

**City of Guadalupe**

**Financial Statements**

**Year Ended June 30, 2016**

**City of Guadalupe**  
**Financial Statements**  
**Year Ended June 30, 2016**

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## Independents Auditors' Report

Honorable Mayor and City Council  
City of Guadalupe  
Guadalupe, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guadalupe, California, (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

**Honorable Mayor and City Council**  
**City of Guadalupe**  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guadalupe as of June 30, 2016, and the changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 19 to the financial statements, the City has experienced decreased revenues and key budgeted revenue sources are unknown. Management projects continued budget shortfalls unless significant cost reduction or other measures are taken. The City has borrowed from other funds to reduce the negative cash balance and sustain its basic operations. These conditions raise substantial doubt about the City's ability to continue as a going concern. Management's plans regarding those matters are described in Note 19. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

**Honorable Mayor and City Council**

**City of Guadalupe**

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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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2017, on our consideration of the City of Guadalupe'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 the internal control over financial reports or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Guadalupe's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "GLENN BURDETTE ATTEST CORPORATION". The signature is written in a cursive, slightly slanted style.

Glenn Burdette Attest Corporation

San Luis Obispo, California

February 28, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2016**

**INTRODUCTION**

This discussion and analysis of the City of Guadalupe financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. For the most complete picture of the City, please read this document in conjunction with the City's basic financial statements, and the accompanying notes to the basic financial statements. Comparisons between this year and the prior year are presented showing percentage changes.

**FINANCIAL HIGHLIGHTS**

- In FY 2015-16 construction commenced for five model homes and sixteen residential homes for the Pasadera development within the City. The "Pasadera Development" will include approximately 800 homes and approximately 250,000 square feet of commercial space. Project build out is estimated to occur within 10 to 15 years.
- In FY 2015-16 the City received grant funding through Prop 1B and FTA 5311 to purchase a new transit bus for residents that travel between Santa Maria and Guadalupe. In addition, in August 2015, through the support of the Santa Barbara County Association of Governments, the City's transit provider, SMOOTH, and other North County Cities, Guadalupe received a grant from the Low Carbon Transit Operations Program. This grant enabled the City to expand Saturday transit service and initiate Sunday service to its residents.
- In FY 2015-16 the City began work on the Tognazzini Inter-tie Project funded by a USDA grant. This project will enable the City to have an additional well online to provide water extraction from the Santa Maria Valley Groundwater Basin. This project will also ensure a back-up water source in the event State water is not available.
- The City's total net position increased by \$607 thousand in 2016. The net position of governmental activities increased \$203 thousand and the net position of business-type activities increased \$404 thousand.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

### Government-Wide Financial Statements

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

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

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

### Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the City's largest funds, not the City as a whole. The City has 30 funds that are considered governmental, four funds that are considered proprietary, and one fund that is considered fiduciary.



**OVERVIEW OF THE FINANCIAL STATEMENTS - continued**

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The City has three types of fund financial statements:

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

Additional information regarding the City's ability to continue as a going concern is available in Note 19 of the Financial Statements.

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

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

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

**Notes to the Basic Financial Statements**

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

**FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS**

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

**City of Guadalupe  
Summary of Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent Change
	2016	2015	2016	2015	2016	2015	
<b>Assets</b>							
Current Assets	\$ 2,905,171	\$ 2,751,271	\$ 2,117,994	\$ 2,300,283	\$ 5,023,165	\$ 5,051,554	-0.6%
Noncurrent Assets	8,725,056	9,362,214	9,529,956	9,294,723	18,255,012	18,656,937	-2.2%
Total Assets	11,630,227	12,113,485	11,647,950	11,595,006	23,278,177	23,708,491	-1.8%
<b>Deferred Outflows of Resources</b>							
Deferred pensions	319,345	312,333	37,384	18,167	356,729	330,500	7.9%
<b>Liabilities</b>							
Current Liabilities	929,322	1,570,391	1,219,813	1,500,958	2,149,135	3,071,349	-30.0%
Noncurrent Liabilities	2,142,869	2,286,089	2,400,951	2,469,644	4,543,820	4,755,733	-4.5%
Total Liabilities	3,072,191	3,856,480	3,620,764	3,970,602	6,692,955	7,827,082	-14.5%
<b>Deferred Inflows of Resources</b>							
Deferred pensions	585,352	479,982	53,832	35,785	639,184	515,767	23.9%
<b>Net Position</b>							
Net investment in capital assets	8,851,496	9,246,082	6,818,931	6,846,219	15,670,427	16,092,301	-2.6%
Restricted	2,325,227	808,756	147,100	147,100	2,472,327	955,856	158.7%
Unrestricted	(2,884,694)	(1,965,482)	1,044,707	613,467	(1,839,987)	(1,352,015)	36.1%
	\$ 8,292,029	\$ 8,089,356	\$ 8,010,738	\$ 7,606,786	\$ 16,302,767	\$ 15,696,142	3.9%

**Analysis of net position**

Total net position of the primary government increased \$607 thousand this year. Total assets decreased \$430 thousand, deferred outflows of resources increased \$26 thousand, total liabilities decreased \$1.1 million and deferred inflows of resources increased \$123 thousand. The following analysis of governmental and business-type activities provides more detailed information for these changes.

**Governmental activities:**

Current assets increased \$154 thousand mainly due to an account receivable for \$250 thousand for a short term loan between the transit fund and measure A for the purchase of a transit bus.

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

Non-current assets decreased by \$637 thousand due to current year asset additions of \$224 thousand, consisting mainly of police vehicle purchases, offset by depreciation of \$457 thousand and a \$400 thousand inter-fund loan between the general fund and the water fund.

Deferred outflows of resources for deferred pensions increased \$7 thousand. More detailed Pension Plan information is located in Note 8 to the financials.

Current liabilities decreased \$641 thousand due to a decrease of \$766 thousand in accounts payable primarily due to a loan from the water fund of \$400 thousand and a loan from the lighting district of \$300 thousand in the general fund offset by an increase of \$46 thousand in unearned revenue and a \$79 thousand increase in liabilities due in one year primarily due to capital lease purchases.

Non-current liabilities decreased \$143 thousand due to a decrease of \$215 thousand of the City's net pension liability offset by a \$72 thousand increase in liabilities due after one year primarily due to capital lease purchases.

Deferred inflows of resources for deferred pensions increased \$105 thousand. More detailed Pension Plan information is located in Note 8 to the financials.

**Business-type activities:**

Current assets decreased \$182 thousand due primarily to a loan to the general fund of \$400 thousand offset by an increase to accounts receivable of \$266 thousand for funds due from the Federal Transportation Administration Section 5311 for a bus purchase and a reduction to prepaid expense of \$49 thousand.

Non-current assets increased \$235 thousand due to current year asset additions of \$534 thousand, consisting mainly of public works vehicle purchases, offset by depreciation of \$700 thousand and an addition of \$400 thousand for a non-current loan to the general fund.

Deferred outflows of resources for deferred pensions increased \$19 thousand. More detailed Pension Plan information is located in Note 8 to the financials.

Current liabilities decreased \$281 thousand mainly due to the decrease in the deficient cash balance in the wastewater funds of \$201 thousand from prior year and the decrease in the deficient cash balance in the solid waste fund of \$23 thousand from prior year.

Non-current liabilities decreased \$69 thousand mainly due to a decrease of \$157 thousand for the pay-off of the loan between the wastewater fund to the successor agency offset by an increase in net pension liability of \$106 thousand. More detailed Pension Plan information is located in Note 8 to the financial statements.

Deferred inflows of resources for deferred pensions increased \$18 thousand. More detailed Pension Plan information is located in Note 8 to the financials.

City of Guadalupe  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2016

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

The City's change in net position was \$450 thousand during the current fiscal year. Information about changes in net position is summarized below.

**City of Guadalupe**  
**Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2016 and 2015**  
(In thousands)

	Governmental		Business-type		Total Primary		Total Percent Change
	Activities		Activities		Government		
	2016	2015	2016	2015	2016	2015	
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 65,305	\$ 94,004	\$ 3,513,015	\$ 3,370,785	\$ 3,578,320	\$ 3,464,789	3.3%
Operating grants and contributions	725,560	783,644	860,443	348,752	1,586,003	1,132,396	40.1%
Capital grants and contributions		8,958			-	8,958	-100.0%
General revenue:							
Sales tax	434,892	260,783			434,892	260,783	66.8%
Property tax	1,065,842	973,140			1,065,842	973,140	9.5%
Utility users tax	374,295	299,249			374,295	299,249	25.1%
Gas tax	262,258	311,438			262,258	311,438	-15.8%
Franchise fees	186,804	185,710			186,804	185,710	0.6%
State of California in-lieu		2,928			-	2,928	-100.0%
Property transfer tax	9,898	6,730			9,898	6,730	47.1%
Licenses and permits	465,239	114,441			465,239	114,441	306.5%
Rents	64,569	72,311			64,569	72,311	-10.7%
Interest income	4,154	2,279	2,465	244	6,619	2,523	162.3%
Other revenues	229,455	500,137	107,460	39,681	336,915	539,818	-37.6%
Total revenues	3,888,271	3,615,752	4,483,383	3,759,462	8,371,654	7,375,214	13.5%
<b>Program Expenses</b>							
Public safety	2,113,608	1,864,794			2,113,608	1,864,794	13.3%
Transportation	392,463	283,099			392,463	283,099	38.6%
Leisure, culture and social services	154,404	173,403			154,404	173,403	-11.0%
Community development	727,081	875,960			727,081	875,960	-17.0%
General government	872,239	999,453			872,239	999,453	-12.7%
Business-type activities			3,658,399	3,611,774	3,658,399	3,611,774	1.3%
Interest on long-term debt	3,050	3,700			3,050	3,700	-17.6%
Total expenses	4,262,845	4,200,409	3,658,399	3,611,774	7,921,244	7,812,183	1.4%
Transfers	436,304	428,293	(436,304)	(428,293)	-	-	
Change in net position	61,730	(156,364)	388,680	(280,605)	450,410	(436,969)	-203.1%
Net position - beginning of year	8,089,356	10,407,090	7,606,786	7,368,948	15,696,142	17,776,038	-11.7%
Prior year restatement	140,943	(2,161,370)	15,272	518,443	156,215	(1,642,927)	-109.5%
Net Position - beginning of year, restated	8,230,299	8,245,720	7,622,058	7,887,391	15,852,357	16,133,111	-1.7%
Net position - end of year	\$ 8,292,029	\$ 8,089,356	\$ 8,010,738	\$ 7,606,786	\$ 16,302,767	\$ 15,696,142	3.9%

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

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

Total government-wide revenues of the primary government increased \$996 thousand, a 14% increase from the prior year, and total expenses increased \$109 thousand, a 1% increase. These changes are discussed in more detail below.

**Governmental Activities:**

Total revenues for governmental activities increased \$273 thousand from the prior year. Total expenses increased \$62 thousand and transfers increased \$8 thousand from the prior year. Transfers consist of indirect cost allocations from the General Fund to the various funds that utilize indirect administrative services. Indirect cost allocations are based on operating budget, full-time equivalent staffing and assigned space.

**Revenue**

Sales tax increased \$174 thousand primarily due to the local tax measure approved by the voters in November of 2014. The full effect of the measure took place in fiscal year 2015-16.

Utility user tax increased \$75 thousand primarily due to the utility user tax measure approved by the voters in November of 2014. The full effect of the measure took place in fiscal year 2015-16.

Licenses and permits increased \$351 thousand; of which 78% of the increase was due to the business license tax measure approved by voters in November of 2014. The remaining 22% increase was due to permit fees associated with the Pasadera development that broke ground in February of 2015.

Other revenues decreased \$271 thousand mainly due to the Legion Hall retrofit for \$200,000 in the prior year and a \$50 thousand reduction of the Chevron contribution.

**Expenses**

Public safety increased \$249 thousand of which 74% of the increase was due to capital lease purchases for police vehicles. The remaining 26% increase was due to the increased costs for workers' compensation expense. Community Development expenses decreased \$149 thousand due primarily to the prior year grant work done for the seismic retrofit completed at the Legion Hall and the prior year work done for the Safe Routes to School grant.

**Business-Type Activities:**

Total revenues for business-type activities increased \$724 thousand from the prior year, a 19% increase. Total expenses increased \$47 thousand and transfers increased \$8 thousand.

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

**Business-Type Activities-continued**

**Revenue**

Charges for services increased by \$142 thousand primarily due to the increase in wastewater and solid waste rates effective June 1, 2015. Operating grants and contributions increased \$512 thousand mainly due to a bus purchase for the Transit Fund. Other revenues increased \$68 thousand mainly due to impact fees received from the Pasadera development.

**Expenses**

Water fund expenses increased \$107 thousand mainly due to a 6% increase in Central Coast Water Authority annual payments over prior year of \$52 thousand plus a GASB 68 pension entry of \$53 thousand. Wastewater fund expenses increased \$37 thousand mainly due to a GASB 68 pension entry. Solid Waste expenses decreased \$80 thousand mainly due to the timing of solid waste contract services. Transit fund expenses decreased \$16 thousand mainly due to an asset that was fully depreciated in fiscal year 14-15.

**FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

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

**Governmental Funds:**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Total fund balance for governmental funds increased by \$470 thousand during fiscal year 2016. Total revenues for governmental funds increased \$267 thousand, total expenditures for governmental funds increased \$382 thousand and net other financing sources increased \$195 thousand. Reasons for these changes are discussed in more detail below.

**General Fund**

Total General Fund revenues increased \$565 thousand in the current year primarily due to the three tax measures approved by voters in November 2014 that based business license fees on gross receipts, removed the cap on utility user tax and added a .25% local sales tax. Business license revenues increased \$273 thousand, local sales tax increased \$98 thousand and utility user tax increased \$75 thousand. Property tax increased \$82 thousand and sales tax increased \$75 thousand due to the Pasadera development and a recovering economy.

**FINANCIAL ANALYSIS OF THE FUND STATEMENTS - continued**

Total General Fund expenditures increased \$449 thousand this year. This is mainly due to the reduction of furlough days in 15-16 as well as increased consultant fees due to the Pasadera development and the establishment of capital lease balances for police vehicles.

Total other financing sources for the General Fund increased \$222 thousand primarily due to the establishment of capital lease balances for police vehicles.

**Measure A**

Revenues for Measure A were in line with prior year. Expenditures increased \$47 thousand mainly due to the reduction of furlough days in 15-16 and street payroll re-classed to Measure A in FY 15-16.

**Other Governmental Funds**

Total other governmental funds revenues decreased \$299 thousand. This is primarily due to prior year grants that were not repeated in FY 15-16. Total other government fund expenditures decreased \$114 thousand due to street maintenance payroll re-classed to Measure A in FY 15-16.

**Enterprise Funds:**

The City's four enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Total operating revenues increased by \$722 thousand. Total operating expenses increased by \$41 thousand or 1% over prior year. Total net non-operating revenues and expenses increased \$11 thousand. The discussion below provides a detailed explanation for each business-type fund.

**Water Fund**

Water fund operating revenues decreased \$82 thousand compared to the prior year. The decrease resulted from decreased water usage due to water conservation efforts by city residents. Operating expenses in the current year increased \$104 thousand due to a reduction of furlough days as well as a 6% increase in Central Coast Water Authority annual payments over prior year. Total net non-operating revenues and expenses increased \$19 thousand due primarily to the transfers for indirect costs to the general fund.

**FINANCIAL ANALYSIS OF THE FUND STATEMENTS - continued**

**Wastewater Fund**

Wastewater fund revenue increased \$290 thousand compared to the prior year due to a 30% wastewater rate increase effective June 1, 2015. Operating expenses decreased \$20 thousand primarily due to the prior year Truss Pro sewer line break, which cost \$64 thousand to repair, offset by an increase to personnel services of \$42 thousand due to the reduction of furlough days. Total net non-operating revenues and expenses decreased \$8 thousand due primarily to the reduction of operating transfers out.

**Solid Waste Fund**

Solid Waste revenue increased \$7 thousand. Operating expenses decreased \$80 thousand due primarily to the timing of solid waste contract services.

**Transit Fund**

Transit fund revenue increased \$507 thousand compared to the prior year primarily due to grants received for the purchase of a new bus and expanded weekend bus service. Operating expenses increased \$38 thousand primarily due to the expenditures for expanded weekend bus service.

**Fiduciary Funds:**

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



**GENERAL FUND BUDGETARY HIGHLIGHTS**



A detailed budgetary comparison schedule for the year ended June 30, 2016 is presented as required supplementary information following the notes to the financial statements. The final budget amounts (which are the focus of this discussion and accompanying financial statements) are different from those presented in the 2015-16 Budget Document. This is due to changes that occurred between when the Preliminary Budget was prepared and year-end final budget approvals.

The following summarizes the original and final budget compared with actual results for 2015-16:

<b>General Fund</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
Revenues	\$ 3,123,710	\$ 2,934,710	\$ 2,881,545	\$ (53,165)
Expenditures	(3,715,532)	(3,556,034)	(3,717,739)	(161,705)
Other Financing Sources	593,200	593,200	767,535	174,335
Change in fund balances	1,378	(28,124)	(68,659)	(40,535)
Fund balance - beginning of year	(670,768)	(670,768)	(670,768)	-
Fund balance (deficit) - end of year	<u>\$ (669,390)</u>	<u>\$ (698,892)</u>	<u>\$ (739,427)</u>	<u>\$ (40,535)</u>

Overall, the ending actual fund balance is a deficit of \$739 thousand, which is \$41 thousand more than the final budget estimate. The net increase results from a variety of adjustments; the key changes are summarized as follows:

- Revenues were \$53 thousand lower than estimated primarily due to administrative overhead budgeted at \$24 thousand more than was actually received; and surplus sales of \$15 thousand budgeted for but not received.
- Expenditures were \$162 thousand higher than estimated primarily due to capital lease purchases for police vehicles.
- Other financing sources received were \$174 thousand higher than estimated mainly due to capital lease purchases for police vehicles.

**CAPITAL ASSETS**



**Capital Assets Summary.** The City of Guadalupe's investment in capital assets for its governmental and business type activities as of June 30, 2016, amounts to \$18.2 million (net of accumulated depreciation). The investment in capital assets includes land, park improvements, buildings and building improvements, vehicles and equipment, streets, bikeways and water, wastewater and storm drain systems.

**CAPITAL ASSETS - continued**



A summary of the City's capital assets at June 30, 2016 follows:

<b>Capital Assets, Net of Accumulated Depreciation</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 343,131	\$ 248,425	\$ 591,556
Infrastructure	4,624,101	5,167,940	9,792,041
Buildings and Improvements	3,886,686	2,923,244	6,809,930
Vehicles	186,653	698,257	884,910
Equipment	33,276	53,914	87,190
Construction in Progress		48,176	48,176
	<b>\$ 9,073,847</b>	<b>\$ 9,139,956</b>	<b>\$ 18,213,803</b>

Major capital asset expenditures during the fiscal year include:

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

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

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

**CAPITAL ASSETS - continued**

Capital assets activity for the fiscal year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Governmental Activities:</b>				
Land	\$ 343,131	\$	\$	\$ 343,131
Infrastructure	6,998,887			6,998,887
Accumulated depreciation	(2,098,450)	(276,336)		(2,374,786)
Buildings and improvements	5,213,510	30,998		5,244,508
Accumulated depreciation	(1,215,474)	(142,348)		(1,357,822)
Vehicles	936,490	167,415		1,103,905
Accumulated depreciation	(890,598)	(26,654)		(917,252)
Equipment	485,513	25,671		511,184
Accumulated depreciation	(465,927)	(11,981)		(477,908)
Total governmental capital assets, net	<u>\$ 9,307,082</u>	<u>\$ (233,235)</u>	<u>\$ -</u>	<u>\$ 9,073,847</u>
<b>Business-Type Activities:</b>				
Land	\$ 248,425			\$ 248,425
Construction in progress	37,084	11,092		48,176
Buildings and improvements	9,769,022			9,769,022
Accumulated depreciation	(6,228,738)	(617,040)		(6,845,778)
Vehicles	1,003,725	505,536		1,509,261
Accumulated depreciation	(739,723)	(71,281)		(811,004)
Equipment	476,530	28,896		505,426
Accumulated depreciation	(444,554)	(6,958)		(451,512)
Infrastructure	6,998,888			6,998,888
Accumulated depreciation	(1,825,936)	(5,012)		(1,830,948)
Total governmental capital assets, net	<u>\$ 9,294,723</u>	<u>\$ (154,767)</u>	<u>\$ -</u>	<u>\$ 9,139,956</u>

Depreciation expense was charged to functions/programs as follows.

<b>Governmental activities:</b>	
Public safety	\$ 28,697
Leisure, cultural & social services	32,310
Community development	361,165
General government	35,147
Total governmental activities depreciation expense	<u>\$ 457,319</u>
<b>Business-type activities:</b>	
Water	\$ 174,930
Waste water	457,127
Transit	68,234
Total business-type activities depreciation expense	<u>\$ 700,291</u>

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

**LONG-TERM DEBT**

At June 30, 2016, the City of Guadalupe had \$3.3 million in long-term debt outstanding as summarized below:

Long-Term Debt	Governmental Activities	Business-type Activities	Total
Sewer Bonds	\$ 47,000	\$	\$ 47,000
Other post-employment benefits	249,709		249,709
Certificates of participation		2,086,349	2,086,349
Compensated absences	241,088		241,088
Loans payable to successor agency trust fund		156,910	156,910
Insurance claim payable	170,431	103,966	274,397
	<u>\$ 883,579</u>	<u>\$ 2,347,225</u>	<u>\$ 3,230,804</u>

Long-term debt governmental activity for the fiscal year ended June 30, 2016 was as follows:

Governmental activities:	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Sewer bonds	\$ 61,000		\$ 14,000	\$ 47,000
Other post-employment benefits	205,268	44,441		249,709
Compensated absences	203,133	37,955		241,088
Insurance claim payable	263,394		92,963	170,431
Capital leases obligations		187,086	11,735	175,351
Total	<u>\$ 732,795</u>	<u>\$ 269,482</u>	<u>\$ 118,698</u>	<u>\$ 883,579</u>

Long-term debt business-type activity for the fiscal year ended June 30, 2016 was as follows:

Business-Type Activities:	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Certificates of participation	\$ 2,141,594	\$	\$ 55,245	\$ 2,086,349
Loans payable to successor agency trust fund	359,539		202,629	156,910
Insurance claim payable	112,883		8,917	103,966
Capital lease obligations		80,305	2,539	77,766
Total	<u>\$ 2,614,016</u>	<u>\$ 80,305</u>	<u>\$ 269,330</u>	<u>\$ 2,424,991</u>

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

**ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES**



On June 14, 2016 the Council adopted the fiscal year 2016-17 budget (Resolution No. 2016-34). The General Fund portion of that budget contains a balanced budget.

**Fiscal Outlook.** In FY 2015-16 the City received the full impact of sustainable revenues for the three measures that voters approved in November 2014. The measures included a quarter-cent sales tax increase, removal of the City's utility users' tax cap, and a policy change to calculate annual business licenses based on gross receipts. The Pasadera Development (formally DJ Farms) added twenty one homes during the fiscal year and is expected to add twenty five to fifty homes annually over the next ten to fifteen years. During build-out, Pasadera will drive increased building permit revenue for the General Fund. Pasadera will also increase the property tax base. Once built, the shopping center in Pasadera will lead to increased sales tax receipts. The 2015-16 increase in fund deficit in the General Fund was \$69 thousand for 2016 activity. In 2016-17 the General Fund current year activity is projected to be breakeven. The City continues to look for sustainable revenue opportunities.

**CITY OF GUADALUPE ACTIVITIES**



The City of Guadalupe utilizes grants as much as possible to carry out capital projects. Significant success has been achieved through this process. In conjunction with grants, the city seeks low interest loans when available. Infrastructure improvements continue to be a high priority. A continued focus for the future is improvements to the wastewater collection and water distribution systems. Measure A and Gas Tax funding is used for street maintenance projects. In FY 2015-16 the City continued work on the Tognazzini inter-tie line to add a back-up water source for the City.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT TEAM**

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

**City of Guadalupe**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 1,962,878	\$ 718,705	\$ 2,681,583
Accounts receivable, net of allowance	450,329	912,550	1,362,879
Due from (to) other funds	250,000	(250,000)	-
Prepaid expenses	241,964	736,739	978,703
Loans receivable	41,209		41,209
Interfund loans	(390,000)	390,000	-
Land	343,131	248,425	591,556
Construction in progress		48,176	48,176
Depreciable capital assets, net of accumulated depreciation	8,730,716	8,843,355	17,574,071
	<u>11,630,227</u>	<u>11,647,950</u>	<u>23,278,177</u>
<b>Deferred Outflows of Resources</b>			
Deferred pensions	319,345	37,384	356,729
<b>Liabilities</b>			
Accounts payable and accrued liabilities	505,920	798,641	1,304,561
Unearned revenue	92,358	117,347	209,705
Interest payable		39,990	39,990
Long-term liabilities:			
Due within one year	331,044	263,835	594,879
Due after one year	552,535	2,161,156	2,713,691
Net pension liability	1,590,334	239,795	1,830,129
	<u>3,072,191</u>	<u>3,620,764</u>	<u>6,692,955</u>
<b>Deferred Inflows of Resources</b>			
Deferred pensions	585,352	53,832	639,184
<b>Net Position</b>			
Net investment in capital assets	8,851,496	6,818,931	15,670,427
Restricted for debt service	21,663	147,100	168,763
Restricted for other purposes	2,303,564		2,303,564
Unrestricted	(2,884,694)	1,044,707	(1,839,987)
	<u>\$ 8,292,029</u>	<u>\$ 8,010,738</u>	<u>\$ 16,302,767</u>

*The notes to the financial statements are an integral part of these financial statements.*

**City of Guadalupe**  
**Statement of Activities**  
**Year Ended June 30, 2016**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
Public safety	\$ 2,113,608	\$ 54,745	\$ 91,901	\$
Transportation	392,463		462,459	
Leisure, cultural and social services	154,404	54		
Community development	727,081	10,071	-	
General government	872,239	435	171,200	
Interest on long-term debt	3,050			
Total governmental activities	4,262,845	65,305	725,560	-
<b>Business-type activities:</b>				
Water	1,539,625	1,710,456		
Wastewater	1,178,450	1,150,118		
Solid waste	492,458	568,606		
Transit	447,866	83,835	860,443	
Total business-type activities	3,658,399	3,513,015	860,443	-
<b>General revenues:</b>				
Sales taxes				
Property taxes				
Utility users tax (UUT)				
Gas tax				
Franchise fees				
Property transfer tax				
Licenses and permits				
Rental income				
Interest income				
Other revenues				
Transfers				
Total general revenues				
Change in net position				
<b>Net position - beginning of year</b>				
Prior year restatement				
<b>Net position - beginning of year, restated</b>				
<b>Net position - end of year</b>				

*The notes to the financial statements are an integral part of these financial statements.*

**Net Revenues (Expenses) and Changes in Net Position**

<b>Total Governmental Activities</b>	<b>Total Business-Type Activities</b>	<b>Total</b>
\$ (1,966,962)	\$	\$ (1,966,962)
69,996		69,996
(154,350)		(154,350)
(717,010)		(717,010)
(700,604)		(700,604)
(3,050)		(3,050)
<u>(3,471,980)</u>		<u>(3,471,980)</u>
	170,831	170,831
	(28,332)	(28,332)
	76,148	76,148
	496,412	496,412
	<u>715,059</u>	<u>715,059</u>
434,892		434,892
1,065,842		1,065,842
374,295		374,295
262,258		262,258
186,804		186,804
9,898		9,898
465,239		465,239
64,569		64,569
4,154	2,465	6,619
229,455	107,460	336,915
436,304	(436,304)	-
<u>3,533,710</u>	<u>(326,379)</u>	<u>3,207,331</u>
61,730	388,680	450,410
<u>8,089,356</u>	<u>7,606,786</u>	<u>15,696,142</u>
140,943	15,272	156,215
<u>8,230,299</u>	<u>7,622,058</u>	<u>15,852,357</u>
<u>\$ 8,292,029</u>	<u>\$ 8,010,738</u>	<u>\$ 16,302,767</u>



**City of Guadalupe**  
**Balance Sheet – Governmental Funds**  
**June 30, 2016**

	<u>General</u>	<u>Measure A</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and investments	\$ 30,814	\$ 634,996	\$ 1,297,068	\$ 1,962,878
Accounts receivable	254,931	74,175	121,223	450,329
Prepaid expenses	224,389	10,084	7,491	241,964
Due from other funds		250,000		250,000
Interfund loan receivable			352,500	352,500
Loans receivable			41,209	41,209
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 510,134</u>	<u>\$ 969,255</u>	<u>\$ 1,819,491</u>	<u>\$ 3,298,880</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 365,194	\$ 1,452	\$ 24,873	\$ 391,519
Accrued wages and benefits	109,509	4,570	322	114,401
Unearned revenue	92,358			92,358
Interfund loan payable	682,500		60,000	742,500
Total liabilities	<u>1,249,561</u>	<u>6,022</u>	<u>85,195</u>	<u>1,340,778</u>
<b>Fund balance:</b>				
Nonspendable:				
Long-term loans receivable			41,209	41,209
Restricted for:				
Street maintenance		963,233	174,678	1,137,911
Other capital projects			889,931	889,931
Community development			136,894	136,894
Public safety			134,561	134,561
Utility infrastructure			4,267	4,267
Debt service			21,663	21,663
Committed to:				
Lighting and landscape			384,519	384,519
Assigned to:				
Capital projects			6,574	6,574
Unassigned	<u>(739,427)</u>	<u>                    </u>	<u>(60,000)</u>	<u>(799,427)</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balance (deficiency)	<u>(739,427)</u>	<u>963,233</u>	<u>1,734,296</u>	<u>1,958,102</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balance (deficiency)	<u>\$ 510,134</u>	<u>\$ 969,255</u>	<u>\$ 1,819,491</u>	<u>\$ 3,298,880</u>

*The notes to the financial statements are an integral part of these financial statements.*

**City of Guadalupe**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2016**

Total fund balance - governmental funds \$ 1,958,102

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

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. Net capital assets relating to governmental activities consisted of:

Capital assets at estimated historical cost	\$ 14,201,615	
Accumulated depreciation	<u>(5,127,768)</u>	
		9,073,847

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:

Sewer bonds	47,000	
OPEB	249,709	
Compensated absences	241,088	
Insurance claim payable	170,431	
Capital lease obligations	175,351	
Net pension liability	<u>1,590,334</u>	
		(2,473,913)

Deferred inflows and outflows: The deferred inflows and outflows are not current assets or resources; and they are not due in the current period and therefore are not reported in the governmental funds.

Deferred outflows		319,345
Deferred inflows		<u>(585,352)</u>

Total net position - governmental activities \$ 8,292,029

*The notes to the financial statements are an integral part of these financial statements.*

**City of Guadalupe**  
**Statement of Revenues, Expenditures and Changes in Fund Balance (Deficiency)**  
**Governmental Funds**  
**Year Ended June 30, 2016**

	<u>General</u>	<u>Measure A</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 1,892,550	\$ 456,834	\$ 441,439	\$ 2,790,823
Licenses and permits	465,239		6,573	471,812
Fines and penalties	19,632			19,632
Revenues from other agencies	259,224		74,125	333,349
Charges for current services	10,279		1,255	11,534
Interest	715	271	2,061	3,047
Other revenues	233,906		18,168	252,074
Total revenues	<u>2,881,545</u>	<u>457,105</u>	<u>543,621</u>	<u>3,882,271</u>
<b>Expenditures:</b>				
Personnel services	2,659,504	139,299	17,092	2,815,895
Maintenance and operations	950,032	59,423	219,118	1,228,573
Capital outlay	96,469	17,436	140,576	254,481
Debt service:				
Principal	11,735		14,000	25,735
Interest and fiscal charges			3,050	3,050
Total expenditures	<u>3,717,740</u>	<u>216,158</u>	<u>393,836</u>	<u>4,327,734</u>
Excess (deficiency) of revenues over expenditures	<u>(836,195)</u>	<u>240,947</u>	<u>149,785</u>	<u>(445,463)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	580,450		40,000	620,450
Operating transfers out		(87,996)	(96,150)	(184,146)
Proceeds from capital leases	187,086			187,086
Total other financing sources (uses)	<u>767,536</u>	<u>(87,996)</u>	<u>(56,150)</u>	<u>623,390</u>
Change in fund balance	<u>(68,659)</u>	<u>152,951</u>	<u>93,635</u>	<u>177,927</u>
<b>Fund balance (deficiency) - beginning of year</b>	(670,768)	768,523	1,390,435	1,488,190
Prior year restatement		41,759	250,226	291,985
<b>Fund balance (deficiency) - beginning of year, restated</b>	<u>(670,768)</u>	<u>810,282</u>	<u>1,640,661</u>	<u>1,780,175</u>
<b>Fund balance (deficiency) - end of year</b>	<u>\$ (739,427)</u>	<u>\$ 963,233</u>	<u>\$ 1,734,296</u>	<u>\$ 1,958,102</u>

*The notes to the financial statements are an integral part of these financial statements.*

**City of Guadalupe**  
**Reconciliation of the Governmental Funds Statement of**  
**Revenues, Expenditures and Changes in Fund Balances**  
**to the Statement of Activities**  
**Year Ended June 30, 2016**

Total net change in fund balance - governmental funds \$ 177,927

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

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the year was:

Expenditures for capital outlay - governmental funds	\$ 218,084	
Depreciation expense	<u>(457,319)</u>	
		(239,235)

Donated capital assets: In governmental funds, donated capital assets are not recorded. In the statement of activities they are reported as program revenue. The donated capital asset resulting in program revenue was: 6,000

Debt service: In governmental funds, repayments of long-term liabilities are recognized as expenditures. In the statement of activities, repayments of long-term liabilities are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term liabilities were: 25,735

Capital leases: The amount financed by new capital leases is reported as an other financing source in the governmental funds, but the amount financed constitutes long-term liabilities in the statement of net assets. Other financing sources from proceeds from capital leases were: (187,086)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The differences between compensated absences paid and compensated absences earned was: (37,955)

Insurance loan payable: In governmental funds, insurance expenses are measured by the amounts paid during the period. In the statement of activities, the long-term insurance loan payable activity is reported as increases and decreases of the liability. 92,963

*The notes to the financial statements are an integral part of these financial statements.*

**City of Guadalupe**  
**Reconciliation of the Governmental Funds Statement of**  
**Revenues, Expenditures and Changes in Fund Balances**  
**to the Statement of Activities**  
**Year Ended June 30, 2016**  
**Page 2**

OPEB: In governmental funds, other post employment benefits are measured by the amounts paid during the period. In the statement of activities, other post employment benefits are measured by the amounts accrued. The differences between other post employment benefits paid and compensated absences accrued was:	\$ (44,441)
Pension expense: In governmental funds, pension expenses are included in the statement of activities, however they do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	<u>267,822</u>
Total change in net position - governmental activities	<u><u>\$ 61,730</u></u>

*The notes to the financial statements are an integral part of these financial statements.*

**City of Guadalupe**  
**Statement of Net Position (Deficiency)**  
**Proprietary Funds**  
**June 30, 2016**

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Wastewater Treatment</b>	<b>Solid Waste</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and investments	\$ 431,557	\$	\$
Accounts receivable, net of allowance	229,530	177,739	136,538
Prepaid expenses	714,454	22,285	
Interfund loan receivable, current portion	16,667		
Total current assets	<u>1,392,208</u>	<u>200,024</u>	<u>136,538</u>
<b>Noncurrent assets:</b>			
Interfund loan receivable, net of current portion	373,333		
Land	29,464	218,961	
Work in progress	48,176		
Buildings, structures and improvements	4,933,128	4,818,550	
Vehicles	63,950	28,085	
Equipment	380,303	114,513	
Infrastructure		6,998,888	
Less accumulated depreciation	<u>(2,627,751)</u>	<u>(6,504,421)</u>	
Total noncurrent assets	<u>3,200,603</u>	<u>5,674,576</u>	
Total assets	<u>4,592,811</u>	<u>5,874,600</u>	<u>136,538</u>
<b>Deferred Outflows of Resources</b>			
Deferred pensions	<u>16,098</u>	<u>21,286</u>	

*The notes to the financial statements are an integral part of these financial statements.*

<u>Transit</u>	<u>Total</u>
\$ 287,148	\$ 718,705
368,743	912,550
	736,739
	16,667
655,891	2,384,661
	373,333
	248,425
	48,176
17,344	9,769,022
1,417,226	1,509,261
10,610	505,426
	6,998,888
(807,070)	(9,939,242)
638,110	9,513,289
1,294,001	11,897,950
	37,384

**City of Guadalupe**  
**Statement of Net Position (Deficiency)**  
**Proprietary Funds**  
**June 30, 2016**  
**Page 2**

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Wastewater Treatment</b>	<b>Solid Waste</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 22,915	\$ 534,626	\$ 179,708
Due to other funds			
Deposits payable	19,536		
Accrued wages and benefits	4,799	7,366	
Unearned revenue			46,347
Interest payable	22,588	17,402	
Current portion of insurance claim payable	4,529	16,056	
Current portion of capital lease obligations	15,522	13,326	
Current portion of certificates of participation	37,212	20,280	
Current portion of loans payable to Successor Agency Trust Fund		156,910	
Total current liabilities	<u>127,101</u>	<u>765,966</u>	<u>226,055</u>
<b>Noncurrent liabilities:</b>			
Insurance claim payable	50,624	32,757	
Capital lease obligations, net of current portion	26,762	22,156	
Certificates of participation, net of current portion	1,163,650	865,207	
Net pension liability	103,258	136,537	
Total noncurrent liabilities	<u>1,344,294</u>	<u>1,056,657</u>	
Total liabilities	<u>1,471,395</u>	<u>1,822,623</u>	<u>226,055</u>
<b>Deferred Inflows of Resources</b>			
Deferred pensions	<u>23,181</u>	<u>30,651</u>	
<b>Net Position (Deficiency)</b>			
Net investment in capital assets	1,584,124	4,596,697	
Restricted for debt service	88,522	58,578	
Unrestricted	<u>1,441,687</u>	<u>(612,663)</u>	<u>(89,517)</u>
Total net position (deficiency)	<u>\$ 3,114,333</u>	<u>\$ 4,042,612</u>	<u>\$ (89,517)</u>

*The notes to the financial statements are an integral part of these financial statements.*



Transit	Total
\$ 29,691	\$ 766,940
250,000	250,000
	19,536
	12,165
71,000	117,347
	39,990
	20,585
	28,848
	57,492
	156,910
350,691	1,469,813
	83,381
	48,918
	2,028,857
	239,795
	2,400,951
350,691	3,870,764
	53,832
638,110	6,818,931
	147,100
305,200	1,044,707
\$ 943,310	\$ 8,010,738

**City of Guadalupe**  
**Statement of Revenues, Expenditures and Changes in Fund Net Position (Deficiency)**  
**Proprietary Funds**  
**Year Ended June 30, 2016**

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Wastewater Treatment</b>	<b>Solid Waste</b>
<b>Operating revenues:</b>			
Water sales	\$ 1,624,652	\$	\$
Standby charges	39,332		
Connection fees	49,155	6,896	
Sewer service charges		1,143,222	
Refuse service charges			568,606
Revenues from other agencies			
Other revenues	16,028	78,750	10,000
Total operating revenues	<u>1,729,167</u>	<u>1,228,868</u>	<u>578,606</u>
<b>Operating expenses:</b>			
Personnel services	194,939	243,441	
Maintenance and operations	1,114,413	379,240	492,458
Depreciation	174,930	457,127	
Total operating expenses	<u>1,484,282</u>	<u>1,079,808</u>	<u>492,458</u>
Operating income	<u>244,885</u>	<u>149,060</u>	<u>86,148</u>
<b>Nonoperating revenues and expenses:</b>			
Interest	(52,953)	(44,513)	
Operating transfers in			27,996
Operating transfers out	(251,600)	(177,700)	
Total nonoperating revenues and expenses	<u>(304,553)</u>	<u>(222,213)</u>	<u>27,996</u>
Net income (loss)	<u>(59,668)</u>	<u>(73,153)</u>	<u>114,144</u>
<b>Net position (deficiency) - beginning of year</b>	\$ 3,177,859	4,122,152	(203,661)
Prior year restatements	<u>(3,858)</u>	<u>(6,387)</u>	
<b>Net position (deficiency) - beginning of year, restated</b>	<u>3,174,001</u>	<u>4,115,765</u>	<u>(203,661)</u>
<b>Net position (deficiency) - end of year</b>	<u>\$ 3,114,333</u>	<u>\$ 4,042,612</u>	<u>\$ (89,517)</u>

*The notes to the financial statements are an integral part of these financial statements.*

<b>Transit</b>	<b>Total</b>
\$	\$ 1,624,652
	39,332
	56,051
	1,143,222
	568,606
856,743	856,743
87,535	192,313
944,278	4,480,919
	438,380
433,762	2,419,873
68,234	700,291
501,996	3,558,544
442,282	922,375
75	(97,391)
	27,996
(35,000)	(464,300)
(34,925)	(533,695)
407,357	388,680
510,436	7,606,786
25,517	15,272
535,953	7,622,058
\$ 943,310	\$ 8,010,738

**City of Guadalupe**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2016**

	<b>Enterprise Funds</b>		
	<b>Water</b>	<b>Wastewater Treatment</b>	<b>Solid Waste</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,658,810	\$ 1,212,176	\$ 582,223
Cash received from connection fees	49,155	6,896	
Cash received from standby charges and other agencies	39,332		
Internal activity - cash paid from (to) other funds	(390,000)		
Cash paid to suppliers for goods and services	(1,074,884)	(613,868)	(557,590)
Cash paid to employees and related benefits	(144,597)	(196,684)	
	<u>137,816</u>	<u>408,520</u>	<u>24,633</u>
<b>Net cash provided by operating activities</b>			
<b>Cash flows from noncapital financing activities:</b>			
Net operating transfers	(251,600)	(177,700)	27,996
	<u>(251,600)</u>	<u>(177,700)</u>	<u>27,996</u>
<b>Net cash provided by (used in) noncapital financing activities</b>			
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from capital lease obligations	43,663	36,642	
Increase of insurance payable, net of principal payments	(5,052)	(3,865)	
Principal payments on capital lease obligations	(1,379)	(1,160)	
Principal payments on certificates of participation	(35,745)	(19,500)	
Interest payments on certificates of participation	(55,343)	(44,513)	
Principal payments on loans payable to Successor Agency Trust Fund		(150,000)	(52,629)
Acquisition of capital assets	(54,756)	(48,424)	
	<u>(108,612)</u>	<u>(230,820)</u>	<u>(52,629)</u>
<b>Net cash used in capital and related financing activities</b>			
<b>Cash flows from investing activities:</b>			
Interest on investments	2,390		
	<u>2,390</u>		
<b>Net cash provided by investing activities</b>			
	<u>2,390</u>		
<b>Net decrease in cash and investments</b>	(220,006)		
<b>Cash and investments - beginning of year</b>	651,563	-	-
<b>Cash and investments - end of year</b>	<u>\$ 431,557</u>	<u>\$ -</u>	<u>\$ -</u>

*The notes to the financial statements are an integral part of these financial statements.*

Transit	Total
\$ (243,697)	\$ 3,209,512
	56,051
856,743	896,075
250,000	(140,000)
(431,036)	(2,677,378)
	(341,281)
432,010	1,002,979
(35,000)	(436,304)
(35,000)	(436,304)
	80,305
	(8,917)
	(2,539)
	(55,245)
	(99,856)
	(202,629)
(442,344)	(545,524)
(442,344)	(834,405)
75	2,465
75	2,465
(45,259)	(265,265)
332,407	983,970
\$ 287,148	\$ 718,705

**City of Guadalupe**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2016**  
**Page 2**

	<u>Water</u>	<u>Wastewater Treatment</u>	<u>Solid Waste</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 244,885	\$ 149,060	\$ 86,148
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	174,930	457,127	
Accounts receivable	18,130	(9,796)	(42,730)
Due from other funds	(390,000)		
Prepaid expenses	50,357	(944)	
Deferred outflows pensions	(9,257)	(9,960)	
Accounts payable	(7,779)	(233,684)	(65,132)
Unearned revenue			46,347
Due to other funds			
Deposits payable	(3,049)		
Accrued wages and benefits	826	1,558	
Net pension liability	52,925	53,205	
Deferred inflows pensions	5,848	1,954	
Total adjustments	<u>(107,069)</u>	<u>259,460</u>	<u>(61,515)</u>
Net cash provided by operating activities	<u>\$ 137,816</u>	<u>\$ 408,520</u>	<u>\$ 24,633</u>

*The notes to the financial statements are an integral part of these financial statements.*

<u>Transit</u>	<u>Total</u>
<u>\$ 442,282</u>	<u>\$ 922,375</u>
68,234	700,291
(322,476)	(356,872)
	(390,000)
	49,413
	(19,217)
2,726	(303,869)
(8,756)	37,591
250,000	250,000
	(3,049)
	2,384
	106,130
	7,802
<u>(10,272)</u>	<u>80,604</u>
<u>\$ 432,010</u>	<u>\$ 1,002,979</u>

**City of Guadalupe**  
**Statement of Fiduciary Net Deficiency**  
**Fiduciary Fund**  
**June 30, 2016**

	<b>Private-Purpose Trust Fund</b>
<b>Assets</b>	
Cash and investments	\$ 1,227,269
Cash with fiscal agent	414,750
Accounts receivable	234,387
Loans receivable from City of Guadalupe	156,910
Loans receivable	459,391
Property held for resale	222,482
Capital assets, net of accumulated depreciation	183,160
Total assets	2,898,349
<b>Liabilities</b>	
Accounts payable	71,251
Interest payable	113,000
Deferred revenue	424,746
Long-term liabilities:	
Due within one year	158,222
Due after one year	5,018,882
Total liabilities	5,786,101
<b>Net Deficiency</b>	
Held in trust for other governments	\$ (2,887,752)

*The notes to the financial statements are an integral part of these financial statements.*



**City of Guadalupe**  
**Statement of Changes in Fiduciary Net Deficiency**  
**Fiduciary Fund**  
**Year Ended June 30, 2016**

	<b>Private-Purpose Trust Fund</b>
<b>Additions:</b>	
Property taxes	\$ 428,044
Revenue from other agencies	96,534
Other revenues	31,147
Total additions	555,725
 <b>Deductions:</b>	
Program expenses	806,338
Administrative expenses	59,770
Interest on long-term liabilities	263,048
Loss on sale of Lantern Hotel	49,993
Depreciation	9,900
Total deductions	1,189,049
Change in net position	(633,324)
<b>Net deficiency - beginning of year</b>	<b>(2,391,742)</b>
<b>Prior year restatement</b>	<b>137,314</b>
<b>Net deficiency - beginning of year, restated</b>	<b>(2,254,428)</b>
<b>Net deficiency - end of year</b>	<b>\$ (2,887,752)</b>

*The notes to the financial statements are an integral part of these financial statements.*

**City of Guadalupe**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 1: The Reporting Entity**

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

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

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

The accompanying financial statements include all activities and reporting entities over which the City exercises oversight responsibility. Effective January 31, 2012, the Community Redevelopment Agency of the City of Guadalupe (the Agency) was dissolved through the Supreme Court decision on Assembly Bill 1X26. This action impacted the reporting entity of the City that previously had reported the Agency as a blended component unit. See Note 14 for additional information on the dissolution and reporting of the Agency as a Private Purpose Trust Fund.

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

*Guadalupe Public Financing Authority*

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

*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

**Note 1: The Reporting Entity (Continued)**

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.

**Note 2: Summary of Significant Accounting Policies**

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applied to governmental agencies. The following summary of the City's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

**Basis of Presentation**

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The GASB is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

**Government-Wide and Fund 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.

**Note 2: Summary of Significant Accounting Policies (Continued)**

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.

**Major Funds**

GASB Statement No. 34 defines major funds and requires that the City's major governmental funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund type.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

*General Fund:* This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

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

The City reported the following major proprietary funds in the accompanying financial statements:

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

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

*Solid Waste Fund:* This enterprise fund accounts for the operations of the City's solid waste collection and disposal services, a self-supporting activity, which renders service on a user charge basis to residents and businesses.

**Note 2: Summary of Significant Accounting Policies (Continued)**

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

**Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

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

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

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

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.

**Note 2: Summary of Significant Accounting Policies (Continued)**

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

**Budgetary Information**

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. Numerous properly authorized amendments were made during the fiscal year.

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

**Cash and Cash Equivalents**

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

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

All trade and property tax receivables are shown net of any allowance for uncollectible accounts. The allowance for uncollectible accounts was \$18,541 as of June 30, 2016.

**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

**Note 2: Summary of Significant Accounting Policies (Continued)**

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

**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 \$2,500 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.

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

**Note 2: Summary of Significant Accounting Policies (Continued)**

**Compensated Absences**

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 the current employees at the 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.

**Pensions and Net Pension Liability**

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

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's CalPERS Plans and additions to/deductions from the Plans' 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.

**Net Position**

Net position is the excess of all the City's assets plus deferred outflows of resources, over all its liabilities and deferred inflows of resources. Net position is divided into three captions under GASB Statement No. 34, amended by GASB



**Note 2: Summary of Significant Accounting Policies (Continued)**

Statement No. 63. These captions apply only to net position, which is determined only at the government-wide level, and are described below:

*Net investment in capital assets:* Describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted net position:* Describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects and debt service requirements.

*Unrestricted net position:* Describes the portion of net position which is not restricted to use.

**Fund Equity**

The City's fund financial statements report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, identifies five components of fund balance – nonspendable, restricted, committed, assigned, and unassigned.

*Nonspendable:* 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:* 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:* 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.

**Note 2: Summary of Significant Accounting Policies (Continued)**

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

**Fund Balance Spending Policy**

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.

**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.

**Fair Value Measurements**

As defined in GASB Statement No. 72, *Fair Value Measurement and Application*, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City uses valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

**Note 2: Summary of Significant Accounting Policies (Continued)**

GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — Observable inputs, other than Level 1 prices, for the asset or liability, either directly or indirectly;
- Level 3 — Unobservable inputs for the asset or liability.

For fiscal year ended June 30, 2016, the application of valuation techniques applied to the City's financial statements has been consistent.

**Subsequent Events**

Events subsequent to June 30, 2016, have been evaluated through February 28, 2017, which is the date the financial statements were available to be issued. Management did not identify any subsequent events requiring disclosure.

**Note 3: Cash and Investments**

The City follow the practice of pooling cash and investments for all funds under its direct daily control. Interest earned on pooled cash and investments is allocated quarterly to the various funds based on the respective fund's average quarterly cash balance.

At June 30, 2016, cash and investments consisted of the following:

Deposits:	
Cash and cash equivalents	\$ 2,346,019
State Local Agency Investment Fund (LAIF)	305,800
Common stock	<u>29,764</u>
Total	<u><u>\$ 2,681,583</u></u>

**Investment Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. At June 30, 2016, common stock investments were classified within Level 1 of the fair value hierarchy. Level 1 investment securities are valued using prices quoted in active markets for those securities. LAIF investments are not subject to fair value hierarchy.

**Note 3: Cash and Investments (Continued)**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk in addition to the California Government Code collateral requirements. All deposits held by financial institutions are fully insured or collateralized with securities, held by the pledging financial institutions' trust departments in the City's name.

**Investment Policy**

Cash balances from all funds are combined and invested to the extent possible, pursuant to the City Council approved Investment Policy and Guidelines, and State Government Code. The earnings from these investments are allocated monthly to each fund, based on an average of monthly opening and closing balances of cash and investments. Investments are stated at fair value.

**Local Agency Investment Fund (LAIF)**

The City maintained investments with the State of California Local Agency Investment Fund (LAIF). The LAIF is an external investment pool sponsored by the State of California. These pooled funds approximate fair value. The administration of the LAIF is provided by the California State Treasurer and regulatory oversight is provided by the Pooled Money Investment Board and the Local Investment Advisory Board. State statutes, bond resolutions, and LAIF investment policy resolutions allow investments in United States government securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, mortgage loans and notes, other debt securities, repurchase agreements, reverse repurchase agreements, equity securities, real estate, mutual funds and other investments. The LAIF's report discloses the required information in accordance with GASB Statements No. 3 and 40. Pooled investments are not required to be categorized by risk category.

**Interest Rate Risk**

The City's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Note 3: Cash and Investments (Continued)**

**Credit Risk**

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk**

The City places no limit on the amount the City may invest in any one issuer. The City's investments in the LAIF represented 11.2% of total cash and investments.

**Note 4: Loans Receivable**

The City has made various loans under Community Development Block Grants to qualified homeowners and businesses. Under the terms of the business loans, repayments are due in monthly installments through 2021. Under the terms of the homeowner agreements, repayments of the loans are only required upon the sale of the home. The outstanding balance of the loans receivable was \$41,209 at June 30, 2016.

At June 30, 2016, the aggregate maturities of loans receivable were as follows:

<u>For the Year Ending June 30,</u>	
2017	\$ 8,648
2018	5,160
2019	5,160
2020	5,160
2021	<u>17,081</u>
Total	<u>\$ 41,209</u>

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**Note 5: Capital Assets**

For the year ended June 30, 2016, governmental activities capital assets activity was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Transfers and</u> <u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 343,131	\$	\$	\$ 343,131
Total capital assets not being depreciated	<u>343,131</u>			<u>343,131</u>
Capital assets being depreciated:				
Buildings and improvements	5,213,510	30,998		5,244,508
Vehicles	936,490	167,415		1,103,905
Equipment	485,513	25,671		511,184
Infrastructure	6,998,887			6,998,887
Total capital assets being depreciated	<u>13,634,400</u>	<u>224,084</u>		<u>13,858,484</u>
Less accumulated depreciation for:				
Buildings and improvements	1,215,474	142,348		1,357,822
Vehicles	890,598	26,654		917,252
Equipment	465,927	11,981		477,908
Infrastructure	2,098,450	276,336		2,374,786
Total accumulated depreciation	<u>4,670,449</u>	<u>457,319</u>		<u>5,127,768</u>
Total capital assets being depreciated, net	<u>8,963,951</u>	<u>(233,235)</u>		<u>8,730,716</u>
Governmental activities capital assets, net	<u>\$ 9,307,082</u>	<u>\$ (233,235)</u>	<u>\$ -</u>	<u>\$ 9,073,847</u>

For the year ended June 30, 2016, depreciation expense was charged to functions as follows:

Governmental activities:	
Public safety	\$ 28,697
Leisure, cultural & social services	32,310
Community development	361,165
General government	<u>35,147</u>
Total governmental activities depreciation expense	<u>\$ 457,319</u>

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**Note 5: Capital Assets (Continued)**

For the year ended June 30, 2016, business-type capital assets activity was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Transfers and</u> <u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 248,425	\$	\$	\$ 248,425
Construction in progress	37,084	11,092		48,176
Total capital assets not being depreciated	<u>285,509</u>	<u>11,092</u>		<u>296,601</u>
Capital assets being depreciated:				
Buildings and improvements	9,769,022			9,769,022
Vehicles	1,003,725	505,536		1,509,261
Equipment	476,530	28,896		505,426
Infrastructure	6,998,888			6,998,888
Total capital assets being depreciated	<u>18,248,165</u>	<u>534,432</u>		<u>18,782,597</u>
Less accumulated depreciation for:				
Buildings and improvements	6,228,738	617,040		6,845,778
Vehicles	739,723	71,281		811,004
Equipment	444,554	6,958		451,512
Infrastructure	1,825,936	5,012		1,830,948
Total accumulated depreciation	<u>9,238,951</u>	<u>700,291</u>		<u>9,939,242</u>
Total capital assets being depreciated, net	<u>9,009,214</u>	<u>(165,859)</u>		<u>8,843,355</u>
Business-type activities capital assets, net	<u>\$ 9,294,723</u>	<u>\$ (154,767)</u>	<u>\$ -</u>	<u>\$ 9,139,956</u>

For the year ended June 30, 2016, depreciation expense was charged to functions as follows:

Business-type activities:	
Water	\$ 174,930
Waste water	457,127
Transit	<u>68,234</u>
Total business-type activities depreciation expense	<u>\$ 700,291</u>

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**Note 6: Long-Term Liabilities**

For the year ended June 30, 2016, governmental activities long-term liabilities activity was as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>June 30, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>	<b>One Year</b>
Sewer bonds	\$ 61,000	\$	\$ 14,000	\$ 47,000	\$ 15,000
OPEB	205,268	44,441		249,709	
Compensated absences	203,133	37,955		241,088	203,133
Insurance claim payable	263,394		92,963	170,431	48,031
Capital lease obligations		187,086	11,735	175,351	64,880
<b>Total</b>	<b>\$ 732,795</b>	<b>\$ 269,482</b>	<b>\$ 118,698</b>	<b>\$ 883,579</b>	<b>\$ 331,044</b>

Compensated absences in the governmental funds are generally liquidated by the General Fund on a pay as you go basis. Total interest incurred during the year ended June 30, 2016 was \$3,050. See Note 12 for detail of insurance claim payable.

**Sewer Bonds**

Principal payments on the 1971 Sewer Bonds Series B and the 1978 Sewer Bonds are due on April 1st each year with interest due semi-annually at 5% per annum. The bonds mature in April 2019. These payments are made to the Farmers Home Administration, the purchaser of the bonds. At June 30, 2016, the principal balance outstanding was \$47,000.

At June 30, 2016, the aggregate maturities of the sewer bonds were as follows:

<b>For the Year</b>			
<b>Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 15,000	\$ 1,650	\$ 16,650
2018	16,000	850	16,850
2019	16,000	100	16,100
<b>Total</b>	<b>\$ 47,000</b>	<b>\$ 2,600</b>	<b>\$ 49,600</b>



**Note 6: Long-Term Liabilities (Continued)**

**Capital Lease Obligations**

The City leases vehicles and equipment under capital leases that expire through January 2021. At June 30, 2016, future minimum payments for governmental capital lease obligations were as follows:

<b>For the Year</b>	
<b>Ending June 30,</b>	
2017	\$ 64,880
2018	64,880
2019	64,880
2020	64,880
2021	29,531
Less interest	<u>(113,700)</u>
Present value of minimum lease payments	175,351
Less current portion	<u>(64,880)</u>
Long-term principal obligations	<u>\$ 110,471</u>

For the year ended June 30, 2016, business-type activities long-term liabilities activity was as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>June 30, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>	<b>One Year</b>
Certificates of participation	\$ 2,141,594	\$	\$ 55,245	\$ 2,086,349	\$ 57,492
Loans payable to Successor					
Agency Trust Fund	359,539		202,629	156,910	156,910
Insurance claim payable	112,883		8,917	103,966	20,585
Capital lease obligations		80,305	2,539	77,766	28,848
<b>Total</b>	<u>\$ 2,614,016</u>	<u>\$ 80,305</u>	<u>\$ 269,330</u>	<u>\$ 2,424,991</u>	<u>\$ 263,835</u>

Total interest incurred for business-type activities during the year ended June 30, 2016 was \$99,857. See Note 12 for detail of insurance claim payable.

**Certificates of Participation**

On December 21, 2000, the City issued certificates of participation through the Guadalupe Financing Authority which were purchased by the US Department of Agriculture (USDA) Rural Utilities Service (RUS), amounting to \$1,429,800, in an agreement which included a grant of \$875,200 for water and sewer line replacement. Under the terms of the agreement, the City has pledged tax increment revenues for the payment of debt service. Where tax increment revenues are no longer available for the payment of debt service, the City has pledged net water revenues for the payment of debt service. The certificates of participation bear interest at 4.5% per annum, with principal and interest

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**Note 6: Long-Term Liabilities (Continued)**

payments due semiannually through August 1, 2041. At June 30, 2016, the principal balance outstanding was \$1,127,800.

At June 30, 2016, the aggregate maturities of the certificates of participation were as follows:

<b>For the Year</b>			
<b>Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 26,000	\$ 51,297	\$ 77,297
2018	28,000	50,094	78,094
2019	28,000	48,822	76,822
2020	30,000	47,527	77,527
2021	31,000	46,164	77,164
2022-2026	178,000	208,087	386,087
2027-2031	225,000	163,026	388,026
2032-2036	280,000	106,451	386,451
2037-2042	301,800	36,298	338,098
Total	<u>\$ 1,127,800</u>	<u>\$ 757,766</u>	<u>\$ 1,885,566</u>

On July 27, 2005, the City issued certificates of participation which were purchased by the US Department of Agriculture (USDA) Rural Utilities Service (RUS), amounting to \$1,203,900, in an agreement which included a grant for water tank construction and upgrades. Under the terms of the agreement, the City has pledged tax increment revenues for the payment of debt service. Where tax increment revenues are no longer available for the payment of debt service, the City has pledged net water revenues for the payment of debt service. The certificates of participation bear interest at 4.125% per annum, with principal and interest payments due semiannually through July 28, 2035. At June 30, 2016, the principal balance outstanding was \$958,549.

At June 30, 2016, the aggregate maturities of the certificates of participation were as follows:

<b>For the Year</b>			
<b>Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 31,492	\$ 39,939	\$ 71,431
2018	32,792	38,615	71,407
2019	34,144	37,237	71,381
2020	35,553	35,801	71,354
2021	37,019	34,307	71,326
2022-2026	209,302	146,864	356,166
2027-2031	256,182	99,089	355,271
2032-2036	322,065	40,612	362,677
Total	<u>\$ 958,549</u>	<u>\$ 472,464</u>	<u>\$ 1,431,013</u>

**Note 6: Long-Term Liabilities (Continued)**

**Loans Payable to Successor Agency Trust Fund**

In August 2006, the 2003 Bond Refinance Fund of the former Redevelopment Agency made a loan to the Wastewater Treatment Fund in the amount of \$1,011,901 for purposes of construction of the Wastewater Treatment Plant. The loan bears no interest and payments are due annually through June 30, 2017. Due to the dissolution of the Redevelopment Agency on February 1, 2012, this loan is payable now to the Successor Agency Trust Fund, a fiduciary fund of the City. The outstanding balance of the loan as of June 30, 2016 was \$156,910.

At June 30, 2016, the aggregate maturities of the loans payable to the successor agency trust fund were as follows:

<u>For the Year</u> <u>Ending June 30,</u>	<u>Wastewater</u> <u>Fund</u>
2017	<u>\$ 156,910</u>
Total	<u><u>\$ 156,910</u></u>

**Capital Lease Obligations**

The City leases vehicles and equipment under capital leases that expire through January 2021. At June 30, 2016, future minimum payments for business-type capital lease obligations were as follows:

<u>For the Year</u> <u>Ending June 30,</u>	
2017	\$ 28,848
2018	28,848
2019	28,848
2020	28,848
2021	18,609
Less interest	<u>(56,235)</u>
Present value of minimum lease payments	77,766
Less current portion	<u>(28,848)</u>
Long-term principal obligations	<u><u>\$ 48,918</u></u>

**Note 7: Other Post-Employment Benefits**

*Plan Description*

The City’s other post-employment benefits (OPEB) cost obligation is for retiree health benefits under its election to participate in the California Public Employees’ Retirement System (PERS) Health Benefit Program, an agent multiple-employer defined benefit OPEB plan. 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 \$125 per employee per month in 2016.

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. Currently, four retirees meet those eligibility requirements.

*Funding Policy*

The contribution requirements of the plan members and the City are established and may be amended by the City. The City’s annual OPEB cost (expense) is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The City’s ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 30 years. The ARC for the fiscal year 2015-2016 was \$49,013. For the fiscal year 2015-2016, the City contributed \$5,940 to the Plan.

*Annual OPEB Cost and Net OPEB Obligation*

The following table shows the components of the City’s annual OPEB cost, the actual amount contributed to the plan, and changes in the City’s OPEB obligation:

Annual Required Contributions	\$ 49,013
Interest on Net OPEB obligation	8,210
Adjustment to Annual Required Contributions	<u>(6,842)</u>
Annual OPEB Cost	50,381
Contributions made	<u>(5,940)</u>
Change in net OPEB obligation	44,441
Net OPEB obligation - beginning of year	<u>205,268</u>
Net OPEB obligation - end of year	<u><u>\$ 249,709</u></u>

**Note 7: Other Post-Employment Benefits (Continued)**

The City Retiree Medical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$ 49,013	\$ 5,810	11.9%	\$ 43,203
6/30/15	\$ 50,086	\$ 5,784	11.5%	\$ 44,302
6/30/16	\$ 50,381	\$ 5,940	11.8%	\$ 44,441

*Funded Status and Funding Progress*

The funded status of the plan of July 1, 2013, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 268,068
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 268,068
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 1,853,700
UAAL as a percentage of covered payroll	14.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress is presented as required supplementary information following the notes to the financial statements. The schedule presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

*Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Note 7: Other Post-Employment Benefits (Continued)**

In the July 1, 2013 actuarial valuation, the projected unit cost actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return. The initial health care cost trend rates were 5.0 to 8.0%. The method of determining the actuarial value of assets is not applicable as the plan has no assets. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years on an open basis. The remaining amortization period at June 30, 2016 was 28 years.

**Note 8: Pension Plans**

**Cost-Sharing Employer Plans**

*Plan Descriptions*

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans (Plans), which are cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

*Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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**Note 8: Pension Plans (Continued)**

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous</u>		<u>Safety</u>		<u>PEPRA</u>		<u>PEPRA</u>	
	<u>Miscellaneous</u>		<u>Safety</u>		<u>Miscellaneous</u>		<u>Safety</u>	
	<u>Prior to</u>	<u>Prior to</u>	<u>On or After</u>	<u>On or After</u>	<u>On or After</u>	<u>On or After</u>	<u>On or After</u>	<u>On or After</u>
Hire date	<u>January 1, 2013</u>	<u>January 1, 2013</u>	<u>January 1, 2013</u>	<u>January 1, 2013</u>	<u>January 1, 2013</u>	<u>January 1, 2013</u>	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Benefit formula	2.0% @ 55	2.0% @ 55	2.0% @ 55	2.0% @ 55	2.0% @ 62	2.0% @ 62	2.0% @ 57	2.0% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	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	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	55	55	55	62	62	57	57
Monthly benefits, as a % of eligible compensation	2%	2%	2%	2%	2%	2%	2%	2%
Required employee contribution rates	6.891%	6.904%	6.904%	6.904%	6.25%	6.25%	9.50%	9.50%
Required employer contribution rates	9.00%	12.00%	12.00%	12.00%	6.237%	6.237%	9.069%	9.069%

While the Miscellaneous and Safety Plans are not closed to new entrants, Classic Members as defined by CalPERS entering the City's Miscellaneous and Safety Plans would enter the 2% @ 55 Miscellaneous and Safety Plan pools, while New Members as defined by CalPERS would enter the City's PEPRA Miscellaneous and PEPRA Safety Plans.

*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 an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>		<u>Safety</u>	
Contributions - employer	\$	154,628	\$	159,999

**Note 8: Pension Plans (Continued)**

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

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>	
	<u>Miscellaneous</u>	<u>Safety</u>
Plan's Proportionate Share of the Net Pension Liability	\$ 1,180,092	\$ 650,037

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	<u>Proportionate Share of Net Pension Liability</u>	
	<u>Miscellaneous</u>	<u>Safety</u>
<u>Proportionate share</u>		
Percentage share at 6/30/2014	0.04600%	0.02136%
Percentage share at 6/30/2015	0.04301%	0.01578%
Change - Increase/(Decrease)	<u>-0.00299%</u>	<u>-0.00558%</u>



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**Note 8: Pension Plans (Continued)**

For the year ended June 30, 2016, the City recognized pension expense of \$176,723 for the Plans. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>All Plans</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 349,829	\$
Differences between actual and expected experience	6,900	(13,599)
Changes in assumptions		(127,823)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of		(99,447)
Net differences between projected and actual earnings on pension plan investments		(64,423)
Adjustment due to difference in proportions		(333,892)
<b>Total</b>	<b>\$ 356,729</b>	<b>\$ (639,184)</b>

Pension contributions subsequent to the measurement date of \$349,829 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension income (expense) as follows:

<b>All Plans</b>	
<b>Measurement Period</b>	
<b>Ended June 30</b>	<b>Amount</b>
2016	\$ (256,180)
2017	(253,391)
2018	(203,457)
2019	80,744
	<b>\$ (632,284)</b>

**Note 8: Pension Plans (Continued)**

*Actuarial Assumptions*

The total pension liabilities in the June 30, 2014 actuarial valuations for all Plans were determined using the following actuarial assumptions:

	<u>All Plans</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Post Retirement Benefit Increase	(1)
Mortality	(2)

- (1) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter  
 (2) Derived using CalPERS' Membership Data for all Funds

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement dates. Further details of the Experience Study can found on the CalPERS website under Forms and Publications.

**Change in Assumptions.** According to Paragraph 68 of GASB 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

**Note 8: Pension Plans (Continued)**

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

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

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	All Plans		
	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

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

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

**Note 8: Pension Plans (Continued)**

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each 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:

	<u>Miscellaneous</u>		<u>Safety</u>
1% Decrease	6.65%		6.65%
Net Pension Liability	\$ 1,979,096	\$	1,042,233
Current Discount Rate	7.65%		7.65%
Net Pension Liability	\$ 1,180,092	\$	650,037
1% Increase	8.65%		8.65%
Net Pension Liability	\$ 520,421	\$	328,444

*Pension Plan Fiduciary Net Position*

Detailed information about each safety plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**Payable to the Pension Plan**

At June 30, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**Note 9: Interfund Transactions**

**Interfund Receivables and Payables (Due to/Due From)**

Interfund receivables and payables include temporary negative cash balances that result from the timing of cash flows at year end and the time lag between the dates that transactions are recorded in the accounting system and payment between funds are made. Liquidation of interfund receivables and payables typically occurs in the first quarter of the subsequent fiscal year. Interfund balances between governmental funds are not included in the government-wide statement of net position.

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**Note 9: Interfund Transactions (Continued)**

As of June 30, 2016, existing interfund receivables and payables were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Other Governmental Fund	\$ 250,000	\$
Transit Fund		250,000
	<u>\$ 250,000</u>	<u>\$ 250,000</u>
Total	<u>\$ 250,000</u>	<u>\$ 250,000</u>

**Interfund Loans**

Interfund loans occur when one fund loans another fund amounts for a specific purpose. Unlike external loans, these internal loans are interest-free. However, 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. The purpose of the interfund loans to the General Fund were to reduce the existing negative cash balance and support continued operations. The purpose of the Library Fund interfund loan was to pay the library lease payments, which will be supported through development fees in future years.

As of June 30, 2016, existing interfund loans were as follows:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$	\$ 682,500
Library Fund		60,000
Lighting and Assessment Fund	292,500	
Capital Facilities	60,000	
Water Fund	390,000	
	<u>\$ 742,500</u>	<u>\$ 742,500</u>
Total	<u>\$ 742,500</u>	<u>\$ 742,500</u>

As of June 30, 2016, future minimum payments on the above loans were as follows:

<u>For the Year Ending June 30,</u>	<u>General Fund</u>	<u>Library Fund</u>	<u>Total</u>
2017	\$ 29,167	\$ 20,000	\$ 49,167
2018	40,834	20,000	60,834
2019	52,500	20,000	72,500
2020	64,168		64,168
2021	75,834		75,834
2020-2024	419,997		419,997
	<u>\$ 682,500</u>	<u>\$ 60,000</u>	<u>\$ 742,500</u>
Total	<u>\$ 682,500</u>	<u>\$ 60,000</u>	<u>\$ 742,500</u>

**Note 9: Interfund Transactions (Continued)**

**Interfund 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.

For the year ended June 30, 2016, interfund transfers were as follows:

Transfer from Other Governmental Funds to the General Fund	\$ 56,150
Transfer from the Water Fund to the General Fund	251,600
Transfer from the Wastewater Treatment Fund to the General Fund	177,700
Transfer from the Transit Fund to the General Fund	35,000
Transfer from the Measure A Fund to the General Fund	60,000
Transfer from the Capital Facilities Fund to the Library Fund	40,000
Transfer from Measure A Fund to the Solid Waste Fund	<u>27,996</u>
Total	<u><u>\$ 648,446</u></u>

**Note 10: Revenue Limitations Imposed By California Proposition 218**

Proposition 218, which was approved by voters in November 1996, regulates the City’s ability to impose, increase and extend taxes, assessments, and fees. Any new, increase, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters. Therefore, the City’s ability to finance the services for which the taxes, assessments, and fees were imposed may be significantly impaired.

**Note 11: Excess of Expenditures over Appropriations**

At June 30, 2016, expenditures exceeded appropriations in individual major funds as follows:

	<u>Excess Expenditures</u>
General Fund:	
City council	\$ 368
Administration	128
City attorney	13,589
Finance and city treasurer	6,435
Police	199,983
General street improvements	900
Measure A:	
Capital outlay	17,436

**Note 12: Joint Ventures (Joint Power Agreements)**

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

**Central Coast Water Authority**

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

Each participant is required to pay to CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement costs of the DWR facilities), debt service on CCWA bonds and all CCWA operating and administrative costs. Each participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. State water payments were \$663,337 for the year ended June 30, 2016. The City's allocation of CCWA's operating expenses for the year ended June 30, 2016 was \$108,239.

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.

**Note 12: Joint Ventures (Joint Power Agreements) (Continued)**

**California Joint Powers Insurance Authority**

The City is a member of the California Joint Powers Insurance Authority (CJPIA). CJPIA is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The CJPIA's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

*Self-Insurance Program of CJPIA:*

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

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

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



**Note 12: Joint Ventures (Joint Power Agreements) (Continued)**

covered through excess insurance policies. The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

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

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

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

*Purchased Insurance under CJPIA:*

**Property Insurance:** The City participates in the all-risk property protection program of CJPIA. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to CJPIA. City property currently has all-risk property insurance protection in the amount of \$12,785,885. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

*Adequacy of Protection under CJPIA:*

During the past three fiscal years, the above programs of protection have had no settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in 2015-16.

**Note 12: Joint Ventures (Joint Power Agreements) (Continued)**

*Insurance Claim Payable:*

The Authority has assessed a retrospective claims liability balance to pool members. The City’s share of the liability is \$274,397 at June 30, 2016. The long term liability applicable to governmental type and business-type activities have been allocated accordingly. At June 30, 2016, the aggregate future maturities of the insurance claim payable were as follows:

<b>For the Year</b>				
<b>Ending June 30,</b>	<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>	
2017	\$ 48,031	\$ 20,585	\$ 68,616	
2018	49,034	21,014	70,048	
2019	50,057	21,453	71,510	
2020	23,309	14,682	37,991	
2021		14,986	14,986	
Thereafter	<u>                    </u>	<u>11,246</u>	<u>11,246</u>	
Total	<u>\$ 170,431</u>	<u>\$ 103,966</u>	<u>\$ 274,397</u>	

Separate financial statements are available from the CJPIA at 8081 Moody Street, La Palma, CA 90623.

**Note 13: Fund Balance and Net Position Deficiencies**

At June 30, 2016, the City had ending fund and net deficiencies as follows:

General Fund	\$ 739,427
Library Fund	60,000
Solid Waste Fund	89,517

The City intends to address the ending fund deficiencies and net deficiency with cost reductions, furloughs, solid waste rate increases and new revenue sources. See information about going concern at Note 19.

**Note 14: Successor Agency Trust for Assets of 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 a redevelopment agency within the reporting entity of the City as a blended component unit.

**Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

The Bill provides 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 24, 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 number 2012-08.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can 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.

**Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

**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 \$1,227,269 in cash and investments as of June 30, 2016, 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 3 for additional information regarding LAIF.

**Cash with Fiscal Agent**

The Trust Fund had \$414,750 in cash and investments as of June 30, 2016, 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.

**Loans Receivable from City of Guadalupe**

The Trust Fund had \$156,910 in loans receivable due from the City as of June 30, 2016. Refer to Note 6 for additional information on the terms and the aggregate maturities of the loans receivable as of June 30, 2016.

**Loans Receivable**

During 2007, the former redevelopment agency made a loan to a nonprofit organization for land purchase and low income housing construction within the City's project area. Subsequent to year end, the Housing Authority of the County of Santa Barbara has become the successor agency on this project and the loan will be transferred. The balance on the loan was \$450,000 at June 30, 2016.

The former redevelopment agency has made various loans to businesses in the City's project area. The loans' interest rates are 0%, with maturities through May 2018. The balance on the loans was \$9,391 at June 30, 2016.

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**Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

At June 30, 2016, the aggregate maturities of loans receivable were as follows:

<u>For the Year Ending June 30,</u>	
2017	\$ 4,900
2018	4,491
2019	-
2020	-
2021	-
Thereafter	<u>450,000</u>
Total	<u>\$ 459,391</u>

**Property Held for Resale**

At June 30, 2016, 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>\$ 222,482</u>

**Capital Assets**

For the year ended June 30, 2016, capital assets activity was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Transfers/</u> <u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets being depreciated:				
Infrastructure	\$ 201,197	\$	\$	\$ 201,197
Structures and improvements	83,333			83,333
Less accumulated depreciation	<u>(91,470)</u>	<u>(9,900)</u>		<u>(101,370)</u>
Net capital assets	<u>\$ 193,060</u>	<u>\$ (9,900)</u>	<u>\$</u>	<u>\$ 183,160</u>

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**Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

**Long-term Liabilities**

For the year ended June 30, 2016, long-term liabilities activity was as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>June 30, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2016</b>	<b>One Year</b>
Note payable	\$ 20,267	\$	\$ 3,163	\$ 17,104	\$ 3,222
Tax allocation bonds	5,310,000		150,000	5,160,000	155,000
<b>Total</b>	<b>\$ 5,330,267</b>	<b>\$ -</b>	<b>\$ 153,163</b>	<b>\$ 5,177,104</b>	<b>\$ 158,222</b>

*Note Payable*

The Trust Fund had a note payable to a private party related to the purchase of property currently held for resale. Principal and interest payments on the note payable are due on the 16th of each month and the note matures in 2021. Interest accrues at 9.0% per annum. At June 30, 2016, the principal balance outstanding was \$17,104.

At June 30, 2016, the aggregate maturities of the note payable were as follows:

<b>For the Year</b>			
<b>Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 3,222	\$ 1,913	\$ 5,135
2018	3,524	1,637	5,161
2019	3,854	1,335	5,189
2020	4,215	1,004	5,219
2021	2,289	892	3,181
<b>Total</b>	<b>\$ 17,104</b>	<b>\$ 6,781</b>	<b>\$ 23,885</b>

*Tax Allocation Bonds*

On April 3, 2003, the former redevelopment agency issued \$6,455,000 of tax allocation bonds for a current refunding of Series 1997 Tax Allocation Bonds. The refunding was undertaken to reduce total future debt service payments. The former redevelopment agency determined that there was an economic gain on the refunding; however, the amount was not material. The bonds mature through August 1, 2035, with interest rates from 2.0 to 5.125%. At June 30, 2016, the principal balance outstanding was \$5,160,000.

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**Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

For the year ended June 30, 2016, the aggregate maturities of the tax allocation bonds were as follows:

<b>For the Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 155,000	\$ 255,556	\$ 410,556
2018	165,000	249,355	414,355
2019	170,000	242,738	412,738
2020	175,000	234,853	409,853
2021	185,000	225,628	410,628
2022-2026	1,090,000	970,674	2,060,674
2027-2031	1,405,000	652,281	2,057,281
2032-2036	1,815,000	636,001	2,451,001
Total	<u>\$ 5,160,000</u>	<u>\$ 3,467,086</u>	<u>\$ 8,627,086</u>

**Pollution Remediation**

The Trust owns property designated by the Santa Barbara County Fire Department as a LUFT (Leaking Underground Fuel Tank) site (#52010). The Agency has been accepted into the State Water Resources Cleanup of Underground Storage Tanks Fund (USTCF), which approved a total Letter of Commitment (LOC) in the amount of \$1.5 Million.

Between the fiscal years 2008/2009 through 2015/16, the former Agency expended a total of \$579,000 towards the cleanup costs. Cleanup costs incurred and paid for the 2014/15 SFY, but which the City has not yet been reimbursed for by the State, total \$137,314. Due to changes in processing claims at the State, reimbursement of these costs to the City is expected by the end of March 2017. Cleanup costs incurred during the 2015/2016 SFY total approximately \$96,534. Reimbursement of all or the majority of these costs are expected sometime in 2017. Payments for tasks performed are due within six months of invoice date or upon receipt of USTCF claim reimbursement.

Tasks in 2015/16 included: 1) remediation system operation, maintenance, monitoring and reporting; 2) conducting a remediation progress groundwater monitoring event to evaluate the effectiveness of the remediation system; 3) working with the LOP to conduct a thorough LTCP review of the site (which indicated the site did not meet LTCP criteria); 4) identifying the next course of remedial actions to be taken until such time as groundwater levels returned and the ozone sparge activities could be renewed; 5) assisting with waste profiling and disposal for the site; and 6) assisting the Claimant (Client) with budgetary requests, documentation, evaluation and analysis activities.

**Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

In August 2015, the LOP directed that soil vapor extraction (SVE) activities be employed at the site due to groundwater levels dropping and exposing areas of contamination that were previously under water. As such, the ozone sparge system operations were ceased and the system was removed from the site. Between February 1, 2016 and February 22, 2016, the SVE activities were conducted at the site. Results of the SVE activities were successful and removed significant amounts of contaminants from the subsurface. The results of the SVE activities were provided in a DMI-EMK "Limited Soil Vapor Extraction Report" dated July 18, 2016.

On January 18, 2017, the City received notice from the County Environmental Health Services Division with further requirements for this site to include further clean-up as well as removal of the dispenser island and all UST components. The estimated liability for work performed in 2016/17 is approximately \$75,000-\$100,000. Since additional remediation is required, tasks will likely consist of: development and preparation of a work plan for County approval; coordination and implementation of required SVE activities at the site; monitoring and sampling of the SVE system; quarterly remediation system reporting; and annual re-evaluation of the site conditions for low-threat closure under State guidelines.

Estimated future costs beyond June 30, 2017 are anticipated to be approximately \$75,000 - \$150,000, - depending on whether the site is found to meet the low-threat closure criteria (and therefore just requires closure-related activities) or requires additional remediation.

Based on the above, the total estimated costs for cleanup activities (approximately \$800,000-\$1,000,000) is expected to fall below the \$1.5 Million budget allotted this site by the State.

In November 2013, The Successor Agency sought an appraisal of the site. The appraisal determined the value of the site to be \$85,000 if un-remediated and \$103,000 if remediated to the satisfaction of the regulatory agency and provided with a closure letter. As part of the Long Range Property Management Plan required by the Department of Finance, the Agency is required to dispose of the property. The Agency has engaged a commercial real estate broker to facilitate that process.

**Note 15: Operating Leases**

The City leases equipment under operating leases with lease terms in excess of one year. The agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors but it is unlikely that the City will cancel the agreements prior to the expiration date. Rent expense under operating leases was \$34,217 for the year ended June 30, 2016.



**Note 15: Operating Leases (Continued)**

At June 30, 2016, future minimum lease payments under these operating leases were as follows:

<u>For the Year Ending June 30,</u>	
2017	\$ 28,321
2018	25,379
2019	<u>11,471</u>
Total	<u>\$ 65,171</u>

**Note 16: Contingencies and Commitments**

**Litigation**

The City is a defendant in a matter that is being litigated in court. City management and their attorney plan to mount a vigorous defense and believe that the outcome of the case will be in the City's favor. Should the outcome not be in the City's favor, loss amounts could be material to the financial statements and to the City, and the resulting impact on these financial statements is unknown.

**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.

**Note 17: New Accounting Standards**

**Accounting Standards Adopted**

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of Statement No. 72 are effective for fiscal years beginning after June 15, 2015. Implementation of this statement resulted in additional fair value measurement disclosures. See Note 3 to the financial statements for further discussion.

**Note 17: New Accounting Standards (Continued)**

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. The provisions of Statement No. 73 are effective for fiscal years beginning after June 15, 2015. Implementation of this statement did not have a material impact on the City's financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Implementation of this statement did not have a material impact on the City's financial statements.

**New Accounting Standards**

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting standards for state and local governmental OPEB plans—defined benefit OPEB plans and defined contribution OPEB plans—that are administered through trusts or equivalent arrangements. The provisions of Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

Additionally, in June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

**Note 17: New Accounting Standards (Continued)**

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. Statement No. 78 addresses a practice issue regarding the scope and applicability of Statement No. 68 for pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. The provisions of Statement No. 79 are effective for reporting periods beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The provisions of Statement No. 80 are effective for fiscal years beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The Statement also provides additional recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by

**Note 17: New Accounting Standards (Continued)**

employers to satisfy employee (plan member) contribution requirements. The provisions of Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

In November 2016, GASB issued Statement No. 83, *Capital Asset Retirement Obligations*. Statement No. 83 provides financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of Statement No. 83 are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

**Note 18: Prior Year Restatements**

During 2016, a prior year restatement was recorded to properly restate deferred inflow of resources related to pensions that had been amortized during the year ended June 30, 2015 rather than amortized during the measurement period ending June 30, 2015. The effect was to increase deferred inflows of resources related to pensions and decreased beginning net position by \$151,042 for Governmental Activities and \$10,245 for Business-Type Activities for the year ended June 30, 2016.

During the current year, the City determined that the Capital Facilities Fund, previously classified as a fiduciary fund and therefore not included in the government-wide financial statements, is more accurately classified as a capital projects fund. A prior year restatement was recorded in order to correctly classify the Capital Facilities Fund's 2015 ending fund balance as part of governmental activities. The effect was to increase beginning fund balance in the Capital Facilities Fund by \$249,720.

Although the City has always recorded revenue on the accrual basis, the recorded monthly Measure A sales tax revenue was delayed by one month each year. A prior year restatement was recorded in the Measure A Fund, Local Transportation Fund and Transit Fund to increase beginning net position by \$41,759, \$506, and 25,517, respectively, to properly record June 2015 revenue.

**Note 19: Going Concern**

In prior fiscal years, the City's focus was on decreasing costs. In May 2014, City Council placed three General Fund tax measures on the November 2014 general election ballot to address the structural General Fund deficit.

The three measures were as follows:

- 1.) A measure to eliminate the \$2,250 Utility Users Tax cap. It is estimated that doing so will result in \$135,000 of additional General Fund revenue annually.
- 2.) A measure to convert the City's Business License fees to a Gross Receipts Tax. It is estimated that doing so will result in \$275,000 of additional General Fund revenue annually.
- 3.) A measure to adopt a local Sales Tax add-on of 0.25%. It is estimated that doing so will result in \$75,000 of additional General Fund revenue annually.

In 2015-16 the full impact of the additional revenues received due to the three tax measures exceeded \$500 thousand. This helped to stabilize the general fund deficit as it only increased \$70 thousand or 10% over the prior year. As a comparison in 2014-15 the added deficit over the prior year was \$406 thousand or 154%.

The City continues to analyze all additional potential cost saving measures: including postponing all but essential purchases for which at least three quotes are required, vendor contracts are been reviewed and new quotes will be sought. Volunteers currently help offset costs relating to parks/recreation maintenance. Plans are also underway to offset costs associated from the management and operations of facilities used by the public by instituting user fees. Potential new sources of revenue include grant funding (the City is eligible for grant funding as a disadvantaged community). The Pasadera development continues to build out and is expected to increase the City's residential property tax base. In the long term the City expects to see an increase in sales tax revenue due to the planned commercial portion of the development. The City is aware of its budgetary challenges and remains vigilant in seeking sustainable revenue sources as well as in continuing its austerity practices.

**Required Supplementary Information**  
**(Unaudited)**

**City of Guadalupe**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended June 30, 2016**

	<b>General Fund</b>			<b>Variance with</b>
	<b>Budget</b>	<b>Final</b>	<b>Actual</b>	<b>Budget</b>
			<b>(GAAP Basis)</b>	<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Taxes	\$ 1,888,000	\$ 1,883,000	\$ 1,892,550	\$ 9,550
Licenses and permits	400,000	505,000	465,239	(39,761)
Fines and penalties	56,000	16,000	19,632	3,632
Revenues from other agencies	277,710	229,210	259,224	30,014
Charges for current services	38,000	15,500	10,279	(5,221)
Interest	1,000	1,000	715	(285)
Other revenues	463,000	285,000	233,906	(51,094)
Total revenues	<u>3,123,710</u>	<u>2,934,710</u>	<u>2,881,545</u>	<u>(53,165)</u>
<b>Expenditures:</b>				
City council	10,667	10,667	11,035	(368)
Administration	499,796	320,190	320,318	(128)
City attorney	50,000	90,000	103,589	(13,589)
Finance and city treasurer	428,002	414,863	421,298	(6,435)
Planning	375,895	212,173	182,278	29,895
Non-departmental		154,035	134,966	19,069
Building inspections and maintenance	101,848	101,248	101,163	85
Police	1,575,301	1,550,494	1,750,477	(199,983)
Fire	540,189	538,979	535,632	3,347
Parks and recreation	133,835	133,385	126,084	7,301
General Street Improvements		30,000	30,900	(900)
Total expenditures	<u>3,715,533</u>	<u>3,556,034</u>	<u>3,717,740</u>	<u>(161,706)</u>
Deficiency of revenues over expenditures	<u>(591,823)</u>	<u>(621,324)</u>	<u>(836,195)</u>	<u>(214,871)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	593,200	593,200	580,450	(12,750)
Proceeds from capital leases			187,086	187,086
Total other financing sources (uses)	<u>593,200</u>	<u>593,200</u>	<u>767,536</u>	<u>174,336</u>
Change in fund balance	1,377	(28,124)	(68,659)	(40,535)
<b>Fund balance (deficiency) - beginning of year</b>	<u>(670,768)</u>	<u>(670,768)</u>	<u>(670,768)</u>	
<b>Fund balance (deficiency) - end of year</b>	<u>\$ (669,391)</u>	<u>\$ (698,892)</u>	<u>\$ (739,427)</u>	<u>\$ (40,535)</u>

See independent auditors' report.

**City of Guadalupe**  
**Budgetary Comparison Schedule – Measure A Fund**  
**Year Ended June 30, 2016**

	<b>Measure A</b>			<b>Variance with Budget Positive (Negative)</b>
	<b>Budget</b>	<b>Final</b>	<b>Actual (GAAP Basis)</b>	
<b>Revenues:</b>				
Taxes	\$ 454,000	\$ 454,000	\$ 456,834	\$ 2,834
Interest	100		271	271
Other revenues	3,900	3,900		(3,900)
Total revenues	<u>458,000</u>	<u>457,900</u>	<u>457,105</u>	<u>(795)</u>
<b>Expenditures:</b>				
Personnel services	140,492	143,592	139,299	4,293
Maintenance and operations	100,500	102,600	59,423	43,177
Capital outlay			17,436	(17,436)
Total expenditures	<u>240,992</u>	<u>246,192</u>	<u>216,158</u>	<u>30,034</u>
Excess of revenues over expenditures	<u>217,008</u>	<u>211,708</u>	<u>240,947</u>	<u>29,239</u>
<b>Other financing sources (uses):</b>				
Operating transfers out	(88,000)	(88,000)	(87,996)	4
Total other financing sources (uses)	<u>(88,000)</u>	<u>(88,000)</u>	<u>(87,996)</u>	<u>4</u>
Change in fund balance	129,008	123,708	152,951	29,243
<b>Fund balance - beginning of year</b>	768,523	768,523	768,523	
<b>Prior year restatement</b>			41,759	41,759
<b>Fund balance - beginning of year</b>	<u>768,523</u>	<u>768,523</u>	<u>810,282</u>	<u>41,759</u>
<b>Fund balance - end of year</b>	<u>\$ 897,531</u>	<u>\$ 892,231</u>	<u>\$ 963,233</u>	<u>\$ 71,002</u>

See independent auditors' report.



**City of Guadalupe**  
**Schedule of Funding Progress for OPEB Obligation**  
**Year Ended June 30, 2016**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2013	\$ -	\$ 268,068	\$ 268,068	\$ -	\$ 1,853,700	14.46%

*See independent auditors' report.*

**City of Guadalupe**  
**Schedule of City's Proportionate Share of the Net Pension Liability**  
**As of June 30, 2016**  
**Last 10 Years \***

Fiscal Year Measurement Date	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Employer's Proportion of the Net Pension Liability	0.04301%	0.04600%	0.01578%	0.02139%
Employer's Proportionate Share of the Net Pension Liability	\$ 1,180,092	\$ 1,136,973	\$ 650,037	\$ 802,164
Employer's Covered-Employee Payroll	\$ 1,004,271	\$ 981,313	\$ 825,309	\$ 871,951
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	117.51%	115.86%	78.76%	92.00%
Plan's Share of Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.89%	81.15%	77.27%	78.83%

\* Fiscal year 2015 was the first year of implementation. Information is required only for measurement periods for which GASB 68 is applicable.

*See independent auditors' report.*

**City of Guadalupe**  
**Schedule of City's Contributions**  
**As of June 30, 2016**  
**Last 10 Years \***

<b>Fiscal Year</b>	<u>Miscellaneous</u>			<u>Safety</u>		
	<b>6/30/2016</b>	<b>6/30/2015</b>	<b>6/30/2014</b>	<b>6/30/2016</b>	<b>6/30/2015</b>	<b>6/30/2014</b>
Actuarially determined contribution	\$ 135,602	\$ 107,651	\$ 108,790	\$ 115,570	\$ 103,374	\$ 109,929
Contributions in relation to the actuarially determined contributions	(135,602)	(107,651)	(108,790)	(115,570)	(103,374)	(109,929)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	1,004,271	981,313	957,307	825,309	871,951	731,876
Contributions as a percentage of covered-employee pay	13.50%	10.97%	11.36%	14.00%	11.86%	15.02%

\* Fiscal year 2015 was the first year of implementation. Information is required only for measurement periods for which GASB 68 is applicable.

*See independent auditors' report.*

## **Other Information and Combining Fund Statements**

**City of Guadalupe**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**Year Ended June 30, 2016**

	Special Revenue Funds				
	Gas Tax	Local Transportation	Library	Public Facilities	Park Development
<b>Assets</b>					
Cash and investments	\$ 544,611	\$ 173,728	\$	\$ 4,267	\$ 955
Accounts receivable	109,301	950			
Prepaid expenses			5,000		
Due from other funds					
Interfund loan receivable					
Loans receivable					
Total assets	\$ 653,912	\$ 174,678	\$ 5,000	\$ 4,267	\$ 955
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 8,120	\$	\$ 5,000	\$	\$
Accrued wages and benefits					
Interfund loan payable			60,000		
Total liabilities	8,120		65,000		
<b>Fund balance:</b>					
Nonspendable					
Long-term loans receivable					
Restricted for:					
Street maintenance		174,678			
Other capital projects	645,792				955
Community development					
Public safety					
Utility infrastructure				4,267	
Debt service					
Committed to:					
Lighting and landscape					
Assigned to:					
Capital projects					
Unassigned			(60,000)		
Total fund balance	645,792	174,678	(60,000)	4,267	955
Total liabilities and fund balance	\$ 653,912	\$ 174,678	\$ 5,000	\$ 4,267	\$ 955

*See independent auditors' report.*

Special Revenue Funds			Capital Projects Funds				Total Other
Guadalupe Lighting and Assessment	Public Safety	Community Development	Capital Facilities	City Hall	Traffic Mitigation	Sewer Bond Debt Service	Governmental Funds
\$ 100,128	\$125,818	\$ 136,185	\$ 181,484	\$ 1,680	\$ 6,574	\$ 21,638	\$ 1,297,068
70	10,148	709	20			25	121,223
1,685	806						7,491
							-
292,500			60,000				352,500
		41,209					41,209
<u>\$ 394,383</u>	<u>\$136,772</u>	<u>\$ 178,103</u>	<u>\$ 241,504</u>	<u>\$ 1,680</u>	<u>\$ 6,574</u>	<u>\$ 21,663</u>	<u>\$ 1,819,491</u>
\$ 9,864	\$ 1,889	\$	\$	\$	\$	\$	\$ 24,873
	322						322
							60,000
<u>9,864</u>	<u>2,211</u>						<u>85,195</u>
		41,209					41,209
			241,504	1,680			174,678
		136,894					889,931
	134,561						136,894
							134,561
							4,267
						21,663	21,663
384,519							384,519
					6,574		6,574
<u>384,519</u>	<u>134,561</u>	<u>178,103</u>	<u>241,504</u>	<u>1,680</u>	<u>6,574</u>	<u>21,663</u>	<u>(60,000)</u>
<u>\$ 394,383</u>	<u>\$136,772</u>	<u>\$ 178,103</u>	<u>\$ 241,504</u>	<u>\$ 1,680</u>	<u>\$ 6,574</u>	<u>\$ 21,663</u>	<u>\$ 1,819,491</u>

**City of Guadalupe**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance (Deficiency) –**  
**Other Governmental Funds**  
**Year Ended June 30, 2016**

	<b>Special Revenue Funds</b>				
	<b>Gas Tax</b>	<b>Local Transportation</b>	<b>Library</b>	<b>Public Facilities</b>	<b>Park Development</b>
<b>Revenues:</b>					
Taxes	\$ 262,258	\$	\$	\$	\$
Licenses and permits					
Revenues from other agencies		5,624			
Charges for current services				1,240	15
Interest	176	59		1	1
Other revenues					
Total revenues	<u>262,434</u>	<u>5,683</u>		<u>1,241</u>	<u>16</u>
<b>Expenditures:</b>					
Personnel services					
Maintenance and operations	27,808	524	20,000		2,973
Capital outlay	102,851	29,461			
Debt service:					
Principal					
Interest and fiscal charges					
Total expenditures	<u>130,659</u>	<u>29,985</u>	<u>20,000</u>		<u>2,973</u>
Excess of revenues over (under) expenditures	<u>131,775</u>	<u>(24,302)</u>	<u>(20,000)</u>	1,241	(2,957)
<b>Other financing sources (uses):</b>					
Operating transfers in					
Operating transfers out	<u>(37,100)</u>	<u>(700)</u>	<u>(40,000)</u>		
Total other financing sources (uses)	<u>(37,100)</u>	<u>(700)</u>	<u>(40,000)</u>		
Change in fund balance	<u>94,675</u>	<u>(25,002)</u>	<u>(60,000)</u>	1,241	(2,957)
<b>Fund balance - beginning of year</b>	551,117	199,174		3,026	3,912
Prior year restatements		506			
<b>Fund balance - beginning of year, restated</b>	<u>551,117</u>	<u>199,680</u>	-	<u>3,026</u>	<u>3,912</u>
<b>Fund balance (deficiency) - end of year</b>	<u>\$ 645,792</u>	<u>\$ 174,678</u>	<u>\$ (60,000)</u>	<u>\$ 4,267</u>	<u>\$ 955</u>

*See independent auditors' report.*

Special Revenue Funds			Capital Facilities Funds				Total Other
Guadalupe Lighting and Assessment	Public Safety	Community Development	Capital Facilities	City Hall	Traffic Mitigation	Sewer Bond Debt Service	Governmental Funds
\$ 141,874	\$ 19,788	\$	\$	\$	\$	\$ 17,519	\$ 441,439
	68,501				6,573		6,573
							74,125
1,667	39	41	68		1	8	1,255
	16,488			1,680			2,061
<u>143,541</u>	<u>104,816</u>	<u>41</u>	<u>68</u>	<u>1,680</u>	<u>6,574</u>	<u>17,527</u>	<u>18,168</u>
	17,092						17,092
70,295	49,234		48,284				219,118
	8,264						140,576
						14,000	14,000
						3,050	3,050
<u>70,295</u>	<u>74,590</u>		<u>48,284</u>			<u>17,050</u>	<u>393,836</u>
<u>73,246</u>	<u>30,226</u>	<u>41</u>	<u>(48,216)</u>	<u>1,680</u>	<u>6,574</u>	<u>477</u>	<u>149,785</u>
			40,000				40,000
<u>(16,100)</u>		<u>(2,250)</u>					<u>(96,150)</u>
<u>(16,100)</u>		<u>(2,250)</u>	<u>40,000</u>				<u>(56,150)</u>
57,146	30,226	(2,209)	(8,216)	1,680	6,574	477	93,635
327,373	104,335	180,312				21,186	1,390,435
			249,720				250,226
<u>327,373</u>	<u>104,335</u>	<u>180,312</u>	<u>249,720</u>	<u>-</u>	<u>-</u>	<u>21,186</u>	<u>1,640,661</u>
<u>\$ 384,519</u>	<u>\$134,561</u>	<u>\$ 178,103</u>	<u>\$ 241,504</u>	<u>\$ 1,680</u>	<u>\$ 6,574</u>	<u>\$ 21,663</u>	<u>\$ 1,734,296</u>



**City of Guadalupe  
Organization  
June 30, 2016**

**City Council**

John Lizalde  
Mayor  
Council Member

Ariston Julian  
Council Member

Virginia Ponce  
Council Member

Gina Rubalcaba  
Council Member

Antonio Ramirez  
Council Member

**Staff**

Cruz Ramos  
City Administrator

Annette Muñoz  
Finance Director

Gary Hoving  
Chief of Police  
Director of Public Safety

Dave Fleishman  
City Attorney

Michael Peña  
Public Works Supervisor

Jasch Janowicz  
City Planner

Petrona Amido  
City Treasurer

Joice Earleen Raguz  
City Clerk

## **Other Independent Auditors' Report**



**Independent Auditors' 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***

Honorable Mayor and City Council  
City of Guadalupe  
Guadalupe, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements 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 (the City) as of and for the year ended June 30, 2016, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 the internal control 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 were not identified. However, as described in the accompanying Schedule of Audit Findings and Recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*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 misstatements on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**SAN LUIS OBISPO**

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San Luis Obispo, CA 93401  
p 805 544 1441  
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**PASO ROBLES**

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Paso Robles, CA 93446  
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**SANTA MARIA**

2222 South Broadway, Ste. A  
Santa Maria, CA 93454  
p 805 922 4010  
f 805 922 4286

**Honorable Mayor and City Council  
City of Guadalupe  
Guadalupe, California  
Page 2**

A *material weakness* is a deficiency, or 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 deficiencies described in the accompanying Schedule of Audit Findings and Recommendations as findings 2016-001, 2016-002, and 2016-003 to be material weaknesses and finding 2016-004 to be a significant deficiency.

**Compliance and Other Matters**

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

**City of Guadalupe’s Responses to Findings**

The City’s response to the findings identified in our audit are described in the accompanying Schedule of Audit Findings and Recommendations. The City’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 purposes.



Glenn Burdette Attest Corporation  
San Luis Obispo, California

February 28, 2017

**Audit Findings and Recommendations Section**

**City of Guadalupe**  
**Schedule of Audit Findings and Recommendations**  
**Year Ended June 30, 2016**

***2016-001 Full Recovery of General Fund Deficit Fund Balance and Balanced Budget (Material Weakness)***

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

*Condition:* The General Fund had a negative fund balance as of June 30, 2016. The General Fund finished the year with a deficit of \$(739,427) compared to a negative fund balance of \$(670,768) in the prior fiscal year. Overall, the fund's liabilities exceeded assets, and the fund had a negative cash balance of \$266,765 that is included in accounts payable on the balance sheet. The General Fund's final budgeted expenditures exceeded budgeted revenues by \$28,124, and its final actual expenditures exceeded actual revenues by \$68,659 for the year ended June 30, 2016. Additionally, as of June 30, 2016 the General Fund owed internally to the Lighting and Assessment Fund and to the Water Fund in the amounts of \$292,500 and \$390,000, respectively. These interfund loans were made so that the General Fund could sustain its basic operations. The multiple afore-mentioned conditions have raised substantial doubt about the City's ability to continue as a going concern, as described further in Note 19.

*Effect:* As discussed in Note 19, the General Fund's deficiency in fund balance and decrease in revenues have created a budget shortfall that will require significant cost cutting measures to reach a budget that will recoup the negative fund balance as well as provide the necessary revenues and financing for continued operations of the City.

*Recommendation:* We recommend the City continue to analyze all potential cost cutting measures and revenue sources, and review options to establish a budget plan for the General Fund to recoup the deficit fund balance as well as provide continued financing for City operations.

*City Response:* The City continues to analyze all potential cost cutting measures and revenue sources. Additional revenues received in FY 2015-16 for the three tax measures exceeded \$500 thousand. This helped to stabilize the general fund deficit as it only increased \$70 thousand or 10% over the prior year. As a comparison, in 2014-15 the added deficit over the prior year was \$406 thousand or 154%. As the Pasadera development continues build out the City expects to see an increase in its residential property tax base. In the long term the City also expects an increase in sales tax due to the planned commercial portion of the Pasadera development. The City also remains vigilant in seeking sustainable revenue sources.

***2016-002 Revenue Recognition and Timing (Material Weakness)***

*Criteria:* Accounting principles generally accepted in the United States of America mandate that revenues be recorded when earned, regardless of when payment is actually received.

**City of Guadalupe**  
**Schedule of Audit Findings and Recommendations**  
**Year Ended June 30, 2016**  
**Page 2**

*Condition:* Although the City has always recorded revenue on the accrual basis, the recorded monthly Measure A sales tax revenue was delayed by one month each year. As monthly amounts are generally quite consistent and total revenue is similar from year to year, this had not been corrected in previous years. However, in the current year a prior year restatement of \$41,759 was recorded in the Measure A Fund in order to properly capture the correct months within each fiscal year going forward. See Note 17 for additional information on prior year restatements.

*Effect:* Incorrectly recording revenue in the wrong period violates the revenue-expense matching principle and may cause the accounting records to be misstated.

*Recommendation:* We recommend that the amounts recorded in revenue accounts relate to the current fiscal period.

*City Response:* The Finance department has reviewed the issue and will properly record revenue accounts related to the current fiscal period.

**2016-003 Reconciliation and Billing for State and Local Funding (Material Weakness)**

*Criteria:* All State and local revenue for expenditure reimbursement should be monitored and billed timely to the appropriate agency and recorded in the applicable fiscal year. Delays in this process will result in decreased revenues and unreliable financial reports.

*Condition:* In the current year, State funding revenue and related receivable for pollution remediation expenditures of the Private Purpose Trust Fund, a Fiduciary Fund of the City, were not recorded for fiscal year 2014-15 and 2015-16. See Note 14 for additional information on pollution remediation.

*Effect:* A prior year restatement was recorded to correctly record the reimbursable expenditures of \$137,314 for 2014-15 and \$96,534 for 2015-16.

*Recommendation:* We recommend that management monitor all funding sources and requests for expenditure reimbursements to ensure all available revenues are recorded and received on a timely basis.

*City Response:* The State was in the process of implementing electronic processing for claims submitted for reimbursement. Typically the paper claim reimbursement occurs within six months but a glitch occurred and our electronic claim was stalled way beyond the normal waiting period. The Finance department has put into place guidelines to monitor all funding for the pollution remediation reimbursement from the State.

**City of Guadalupe**  
**Schedule of Audit Findings and Recommendations**  
**Year Ended June 30, 2016**  
**Page 3**

***2016-004 Full Recovery of Deficiency in Net Position (Significant Deficiency)***

*Criteria:* Accounting principles generally accepted in the United States of America mandate the use of an enterprise fund when legal requirements or management policy require that the full cost of providing services (including capital costs) be recovered through fees and charges.

*Condition:* The Solid Waste Fund has an ending net deficit of \$(95,135) for the year ended June 30, 2016. Although the fund had net income during the years ended June 30, 2016 and 2015, it has experienced net losses in previous years and its total liabilities exceed total assets. Note that this is a repeat finding from the years ended June 30, 2005 through 2015.

*Effect:* Although the City has balanced the budget for the Solid Waste Fund by implementing fee increases, the Fund has a negative net position that will need to be recouped with net income.

*Recommendation:* The City should continue to ensure that the Solid Waste fund remains solvent by requiring an operating budget that plans to recoup the net deficiency.

*City Response:* The City's plan to decrease the net deficiency is evidenced by Resolution 2015-430, "Affirming Revising and Setting Fees and Rates for Garbage Collection Services." This five year plan was implemented on June 1, 2015 for the first 6% increase with subsequent 3% increases beginning August 1, 2015 and every year thereafter for the next four years. With this plan in place the deficit will continue to decrease over time.



**City of Guadalupe**  
**Summary Schedule of Prior Year Audit Findings and Recommendations – June 30, 2015**  
**Year Ended June 30, 2016**

<u>Findings/Recommendation</u>	<u>Current Year</u>	<u>City Explanation if Not Implemented</u>
We recommended the City analyze cost cutting measures and revenue sources, and to review these options to establish a budget plan for the General Fund to recoup the deficit fund balance.	Not implemented	See current year finding 2016-001.
We recommended the City continue to ensure the solvency of the Solid Waste Fund by requiring a balanced operating budget and a plan to recoup the net deficiency.	Partially Implemented	See current year finding 2016-004.
In relation to the Water Fund annual water payments we recommended that the City record expenses in the period in which they are incurred rather than in the period in which they are paid.	Implemented	