation expense	<u><u>\$ 570,429</u></u>

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

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Transfer</u>	<u>Balance</u> <u>June 30, 2022</u>
Non-depreciable assets:				
Land	\$ 248,425	\$ -	\$ -	\$ 248,425
Construction in progress	<u>911,889</u>	<u>2,118,998</u>	<u>-</u>	<u>3,030,887</u>
Total non-depreciable assets	<u>1,160,314</u>	<u>2,118,998</u>	<u>-</u>	<u>3,279,312</u>
Depreciable assets:				
Buildings and improvements	10,322,380	118,615	(459,592)	9,981,403
Vehicles	1,829,057	-	-	1,829,057
Equipment	545,158	20,211	-	565,369
Infrastructure	<u>7,289,559</u>	<u>-</u>	<u>-</u>	<u>7,289,559</u>
Total depreciable assets	<u>19,986,154</u>	<u>138,826</u>	<u>(459,592)</u>	<u>19,665,388</u>
Less accumulated Depreciation:				
Buildings and improvements, and infrastructure	(7,711,649)	(180,669)	95,748	(7,796,570)
Vehicles	(1,207,338)	(110,093)	-	(1,317,431)
Equipment	(534,344)	(4,782)	-	(539,126)
Infrastructure	<u>(3,998,172)</u>	<u>(364,478)</u>	<u>-</u>	<u>(4,362,650)</u>
Total accumulated depreciation	<u>(13,451,503)</u>	<u>(660,022)</u>	<u>95,748</u>	<u>(14,015,777)</u>
Total depreciable assets, net	<u>6,534,651</u>	<u>(521,196)</u>	<u>(363,844)</u>	<u>5,649,611</u>
Total capital assets	<u><u>\$ 7,694,965</u></u>	<u><u>\$1,597,802</u></u>	<u><u>\$ (363,844)</u></u>	<u><u>\$ 8,928,923</u></u>

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense for the year ended June 30, 2022 was as follows:

Water	\$ 128,926
Wastewater	434,578
Transit	<u>96,518</u>
Total depreciation expense	<u><u>\$ 660,022</u></u>

B. Governmental Fund Financial Statements

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

7. LONG-TERM DEBT

A. Governmental Activities

For the year ended June 30, 2022, governmental activities long-term liabilities activity was as follows:

	Balance			Balance	Due Within
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>	<u>One Year</u>
Capital lease obligations	\$ 3,704	\$ -	\$ (3,704)	\$ -	\$ -
Compensated absences	<u>372,580</u>	<u>31,512</u>	<u>-</u>	<u>404,092</u>	<u>-</u>
Total	<u><u>\$ 376,284</u></u>	<u><u>\$ 31,512</u></u>	<u><u>\$ (3,704)</u></u>	<u><u>\$ 404,092</u></u>	<u><u>\$ -</u></u>

Capital Lease Obligations

The City leased vehicles and equipment under capital leases with terms that expired in December 2021. Amortization on the assets leased is included in depreciation expense.

Compensated Absences

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. LONG-TERM DEBT, Continued

B. Business-Type Activities

For the year ended June 30, 2022, business-type activities long-term liabilities activity was as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Certificates of participation	\$ 1,772,349	\$ -	\$ (70,546)	\$ 1,701,803	\$ 74,136
Capital lease obligations	4,870	-	(4,870)	-	-
Total	<u>\$ 1,777,219</u>	<u>\$ -</u>	<u>\$ (75,416)</u>	<u>\$ 1,701,803</u>	<u>\$ 74,136</u>

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

On December 21, 2000, the City issued certificates of participation through the Guadalupe Financing Authority which were purchased by the US Department of Agriculture (USDA) Rural Utilities Service (RUS), amounting to \$1,429,800, in an agreement which included a grant of \$875,200 for water and sewer line replacement. Under the terms of the agreement, the City has pledged net water revenues and net wastewater revenues for the payment of debt service. For the fiscal year ending June 30, 2022, the net water and wastewater revenues were \$995,145 and \$1,373,503 respectively. The principal and interest payments for the debt during the fiscal year ended June 30, 2022 totaled \$76,932. The certificates of participation bear interest at 4.5% per annum, with principal and interest payments due semiannually through August 1, 2040. At June 30, 2022, the principal balance outstanding was \$960,240.

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 34,000	\$ 43,257	\$ 76,734
2024	36,000	41,690	77,257
2025	37,000	40,055	77,690
2026	39,000	38,351	77,055
2027	41,000	36,557	77,557
2028-2032	235,000	152,692	387,692
2033-2037	292,000	93,596	385,596
2038-2041	246,240	22,930	269,170
Total	<u>\$ 960,240</u>	<u>\$ 469,128</u>	<u>\$ 1,428,751</u>

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

7. LONG-TERM DEBT, Continued

B. Business-Type Activities

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

On July 27, 2005, the City issued certificates of participation which were purchased by the US Department of Agriculture (USDA) Rural Utilities Service (RUS), amounting to \$1,203,900, in an agreement which included a grant for water tank construction and upgrades. Under the terms of the agreement, the City has pledged tax increment revenues for the payment of debt service. Where tax increment revenues are no longer available for the payment of debt service, the City has pledged net water revenues for the payment of debt service. For the fiscal year ending June 30, 2022, the net water revenues were \$995,145 and the principal and interest payments for the debt during the fiscal year were \$69,887. 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, 2022, the principal balance outstanding was \$741,563.

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 40,136	\$ 31,130	\$ 71,266
2024	41,793	29,442	71,235
2025	43,516	27,686	71,202
2026	45,311	25,856	71,167
2027	47,180	23,952	71,132
2028-2032	266,751	88,319	355,070
2033-2036	256,876	27,430	284,306
Total	<u>\$ 741,563</u>	<u>\$ 253,815</u>	<u>\$ 995,378</u>

Capital Lease Obligations

The City leased vehicles and equipment under capital leases that have terms that expired in December 2021. Amortization on the assets leased is included in depreciation expense.

8. FUND BALANCE

The City Council approved through resolution the creation of two reserve accounts within the General Fund: General Reserve, and Emergency Reserve.

General Reserve

The General Reserve's purpose is to provide funding to meet operational appropriation requirements in the event that the City experiences shortfalls in the collection of General Fund revenues or major unanticipated increases in expenditures. At a minimum, the balance is to be set at 10% of the City's annual operating budget. Use of funds from the General Reserve may only be made after City Council approval.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

8. FUND BALANCE

Emergency Reserve

The General Reserve's purpose is to provide emergency funding as a result of a declared emergency or to fund an unanticipated urgent event affecting or threatening the public health, safety, and welfare of the City. At a minimum, the balance is to be set at 5% of the City's annual operating budget. Use of funds from the General Reserve may only be made after City Council approval.

9. JOINT EXERCISE OF POWERS AGREEMENT

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

A. *Central Coast Water Authority*

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

Each participant is required to pay to CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement costs of the DWR facilities), debt service on CCWA bonds and all CCWA operating and administrative costs. Each participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. The City's share of State water payments was \$513,045 for the year ended June 30, 2022. The City's allocations of CCWA's operating expenses and debt service payments for the year ended June 30, 2022 were \$150,072 and \$146,624, respectively.

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 118 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.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

9. JOINT EXERCISE OF POWERS AGREEMENT, Continued

B. California Joint Powers Insurance Authority, Continued

Self-Insurance Program of CJPIA:

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program:

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes 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 \$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 from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/coverage/risk-sharing-pools/>.

Primary Workers' Compensation Program:

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes 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 from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For fiscal year 2021-22, CJPIA's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

9. JOINT EXERCISE OF POWERS AGREEMENT, Continued

B. California Joint Powers Insurance Authority, Continued

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

Purchased Insurance under CJPIA:

Property Insurance: The City participates in the all-risk property protection program of CJPIA. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to CJPIA. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Adequacy of Protection under CJPIA:

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2021-22.

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

10. 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, Safety Special Death 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.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

10. EMPLOYEE RETIREMENT PLANS, Continued

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	Safety	PEPRA Miscellaneous	PEPRA Safety
	Prior to	Prior to	On or after	On or after
Hire date	Jan 1, 2013	Jan 1, 2013	Jan 1, 2013	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	7.00%	7.00%	6.75%	10.00%
Required employer contribution rates	10.88%	14.81%	7.59%	11.13%
Unfunded liability payment	\$ 170,674	\$ 115,117	\$ 2,012	\$ 4,529

C. Contributions

Section 20814(C) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for 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, 2021 were \$560,980.

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

As of June 30, 2022, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,935,887.

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, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2020 rolled forward to June 30, 2021 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.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

10. EMPLOYEE RETIREMENT PLANS, Continued

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

The City's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2020 were as follows:

Proportion - June 30, 2020	0.03476%
Proportion - June 30, 2021	<u>0.03579%</u>
Change - Increase (Decrease)	0.00103%

For the year ended June 30, 2022, the City recognized pension expense of \$239,184.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 614,582	\$ -
Changes in assumptions	-	-
Differences between expected and actual experience	260,788	-
Changes in employer's proportion	243,115	-
Differences between the employer's contribution and the employer's proportionate share of contributions	-	195,874
Net differences between projected and actual earnings on plan investments	<u>-</u>	<u>1,483,187</u>
Total	<u>\$ 1,118,485</u>	<u>\$ 1,679,061</u>

\$614,582 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense (income) as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Pension Expense (Income)</u>
2023	\$ (214,735)
2024	(241,560)
2025	(309,502)
2026	(409,361)

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

10. EMPLOYEE RETIREMENT PLANS, Continued

E. Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
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 2.50% until purchasing power protection allowance floor on purchasing power applies

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

F. Discount Rate

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

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

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

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

10. EMPLOYEE RETIREMENT PLANS, Continued

F. Discount Rate, Continued

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

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

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

Liquidity is included in Short-term investments;

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

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

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

G. 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	\$ 4,244,232
Current Discount Rate	7.15%
Net Pension Liability	\$ 1,935,887
1% Increase	8.15%
Net Pension Liability	\$ 33,268

H. Payable to the Pension Plan

At June 30, 2022 the City reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

10. EMPLOYEE RETIREMENT PLANS, Continued

I. Deferred Compensation Plan

In addition to the CalPERS pension plan, the City also offers a deferred compensation 457 plan (457 Plan). Per GASB Statement 97, the 457 Plan is a defined contribution pension plan. It is held in trust at Empower Retirement or CalPERS which administer the 457 Plan. Participation in the plan is open to all employees and employees can chose between the two trust administrators. The City contributes a maximum amount, as shown in the table below, that depends on health insurance costs on an individual employee basis. The difference between the maximum and the actual health insurance costs for an employee is contributed to the 457 Plan. Employees who have health insurance coverage external to the City’s policies have the maximum amount contributed to the 457 Plan. The maximums for each bargaining unit are as follows:

Bargaining Unit	Fiscal year ended June 30, 2022
Service Employee's International Union	\$ 700
Police Officer's Assoc.	975
International Assoc. of Fire Fighters	500

For the fiscal year ended June 30, 2022, the City contributed \$44,599 to the 457 Plan and had payables to the 457 Plan of \$9,835 as of June 30, 2022 of which \$2,629 were City contributions, and \$7,206 were employee contributions.

11. 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 \$143-149 per month for each retiree, spouse or surviving spouse, and dependent during the fiscal year. The City provides post-employment health care insurance to all employees who retire from the City on or after attaining age 50 with at least 5 years of PERS credited service. For employees first covered under PERS on or after January 1, 2013, the eligibility requirements are attaining age 52 and 5 years of PERS credited service. Benefits are paid for the lifetime of the retiree, spouse or surviving spouse, and dependents up to the age of 65. The City's OPEB Plan does not issue a publicly available financial report.

B. Employees Covered

The following current and former employees were covered by the benefit terms under the OPEB plan as of the July 1, 2020 actuarial valuation:

Active Employees	38
Inactive employees or beneficiaries currently receiving benefits	3
	<u>41</u>

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

11. 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 \$143 per month for calendar year 2021 and \$149 per month for calendar year 2022. This amount is indexed to the rate of medical inflation and increased each year accordingly. The City also pays 0.32% of premiums as an administrative fee on behalf of employees and retirees. For the measurement period June 30, 2021 to June 30, 2022, the City contributed \$6,561 in benefit payments for retirees.

D. Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2020. Standard actuarial update procedures were used to project/discount from the valuation to measurement dates. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, Level Percent of Pay
Discount Rate	3.69%
Salary increases	3.00%
Inflation Rate	2.75%
Healthcare cost trend rate	4.5% for 2022-2023, 5.2% for 2024-2069, and 4.0% for 2070 and later years; Medicare ages: 3.5% for all years

Pre-retirement mortality rates were based on the 2015 CalPERS Experience Study

Post-retirement mortality rates were based on the 2015 CalPERS Experience Study

Actuarial assumptions used in the July 1, 2020 valuation were based on a review of plan experience during the period July 1, 2018 to June 30, 2020.

The discount rate used to measure the total OPEB liability was 3.69%, 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, 2022

11. OTHER POST EMPLOYMENT BENEFITS, Continued

E. Changes in the Total OPEB Liability

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at June 30, 2021	
(Measurement date 06/30/2021)	\$ 494,819
Changes in the year:	
Service cost	62,656
Interest	10,641
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	(157,976)
Benefit payments	(6,561)
Net changes	<u>(91,240)</u>
Balance at June 30, 2022	
(Measurement date 06/30/2022)	<u>\$ 403,579</u>

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 (2.69 percent) or 1-percentage point higher (4.69 percent) than the current discount rate:

	1% Decrease 2.69%	Discount Rate 3.69%	1% Increase 4.69%
Total OPEB Liability (Asset)	\$ 484,189	\$ 403,579	\$ 340,244

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 or 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease (a)	Trend Rate	1% Increase (b)
Total OPEB Liability (Asset)	\$ 326,381	\$ 403,579	\$ 505,742

(a) 3.50 percent for 2022-2023, 4.20 percent for 2024-2069, and 3.00 percent for 2070 and later years; Medicare ages: 2.50 percent for all years.

(b) 5.50 percent for 2022-2023, 6.20 percent for 2024-2069, and 5.00 percent for 2070 and later years; Medicare ages: 4.50 percent for all years.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

11. OTHER POST EMPLOYMENT BENEFITS, Continued

H. OPEB Expense and Deferred Outflows and Inflows of Resources

At June 30, 2022, the City’s deferred outflows of resources and deferred inflows of resources to OPEB from the following sources were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 39,921	\$ 82,316
Changes in assumptions or other inputs	106,529	141,170
	<u>\$ 146,450</u>	<u>\$ 223,486</u>

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

Fiscal Year ending June 30,	OPEB Expense/ (Income)
2023	\$ (2,502)
2024	(2,502)
2025	(2,502)
2026	(2,502)
2027	(3,674)
2028-2031	(63,354)

For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$70,795.

12. CONTINGENCIES AND COMMITMENTS

A. Litigation

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

B. Grant Commitments

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

13. 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.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

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

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

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

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

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

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

A. Cash and Investments

The City maintained investments with the State of California Local Agency Investment Fund (LAIF) for all City activities, including the Trust Fund. The Trust had \$784,416 in cash and investments as of June 30, 2022, that was held in LAIF. The City manages the Trust Fund’s cash and investments in a consistent manner with the rest of its cash and investment pool. Refer to Note 2 for additional information regarding LAIF.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

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

B. Cash with Fiscal Agent

The Trust Fund had \$309,008 in cash and investments as of June 30, 2022, held by fiscal agents pledged for the payment or security of certain bonds. The California Government code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the Trust's general investment policy. In no instance have additional types of investments, not permitted by the Trust's general investment policy, been authorized.

C. Property Held for Resale

At June 30, 2022, the carrying value of property held for resale was as follows:

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

D. Capital Assets

For the year ended June 30, 2022, capital assets activity was as follows:

	Balance June 30, 2021	Transfers/ Additions	Retirements	Balance June 30, 2022
Capital assets being depreciated				
Infrastructure	\$ 201,197	\$ -	\$ -	\$ 201,197
Structures and improvements	83,333	-	-	83,333
Less accumulated depreciation	<u>(154,991)</u>	<u>(9,900)</u>	<u>-</u>	<u>(164,891)</u>
Net capital assets	<u>\$ 163,360</u>	<u>\$ (9,900)</u>	<u>\$ -</u>	<u>\$ 119,639</u>

E. Long-Term Liabilities

For the year ended June 30, 2022, long-term liabilities activity was as follows:

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022	Due within One Year
2017 Tax allocation bonds	\$ 4,205,000	\$ -	\$ (225,000)	\$ 3,980,000	\$ 230,000
Discount on 2017 bonds	<u>(82,471)</u>	<u>-</u>	<u>5,499</u>	<u>(76,972)</u>	<u>-</u>
Total	<u>\$ 4,122,529</u>	<u>\$ -</u>	<u>\$ (219,501)</u>	<u>\$ 3,903,028</u>	<u>\$ 230,000</u>

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

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

E. Long-Term Liabilities, Continued

Tax Allocation Bonds

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

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

The scheduled payment of principal of and interest on the Bonds when due is guaranteed under an insurance policy issued concurrently with the Bonds. The Bonds mature through August 1, 2035, with interest rates from 1.5% to 3.5%. Principal on the bonds is due annually on August 1 of each year, and interest on the Bonds is due semiannually on February 1 and August 1 of each year. At June 30, 2022, the total principal and interest remaining to be paid on the bonds was \$4,996,423. The outstanding principal balance net of bond discounts was \$3,903,028.

For the year ended June 30, 2022, the aggregate maturities of the tax allocation bonds were as follows:

For the Year			
Ending June 30,	Principal	Interest	Total
2023	\$ 230,000	\$ 126,194	\$ 356,194
2024	240,000	120,019	360,019
2025	245,000	113,044	358,044
2026	250,000	105,619	355,619
2027	260,000	97,969	357,969
2028-2032	1,425,000	358,728	1,783,728
2033-2036	1,330,000	94,850	1,424,850
Subtotal	3,980,000	<u>\$ 1,016,423</u>	<u>\$ 4,996,423</u>
Bond Discount	<u>(76,972)</u>		
	<u>\$ 3,903,028</u>		

14. DEFICIT FUND BALANCES/NET POSITION

Major Funds

As of June 30, 2022, a deficit fund balance of \$558,845 exists for the Community Development Fund. This was a result of timing differences between invoices paid by the Community Development Fund and the related grant reimbursements received from the State, in addition to continuing the LeRoy Park project without additional funding.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

14. DEFICIT FUND BALANCES/NET POSITION, CONTINUED

Non-major Funds

The Central Park Fund and Library Fund had deficit fund balances of \$5,030 and \$29,171, respectively, as of June 30, 2022.

15. GOING CONCERN

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

The City is experiencing an increase in development related to the Pasadera residential development and other developments that currently have commenced including the Escalante Meadows housing project. There is also an increase in Accessory Dwelling Units (ADU's). These new developments will bring in higher property tax and increased building development revenue for the City. In addition, the new Measure N that gained voter approval in November 2020 has brought additional sales tax revenue for the City in perpetuity that started in fiscal year 2022-2023 and is expected to increase tax revenue as the city expands its commerce base. The new Cannabis Program that included an adopted ordinance, 'spring boarded' the cannabis development entitlement process to build out two (2) cannabis retail storefronts and one (1) manufacturing processing cannabis operation that will bring in much needed community benefit fee revenue on an annual basis and create an estimate 100 new jobs, several of which, are high paying. Operations are expected to open its doors towards the end of 2023 and the beginning of 2024. Also, fortunately, the City received the American Rescue Plan funds that offset revenue losses related to the Pandemic in fiscal years and will be utilized through June 2024. The General Fund's priority is to eliminate future borrowing from other funds, payoff current interfund loans and be economically self-sufficient by applying cost-cutting measures to continue to build reserves (from 7% to 15%). Interfund loan payment schedules will be reviewed annually, and, if possible, revised to decrease balances at a faster rate.

During the fiscal year 2022-2023 budget and goal setting sessions, the City Council set the following eight (8) goals to help bolster community and economic development that will help create and increase a long-term sustainable revenue stream now and into the future. The City anticipates another goal setting session in a year or so.

1. Develop and maintain a balanced budget for FY 22-23 Budget providing priority municipal services and securing the City's financial future with adequate reserve funds.
 - Identify and allocate funds to be used to meet the General Fund Reserve Goal of 15%
 - Implement a monitoring program to ensure contracted cannabis Commitments are met.
 - Review revenue generation options for General Fund including possible Transient Occupancy Tax increase.
 - Provide staffing and complete implementation of new finance software program.
 - Develop and provide for Council review a quarterly report on City finances and goal progress.

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

15. GOING CONCERN, CONTINUED

1a. Continue to develop and grow the Recreation Department by providing sustainable programs and facilities for the Community.

- Adequately fund and allocate staff for Recreation and Parks Department including a permanent recreation manager and maintenance positions
- Develop a facilities master plan for current park improvement and maintenance of existing parks and those in the pipeline
- Increase recreational programming for use of facilities utilizing community priorities and coordinating with recreation/sports entities

1b. Ensure Public Safety staffing and facilities are sufficient to maintain the delivery of quality public safety services to the community.

- Complete the implementation of a staffing plan for both Fire and Police including the addition of a Battalion Chief in the Fire Department as budget permits across the board
- Continue to update facilities and equipment as budget permits

1c. Ensure that Public Facilities and Infrastructure (streets, water, wastewater) are capable of Meeting current and future needs of the City

- Continue to maintain and update facility master plans including streets wastewater, water, and Capital Improvement Plan.
- Prioritize City facilities in urgent need of City repair and identify costs and timing for all municipal facilities including the library
- Seek grant funding to assist with the above
- Develop and implement an adequate staffing plan for the Department of Public Works

1d. Ensure that American Recovery and Reinvestment Act (ARRA) funds are maximized to ensure that initially funded staffing and services are met and where feasible converted to General Support

- Revisit ARRA line items to ensure that the allocation of funds to needed positions and services is justifiable and achieves goals set by City Council.
- On a quarterly basis, revisit the items supported by ARRA in comparison to quarterly expenses and revenues for the entire city budget.
- Require justification of the remaining ARRA budget items requested to ensure allocation amount and intent are realized

2. Create and implement economic development strategies for the city of Guadalupe that will promote the development and maintenance of a strong business sector including business retention, attraction, tourism marketing, and revenue generation

- Work cooperatively with the Guadalupe Business Association to identify a strategy for business retention and attraction.
- Identify and apply for grant funding for the creation and
- Staffing of a business support program

City of Guadalupe
Notes to Basic Financial Statements
For the year ended June 30, 2022

15. GOING CONCERN, CONTINUED

3. Support the efforts to attract businesses to Pasadera Commercial Area to help, create employment opportunities, provide local services identified by Residents and generate tax revenue.
 - Develop a team comprised of a council member, planning staff, City Administrator, and consultants to support project proponents in their efforts to attract potential businesses to the commercial Area.
 - Advocate for the completion of the necessary infrastructure to support the development of the commercial area using communication between CalTrans, Santa Barbara County Association of Governments (SBCAG), the City's Development Team, and DJ Farms.

4. Coordinate with Santa Barbara County Parks Master Plan to acquire property adjacent or near Guadalupe for Camping and recreational facilities.
 - Establish a core team to include city council representation, city staff, and existing business groups, who will collaborate with Santa Barbara County Parks Department in developing the Santa Barbara County Park Master plan.
 - City representatives will include the City Administrator, Public Works Department, Recreation Department, city council representative, and a representative of the business community.

5. Develop and implement a communication strategy focused on improving flow of information between constituents, city staff and Council members.
 - Cultivate a relationship with community-based organizations to disseminate information
 - Develop and implement social media policies for the City
 - Increase the usage of Zoom to broadcast City Council meetings

**REQUIRED
SUPPLEMENTARY INFORMATION**

City of Guadalupe
Required Supplementary Information
For the year ended June 30, 2022

1. BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgetary Control and Budgetary Accounting*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. After adoption of the final budget, transfers of appropriations within a General Fund department, or within other funds, can be made by the City Administrator. Budget modifications between funds and increases or decreases to a fund's overall budget, must be approved by the City Council.

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

The following are the budget comparison schedules for all major Special Revenue Governmental Funds and the General Fund.

City of Guadalupe
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,596,345	\$ 3,596,345	\$ 3,789,586	\$ 193,241
Licenses and permits	838,670	915,842	875,813	(40,029)
Fines and penalties	5,300	5,300	6,375	1,075
Revenues from other agencies	509,358	658,458	688,953	30,495
Charges for current services	191,394	623,058	449,303	(173,755)
Interest	94,600	94,600	48,964	(45,636)
Other revenues	121,500	121,500	141,561	20,061
Total revenues	5,357,167	6,015,103	6,000,555	(14,548)
EXPENDITURES:				
Current:				
General Government	1,330,625	1,401,714	1,390,226	11,488
Public Safety	3,583,000	4,082,346	4,090,986	(8,640)
Leisure, cultural and social services	212,530	383,686	369,691	13,995
Community development	423,570	609,783	497,624	112,159
Debt service:				
Principal	119,000	119,000	-	119,000
Interest and fiscal charges	18,818	2,010	2,010	-
Total expenditures	5,687,543	6,598,539	6,350,537	248,002
REVENUES OVER (UNDER) EXPENDITURES	(330,376)	(583,436)	(349,982)	233,454
OTHER FINANCING SOURCES (USES):				
Transfers in	685,400	1,051,106	973,105	(78,001)
Transfers out	(51,200)	(315,938)	(212,242)	103,696
Total other financing sources (uses)	634,200	735,168	760,863	25,695
Net change in fund balances	303,824	151,732	410,881	259,149
FUND BALANCES:				
Beginning of year	370,356	370,356	370,356	-
End of year	<u>\$ 674,180</u>	<u>\$ 522,088</u>	<u>\$ 781,237</u>	<u>\$ 259,149</u>

City of Guadalupe
Budgetary Comparison Schedule - Community Development
For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenues from other agencies	\$ 2,687,952	\$ 2,687,952	\$ 2,567,029	\$ (120,923)
Interest	3,500	3,500	(3,086)	(6,586)
Other revenues	-	-	276,449	276,449
Total revenues	2,691,452	2,691,452	2,840,392	148,940
EXPENDITURES:				
Current:				
Leisure, cultural and social services	260,000	280,000	191,360	88,640
Total expenditures	260,000	280,000	191,360	88,640
REVENUES OVER (UNDER) EXPENDITURES	2,431,452	2,411,452	2,649,032	237,580
OTHER FINANCING SOURCES (USES):				
Transfers in	-	20,000	53,117	33,117
Transfers out	(2,000,000)	(2,000,000)	(2,420,091)	(420,091)
Total other financing sources (uses)	(2,000,000)	(1,980,000)	(2,366,974)	(386,974)
Net change in fund balances	431,452	431,452	282,058	(149,394)
FUND BALANCES:				
Beginning of year	(840,903)	(840,903)	(840,903)	-
End of year	<u>\$ (409,451)</u>	<u>\$ (409,451)</u>	<u>\$ (558,845)</u>	<u>\$ (149,394)</u>

City of Guadalupe
Budgetary Comparison Schedule - ARPA
For the year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenues from other agencies	\$ -	\$ -	\$ 352,927	\$ 352,927
Total revenues	-	-	352,927	352,927
REVENUES OVER (UNDER) EXPENDITURES	-	-	352,927	352,927
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(352,927)	(352,927)
Total other financing sources (uses)	-	-	(352,927)	(352,927)
Net change in fund balances	-	-	-	-
FUND BALANCES:				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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City of Guadalupe
Required Supplementary Information
For the year ended June 30, 2022

2. DEFINED BENEFIT PENSION PLANS

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

Fiscal year	2022	2021	2020	2019	2018
Measurement date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Proportion of the net pension liability	0.03579%	0.03476%	0.03306%	0.03166%	0.03091%
Proportionate share of the net pension liability	\$ 1,935,887	\$ 3,782,088	\$ 3,387,991	\$ 3,050,995	\$ 3,065,323
Covered payroll	\$ 2,926,608	\$ 2,450,043	\$ 2,025,580	\$ 2,153,332	\$ 1,925,534
Proportionate Share of the net pension liability as percentage of covered payroll	66.15%	154.37%	167.26%	141.69%	159.19%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%	73.31%

(continued on next page)

Notes to Schedule

*Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

B. Schedule of Plan Contributions - Last 10 Years*

Fiscal Year	2022	2021	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 614,582	\$ 560,980	\$ 457,869	\$ 363,003	\$ 329,839
Contribution in relation to the contractually required contributions	(614,582)	(560,980)	(457,869)	(363,003)	(329,839)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,125,011	\$ 2,926,608	\$ 2,450,043	\$ 2,025,580	\$ 2,153,332
Contributions as a percentage of covered payroll	19.67%	19.17%	18.69%	17.92%	15.32%

(continued on next page)

Notes to Schedule

*Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

City of Guadalupe
Required Supplementary Information
For the year ended June 30, 2022

2. DEFINED BENEFIT PENSION PLANS, CONTINUED

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

<u>2017</u>	<u>2016</u>	<u>2015</u>
6/30/2016	6/30/2015	6/30/2014
0.02989%	0.02666%	0.0312%
\$ 2,586,229	\$ 1,830,129	\$ 1,939,137
\$ 1,572,208	\$ 1,479,094	\$ 1,548,925
164.50%	123.73%	125.19%
74.06%	78.40%	79.82%

*B. Schedule of Plan Contributions - Last 10 Years, Continued**

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 305,064	\$ 251,172	\$ 211,025
<u>(305,064)</u>	<u>(251,172)</u>	<u>(211,025)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$1,925,534	\$1,572,208	\$1,479,094
15.84%	15.98%	14.27%

City of Guadalupe
Required Supplementary Information
For the year ended June 30, 2022

2. DEFINED BENEFIT PENSION PLANS, CONTINUED

C. Actuarial Methods and Assumptions used for Pension Actuarially Determined Contributions

Fiscal Year	2022	2021	2020
Valuation date (for contractually required contribution):	6/30/2019	6/30/2018	6/30/2017
Actuarial cost method:	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value
Inflation:	2.50%	2.50%	2.63%
Salary increases:	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.25%
Retirement age:	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)

Fiscal Year	2019	2018	2017	2016	2015
Valuation date (for contractually required contribution):	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation:	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases:	(2)	(2)	(2)	(2)	(2)
Investment rate of return:	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age:	(3)	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)	(4)

⁽¹⁾ Level percentage of payroll, closed

⁽²⁾ Depending on age, service, and type of employment

⁽³⁾ 50 for all plans, with the exception of 52 for Miscellaneous PEPRA 2%@62

⁽⁴⁾ Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

City of Guadalupe
Required Supplementary Information
For the year ended June 30, 2022

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Schedule of Changes in Total OPEB Liability and Related Ratios

<i>Measurement Period</i>	2022	2021	2020	2019	2018¹
Total OPEB Liability					
Service Cost	\$ 62,656	\$ 53,279	\$ 25,383	\$ 22,620	\$ 22,060
Interest	10,641	10,733	12,751	11,639	11,646
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	-	(103,422)	-	72,513	-
Changes of assumptions	(157,976)	68,700	53,099	31,372	-
Benefit payments	(6,561)	(5,219)	(4,950)	(4,842)	(206,667)
Net change in total OPEB liability	(91,240)	24,071	86,283	133,302	(172,961)
Total OPEB liability - beginning (a)	494,819	470,748	384,465	251,163	424,124
Total OPEB liability - ending (b)	<u>\$ 403,579</u>	<u>\$ 494,819</u>	<u>\$ 470,748</u>	<u>\$ 384,465</u>	<u>\$ 251,163</u>
Covered-employee payroll	\$3,833,503	\$3,522,312	\$2,846,031	\$2,525,683	\$2,267,277
Total OPEB liability as a percentage of covered-employee payroll	10.5%	14.0%	16.5%	15.2%	11.1%

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

* Implementation was in 2018, therefore only five years are shown

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SUPPLEMENTARY INFORMATION

City of Guadalupe
Combining Balance Sheet
Other Governmental Funds
June 30, 2022

	Special Revenue					
	Local Transportation	Library	Public Facilities	Park Development	Guadalupe Lighting and Assessment	Public Safety
ASSETS						
Cash and investments	\$ 400,675	\$ 39,089	\$ 28,535	\$ 40,840	\$ 947,216	\$ 175,111
Accounts receivable	16,233	73	33	60	1,517	6,903
Prepaid items	-	-	-	-	1,916	-
Interfund loans receivable	-	-	-	744,736	192,500	-
Total assets	\$ 416,908	\$ 39,162	\$ 28,568	\$ 785,636	\$ 1,143,149	\$ 182,014
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	-	-	-	9,895	7,876
Accrued wages and benefits	-	-	-	-	-	-
Interfund loans payable	2,919	68,333	-	-	-	-
Total liabilities	2,919	68,333	-	-	9,895	7,876
Deferred inflows of resources:						
Unavailable revenue	-	-	-	-	-	3,876
Total deferred inflows of resources	-	-	-	-	-	3,876
Fund Balances:						
Nonspendable:						
Prepaid items	-	-	-	-	1,916	-
Restricted for:						
Street maintenance	413,989	-	-	-	-	-
Other capital projects	-	-	-	-	-	-
Public safety	-	-	-	-	-	170,262
Utility infrastructure	-	-	28,568	785,636	-	-
Debt service	-	-	-	-	-	-
Lighting and landscape	-	-	-	-	1,131,338	-
Committed to:						
Capital projects	-	-	-	-	-	-
Unassigned	-	(29,171)	-	-	-	-
Total fund balances	413,989	(29,171)	28,568	785,636	1,133,254	170,262
Total liabilities and fund balances	\$ 416,908	\$ 39,162	\$ 28,568	\$ 785,636	\$ 1,143,149	\$ 182,014

Special Revenue			Capital Projects				Total Other
Central Park	Measure A	Gas Tax	Capital Facilities	City Hall	Traffic Mitigation	Sewer Bond Debt Service	Governmental Funds
\$ -	\$ 691,165	\$ 346,014	\$ 521,244	\$ 35,234	\$ 121,518	\$ 31,725	3,378,366
5,030	126,794	16,660	884	57	201	52	174,497
-	20,570	-	-	-	-	-	22,486
-	-	-	68,333	-	-	-	1,005,569
<u>\$ 5,030</u>	<u>\$ 838,529</u>	<u>\$ 362,674</u>	<u>\$ 590,461</u>	<u>\$ 35,291</u>	<u>\$ 121,719</u>	<u>\$ 31,777</u>	<u>\$ 4,580,918</u>
-	5,308	-	6,770	-	-	-	29,849
-	9,728	-	-	-	-	-	9,728
5,030	13,863	12,373	-	-	1,246	-	103,764
5,030	28,899	12,373	6,770	-	1,246	-	143,341
5,030	65,874	-	-	-	-	-	74,780
5,030	65,874	-	-	-	-	-	74,780
-	20,570	-	-	-	-	-	22,486
-	723,186	350,301	-	-	-	-	1,487,476
-	-	-	583,691	35,291	-	-	618,982
-	-	-	-	-	-	-	170,262
-	-	-	-	-	-	-	814,204
-	-	-	-	-	-	31,777	31,777
-	-	-	-	-	-	-	1,131,338
-	-	-	-	-	120,473	-	120,473
(5,030)	-	-	-	-	-	-	(34,201)
<u>(5,030)</u>	<u>743,756</u>	<u>350,301</u>	<u>583,691</u>	<u>35,291</u>	<u>120,473</u>	<u>31,777</u>	<u>4,362,797</u>
<u>\$ 5,030</u>	<u>\$ 838,529</u>	<u>\$ 362,674</u>	<u>\$ 590,461</u>	<u>\$ 35,291</u>	<u>\$ 121,719</u>	<u>\$ 31,777</u>	<u>\$ 4,580,918</u>

City of Guadalupe
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the year ended June 30, 2022

	Special Revenue					
	Local Transportation	Library	Public Facilities	Park Development	Guadalupe Lighting and Assessment	Public Safety
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 285,559	\$ -
Licenses and permits	-	15,000	-	-	-	-
Revenues from other agencies	176,383	-	-	-	-	41,909
Charges for current services	-	-	12,911	15,734	-	-
Interest	(2,798)	(307)	(132)	(363)	(8,112)	(1,434)
Other revenues	-	-	-	50,000	-	-
Total revenues	173,585	14,693	12,779	65,371	277,447	40,475
EXPENDITURES:						
Current:						
Public Safety	-	-	-	-	-	54,830
Transportation	-	-	-	-	-	-
Leisure, cultural and social services	-	15,000	-	-	-	-
Community development	-	-	-	-	88,205	-
Capital outlay	-	-	-	-	-	882
Total expenditures	-	15,000	-	-	88,205	55,712
REVENUES OVER (UNDER) EXPENDITURES	173,585	(307)	12,779	65,371	189,242	(15,237)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	5,000	-	25,000	2,787	-
Transfers out	(108,580)	-	-	(75,000)	(11,274)	-
Total other financing sources (uses)	(108,580)	5,000	-	(50,000)	(8,487)	-
Net change in fund balances	65,005	4,693	12,779	15,371	180,755	(15,237)
FUND BALANCES:						
Beginning of year	348,984	(33,864)	15,789	770,265	952,499	185,499
End of year	\$ 413,989	\$ (29,171)	\$ 28,568	\$ 785,636	\$ 1,133,254	\$ 170,262

Special Revenue			Capital Projects				Total Other
Central Park	Measure A	Gas Tax	Capital Facilities	City Hall	Traffic Mitigation	Sewer Bond Debt Service	Governmental Funds
\$ -	\$ 663,917	\$ 198,592	\$ -	\$ -	\$ -	\$ 9	\$ 1,148,077
-	-	-	-	6,000	23,477	-	44,477
-	38,693	108,678	-	-	-	-	365,663
-	-	-	-	-	-	-	28,645
-	(5,223)	(2,989)	(4,282)	(243)	(936)	(235)	(27,054)
-	-	-	-	-	-	-	50,000
-	697,387	304,281	(4,282)	5,757	22,541	(226)	1,609,808
-	-	-	-	-	-	-	54,830
-	323,924	3,077	-	-	-	-	327,001
5,030	-	-	-	-	-	-	20,030
-	-	-	-	-	-	-	88,205
-	-	-	115,472	-	-	-	116,354
5,030	323,924	3,077	115,472	-	-	-	606,420
(5,030)	373,463	301,204	(119,754)	5,757	22,541	(226)	1,003,388
-	442	-	20,220	-	-	-	53,449
-	(631,906)	(439,565)	(34,189)	-	(43,934)	-	(1,344,448)
-	(631,464)	(439,565)	(13,969)	-	(43,934)	-	(1,290,999)
(5,030)	(258,001)	(138,361)	(133,723)	5,757	(21,393)	(226)	(287,611)
-	1,001,757	488,662	717,414	29,534	141,866	32,003	4,650,408
\$ (5,030)	\$ 743,756	\$ 350,301	\$ 583,691	\$ 35,291	\$ 120,473	\$ 31,777	\$ 4,362,797

City of Guadalupe



Single Audit Reports

Fiscal Year July 1, 2021 through June 30, 2022

City of Guadalupe

Guadalupe, California

Single Audit Reports

For the year ended June 30, 2022



City of Guadalupe
Single Audit Reports
For the year ended June 30, 2022

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guadalupe, California (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 22, 2023.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-002, 2022-003, 2022-004, and 2022-005, to be significant deficiencies.

To the Honorable Mayor and Members of the City Council
of the City of Guadalupe
Guadalupe, California
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Report on Compliance and Other Matters

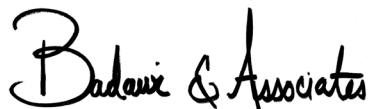
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City of Guadalupe's Response to Findings

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

Purpose of this Report

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



Badawi & Associates, CPAs
Berkeley, California
June 22, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Guadalupe, California (City)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs..

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

To the Honorable Mayor and Members of the City Council
of the City of Guadalupe
Guadalupe, California
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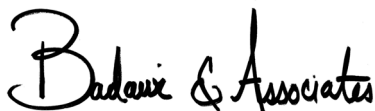
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 22, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Badawi & Associates, CPAs
Berkeley, California
June 22, 2023

City of Guadalupe
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Grantor Agency and Grant Title	Assistance Listing Number	Pass-through Number	Program Expenditures	Subrecipient Payment
U.S. Department of Housing and Urban Development:				
<i>Passed through State of California</i>				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	17CDBG12099	\$ 1,921,427	\$ 12,686
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-CDBG-12089	11,262	11,262
COVID19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20CDBGCV100085	45,878	37,038
COVID19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-CDBG-CV2-3-00015	70,978	38,833
Subtotal Community Development Block Grants			2,049,545	99,819
Total U.S. Department of Housing and Urban Development			2,049,545	99,819
U.S. Department of Transportation:				
Formula Grants for Rural Areas and Tribal Transit Program				
<i>Passed through State of California</i>	20.509	64B021-01692	69,557	-
Total U.S. Department of Transportation			69,557	-
U.S. Department of the Treasury:				
<i>Direct</i>				
COVID19 - State and Local Fiscal Recovery Fund	21.027	n/a	341,327	-
Total U.S. Department of the Treasury			341,327	-
Total Expenditures of Federal Awards			\$ 2,460,429	\$ 99,819

City of Guadalupe

Notes to the Schedule of Expenditures of Federal Awards

For the year ended June 30, 2022

A. Reporting Entity

The financial reporting entity consists of (a) the primary government, City of Guadalupe, California (City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit discussed below is included in the reporting entity because of its operational or financial relationships with the City.

- Guadalupe Public Financing Authority

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Separate financial statements for the Guadalupe Financing Authority are not prepared. There are currently no reportable financial transactions of the Authority.

B. Basis of Accounting

Funds received under the various grant programs have been recorded within the general, special revenue, and capital projects funds of the City. The City utilizes the modified accrual basis of accounting for the general, special revenue, and capital projects funds. Expenditures of federal awards reported on the Schedule of Expenditures of Federal Awards (Schedule) are recognized when incurred.

C. Relationship of Schedule of Expenditures of Federal Awards to Financial Statements

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California is included in the Schedule.

The Schedule was prepared only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

D. Pass-Through Entities' Identifying Number

When federal awards were received from a pass-through entity, the Schedule shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the City determined that no identifying number is assigned for the program or the City was unable to obtain an identifying number from the pass-through entity.

E. Indirect Costs

The City did not elect to use the 10% de minimis indirect cost rate.

City of Guadalupe
Schedule of Findings and Questioned Costs
For the year ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Types of auditors' report issued on whether financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? Yes

Any noncompliance material to the financial statements noted No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None noted

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster	Expenditures
14.228	Community Development Block Grants/State's Program	\$ 2,049,545
	Total Expenditures of All Major Federal Programs	\$ 2,049,545
	Total Expenditures of Federal Awards	\$ 2,460,429
	Percentage of Total Expenditures of Federal Awards	83.3%

Dollar threshold used to distinguish between type A and type B program \$750,000

Auditee qualified as low-risk auditee under section 200.520? No

City of Guadalupe
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2022

Section II - Current Year Findings

A. Financial Statement Audit

2022-001 - Insufficient Fund Balance in the General Fund and the Ability of the City to Continue as a Going Concern (Material Weakness)

Criteria:

General-purpose local governments, regardless of size, at a minimum should maintain an unrestricted budgetary fund balance in the general fund no less than 2 months of regular general fund operating revenues or regular general fund operating expenditures.

Condition:

The General Fund did not maintain a sufficient or adequate fund balance level to ensure continuity of operations as of June 30, 2022. The General Fund finished the year with a fund balance of \$781,237 compared to a fund balance of \$370,356 in the prior fiscal year. This balance represents 48 days of operating revenues and 45 days of operating expenditures. The fund balance in spendable form is \$352,224. As of June 30, 2022 the General Fund owed internally to the Lighting and Assessment Fund and the Water Fund the amounts of \$192,500 and \$297,496, respectively. These interfund loans were made so that the General Fund could sustain its basic operations.

The aforementioned conditions have raised doubt about the City's ability to continue as a going concern, as described further in Note 15 of the Basic Financial Statements.

Cause:

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

Effect:

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

Recommendation:

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

Management Response:

In Fiscal year 2021-22 the General Fund balance increased by 278,727.81 from the prior year. The primary goal is to preserve reserves and accumulate reserves. The City's revenue continues to increase as the Pasadera Development adds additional homes this fiscal year. The Escalante Meadows Development is also expected to increase Building Permit and related building construction fee revenues by fiscal year 2023. And the increase in Accessory Dwelling Units (ADU's) will continue to bring in much need housing availability and property tax increase. Other revenues showing steady increases are Sales Tax with the new Measure N that was passed with the November 2020 election,

City of Guadalupe
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2022

Section II - Current Year Findings, continued

A. Financial Statement Audit, continued

2022-001 - Insufficient Fund Balance in the General Fund and the Ability of the City to Continue as a Going Concern (Material Weakness), Continued

Management Response (continued):

Property Tax with new development, Business License, Utility Users Tax and Franchise Fees. In addition, City Council is currently working on a Cannabis Program (2 retail stores and 1 processing and manufacturing) to the City soon all of which are in the entitlement phase. The City has received \$1.8M from the American Rescue Plan Act in fiscal year 2021 and 2022 respectfully much of which is unspent but is budgeted for various projects and initiatives. Amid the pandemic, the City still needs to look at finding alternatives to sustain recurring revenue streams for the future to build strong reserves and to continue to provide residents with current services.

Moreover, in summary, over the years the City has made significant improvements to its financial condition. The fact that the City had reserves sufficient to cover the costs of storm impacts is a testament to these improvements. Looking at the General Fund it has been subsidized during the last two years with ARPA funding at about \$600,00 per year. These funds will no longer be available after FY 24. The Public services, provided by the General Fund that seem to be most critical to the public are Public Safety Services and Parks and Recreation Facilities and Programing. These combined services account for 67% of the General Fund Budget. Cutting the costs of other Departments to ensure the maintenance of Public Safety/ Parks and Recreation programs is not viable.

The City Administrator is in the process of recommending an idea to look at augmenting the General Fund with either a parcel tax or the implementation of a Mello Roos Community Service Facilities District with proceeds from these sources used to augment the General Fund specifically for the delivery of Public Safety/ Parks and Recreation services. This recommendation deserves a detailed review. It would be a heavy lift. Both alternatives would require a 2/3 majority at the poll. Keep in mind the recent ballot measure to raise the Transient Occupancy Tax failed but by only 4 votes. The success of such a ballot measure would be dependent on the level of public education regarding the necessity of augmenting existing funding sources. In the event one of these revenue raising options is successful it would sole source the funding for critical services leaving the remainder of General Fund revenues to fund other core services.

2022-002 - Control Over Journal Entries and Financial Reporting (Significant Deficiency)

Criteria:

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

Condition:

During our audit we noted that there was mainly one person who was responsible for creating journal entries with no direct or independent review of those entries by another person. We also noted journal entry errors during the audit.

City of Guadalupe
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2022

Section II - Current Year Findings, continued

A. Financial Statement Audit, continued

2022-002 - Control Over Journal Entries and Financial Reporting (Significant Deficiency), Continued

Cause:

Duties in the financial reporting system are not adequately segregated due to staffing limitations.

Effect:

Journal entries amounts may be misstated due to errors, and unauthorized entries may be posted and not detected timely.

Recommendation:

We recommend that the City update its procedures to ensure that journal entries are properly reviewed and reconciled independently and that there is adequate segregation of duties in place.

Management Response:

The city currently is working to implement policies and procedures to develop “best practice” measures. This process will be added into the Finance Policies and Procedures Manual currently in progress, expected completion by end of FY2023-24.

2022-003 -Deposits Payable (Significant Deficiency)

Criteria:

The City should have policies and procedures over accounting for deposits received by the City from third parties for and related disbursements.

Condition:

During performance of the audit, we were not able to obtain listings of balances by depositor for all deposit accounts held by the City as of the end of the fiscal year.

Cause:

The City does not currently have formal policies and procedures to account and reconcile all deposits held by the City.

Effect:

Liabilities reported for deposits held by the City may be misstated, and amounts returned to depositors may be inaccurately calculated.

Recommendation:

We recommend that the City develop policies and procedures over deposits held by the City, such as implementation review and reconciliation of the general ledger to information maintained by responsible departments.

City of Guadalupe
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2022

Section II - Current Year Findings, continued

A. Financial Statement Audit, continued

2022-003 -Deposits Payable (Significant Deficiency), Continued

Management Response:

The tracking and reconciliation of building and planning deposits are in process of reconciliation and will be tracked and reconciled on a monthly basis to ensure accurate account of liability. This finding will be resolved before the end of our next FY audit.

2022-004 - Closing Policies and Procedures (Significant Deficiency)

Criteria:

The City is responsible for fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. In addition, an effective internal control system over financial closing and reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

The City's financial closing process should include preparation of reconciliations for all significant accounts to be reported on the City's financial statements.

Condition:

During the performance of the audit, we noted that there were accounts that needed to be updated for which reconciliations were not prepared, and as a result closing entries were recorded subsequent to the start of the audit.

Cause:

The City's trial balance provided for the audit did not include all necessary adjustments needed to prepare the financial statements.

Effect:

Lack of checklists can result in the City making the same accounting mistake year over year. Lack of documentation also prevents an easier transition when there isn't overlap between management employees.

Recommendation:

We recommend that the City update its closing procedures and closing checklist to encompass review and analysis of all balance sheet accounts and preparation of schedules to support the changes that occurred during the year and the balances reported at the end of the year in these accounts.

Management Response:

The City accepts the recommendation provided and will produce an adequate closing checklist and process in detail. This process will be added into the Finance Policies and Procedures Manual currently in progress, expected completion by end of FY2023-24.

City of Guadalupe
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2022

Section II - Current Year Findings, continued

A. Financial Statement Audit, continued

2022-005- Written Policies and Procedures over Grants (Significant Deficiency)

Criteria:

The City is responsible for fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. In addition, the City is responsible for compliance with terms and conditions for related grants received and expended by the City.

Condition:

During performance of the audit, there were difficulties encountered by City staff in obtaining information for federal grants, such as status of billings, amounts expended during the year, and who in the City was assigned responsibility for various grants.

Cause:

The City does not have formal written policies and procedures for grants.

Effect:

Lack of written policies and procedures in combination with turnover in personnel may result in noncompliance with grant terms and conditions, and hence increases the risk of related noncompliance financial contingencies.

Recommendation:

We recommend the City update policies and procedures over grants to improve internal controls over grant reporting and compliance. Such policies may include maintenance of a central inventory documenting all grants received by the City, responsible staff or consultant, and developing procedures for grant application, billing, reconciliation and closing.

Management Response:

The City currently is working to implement policies and procedures to develop “best practice” measures. This will help reconcile and track grants in coordination with capital improvement projects by using the talents of existing city staff to help augment grant monies set aside for administration and project management. City staff has set up a committee consisting of the Public Works Director, City Administrator, Finance Director, LADG, Royal Theater project manager and the Administrative Assistant in order to improve oversight of the grants and associated projects. This process will be added into the Finance Policies and Procedures Manual currently in progress, expected completion by end of FY2023-24.

B. Federal Award Program Audit

No current year federal award program audit findings.

City of Guadalupe
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2022

Section III- Prior Year Findings

A. Financial Statement Audit

2021-001 - Insufficient Fund Balance in the General Fund and the Ability of the City to Continue as a Going Concern (Material Weakness)

Criteria:

General-purpose local governments, regardless of size, at a minimum should maintain an unrestricted budgetary fund balance in the general fund no less than 2 months of regular general fund operating revenues or regular general fund operating expenditures.

Condition:

The General Fund did not maintain a sufficient or adequate fund balance level to ensure continuity of operations as of June 30, 2021. The General Fund finished the year with a fund balance of \$370,356 compared to a fund balance of \$485,622 in the prior fiscal year. This balance represents 28 days of operating revenues and 25 days of operating expenditures. The fund balance in spendable form is \$27,757. As of June 30, 2021 the General Fund owed internally to the Lighting and Assessment Fund and the Water Fund the amounts of \$240,000 and \$368,996, respectively. These interfund loans were made so that the General Fund could sustain its basic operations.

The aforementioned conditions have raised doubt about the City's ability to continue as a going concern, as described further in Note 15 of the Basic Financial Statements.

Cause:

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

Effect:

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

Recommendation:

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

Management Response:

In fiscal year 2019-20, the General fund increased from prior year's negative fund balance, ending the year at \$485,622, from a negative \$15,325. In fiscal year 2020-21, the fund balance decreased about \$115,000. The primary goal is to preserve reserves and accumulate reserves. The City's revenue continues to increase as the Pasadera Development adds additional homes this fiscal year. The Escalante Meadows Development is also expected to increase Building Permit and related construction fee revenues by fiscal year 2022. Other revenues showing steady increases are Sales Tax with the new Measure N that was passed with the November 2020 election, Property Tax with new development,

City of Guadalupe
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2022

Section III – Prior Year Findings, continued

A. Financial Statement Audit, continued

2021-001 – Insufficient Fund Balance in the General Fund and the Ability of the City to Continue as a Going Concern (Material Weakness), Continued

Management Response (continued):

Business License, Utility Users Tax and Franchise Fees. In addition, City Council is currently working on bringing Cannabis to the City in the near future. The City has received \$99,777 from the CARES Act in fiscal year 2021 and will receive American Rescue Plan funds in fiscal year 2022. Amid the pandemic, the City still needs to look at finding alternatives to sustain recurring revenue streams for the future in order to build strong reserves and to continue to provide residents with current services.

2021-002 – Control Over Journal Entries and Financial Reporting (Significant Deficiency)

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Management Response:

Finance Director proposes journal entries and Business Manager reviews and enters the journal entries. The City will review and set up controls to ensure approval controls of journal entries takes place for all changes to the accounting records. City Staff is hopeful that the new accounting software will accommodate workflow and authorization parameters to improve our controls and segregation of duties. In addition, the finance department will propose that the City Administrator review journal entries prior to posting.

City of Guadalupe
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2022

Section III - Prior Year Findings, continued

B. Federal Award Program Audit

No prior year federal award program audit findings.

City of Guadalupe



**Independent Auditor's Report
on
Agreed-Upon Procedures
Applied to Appropriations Limit Schedule
Fiscal Year July 1, 2021 through June 30, 2022**

City of Guadalupe

Guadalupe, California

*Independent Accountants' Report on
Agreed-Upon Procedures Applied to
Appropriations Limit Schedule*

For the year ended June 30, 2022



INDEPENDENT ACCOUNTANTS' REPORT

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

We have performed the procedures enumerated below on the accompanying Appropriations Limit Schedule of the City of Guadalupe (City) for the fiscal year ended June 30, 2022. The City's management is responsible for the accompanying Appropriations Limit Schedule.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the requirements of Section 1.5 of Article XIII-B of the California Constitution. Additionally, the League of California Cities (as presented in the publication entitled Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution) has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and our findings are described below:

1. We obtained the completed worksheets used by the City to calculate its appropriations limit for the fiscal year ended June 30, 2022, and determined that the limit and annual calculation factors were adopted by resolution of City Council. We also determined that the population and inflation options were selected by a recorded vote of City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Schedule, we added the prior year's limit to the total adjustments, and agreed the resulting amount to the current year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriations Limit Schedule to corresponding information in worksheets used by the City.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit Schedule to the prior year appropriations limit adopted by the City Council during the prior year.

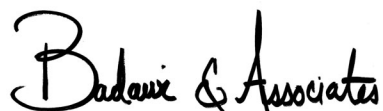
Finding: No exceptions were noted as a result of our procedures.

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

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Appropriation Limit Schedule. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates, CPAs
Berkeley, California
June 20, 2023

City of Guadalupe
Appropriations Limit Schedule
For the year ended June 30, 2022

	<u>Amount</u>	<u>Source</u>
A. Appropriations limit for the year ended June 30, 2021	\$ 3,065,272	Prior year schedule
B. Calculation factors:		
1. Population increase ratio	1.0503	State Department of Finance
2. Inflation increase ratio	1.0573	State Department of Finance
3. Total adjustment factor ratio	<u>1.1105</u>	B1 * B2
C. Annual adjustment increase	338,657	[(B3-1)*A]
D. Other adjustments:		
Loss responsibility (-)	-	N/A
Transfers to private (-)	-	N/A
Transfers to fees (-)	-	N/A
Assumed responsibility (+)	-	N/A
E. Total adjustments	<u>338,657</u>	(C+D)
F. Appropriations limit for the year ended June 30, 2022	<u>\$ 3,403,929</u>	(A+E)

City of Guadalupe
Notes to Appropriations Limit Schedule
For the year ended June 30, 2022

1. PURPOSE OF LIMITED PROCEDURES REVIEW

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII B, the annual calculation of the appropriations limit is subject to this agreed upon procedures engagement.

2. METHOD OF CALCULATION

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-1987, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

3. INFLATION FACTORS

A California governmental agency may use as its inflation factor either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the State Department of Finance), or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City of Guadalupe for the fiscal year 2021-2022 represents the percentage growth in the State of California per capita personal income.

4. POPULATION FACTORS

A California governmental agency may use as its population factor either the annual percentage change of the jurisdiction's own population, or the annual percentage change in population in the County where the jurisdiction is located. The factor adopted by the City of Guadalupe for fiscal year 2021-2022 represents the population change for the City during calendar year 2020.

5. OTHER ADJUSTMENTS

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. There were no adjustments made for the fiscal year ended June 30, 2022.