

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

Comprehensive  
Annual Financial Report  
For the Year Ended June 30, 2017



**CITY OF GUADALUPE  
GUADALUPE, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2017**

**Prepared by:**

**FINANCE DEPARTMENT**



**City of Guadalupe**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guadalupe, California (City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, schedule of plan contributions, and schedules of funding progress for other post employment benefits on pages 5-18 and 82-87, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements on pages 90 to 93 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements on pages 90 to 93 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements on pages 90 to 93 are fairly stated in all material respects in relation to the basic financial statements as a whole.



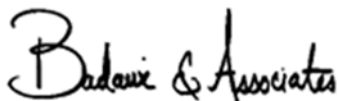
To the Honorable Mayor and Members of the City Council  
of the City of Guadalupe  
Guadalupe, California  
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**Emphasis of Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 14 to the financial statements, the City continues to suffer from a significant deficit fund balance in the General Fund and the Wastewater Treatment Fund. In addition, the General Fund and Wastewater Treatment Fund have a significant cash overdraft balance which represents borrowing from other funds. Those borrowings are in addition to the interfund loans payable recorded in the General Fund. There are serious doubts about the General Fund ability to repay the interfund loans payable and cover the cash overdraft balance without having a significant impact on the City's operation. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Badawi and Associates  
Certified Public Accountants  
Oakland, California  
June 29, 2018

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2017**

**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, 2017. 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 2016-17 fifty more homes were permitted for the Pasadera development within the City. The "Pasadera Development" will include approximately 800 homes and approximately 250,000 square feet of commercial space. Project build out is estimated to occur within 10 to 15 years.
- In FY 2016-17 the City received funding from a Caltrans Sustainable Transportation Planning-Sustainable Communities Grant for a total project cost of \$233,198. This grant is for a study to evaluate SR166 and SR1. The goal of the project is to develop a plan that improves pedestrian, bicycle and motor vehicle safety, non-motorized and transit mobility options, supports highway operational needs, and reinforces the community's environmental and rural setting, historic character, and cultural and recreational assets.
- In FY 2016-17 the City continued work on the Tognazzini Well 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 \$386 thousand in 2017. The net position of governmental activities decreased \$152 thousand and the net position of business-type activities increased \$538 thousand.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2.3 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 19 funds that are considered governmental, four funds that are considered proprietary, and one fund that is considered fiduciary.

**OVERVIEW OF THE FINANCIAL STATEMENTS - continued**

The City has three types of fund financial statements:

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

Additional information regarding the City's ability to continue as a going concern is available in Note 16 of the Financial Statements.

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

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

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

**Notes to the Basic Financial Statements**

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

**FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS**

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

**City of Guadalupe  
 Summary of Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>		<b>Total Percent Change</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	
<b>Assets</b>							
Current Assets	\$ 2,887,660	\$ 2,905,171	\$ 2,579,323	\$ 2,117,994	\$ 5,466,983	\$ 5,023,165	8.8%
Non current Assets	8,675,689	8,725,056	9,033,811	9,529,956	17,709,500	18,255,012	-3.0%
Total Assets	11,563,349	11,630,227	11,613,134	11,647,950	23,176,483	23,278,177	-0.4%
<b>Deferred Outflows of Resources</b>							
Deferred pensions	715,686	319,345	107,912	37,384	823,598	356,729	
<b>Liabilities</b>							
Current Liabilities	746,737	929,322	645,506	1,219,813	1,392,243	2,149,135	-35.2%
Noncurrent Liabilities	3,046,822	2,142,869	2,507,996	2,400,951	5,554,818	4,543,820	22.2%
Total Liabilities	3,793,559	3,072,191	3,153,502	3,620,764	6,947,061	6,692,955	3.8%
<b>Deferred Inflows of Resources</b>							
Deferred pensions	345,716	585,352	18,740	53,832	364,456	639,184	
<b>Net Position</b>							
Net investment in capital assets	8,603,987	8,851,496	6,836,583	6,818,931	15,440,570	15,670,427	-1.5%
Restricted	2,569,084	2,325,227	147,100	147,100	2,716,184	2,472,327	9.9%
Unrestricted	(3,033,311)	(2,884,694)	1,565,121	1,044,707	(1,468,190)	(1,839,987)	-20.2%
	\$ 8,139,760	\$ 8,292,029	\$ 8,548,804	\$ 8,010,738	\$ 16,688,564	\$ 16,302,767	2.4%

**Analysis of net position**

Total net position of the primary government increased \$386 thousand this year. Total assets decreased \$127 thousand, deferred pension outflows increased \$467 thousand, total liabilities increased \$228 thousand and deferred pension inflows decreased \$275 thousand. The following analysis of governmental and business-type activities provides more detailed information for these changes.

**Governmental activities:**

Total assets decreased \$67 thousand mainly due to an increase in cash & investments of \$491 thousand and a reduction in net depreciable assets of \$398 thousand.

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

**Governmental Activities - continued**

Deferred Pension outflows increased \$396 thousand. Deferred Pension Plan information is located in Note 8 to the financials.

Total liabilities increased \$721 thousand mainly due to the pension liability.

Deferred Pension inflows decreased \$240 thousand. Detailed Pension Plan information is located in Note 8 to the financials.

**Business-type activities:**

Total assets decreased \$35 thousand due to a decrease in depreciable capital assets.

Deferred Pension outflows increased \$71,000. Detailed Pension Plan information is located in Note 8 to the financials.

Total liabilities decreased \$467 thousand due primarily to a decrease in accounts payable.

Deferred Pension inflows decreased \$35 thousand. 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, 2017

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

The City's net position increased by \$386 thousand during the current fiscal year. Information about changes in net position is summarized.

<b>City of Guadalupe</b>							
<b>Summary of Net Position</b>							
For the Fiscal Years Ended June 30, 2016 and 2015							
(In thousands)							
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent Change
	2017	2016	2017	2016	2017	2016	
<b>Revenues</b>							
<b>Program revenues:</b>							
Charges for services	\$ 483,480	\$ 239,745	\$ 4,313,426	\$ 3,513,015	\$ 4,796,906	\$ 3,752,760	27.8%
operating grants and contributions	1,126,341	1,050,057	-	860,443	1,126,341	1,910,500	-41.0%
<b>General revenue:</b>							
sales tax	466,362	415,104	-	-	466,362	415,104	12.3%
Property tax	1,096,803	1,075,740	-	-	1,096,803	1,075,740	2.0%
Utility users tax	393,256	374,295	-	-	393,256	374,295	5.1%
Other taxes	468,164	473,890	-	-	468,164	473,890	-1.2%
Investment earnings	108,696	101,352	-	2,465	108,696	103,817	4.7%
Other revenues	204,907	158,088	-	107,460	204,907	265,548	-22.8%
<b>Total revenues</b>	<b>4,348,009</b>	<b>3,888,271</b>	<b>4,313,426</b>	<b>4,483,383</b>	<b>8,661,435</b>	<b>8,371,654</b>	<b>3.5%</b>
<b>Program Expenses</b>							
Public safety	2,322,259	2,113,608	-	-	2,322,259	2,113,608	9.9%
Transportation	465,043	392,463	-	-	465,043	392,463	18.5%
Leisure, culture and social services	157,454	154,404	-	-	157,454	154,404	2.0%
Community development	744,506	727,081	-	-	744,506	727,081	2.4%
General government	1,293,858	872,239	-	-	1,293,858	872,239	48.3%
Business-type activities	-	-	3,283,493	3,658,399	3,283,493	3,658,399	-10.2%
Interest on long-term debt	9,025	3,050	-	-	9,025	3,050	195.9%
<b>Total expenses</b>	<b>4,992,145</b>	<b>4,262,845</b>	<b>3,283,493</b>	<b>3,658,399</b>	<b>8,275,638</b>	<b>7,921,244</b>	<b>4.5%</b>
Transfers	491,867	436,304	(491,867)	(436,304)	-	-	-
<b>Change in net position</b>	<b>(152,269)</b>	<b>61,730</b>	<b>538,066</b>	<b>388,680</b>	<b>385,797</b>	<b>450,410</b>	<b>-14.3%</b>
<b>Net position - beginning of year</b>	<b>8,292,029</b>	<b>8,089,356</b>	<b>8,010,738</b>	<b>7,606,786</b>	<b>16,302,767</b>	<b>15,696,142</b>	<b>3.9%</b>
Prior year restatement	-	140,943	-	15,272	-	156,215	-100.0%
<b>Net position-beginning of year, restated</b>	<b>8,292,029</b>	<b>8,230,299</b>	<b>8,010,738</b>	<b>7,622,058</b>	<b>16,302,767</b>	<b>15,852,357</b>	<b>2.8%</b>
<b>Net position-end of year</b>	<b>\$ 8,139,760</b>	<b>\$ 8,292,029</b>	<b>\$ 8,548,804</b>	<b>\$ 8,010,738</b>	<b>\$ 16,688,564</b>	<b>\$ 16,302,767</b>	<b>2.4%</b>



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

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

Total government-wide revenues of the primary government increased \$290 thousand, a 3% increase from the prior year, and total expenses increased \$354 thousand, a 4% increase. These changes are discussed in more detail below.

**Governmental Activities:**

Total revenues for governmental activities increased \$460 thousand from the prior year. Total expenses increased \$729 thousand.

**Revenue**

Charges for Services increased \$244 thousand primarily due to increased permit activity from the Pasadera development. Operating Grants & Revenues increased \$76 thousand mainly due to a Police grant. Sales tax increased \$51 thousand mainly due to the prior year amount reduced by the triple flip. The ¼% sales tax in 15-16 was received via property tax through the County. Other revenues increased \$47 thousand mainly due to an insurance reimbursement for a vehicle claim.

**Expenses**

Public safety increased \$209 thousand mainly due to union negotiated increases, cash outs, overtime, training, pension increases and increased costs for workers compensation expense. General government increased \$422 thousand primarily due to pension contribution expenditures, increased attorney fees, and union negotiated increases.

**Business-Type Activities:**

Total revenues for business-type activities decreased \$170 thousand from the prior year, a 4% decrease. Total expenses decreased \$375 thousand.

**Revenue**

Charges for services for Business-Type activities increased \$800 thousand primarily due to the re-negotiated contract with the solid waste hauler.

**Expenses**

Business-type activity expenses decreased \$375 thousand mainly due to the re-negotiated contract with the solid waste hauler.

## 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 \$321 thousand during fiscal year 2017. Total revenues for governmental funds increased \$466 thousand, total expenditures for governmental funds increased \$191 thousand. Reasons for these changes are discussed in more detail below.

### General Fund

Total General Fund revenues increased \$423 thousand in the current year primarily due to increased permit fees of \$227 thousand for fifty more homes permitted for the Pasadera development in FY 2017 as well as an increase to property tax of \$42 thousand due to thirty three homes added to the tax roles in 2016 for the Pasadera development. Sales tax increased \$40 thousand due to end of the triple flip that was previously reported in property tax and utility user tax increased \$19 thousand due to increased water rates as of January 1 as well as increased water connections due to the Pasadera development.

Total General Fund expenditures increased \$75 thousand this year. This is mainly due to a \$59 thousand increase in attorney fees and a \$32 thousand increase in professional services for the Pasadera development.

### Measure A

Revenues for Measure A were in line with prior year. Expenditures increased \$161 thousand mainly due to the scheduled maintenance for streets, curbs, gutters & sidewalks.

### Gas Tax

Revenues for Gas Tax decreased \$16 thousand primarily due to the reduction of HUTA 2103. Expenditures decreased \$35 thousand mainly due to the reduction of capital outlay over the previous year.

### Other Governmental Funds

Total other governmental funds revenues increased \$49 thousand. This is primarily due to a public safety community corrections grant in FY 16-17. Total other government fund expenditures decreased \$111 thousand primarily due to prior year fire equipment replacement of \$42 thousand, prior year \$40 thousand for Library rent and prior year \$22 thousand for ditch maintenance project.

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

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**Enterprise Funds:**

The City's four enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Total operating revenues decreased by \$167 thousand. Total operating expenses decreased by \$367 thousand or 10% over prior year. The discussion below provides a detailed explanation for each business-type fund.

**Water Fund**

Water fund operating revenues increased \$466 thousand compared to the prior year. The increase resulted primarily from a USDA grant for the Tognazzini Well for \$347 thousand, additional water connections during the year due to the Pasadera development and a 2.8% water rate increase on January 1, 2017. Operating expenses in the current year decreased \$51 thousand due primarily to a reduction of Central Coast Water Authority Department of Water Resources costs.

**Wastewater Fund**

Wastewater fund revenue increased \$278 thousand compared to the prior year due to a 15% wastewater rate increase effective June 1, 2016 and a 10% wastewater rate increase effective January 1, 2017. Operating expenses increased \$99 thousand primarily due to a \$55 thousand increase in salaries in benefits due to no furlough days in 16-17, \$22 thousand increase to utilities due to controlling operational changes to the plant and \$18 thousand increase to depreciation expense due to new vehicle lease.

**Solid Waste Fund**

Solid Waste revenue decreased \$516 thousand due to the re-negotiated contract for the city's waste hauler. They are now handling the billing. Operating expenses decreased \$448 thousand due primarily to the waste hauler contract services now handled by the waste hauler.

**Transit Fund**

Transit fund revenue decreased \$395 thousand compared to the prior year primarily due to grants received for the purchase of a new bus and expanded weekend bus service in the prior year. Operating expenses increased \$34 thousand primarily due to the increase to depreciation expense for the new bus.

**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, 2017 is presented as required supplementary information following the notes to the financial statements.

The following summarizes the original and final budget compared with actual results for 2016-17:

<b>General Fund</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
Revenues	\$ 3,318,500	\$ 3,318,500	\$ 3,305,024	\$ (13,476)
Expenditures	(3,919,963)	(3,919,963)	(3,839,371)	80,592
Other Financing Sources	<u>601,900</u>	<u>601,900</u>	<u>589,150</u>	<u>(12,750)</u>
Change in fund balances	437	437	54,803	54,366
Fund balance - beginning of year	<u>(739,427)</u>	<u>(739,427)</u>	<u>(739,427)</u>	-
Fund Balances (deficit) - end of year	<u>\$ (738,990)</u>	<u>\$ (738,990)</u>	<u>\$ (684,624)</u>	<u>\$ 54,366</u>

Overall, the ending actual fund balance is a deficit of \$685 thousand, which is \$54 thousand less than the final budget estimate. The net increase results from a variety of activity; the key changes are summarized as follows:

- Revenues were \$13 thousand lower than estimated primarily due to property tax budgeted at \$106 thousand more than was actually received and administrative overhead budgeted at \$49 thousand more than was actually received offset by permits budgeted at \$58 thousand less than what was actually received, sales tax budgeted at \$57 thousand less than was actually received and the COPS grant budgeted at \$24 thousand less than was actually received.
- Expenditures were \$81 thousand less than estimated primarily due to professional services in the building department not expended.

**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, 2017, amounts to \$17.7 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, 2017 follows:

Capital Assets, Net of Accumulated Depreciation	Governmental Activities	Business-type Activities	Total
Land	\$ 343,131	\$ 248,425	\$ 591,556
Infrastructure	4,347,765	5,167,940	9,515,705
Buildings and Improvements	3,743,563	2,415,875	6,159,438
Vehicles	194,748	732,704	927,452
Equipment	46,482	56,647	103,129
Construction in Progress	-	412,218	412,218
	<u>\$ 8,675,689</u>	<u>\$ 9,033,809</u>	<u>\$ 17,709,498</u>

Major capital asset expenditures during the fiscal year include:

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

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

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

City of Guadalupe  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2017

**CAPITAL ASSETS - continued**

Capital assets activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Governmental Activities:</b>				
Land	\$ 343,131	\$ -	\$ -	\$ 343,131
Buildings and improvements	5,244,508	-	-	5,244,508
Accumulated depreciation	(1,357,822)	(143,123)	-	(1,500,945)
vehicles	1,103,905	83,876	-	1,187,781
Accumulated depreciation	(917,252)	(75,781)	-	(993,033)
Equipment	511,184	36,136	-	547,320
Accumulated depreciation	(477,908)	(22,930)	-	(500,838)
Infrastructure	6,998,887	-	-	6,998,887
Accumulated depreciation	(2,374,786)	(276,336)	-	(2,651,122)
Total governmental capital assets, net	<u>\$ 9,073,847</u>	<u>\$ (398,158)</u>	<u>\$ -</u>	<u>\$ 8,675,689</u>
<b>Business-Type Activities:</b>				
Land	\$ 248,425	\$ -	\$ -	\$ 248,425
Construction in progress	48,176	364,042	-	412,218
Buildings and improvements	9,769,022	100,349	-	9,869,371
Accumulated depreciation	(6,845,778)	(607,717)	-	(7,453,495)
vehicles	1,509,261	172,454	-	1,681,715
Accumulated depreciation	(811,004)	(138,006)	-	(949,010)
Equipment	505,426	24,091	-	529,517
Accumulated depreciation	(451,512)	(21,358)	-	(472,870)
Infrastructure	6,998,888	-	-	6,998,888
Accumulated depreciation	(1,830,948)	-	-	(1,830,948)
Total Governmental capital assets, net	<u>\$ 9,139,956</u>	<u>\$ (106,145)</u>	<u>\$ -</u>	<u>\$ 9,033,811</u>

Depreciation expense was charged to functions/programs as follows.

<b>Governmental activities:</b>	
Public safety	\$ 68,222
Transportation	25,082
Leisure, Cultural & social services	32,310
community development	361,296
General government	31,260
Total governmental activities depreciation expense	<u>\$ 518,170</u>
<b>Business-type activities:</b>	
Water	\$ 183,071
Waste water	\$ 474,982
Transit	\$ 109,030
total business-type activities depreciation expense	<u>\$ 767,083</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, 2017, the City of Guadalupe had \$3 million in long-term debt outstanding as summarized below:

Long-Term Debt	Governmental Activities	Business-type Activities	Total
Certificates of participation	\$ -	\$ 2,028,857	\$ 2,028,857
Capital lease obligations	262,053	168,371	430,424
Compensated absences	255,743	-	255,743
Insurance claim payable	115,195	89,602	204,797
Sewer Bonds	32,000	-	32,000
	\$ 664,991	\$ 2,286,830	\$ 2,951,821

Long-term debt governmental activity for the fiscal year ended June 30, 2017 was as follows:

Governmental Activities	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Sewer bonds	\$ 47,000	\$ -	\$ 15,000	\$ 32,000
Capital lease obligations	175,351	160,094	73,392	262,053
Insurance claims payable	170,431	51,044	106,280	115,195
Compensated absences	241,088	14,655	-	255,743
Total	\$ 633,870	\$ 225,793	\$ 194,672	\$ 664,991

Long-term debt business-type activity for the fiscal year ended June 30, 2017 was as follows:

Business-Type Activities	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Certificates of participation	\$ 2,086,349	\$ -	\$ 57,492	\$ 2,028,857
Capital lease obligations	77,766	131,348	40,743	168,371
Insurance claims payable	103,966	-	14,364	89,602
Total	\$ 2,268,081	\$ 131,348	\$ 112,599	\$ 2,286,830

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.** Revenues received from the November 2014 voter approved tax measures continue to sustain the City's general fund. In fiscal year 16-17 the City received a total of \$801 thousand compared to the prior year amount of \$769 thousand for the three measures. The Pasadera Development (formally DJ Farms) added fifty homes during FY16-17 and has permitted a total of seventy one homes from the February 2015 groundbreaking. 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 2016-17 decrease in fund deficit in the General Fund was \$55 thousand for FY 16-17 activity. In 2017-18 the General Fund budget activity is projected to be balanced. 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 2016-17 the City continued work on the Tognazzini Well 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: Annette Munoz, 918 Obispo Street, Guadalupe, CA 93434.



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# **BASIC FINANCIAL STATEMENTS**

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**City of Guadalupe**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,453,751	\$ 760,712	\$ 3,214,463
Accounts receivable	536,784	595,461	1,132,245
Prepaid expenses	244,949	849,817	1,094,766
Loans receivable	25,509	-	25,509
Internal balances	(373,333)	373,333	-
Total current assets	<u>2,887,660</u>	<u>2,579,323</u>	<u>5,466,983</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	343,131	660,643	1,003,774
Depreciable, net	8,332,558	8,373,168	16,705,726
Total capital assets	<u>8,675,689</u>	<u>9,033,811</u>	<u>17,709,500</u>
Total noncurrent assets	<u>8,675,689</u>	<u>9,033,811</u>	<u>17,709,500</u>
<b>Total assets</b>	<u>11,563,349</u>	<u>11,613,134</u>	<u>23,176,483</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related amounts	715,686	107,912	823,598
<b>Total deferred outflows of resources</b>	<u>715,686</u>	<u>107,912</u>	<u>823,598</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	97,535	77,410	174,945
Cash overdraft	309,623	356,400	666,023
Accrued salaries and wages payable	105,852	18,331	124,183
Interest payable	-	39,990	39,990
Deposits payable	22,104	27,201	49,305
Unearned revenue	73,464	-	73,464
Long-term debt - due within one year	138,159	126,174	264,333
Total current liabilities	<u>746,737</u>	<u>645,506</u>	<u>1,392,243</u>
Noncurrent liabilities:			
Net pension liability	2,238,889	347,340	2,586,229
Net OPEB obligation	281,101	-	281,101
Long-term debt - due in more than one year	526,832	2,160,656	2,687,488
Total noncurrent liabilities	<u>3,046,822</u>	<u>2,507,996</u>	<u>5,554,818</u>
<b>Total liabilities</b>	<u>3,793,559</u>	<u>3,153,502</u>	<u>6,947,061</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related amounts	345,716	18,740	364,456
<b>Total deferred inflows of resources</b>	<u>345,716</u>	<u>18,740</u>	<u>364,456</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,603,987	6,836,583	15,440,570
Restricted for:			
Street maintenance	1,176,515	-	1,176,515
Other capital projects	931,878	-	931,878
Community development	169,416	-	169,416
Other purposes	291,275	147,100	438,375
Total restricted	<u>2,569,084</u>	<u>147,100</u>	<u>2,716,184</u>
Unrestricted	(3,033,311)	1,565,121	(1,468,190)
<b>Total net position</b>	<u>\$ 8,139,760</u>	<u>\$ 8,548,804</u>	<u>\$ 16,688,564</u>

**City of Guadalupe**  
**Statement of Activities**  
**For the year ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General Government	\$ 1,293,858	\$ 232,142	\$ 90,378	\$ -	\$ 322,520
Public Safety	2,322,259	56,137	322,834	-	378,971
Transportation	465,043	-	713,129	-	713,129
Leisure, cultural and social services	157,454	300	-	-	300
Community development	744,506	194,901	-	-	194,901
Interest on long-term debt	9,025	-	-	-	-
Total governmental activities	4,992,145	483,480	1,126,341	-	1,609,821
<b>Business-type activities:</b>					
Water	1,481,850	2,194,672	-	-	2,194,672
Wastewater Treatment	1,221,829	1,506,827	-	-	1,506,827
Solid Waste	44,097	62,694	-	-	62,694
Transit	535,717	549,233	-	-	549,233
Total business-type activities	3,283,493	4,313,426	-	-	4,313,426
<b>Total primary government</b>	<b>\$ 8,275,638</b>	<b>\$ 4,796,906</b>	<b>\$ 1,126,341</b>	<b>\$ -</b>	<b>\$ 5,923,247</b>
<b>General Revenues:</b>					
Taxes:					
Property taxes					
Sales taxes					
Utilities Uses Tax					
Other taxes					
Total taxes					
Investment earnings					
Other					
Transfers					
<b>Total general revenues and transfers</b>					
<b>Change in net position</b>					
<b>Net position - beginning of year</b>					
<b>Net position - end of year</b>					

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (971,338)	\$ -	\$ (971,338)
(1,943,288)	-	(1,943,288)
248,086	-	248,086
(157,154)	-	(157,154)
(549,605)	-	(549,605)
(9,025)	-	(9,025)
(3,382,324)	-	(3,382,324)
-	712,822	712,822
-	284,998	284,998
-	18,597	18,597
-	13,516	13,516
-	1,029,933	1,029,933
(3,382,324)	1,029,933	(2,352,391)
1,096,803	-	1,096,803
466,362	-	466,362
393,256	-	393,256
468,164	-	468,164
2,424,585	-	2,424,585
108,696	-	108,696
204,907	-	204,907
491,867	(491,867)	-
3,230,055	(491,867)	2,738,188
(152,269)	538,066	385,797
8,292,029	8,010,738	16,302,767
\$ 8,139,760	\$ 8,548,804	\$ 16,688,564

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

**City of Guadalupe**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Measure A	Gas Tax		
<b>ASSETS</b>					
Cash and investments	\$ -	\$ 936,333	\$ 598,197	\$ 919,221	\$ 2,453,751
Accounts receivable	332,255	74,573	108,107	21,849	536,784
Prepaid expenses	222,629	14,975	-	7,345	244,949
Interfund loans receivable	-	-	-	348,333	348,333
Loans receivable	-	-	-	25,509	25,509
<b>Total assets</b>	<b>\$ 554,884</b>	<b>\$ 1,025,881</b>	<b>\$ 706,304</b>	<b>\$ 1,322,257</b>	<b>\$ 3,609,326</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable	83,465	1,174	6,626	6,270	97,535
Cash overdraft	307,156	-	-	2,467	309,623
Accrued salaries and wages payable	99,986	5,504	-	362	105,852
Deposits payable	22,104	-	-	-	22,104
Unearned revenue	73,464	-	-	-	73,464
Interfund loans payable	653,333	-	-	68,333	721,666
<b>Total liabilities</b>	<b>1,239,508</b>	<b>6,678</b>	<b>6,626</b>	<b>77,432</b>	<b>1,330,244</b>
<b>Fund Balances:</b>					
Nonspendable:					
Prepaid expenses	222,629	14,975	-	7,345	244,949
Restricted for:					
Street maintenance	-	1,004,228	-	172,287	1,176,515
Other capital projects	-	-	699,678	232,200	931,878
Community development	-	-	-	169,416	169,416
Public safety	-	-	-	264,052	264,052
Utility infrastructure	-	-	-	4,610	4,610
Debt service	-	-	-	22,613	22,613
Committed to:					
Lighting and landscape	-	-	-	431,173	431,173
Assigned to:					
Capital projects	-	-	-	11,929	11,929
Unassigned	(907,253)	-	-	(70,800)	(978,053)
<b>Total fund balances</b>	<b>(684,624)</b>	<b>1,019,203</b>	<b>699,678</b>	<b>1,244,825</b>	<b>2,279,082</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 554,884</b>	<b>\$ 1,025,881</b>	<b>\$ 706,304</b>	<b>\$ 1,322,257</b>	<b>\$ 3,609,326</b>

**City of Guadalupe**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2017**

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<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 2,279,082</b>
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Amounts reported for governmental activities in the Statement of Net Position were different because:

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

Non-depreciable	343,131
Depreciable, net	8,332,558
	8,675,689

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.	265,093
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In the Government-Wide Financial Statement certain differences between actuarial estimates and actual results for pension are deferred and amortized over a period of time, however, in the governmental funds no transactions are recorded.	104,877
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Net pension liability	(2,238,889)
Net OPEB Obligation	(281,101)
Long term liabilities - due within one year	(138,159)
Long term liabilities - due in more than one year	(526,832)
	(3,184,981)

<b>Net Position of Governmental Activities</b>	<b>\$ 8,139,760</b>
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**City of Guadalupe**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2017**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Measure A	Gas Tax		
<b>REVENUES:</b>					
Taxes	1,999,232	462,594	137,862	\$ 136,840	\$ 2,736,528
Licenses and permits	692,805	-	-	6,681	699,486
Fines and penalties	23,365	-	-	-	23,365
Revenues from other agencies	275,834	-	107,019	146,942	529,795
Charges for current services	58,344	-	-	33,482	91,826
Interest	97,929	3,075	1,879	5,811	108,694
Other revenues	157,515	-	100	700	158,315
<b>Total revenues</b>	<b>3,305,024</b>	<b>465,669</b>	<b>246,860</b>	<b>330,456</b>	<b>4,348,009</b>
<b>EXPENDITURES:</b>					
Current:					
General Government	1,099,220	-	-	-	1,099,220
Public Safety	2,225,456	-	-	28,581	2,254,037
Transportation	-	376,866	63,095	-	439,961
Leisure, cultural and social services	105,144	-	-	20,000	125,144
Community development	313,213	-	-	69,997	383,210
Capital outlay	197,884	-	65,460	16,657	280,001
Debt service:					
Principal	51,873	-	21,519	15,000	88,392
Interest and fiscal charges	6,675	-	-	2,350	9,025
<b>Total expenditures</b>	<b>3,999,465</b>	<b>376,866</b>	<b>150,074</b>	<b>152,585</b>	<b>4,678,990</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(694,441)</b>	<b>88,803</b>	<b>96,786</b>	<b>177,871</b>	<b>(330,981)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	589,150	-	-	14,200	603,350
Transfers out	-	(32,833)	(42,900)	(35,750)	(111,483)
Proceeds from capital leases	160,094	-	-	-	160,094
<b>Total other financing sources (uses)</b>	<b>749,244</b>	<b>(32,833)</b>	<b>(42,900)</b>	<b>(21,550)</b>	<b>651,961</b>
<b>Net change in fund balances</b>	<b>54,803</b>	<b>55,970</b>	<b>53,886</b>	<b>156,321</b>	<b>320,980</b>
<b>FUND BALANCES:</b>					
Beginning of year	(739,427)	963,233	645,792	1,088,504	1,958,102
End of year	\$ (684,624)	\$ 1,019,203	\$ 699,678	\$ 1,244,825	\$ 2,279,082

See accompanying Notes to Basic Financial Statements.

# City of Guadalupe

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2017

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 320,980
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	120,012
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.	(518,170)
Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Position.	(14,655)
OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(31,392)
Bond proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Long- term debt issuance	(160,094)
Insurance claims payable	55,236
Long-term debt repayments	88,392
Current year employer pension contributions are recorded as expenditures in the governmental funds, however, these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position.	265,093
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however, pension expense is not recognized in the governmental funds.	(277,671)
<b>Change in Net Position of Governmental Activities</b>	<u>\$ (152,269)</u>

**City of Guadalupe**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 509,486	\$ -	\$ -	\$ 251,226	760,712
Accounts receivable, net of allowance	269,182	212,411	7,505	106,363	595,461
Prepaid expenses	823,492	26,325	-	-	849,817
<b>Total current assets</b>	<b>1,602,160</b>	<b>238,736</b>	<b>7,505</b>	<b>357,589</b>	<b>2,205,990</b>
Noncurrent assets:					
Interfund loan receivable, net of current portion	373,333	-	-	-	373,333
Land	29,464	218,961	-	-	248,425
Work in progress	295,238	116,980	-	-	412,218
Buldings, structures and improvements	5,033,477	4,818,550	-	17,344	9,869,371
Vehicles	80,073	119,108	-	1,482,532	1,681,713
Equipment	392,348	126,558	-	10,610	529,516
Infrastructure	-	6,998,888	-	-	6,998,888
Less accumulated depreciation	(2,810,822)	(6,979,403)	-	(916,095)	(10,706,320)
<b>Total noncurrent assets</b>	<b>3,393,111</b>	<b>5,419,642</b>	<b>-</b>	<b>594,391</b>	<b>9,407,144</b>
<b>Total assets</b>	<b>4,995,271</b>	<b>5,658,378</b>	<b>7,505</b>	<b>951,980</b>	<b>11,613,134</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related amounts	46,468	61,444	-	-	107,912
<b>Total deferred outflows of resources</b>	<b>46,468</b>	<b>61,444</b>	<b>-</b>	<b>-</b>	<b>107,912</b>

**City of Guadalupe**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	16,421	30,835	-	30,154	77,410
Cash overdraft	-	280,308	76,092	-	356,400
Deposits payable	27,201	-	-	-	27,201
Accrued wages and benefits	8,367	9,964	-	-	18,331
Interest payable	22,588	17,402	-	-	39,990
Current portion of insurance claim payable	4,529	16,485	-	-	21,014
Current portion of capital lease obligations	16,053	28,315	-	-	44,368
Current portion of certificates of participation	38,952	21,840	-	-	60,792
<b>Total current liabilities</b>	<b>134,111</b>	<b>405,149</b>	<b>76,092</b>	<b>30,154</b>	<b>645,506</b>
Noncurrent liabilities:					
Insurance claim payable	42,555	26,033	-	-	68,588
Capital lease obligations, net of current portion	37,482	86,521	-	-	124,003
Certificates of participation, net of current portion	1,124,698	843,367	-	-	1,968,065
Net pension liability	149,568	197,772	-	-	347,340
<b>Total noncurrent liabilities</b>	<b>1,354,303</b>	<b>1,153,693</b>	<b>-</b>	<b>-</b>	<b>2,507,996</b>
<b>Total liabilities</b>	<b>1,488,414</b>	<b>1,558,842</b>	<b>76,092</b>	<b>30,154</b>	<b>3,153,502</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related amounts	8,070	10,670	-	-	18,740
<b>Total deferred inflows of resources</b>	<b>8,070</b>	<b>10,670</b>	<b>-</b>	<b>-</b>	<b>18,740</b>
<b>NET POSITION</b>					
Net investment in capital assets	1,802,593	4,439,599	-	594,391	6,836,583
Restricted for debt service	88,522	58,578	-	-	147,100
Unrestricted	1,654,140	(347,867)	(68,587)	327,435	1,565,121
<b>Total net position</b>	<b>\$ 3,545,255</b>	<b>\$ 4,150,310</b>	<b>\$ (68,587)</b>	<b>\$ 921,826</b>	<b>\$ 8,548,804</b>

**City of Guadalupe**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2017**

	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
<b>OPERATING REVENUES:</b>					
Waster sales	\$ 1,730,143	\$ -	\$ -	\$ -	1,730,143
Standby charges	31,091	-	-	-	31,091
Connection fees	66,504	11,282	-	-	77,786
Sewer service charges	-	1,431,071	-	-	1,431,071
Refuse service charges	-	-	62,694	-	62,694
Revenues from other agencies	347,000	-	-	475,532	822,532
Other revenues	19,934	64,474	-	73,701	158,109
<b>Total operating revenues</b>	<b>2,194,672</b>	<b>1,506,827</b>	<b>62,694</b>	<b>549,233</b>	<b>4,313,426</b>
<b>OPERATING EXPENSES:</b>					
Personnel services	213,843	253,992	-	-	467,835
Maintenance and operations	1,035,978	450,210	44,097	426,687	1,956,972
Depreciation	183,071	474,982	-	109,030	767,083
<b>Total operating expenses</b>	<b>1,432,892</b>	<b>1,179,184</b>	<b>44,097</b>	<b>535,717</b>	<b>3,191,890</b>
<b>OPERATING INCOME (LOSS)</b>	<b>761,780</b>	<b>327,643</b>	<b>18,597</b>	<b>13,516</b>	<b>1,121,536</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest expense	(48,958)	(42,645)	-	-	(91,603)
Transfers in	-	-	2,333	-	2,333
Transfers out	(281,900)	(177,300)	-	(35,000)	(494,200)
<b>Total nonoperating revenues (expenses)</b>	<b>(330,858)</b>	<b>(219,945)</b>	<b>2,333</b>	<b>(35,000)</b>	<b>(583,470)</b>
<b>Change in net position</b>	<b>430,922</b>	<b>107,698</b>	<b>20,930</b>	<b>(21,484)</b>	<b>538,066</b>
<b>NET POSITION</b>					
Beginning of year	3,114,333	4,042,612	(89,517)	943,310	8,010,738
End of year	\$ 3,545,255	\$ 4,150,310	\$ (68,587)	\$ 921,826	\$ 8,548,804

See accompanying Notes to Basic Financial Statements.



**City of Guadalupe**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2017**

	Enterprise Funds				
	Waster	Wastewater Treatment	Solid Waste	Transit	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 2,056,849	\$ 1,460,873	\$ 145,380	\$ 740,613	\$ 4,403,715
Cash received from connection fees	66,504	11,282	-	-	77,786
Cash received from standby charges and other agencies	39,332	-	-	-	39,332
Cash paid to suppliers for goods and services	(1,151,510)	(958,041)	(223,805)	(426,229)	(2,759,585)
Cash paid to employees and related benefits	(209,446)	(250,298)	-	-	(459,744)
<b>Net cash provided by (used in) operating activities</b>	<b>801,729</b>	<b>263,816</b>	<b>(78,425)</b>	<b>314,384</b>	<b>1,301,504</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Internal activity - cash paid from (to) other funds	16,667	-	-	(250,000)	(233,333)
Net transfers	(281,900)	(177,300)	2,333	(35,000)	(491,867)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(265,233)</b>	<b>(177,300)</b>	<b>2,333</b>	<b>(285,000)</b>	<b>(725,200)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Net change in insurance payable	(8,069)	(6,295)	-	-	(14,364)
Net changes in capital lease obligations	11,251	79,354	-	-	90,605
Principal payments on certificates of participation	(37,212)	(20,280)	-	-	(57,492)
Interest payments on certificates of participation	(48,958)	(42,645)	-	-	(91,603)
Principal payments on loans payable to Successor Agency Trust Fund	-	(156,910)	-	-	(156,910)
Acquisition of capital assets	(375,579)	(220,048)	-	(65,306)	(660,933)
<b>Net cash used in capital and related financing activities</b>	<b>(458,567)</b>	<b>(366,824)</b>	<b>-</b>	<b>(65,306)</b>	<b>(890,697)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>77,929</b>	<b>(280,308)</b>	<b>(76,092)</b>	<b>(35,922)</b>	<b>(314,393)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>431,557</b>	<b>-</b>	<b>-</b>	<b>287,148</b>	<b>718,705</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 509,486</b>	<b>\$ (280,308)</b>	<b>\$ (76,092)</b>	<b>\$ 251,226</b>	<b>\$ 404,312</b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>					
Cash and investments	\$ 509,486	\$ -	\$ -	\$ 251,226	760,712
Cash overdraft	-	(280,308)	(76,092)	-	(356,400)
<b>Total</b>	<b>\$ 509,486</b>	<b>\$ (280,308)</b>	<b>\$ (76,092)</b>	<b>\$ 251,226</b>	<b>\$ 404,312</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 761,780	\$ 327,643	\$ 18,597	\$ 13,516	\$ 1,121,536
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	183,071	474,982	-	109,030	767,083
Changes in assets, deferred outflows and inflows of resources, and liabilities					
Accounts receivable	(39,652)	(34,672)	129,033	262,380	317,089
Prepaid expenses	(109,038)	(4,040)	-	-	(113,078)
Deferred outflows pensions	(30,370)	(40,158)	-	-	(70,528)
Accounts payable	(6,494)	(503,791)	(179,708)	458	(689,535)
Unearned revenue	-	-	(46,347)	(71,000)	(117,347)
Deposits payable	7,665	-	-	-	7,665
Accrued wages and benefits	3,568	2,598	-	-	6,166
Net pension liability	46,310	61,235	-	-	107,545
Deferred inflows pensions	(15,111)	(19,981)	-	-	(35,092)
<b>Total adjustments</b>	<b>39,949</b>	<b>(63,827)</b>	<b>(97,022)</b>	<b>300,868</b>	<b>179,968</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 801,729</b>	<b>\$ 263,816</b>	<b>\$ (78,425)</b>	<b>\$ 314,384</b>	<b>\$ 1,301,504</b>

See accompanying Notes to Basic Financial Statements.

**City of Guadalupe**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**June 30, 2017**

	<u>Private-Purpose Trust Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 854,521
Cash with fiscal agent	414,750
Accounts receivable	120,348
Loans receivable	4,899
Property held for resale	222,482
Capital assets, net of accumulated depreciation	<u>173,260</u>
<b>Total assets</b>	<u>1,790,260</u>
<b>LIABILITIES</b>	
Accounts payable	23,317
Interest payable	105,239
Unearned revenue	344,036
Long-term liabilities:	
Due within one year	168,524
Due after one year	<u>4,850,121</u>
<b>Total liabilities</b>	<u>5,491,237</u>
<b>NET POSITION</b>	
Held in trust for other governments	<u>\$ (3,700,977)</u>

**City of Guadalupe**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the year ended June 30, 2017**

	Private-Purpose Trust Fund
<b>ADDITIONS:</b>	
Property taxes	\$ 591,137
Revenue from other agencies	21,979
Other revenues	4,163
<b>Total additions</b>	<b>617,279</b>
<b>DEDUCTIONS:</b>	
Program expenses	1,091,410
Administration expenses	80,000
Interest on long-term liabilities	249,194
Depreciation	9,900
<b>Total Deductions</b>	<b>1,430,504</b>
<b>Change in net position</b>	<b>(813,225)</b>
<b>NET POSITION:</b>	
Beginning of year	(2,887,752)
End of year	<b>\$ (3,700,977)</b>

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# NOTES TO BASIC FINANCIAL STATEMENTS

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**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

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

Guadalupe Public Financing Authority

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

**A. Reporting Entity, Continued**

Other Governmental Agencies

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

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

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

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

**Government-Wide Financial Statements**

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

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

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

**Government-Wide Financial Statements, Continued**

period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

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

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

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

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

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

**Fund Financial Statements**

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

**Governmental Fund Financial Statements**

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

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



**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

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

**Governmental Fund Financial Statements, Continued**

related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

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

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

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

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

**Proprietary Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

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

Agency. The agency fund is used to account for funds held by the City for specified purpose that do not belong to the City. The fiduciary funds are accounted for on the accrual basis of accounting.

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

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

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

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

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

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

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

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

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

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

**D. Restricted Cash and Investments**

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

**E. Capital Assets**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The City’s policy is to capitalize all capital assets with costs exceeding \$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.

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

**F. Interest Payable**

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

In the Fund Financial Statements, proprietary fund types recognize the interest payable when the liability is incurred.

**G. Long-Term Debt**

Government-Wide Financial Statements – Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

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

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

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

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

**H. Property Taxes**

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

**H. Property Taxes, Continued**

Property taxes are billed and collected as follows:

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

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

In addition to assets, the statement of net position (balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

**J. Net Position**

**Government-Wide Financial Statements**

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

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

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

**J. Net Position, Continued**

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

**K. Fund Balances**

**Fund Financial Statements**

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

**Non-spendable Fund Balances**

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

**Restricted Fund Balances**

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

**Committed Fund Balances**

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

**Assigned Fund Balances**

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

**Unassigned Fund Balance**

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

***K. Fund Balances, Continued***

**Hierarchy of Expenditures to Classify Fund Balance Amounts**

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

***L. Compensated Leave Payable***

In compliance with GASB Statement No. 16, the City has established a liability for accrued sick leave and vacation in relevant funds. For governmental funds, the current liability appears in the respective funds. All vacation paid is accrued when incurred in the government-wide and proprietary funds financial statements. This liability is set up for 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.

***M. Pension***

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

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



**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

**N. Use of Estimates**

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

**O. New Pronouncements**

In 2017, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*– The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.
- GASB Statement No. 77, *Tax Abatement Disclosure*– This Statement addresses the financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time.
- GASB Statement No. 78, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*– The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

*O. New Pronouncements, Continued*

- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*
  
- GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73* - This Statement addresses certain issues that had been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in the 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 employers to satisfy employee (plan member) contribution requirements. The City updated covered employee payroll information in the required supplementary information as part of implementation of this accounting standard.

**2. CASH AND INVESTMENTS**

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**2. CASH AND INVESTMENTS, Continued**

The following is a summary of cash and investments at June 30, 2017:

	<u>Government-Wide Statement of Net Position</u>			<u>Fund Financials</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Fiduciary Funds</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Statement of</u>	
				<u>Net Position</u>	
Cash and investments	\$ 2,453,751	\$ 760,712	\$ 3,214,463	\$ 854,521	\$ 4,068,984
Cash overdraft	(309,623)	(356,400)	(666,023)	-	(666,023)
Total cash and Investments	2,144,128	404,312	2,548,440	854,521	3,402,961
Restricted cash and investments	-	-	-	415,750	415,750
<b>Total cash and Investments and restricted cash and investments</b>	<b>\$ 2,144,128</b>	<b>\$ 404,312</b>	<b>\$ 2,548,440</b>	<b>\$ 1,270,271</b>	<b>\$ 3,818,711</b>

**A. Summary of Cash and Investments**

Cash and investments as of June 30, 2017 consist of the following:

<b>Cash and investments:</b>	
Deposits	\$ 216,603
Petty cash	1,050
Local Agency Investment Fund (LAIF)	3,138,921
Common stock	46,387
<b>Total cash and investments</b>	<b>\$ 3,402,961</b>

**B. Deposits**

The carrying amount of the City's cash deposit was \$216,603 at June 30, 2017. Bank balances before reconciling items were a positive amount of \$893,071 at June 30, 2017. The City's cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

The California Government Code (Code) Section 53652 requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**2. CASH AND INVESTMENTS, Continued**

**B. Deposits, Continued**

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

**C. Investments**

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

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

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

Interest income	\$ 20,239
Unrealized gain in changes in fair value of investments	<u>16,623</u>
<b>Total investment income</b>	<b><u>\$ 36,862</u></b>

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**2. CASH AND INVESTMENTS, Continued**

*C. Investments, Continued*

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2017, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of June 30, 2017, the City had \$3,138,921 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.81% in the previous year. The LAIF fair value factor of 0.998940671 was used to calculate the fair value of the investments in LAIF.

*D. Risk Disclosures*

*Interest Risk:* Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City's portfolio not to exceed three years. Investments held in the City Treasury grouped by maturity date at June 30, 2017, are shown below:

Investment Type	Totals	Remaining Maturity (in Months)					
		12 Months Or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	49 to 60 Months	More Than 60 Months
State Pool	\$3,138,921	\$3,138,921	\$ -	\$ -	\$ -	\$ -	\$ -
Common stock	46,387	46,387	-	-	-	-	-
<b>Total</b>	<b>\$3,185,308</b>	<b>\$3,185,308</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**2. CASH AND INVESTMENTS, Continued**

*D. Risk Disclosures, Continued*

At June 30, 2017, the City's deposits and investments were rated as follows:

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	Rating as of Fiscal Year-End	
					Not Rated
State Pool	\$ 3,138,921	N/A	\$ -	\$	3,138,921
Common stock	46,387	N/A	-		46,387
Total	<u>\$ 3,185,308</u>		<u>\$ -</u>	<u>\$</u>	<u>3,185,308</u>

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

*E. Investment Valuation*

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

Investments' fair value measurements at June 30, 2017 are described below:

Investment Type	Amount	Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
Investments subject to leveling:				
Common stock	\$ 46,387	\$ 46,387	\$ -	\$ -
Total investments subject to leveling	<u>46,387</u>	<u>\$ 46,387</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not subject to leveling:				
State Pool	<u>3,138,921</u>			
Total investments	<u>\$ 3,185,308</u>			

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**3. INTERFUND TRANSACTIONS**

*A. Interfund Loans Receivable*

At June 30, 2017, the City had the following due to/from other funds:

Due From	Due To		
	Non- Major Governmental Funds	Water Fund	Total
General Fund	\$ 280,000	\$ 373,333	\$ 653,333
Non-Major Governmental Fund	68,333	-	68,333
Total	<u>\$ 348,333</u>	<u>\$ 373,333</u>	<u>\$ 721,666</u>

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, 2017, future minimum payments on the above loans were as follows:

	<u>General Fund</u>	<u>Library Fund</u>
2018	\$ 40,834	\$ 20,000
2019	52,500	20,000
2020	64,168	20,000
2021	75,834	8,333
2022	87,500	-
2023-2025	332,497	-
	<u>\$ 653,333</u>	<u>\$ 68,333</u>

*B. Transfers*

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**3. INTERFUND TRANSACTIONS, Continued**

**B. Transfers, Continued**

At June 30, 2017, the City had the following transfers in/out which arose in the normal course of operations.

Transfer Out	Transfer In			Total
	General Fund	Non-Major Governmental Funds	Solid Waste Fund	
Measure A Fund	\$ 30,500	\$ -	\$ 2,333	\$ 32,833
Gas Tax Fund	42,900	-	-	42,900
Non-Major Governmental Funds	21,550	14,200	-	35,750
Water Fund	281,900	-	-	281,900
Wastewater Treatment Fund	177,300	-	-	177,300
Transit Fund	35,000	-	-	35,000
<b>Total</b>	<b>\$ 589,150</b>	<b>\$ 14,200</b>	<b>\$ 2,333</b>	<b>\$ 605,683</b>

**4. LOANS AND NOTES RECEIVABLE**

The City has made various loans under Community Development Block Grants to qualified homeowners and businesses. Under the terms of the business loans, repayments are due in monthly installments through 2021. Under the terms of the homeowner agreements, repayments of the loans are only required upon the sale of the home. The outstanding balance of the loans receivable was \$25,509 at June 30, 2017.

At June 30, 2017, the aggregate maturities of the City's loans and notes receivable was as follows:

<u>For the Year Ending June 30,</u>	
2018	\$ 5,160
2019	5,160
2020	5,160
2021	10,029
<b>Total</b>	<b>\$ 25,509</b>



**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**5. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

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

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Non-depreciable assets:					
Land	\$ 343,131	\$ -	\$ -	\$ -	\$ 343,131
Construction in progress	-	-	-	-	-
Total non-depreciable assets	<u>343,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>343,131</u>
Depreciable assets:					
Buildings and improvements	5,244,508	-	-	-	5,244,508
Vehicles	1,103,905	83,876	-	-	1,187,781
Equipment	511,184	36,136	-	-	547,320
Infrastructure	6,998,887	-	-	-	6,998,887
Total depreciable assets	<u>13,858,484</u>	<u>120,012</u>	<u>-</u>	<u>-</u>	<u>13,978,496</u>
Less accumulated depreciation:					
Buildings and improvements	1,357,822	143,123	-	-	1,500,945
Vehicles	917,252	75,781	-	-	993,033
Equipment	477,908	22,930	-	-	500,838
Infrastructure	2,374,786	276,336	-	-	2,651,122
Total accumulated depreciation	<u>5,127,768</u>	<u>518,170</u>	<u>-</u>	<u>-</u>	<u>5,645,938</u>
Total depreciable assets, net	<u>8,730,716</u>	<u>(398,158)</u>	<u>-</u>	<u>-</u>	<u>8,332,558</u>
<b>Total capital assets</b>	<u>\$ 9,073,847</u>	<u>\$ (398,158)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,675,689</u>

Depreciation expense by program for capital assets for the year ended June 30, 2017 was as follows:

General government	\$ 31,260
Public safety	68,222
Transportation	25,082
Leisure, cultural & social services	32,310
Community development	<u>361,296</u>
<b>Total depreciation expense</b>	<u>\$ 518,170</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**5. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

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

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Non-depreciable assets:					
Land	\$ 248,425	\$ -	\$ -	\$ -	\$ 248,425
Construction in progress	48,176	364,042	-	-	412,218
Total non-depreciable assets	296,601	364,042	-	-	660,643
Depreciable assets:					
Buildings and improvements	9,769,022	100,349	-	-	9,869,371
Vehicles	1,509,260	172,453	-	-	1,681,713
Equipment	505,425	24,091	-	-	529,516
Infrastructure	6,998,888	-	-	-	6,998,888
Total depreciable assets	18,782,595	296,893	-	-	19,079,488
Less accumulated Depreciation:					
Buildings and improvements	6,845,773	607,718	-	-	7,453,491
Vehicles	811,004	138,007	-	-	949,011
Equipment	451,512	21,358	-	-	472,870
Infrastructure	1,830,948	-	-	-	1,830,948
Total accumulated depreciation	9,939,237	767,083	-	-	10,706,320
Total depreciable assets, net	8,843,358	(470,190)	-	-	8,373,168
Total capital assets	\$ 9,139,959	\$ (106,148)	\$ -	\$ -	\$ 9,033,811

Depreciation expense for the year ended June 30, 2017 was as follows:

Water	\$ 183,071
Waste Water	474,982
Transit	109,030
<b>Total depreciation expense</b>	<b>\$ 767,083</b>

**B. Governmental Fund Financial Statements**

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**6. LONG-TERM DEBT**

*A. Governmental Activities*

For the year ended June 30, 2017, governmental activities long-term liabilities activity was as follows:

	Balance			Balance	Due Within
	July 1, 2016	Additions	Deletions	June 30, 2017	One Year
Sewer bonds	\$ 47,000	\$ -	\$ (15,000)	\$ 32,000	\$ 16,000
Capital lease obligations	175,351	160,094	(73,392)	262,053	73,125
Insurance claims payable	170,431	51,044	(106,280)	115,195	49,034
Compensated absences	241,088	14,655	-	255,743	-
<b>Total capital assets</b>	<b>\$ 633,870</b>	<b>\$ 225,793</b>	<b>\$ (194,672)</b>	<b>\$ 664,991</b>	<b>\$ 138,159</b>

**Sewer Bonds**

Principal payments on the 1971 Sewer Bonds Series B and the 1978 Sewer Bonds are due on April 1st each year with interest due semi-annually at 5% per annum. The bonds mature in April 2019. These payments are made to the Farmers Home Administration, the purchaser of the bonds. At June 30, 2017, the principal balance outstanding was \$32,000.

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 16,000	\$ 850	\$ 16,850
2019	16,000	100	16,100
Total	<u>\$ 32,000</u>	<u>\$ 950</u>	<u>\$ 32,950</u>

**Capital Lease Obligations**

The City leases vehicles and equipment under capital leases that expire through January 2021. At June 30, 2017, future minimum payments for governmental capital lease obligations were as follows:

Year Ending June 30,	Amount
2018	73,125
2019	73,125
2020	73,125
2021	37,978
2022	4,700
Present value of minimum lease payments	262,053
Less current portion	<u>(73,125)</u>
Long-term principal obligations	<u>\$ 188,928</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

*A. Governmental Activities, Continued*

**Capital Lease Obligation, Continued**

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

*B. Business-Type Activities*

For the year ended June 30, 2017, business-type activities long-term liabilities activity was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Certificates of participation	\$ 2,086,349	\$ -	\$ (57,492)	\$ 2,028,857	\$ 60,792
Capital lease obligations	77,766	131,348	(40,743)	168,371	44,368
Insurance claims payable	103,966	-	(14,364)	89,602	21,014
Total	<u>\$ 2,268,081</u>	<u>\$ 131,348</u>	<u>\$ (112,599)</u>	<u>\$ 2,286,830</u>	<u>\$ 126,174</u>

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

On December 21, 2000, the City issued certificates of participation through the Guadalupe Financing Authority which were purchased by the US Department of Agriculture (USDA) Rural Utilities Service (RUS), amounting to \$1,429,800, in an agreement which included a grant of \$875,200 for water and sewer line replacement. Under the terms of the agreement, the City has pledged tax increment revenues for the payment of debt service. Where tax increment revenues are no longer available for the payment of debt service, the City has pledged net water revenues for the payment of debt service. The certificates of participation bear interest at 4.5% per annum, with principal and interest payments due semiannually through August 1, 2041. At June 30, 2017, the principal balance outstanding was \$1,101,800.

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

Year Ending June 30,	Principal	Interest	Total
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	32,000	44,734	76,734
2023-2027	187,000	199,910	386,910
2028-2032	235,000	152,702	387,702
2033-2037	292,000	93,596	385,596
2038-2042	238,800	22,930	261,730
Total	<u>\$ 1,101,800</u>	<u>\$ 706,479</u>	<u>\$ 1,808,279</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

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

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

On July 27, 2005, the City issued certificates of participation which were purchased by the US Department of Agriculture (USDA) Rural Utilities Service (RUS), amounting to \$1,203,900, in an agreement which included a grant for water tank construction and upgrades. Under the terms of the agreement, the City has pledged tax increment revenues for the payment of debt service. Where tax increment revenues are no longer available for the payment of debt service, the City has pledged net water revenues for the payment of debt service. 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, 2017, the principal balance outstanding was \$927,057.

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

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

Year Ending June 30,	Principal	Interest	Total
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	38,546	32,750	71,296
2023-2027	217,936	138,066	356,002
2028-2032	266,700	88,319	355,019
2033-2037	264,367	27,430	291,797
Total	<u>\$ 927,057</u>	<u>\$ 432,525</u>	<u>\$ 1,359,582</u>

**Capital Lease Obligations**

The City leases vehicles and equipment under capital leases that expire through January 2021. At June 30, 2017, future minimum payments for business-type capital lease obligations were as follows:

For the Year Ending June 30,	Amount
2018	44,368
2019	44,368
2020	44,368
2021	33,926
2022	1,341
Present value of minimum lease payments	168,371
Less current portion	<u>(44,368)</u>
Long-term principal obligations	<u>\$ 124,003</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**7. JOINT EXERCISE OF POWERS AGREEMENT**

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 \$796,095 for the year ended June 30, 2017. The City's allocation of CCWA's operating expenses for the year ended June 30, 2017 was \$149,080.

**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.**

**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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**7. JOINT EXERCISE OF POWERS AGREEMENT, Continued**

**California Joint Powers Insurance Authority, Continued**

*Self-Insurance Program of CJPIA, Continued*

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

*Liability:*

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

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

*Workers' Compensation:*

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**7. JOINT EXERCISE OF POWERS AGREEMENT, Continued**

**California Joint Powers Insurance Authority, Continued**

Workers' Compensation, Continued:

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

Purchased Insurance under CJPIA:

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

Adequacy of Protection under CJPIA:

During the past three fiscal years, the above programs of protection have had no settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in 2016-17.

Insurance Claim Payable:

The Authority has assessed a retrospective claims liability balance to pool members. The City's share of the liability is \$204,797 at June 30, 2017. The long term liability applicable to governmental type and business-type activities have been allocated accordingly.

At June 30, 2017, the aggregate future maturities of the insurance claim payable were as follows:

For the Year			
Ending June 30,	Governmental	Business-Type	Total
2018	\$ 49,034	\$ 21,014	\$ 70,048
2019	50,057	21,453	71,510
2020	16,104	14,682	30,786
2021	-	14,986	14,986
2022	-	17,467	17,467
Thereafter	-	-	-
Total	\$ 115,195	\$ 89,602	\$ 204,797

**8. EMPLOYEE RETIREMENT PLANS**

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public



**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**8. EMPLOYEE RETIREMENT PLANS, Continued**

Plan Descriptions, Continued

Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>PEPRA Miscellaneous</u>	<u>PEPRA Safety</u>
Hire date	Prior to Jan 1, 2013	Prior to Jan 1, 2013	Prior to Jan 1, 2013	Prior to Jan 1, 2013
Benefit formula	2.0% @55	2.0% @55	2.0% @62	2.0% @57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	55	62	57
Monthly benefits, as a % of eligible compensation	2%	2%	2%	2%
Required employee contribution rates	6.891%	6.904%	6.250%	9.500%
Required employer contribution rates	8.880%	12.050%	6.555%	9.418%
Unfunded liability payment	\$ 66,318	\$ 29,094	\$ 95	\$ 64

**Contributions** - Section 20814(C) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**8. EMPLOYEE RETIREMENT PLANS, Continued**

Benefits Provided, Continued

Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City's contributions to the Plan for the measurement period ended June 30, 2017 were \$305,064.

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

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$2,586,229.

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportionate of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available. The City's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 were as follows:

Proportion - June 30, 2015	0.02666%
Proportion - June 30, 2016	<u>0.02989%</u>
Change - Increase (Decrease)	0.00323%

For the year ended June 30, 2017, the City recognized pension expense of \$319,748.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 305,064	\$ -
Changes of assumptions	-	85,507
Differences between expected and actual experience	-	5,359
Changes in employer's proportion	81,387	212,588
Differences between the employer's contribution and the employer's proportionate share of contributions	3,678	61,002
Net differences between projected and actual earnings on plan investments	<u>433,469</u>	<u>-</u>
Total	<u>\$ 823,598</u>	<u>\$ 364,456</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**8. EMPLOYEE RETIREMENT PLANS, Continued**

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

\$305,064 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period	
<u>Ending June 30,</u>	
2017	\$ (113,477)
2018	(63,233)
2019	218,256
2020	112,532

*Actuarial Assumptions* - The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	(1) 7.50%
Mortality	Derived by CalPERS membership data for all funds

(1) Net of pension plan administrative expenses.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

*Discount Rate* - The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**8. EMPLOYEE RETIREMENT PLANS, Continued**

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

applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**8. EMPLOYEE RETIREMENT PLANS, Continued**

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

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

1% Decrease	6.65%
Net Pension Liability	\$ 4,229,264
Current Discount	7.65%
Net Pension Liability	\$ 2,856,229
1% Increase	8.65%
Net Pension Liability	\$ 1,232,394

*Pension Plan Fiduciary Net Position* - Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2017 the City reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**9. 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 2017. 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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

*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 - was \$39,649. For the fiscal year -, the City contributed \$3,804 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	\$ 39,649
Interest on net OPEB obligation	9,988
Adjustment to annual required contributions	<u>(14,441)</u>
Annual OPEB cost	35,196
Contributions made	<u>(3,804)</u>
Change in net OPEB obligation	31,392
Net OPEB obligation - beginning of year	<u>249,709</u>
Net OPEB obligation - end of year	<u>\$ 281,101</u>

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:

Year Ending June 30,	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 50,086	\$ 5,784	11.5%	\$ 205,268
2016	50,381	5,940	11.8%	249,709
2017	35,196	3,804	10.8%	281,101

*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)	\$ 360,846
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAL)	360,846
Funded ratio (actuarial value of plan)	0.00%
Covered payroll (active plan members)	\$ 2,267,277
UAAL as a percentage of covered payroll	15.92%

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

*Funding Status and Funding Progress, Continued*

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.

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, 2017 was 27 years.

**10. CONTINGENCIES AND COMMITMENTS**

**A. Litigation**

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

**B. Grant Commitments**

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**11. SUCCESSOR AGENCY TRUST FOR ASSETS OF  
FORMER REDVELOPMENT AGENCY**

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

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

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

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

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

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.



**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

**A. Cash and Investments**

The City maintained investments with the State of California Local Agency Investment Fund (LAIF) for all City activities, including the Trust Fund. The Trust had \$854,521 in cash and investments as of June 30, 2017, 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.

**B. Cash with Fiscal Agent**

The Trust Fund had \$414,750 in cash and investments as of June 30, 2017, held by fiscal agents pledged for the payment or security of certain bonds. The California Government code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the Trust’s general investment policy. In no instance have additional types of investments, not permitted by the Trust’s general investment policy, been authorized.

**C. 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 was transferred. The balance on the loan was \$450,000 at the time of transfer.

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 \$4,899 at June 30, 2017.

**D. Property Held for Resale**

At June 30, 2017, the carrying value of property held for resale was as follows:

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

**F. Capital Assets**

For the year ended June 30, 2017, capital assets activity was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Transfers/ Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets being depreciated				
Infrastructure	\$ 201,197	\$ -	\$ -	\$ 201,197
Structures and improvements	83,333	-	-	83,333
Less accumulated depreciation	<u>(101,370)</u>	<u>(9,900)</u>	<u>-</u>	<u>(111,270)</u>
Net capital assets	<u>\$ 183,160</u>	<u>\$ (9,900)</u>	<u>\$ -</u>	<u>\$ 173,260</u>

**G. Long-Term Liabilities**

For the year ended June 30, 2017, long-term liabilities activity was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due within</u> <u>One Year</u>
Note payable	\$ 17,104	\$ -	\$ (3,459)	\$ 13,645	\$ 3,524
Tax allocation bonds	<u>5,160,000</u>		<u>(155,000)</u>	<u>5,005,000</u>	<u>165,000</u>
Total	<u>\$ 5,177,104</u>	<u>\$ -</u>	<u>\$ (158,459)</u>	<u>\$ 5,018,645</u>	<u>\$ 168,524</u>

**Note Payable**

The Trust Fund had a note payable to a private party related to the purchase of property currently held for resale. Principal and interest payments on the note payable are due on the 16th of each month and the note matures in 2021. Interest accrues at 9.0% per annum. At June 30, 2017, the principal balance outstanding was \$13,645.

At June 30, 2017, the aggregate maturities of the note payable were as follows:

<u>For the Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,524	\$ 1,637	\$ 5,161
2019	3,854	1,335	5,189
2020	4,215	1,004	5,219
2021	<u>2,052</u>	<u>892</u>	<u>2,944</u>
Total	<u>\$ 13,645</u>	<u>\$ 4,868</u>	<u>\$ 18,513</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

*G. Long-Term Liabilities, Continued*

**Tax Allocation Bonds**

On April 3, 2003, the former redevelopment agency issued \$6,455,000 of tax allocation bonds for a 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, 2017, the principal balance outstanding was \$5,005,000.

For the year ended June 30, 2017, 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>
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	195,000	215,891	410,891
2022-2027	1,150,000	913,273	2,063,273
2028-2032	1,480,000	578,353	2,058,353
2033-2037	1,485,000	551,439	2,036,439
Total	<u>\$ 5,005,000</u>	<u>\$ 3,211,530</u>	<u>\$ 6,158,065</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 June 30, 2016, the former Agency expended a total of \$556,269 towards the cleanup costs. Cleanup costs incurred and paid for the 2016/17 SFY, but which the City has not yet been reimbursed for by the State, total \$21,979. Due to changes in processing claims at the State, reimbursement of these costs to the City is expected by the end of June 2018. Payments for tasks performed are due within six months of invoice date or upon receipt of USTCF claim reimbursement.

Tasks in 2016/17 included: 1) preparation of a Pilot Test report for submittal to the County; 2) preparation and uploading of a reimbursement request package #9 to the State USTCF for

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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

*G. Long-Term Liabilities, Continued*

**Pollution Remediation, Continued**

reimbursement; 3) initial permitting and implementation of soil vapor extraction (SVE) activities at the site as directed by the County; and 4) preparation and submittal of a Project Execution Plan (PEP) to the State at the direction of the County

In January 2017, the LOP directed that soil vapor extraction (SVE) activities be employed at the site for a period of approximately 12 months. Between January 10, 2017 and June 30, 2017, DMI-EMK initiated these SVE activities, coordinating the field activities and obtaining associated permits required before field activities can be implemented.. DMI-EMK Environmental currently anticipate that the field work can be implemented around the middle of September 2017. As noted above, these field activities are expected to run for 12 months - until approximately September 2018. DMI-EMK estimates that, once closure is granted by the County, it will take approximately 6 more months after that before a final closure letter can be obtained for the site. As such, it is anticipated that the soonest a final closure letter can be obtained for this site is approximately March 2019.

Estimated future costs beyond June 30, 2017 are anticipated to be approximately \$423,500: approximately \$255,500 during the 2017-18 fiscal year; and, approximately 168,000 - assuming the site is found to meet the low-threat closure criteria after 12 months of active remediation.

Based on the above, the total estimated costs for cleanup activities (approximately \$1,000,000) is expected to fall well 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.

**12. OPERATING LEASES**

The City leases equipment under operating leases with lease terms in excess of one year. The agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors but it is unlikely that the City will cancel the agreements prior to the expiration date. Rent expense under operating leases was \$39,682 for the year ended June 30, 2017.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**12. OPERATING LEASES, Continued**

At June 30, 2017, future minimum lease payments under these operating leases were as follows:

<u>For the Year</u> <u>Ending June 30,</u>	
2018	\$ 11,294
2019	11,294
2020	11,294
2021	<u>5,800</u>
Total	<u>\$ 39,682</u>

**13. DEFICIT FUND BALANCES/NET POSITION**

*Major Funds*

A deficit net position of \$684,624 exists for the General Fund. The difference is due to the past years of operating deficits.

A deficit net position of \$68,587 exists for the Solid Waste Fund. Over the years the difference is due to the City not always increasing customer rates to cover increases by the Waste Hauler, discrepancies between the waste hauler’s customer data base and the City’s customer data base and prior year loans to cover negative balances in the Solid Waste Fund.

A deficit net position of \$65,800 exists for the Library Fund. The difference is due to the loan between the Library and the Capital Facilities Fund to support the annual rent payment for the library.

**14. GOING CONCERN**

The City continues to suffer from a significant deficit fund balance in General Fund and the Wastewater Treatment Fund. In addition, the General Fund and Wastewater Treatment Fund have a significant cash overdraft balance which represents borrowing from other funds. Those borrowings are in addition to the interfund loans payable recorded in the General Fund. There are serious doubts about the General Fund ability to repay the intefund loans payable and the cover the cash overdraft balance without having a significant impact on the City’s operation. Below is how management intends to address those issues:

The City will continue to analyze cost cutting measures as well as pursue options for sustainable revenues. The City has also performed a five year projection to provide a guideline for current and future decisions for the general fund.

Permit revenues from the Pasadera development have increased 880% from FY 14-15 (\$29,655) to FY16-17 (\$290,577). There were five homes permitted in FY 14-15, sixteen homes permitted in FY15-16 and fifty homes

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**14. GOING CONCERN** Continued

permitted in FY 16-17. In the long term, after approximately 420 homes are built, the commercial portion of the development will commence. The City expects an increase in sales tax revenues once this occurs. The City also expects an increase in property tax revenues during buildout which will be a period of approximately five to seven years. These increases will gradually bring the general fund to a positive fund balance.

The negative fund balance in the wastewater fund was addressed in FY 2016 per ordinance 2016-442 after a Prop 218 process. The ordinance increased wastewater rates 30% over a three year period starting June 1, 2016 with the last increase on January 1, 2018. Thereafter increases will continue every January 1 as a CPI adjustment only. The City will also see increased revenues for wastewater due to the Pasadera development.

The negative fund balance in the solid waste fund was addressed in FY 2015 per ordinance 2015-430 after a Prop 218 process. The negative balance has decreased 21% from June of 2014 (87,222) to June of 2017 (68,587). There are no longer costs associated with this fund as the waste haulers took over the billing in August of 2016. The City expects the fund to be made whole by July of 2018.

An ongoing focus for the City is to remain perseverant in obtaining sustainable revenues and continue to diligently control costs in the general fund and enterprise funds.

**15. SUB SEQUENT EVENTS**

On November 1, 2017 the Successor Agency to the Guadalupe Community Redevelopment Agency Issued the Tax Allocation Refunding Bonds, Series 2017.

The Bonds are being issued to (i) refund, the Guadalupe Redevelopment Agency Guadalupe Redevelopment Project Tax Allocation Refunding Bonds, Series 2003; (ii) pay the premium for a surety for the Reserve Fund for the Bonds; (iii) pay the premium for a municipal bond insurance policy for the Bonds; and (iv) pay costs of issuance of the Bonds.

Principal on the Bonds is due annually on August 1 of each year, commencing August 1, 2018, and interest on the Bonds is due semiannually on February 1 and August 1 of each year, commencing February 1, 2018.

The bond are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, from pledged Tax Revenues, and other funds as provided in the Indenture.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**City of Guadalupe**  
**Required Supplementary Information**  
**For the year ended June 30, 2017**

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**1. BUDGETS AND BUDGETARY ACCOUNTING**

*A. Budgetary Control and Budgetary Accounting*

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



**City of Guadalupe**  
**Budgetary Comparison Schedule - General Fund**  
**For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 2,059,000	\$ 2,059,000	\$ 1,999,232	\$ (59,768)
Licenses and permits	648,000	648,000	692,805	44,805
Fines and penalties	18,300	18,300	23,365	5,065
Revenues from other agencies	249,700	249,700	275,834	26,134
Charges for current services	53,500	53,500	58,344	4,844
Interest	76,000	76,000	97,929	21,929
Other revenues	214,000	214,000	157,515	(56,485)
<b>Total revenues</b>	<b>3,318,500</b>	<b>3,318,500</b>	<b>3,305,024</b>	<b>(13,476)</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,032,411	1,032,411	1,099,220	(66,809)
Public Safety	2,273,342	2,273,342	2,225,456	47,886
Leisure, cultural and social services	516,360	516,360	105,144	411,216
Community development	-	-	313,213	(313,213)
Capital outlay	42,000	42,000	197,884	(155,884)
Debt service:				
Principal	55,850	55,850	51,873	3,977
Interest and fiscal charges	-	-	6,675	(6,675)
<b>Total expenditures</b>	<b>3,919,963</b>	<b>3,919,963</b>	<b>3,999,465</b>	<b>(79,502)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(601,463)</b>	<b>(601,463)</b>	<b>(694,441)</b>	<b>(92,978)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	601,900	601,900	589,150	(12,750)
Proceeds from capital leases	-	-	160,094	160,094
<b>Total other financing sources (uses)</b>	<b>601,900</b>	<b>601,900</b>	<b>749,244</b>	<b>147,344</b>
<b>Net change in fund balances</b>	<b>437</b>	<b>437</b>	<b>54,803</b>	<b>54,366</b>
<b>FUND BALANCES:</b>				
Beginning of year	(739,427)	(739,427)	(739,427)	-
End of year	\$ (738,990)	\$ (738,990)	\$ (684,624)	\$ 54,366

**City of Guadalupe**  
**Budgetary Comparison Schedule - Measure A Fund**  
**For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 453,000	\$ 453,000	\$ 462,594	\$ 9,594
Interest	200	200	3,075	2,875
<b>Total revenues</b>	<b>453,200</b>	<b>453,200</b>	<b>465,669</b>	<b>12,469</b>
<b>EXPENDITURES:</b>				
Current:				
Transportation	640,633	640,633	376,866	263,767
<b>Total expenditures</b>	<b>640,633</b>	<b>640,633</b>	<b>376,866</b>	<b>263,767</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(187,433)</b>	<b>(187,433)</b>	<b>88,803</b>	<b>276,236</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(58,496)	(58,496)	(32,833)	25,663
<b>Total other financing sources (uses)</b>	<b>(58,496)</b>	<b>(58,496)</b>	<b>(32,833)</b>	<b>25,663</b>
<b>Net change in fund balances</b>	<b>(245,929)</b>	<b>(245,929)</b>	<b>55,970</b>	<b>301,899</b>
<b>FUND BALANCES:</b>				
Beginning of year	963,233	963,233	963,233	-
End of year	\$ 717,304	\$ 717,304	\$ 1,019,203	\$ 301,899

**City of Guadalupe**  
**Budgetary Comparison Schedule - Gas Tax Fund**  
**For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 153,728	\$ 153,728	\$ 137,862	\$ (15,866)
Revenues from other agencies	30,000	30,000	107,019	77,019
Interest	122	122	1,879	1,757
Other revenues	-	-	100	100
<b>Total revenues</b>	<b>183,850</b>	<b>183,850</b>	<b>246,860</b>	<b>63,010</b>
<b>EXPENDITURES:</b>				
Current:				
Transportation	90,000	90,000	63,095	26,905
Capital outlay	530,000	530,000	65,460	464,540
Debt service:				
Principal	26,000	26,000	21,519	4,481
<b>Total expenditures</b>	<b>646,000</b>	<b>646,000</b>	<b>150,074</b>	<b>495,926</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(462,150)</b>	<b>(462,150)</b>	<b>96,786</b>	<b>558,936</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(42,900)	(42,900)	(42,900)	-
<b>Total other financing sources (uses)</b>	<b>(42,900)</b>	<b>(42,900)</b>	<b>(42,900)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(505,050)</b>	<b>(505,050)</b>	<b>53,886</b>	<b>558,936</b>
<b>FUND BALANCES:</b>				
Beginning of year	645,792	645,792	645,792	-
End of year	\$ 140,742	\$ 140,742	\$ 699,678	\$ 558,936

**City of Guadalupe**  
**Required Supplementary Information**  
**For the year ended June 30, 2017**

**2. DEFINED BENEFIT PENSION PLANS**

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

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

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

*B. Schedule of Plan Contributions*

	<u>Fiscal Year</u> <u>2016-17</u>	<u>Fiscal Year</u> <u>2015-16</u>	<u>Fiscal Year</u> <u>2014-15</u>
Actuarially determined contribution	\$ 305,064	\$ 251,172	\$ 211,025
Contribution in relation to the actuarially determined contributions	<u>(305,064)</u>	<u>(251,172)</u>	<u>(211,025)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,925,534	\$ 1,572,208	\$ 1,479,094
Contributions as a percentage of covered payroll	15.84%	15.98%	14.27%

(1) Historical information is required only for measurement periods for which GASB is applicable

**City of Guadalupe**  
**Required Supplementary Information**  
**For the year ended June 30, 2017**

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**3. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

*Schedule of Funding Progress*

A schedule of funding progress for the past two actuarial valuation is presented below.

Actuarial Valuation Date *	Actuarial Asset Value	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll **	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2016	\$ -	\$ 268,068	\$ 268,068	0.00%	\$ 1,853,700	14.46%
6/30/2017	\$ -	\$ 367,341	\$ 367,341	0.00%	\$ 2,267,277	16.20%

\* Based on the most recent actuarial valuation available

\*\* Annual payroll of active employees covered by the plan

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# SUPPLEMENTARY INFORMATION

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**City of Guadalupe**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**June 30, 2017**

	Special Revenue					
	Local Transportation	Library	Public Facilities	Park Development	Guadalupe Lighting and Assessment	Public Safety
<b>ASSETS</b>						
Cash and investments	\$ 171,125	\$ -	\$ 4,601	\$ 1,256	\$ 156,675	\$ 245,233
Accounts receivable	1,162	-	9	2	229	19,720
Prepaid items	-	5,000	-	-	1,500	845
Interfund loans receivable	-	-	-	-	280,000	-
Loans receivable	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 172,287</b>	<b>\$ 5,000</b>	<b>\$ 4,610</b>	<b>\$ 1,258</b>	<b>\$ 438,404</b>	<b>\$ 265,798</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	-	-	-	-	5,731	539
Cash overdraft	-	2,467	-	-	-	-
Accrued wages and benefits	-	-	-	-	-	362
Interfund loans payable	-	68,333	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>70,800</b>	<b>-</b>	<b>-</b>	<b>5,731</b>	<b>901</b>
<b>Fund Balances:</b>						
Nonspendable:						
Prepaid items	-	5,000	-	-	1,500	845
Restricted for:						
Street maintenance	172,287	-	-	-	-	-
Other capital projects	-	-	-	1,258	-	-
Community development	-	-	-	-	-	-
Public safety	-	-	-	-	-	264,052
Utility infrastructure	-	-	4,610	-	-	-
Debt service	-	-	-	-	-	-
Committed to:						
Lighting and landscape	-	-	-	-	431,173	-
Assigned to:						
Capital projects	-	-	-	-	-	-
Unassigned	-	(70,800)	-	-	-	-
<b>Total fund balances</b>	<b>172,287</b>	<b>(65,800)</b>	<b>4,610</b>	<b>1,258</b>	<b>432,673</b>	<b>264,897</b>
<b>Total liabilities and fund balances</b>	<b>\$ 172,287</b>	<b>\$ 5,000</b>	<b>\$ 4,610</b>	<b>\$ 1,258</b>	<b>\$ 438,404</b>	<b>\$ 265,798</b>



Special Revenue		Capital Projects			Total Other	
Community Development	Capital Facilities	City Hall	Traffic Mitigation	Sewer Bond Debt Service	Governmental Funds	
\$ 143,632	\$ 159,217	\$ 3,043	\$ 11,907	\$ 22,532		919,221
275	343	6	22	81		21,849
-	-	-	-	-		7,345
-	68,333	-	-	-		348,333
25,509	-	-	-	-		25,509
<u>\$ 169,416</u>	<u>\$ 227,893</u>	<u>\$ 3,049</u>	<u>\$ 11,929</u>	<u>\$ 22,613</u>		<u>\$ 1,322,257</u>
-	-	-	-	-		6,270
-	-	-	-	-		2,467
-	-	-	-	-		362
-	-	-	-	-		68,333
-	-	-	-	-		77,432
-	-	-	-	-		7,345
-	-	-	-	-		172,287
-	227,893	3,049	-	-		232,200
169,416	-	-	-	-		169,416
-	-	-	-	-		264,052
-	-	-	-	-		4,610
-	-	-	-	22,613		22,613
-	-	-	-	-		431,173
-	-	-	11,929	-		11,929
-	-	-	-	-		(70,800)
<u>169,416</u>	<u>227,893</u>	<u>3,049</u>	<u>11,929</u>	<u>22,613</u>		<u>1,244,825</u>
<u>\$ 169,416</u>	<u>\$ 227,893</u>	<u>\$ 3,049</u>	<u>\$ 11,929</u>	<u>\$ 22,613</u>		<u>\$ 1,322,257</u>

# City of Guadalupe

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Other Governmental Funds

For the year ended June 30, 2017

	Special Revenue					
	Local Transportation	Library	Public Facilities	Park Development	Guadalupe Lighting and Assessment	Public Safety
<b>REVENUES:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 118,664	\$ -
Licenses and permits	-	-	-	-	-	-
Revenues from other agencies	5,654	-	-	-	-	141,288
Charges for current services	-	-	327	300	-	32,855
Interest	555	-	16	3	3,239	731
Other revenues	-	-	-	-	-	700
<b>Total revenues</b>	<b>6,209</b>	<b>-</b>	<b>343</b>	<b>303</b>	<b>121,903</b>	<b>175,574</b>
<b>EXPENDITURES:</b>						
Current:						
Public Safety	-	-	-	-	-	28,581
Leisure, culture and social services	-	20,000	-	-	-	-
Community development	-	-	-	-	63,049	-
Capital outlay	-	-	-	-	-	16,657
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>63,049</b>	<b>45,238</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,209</b>	<b>(20,000)</b>	<b>343</b>	<b>303</b>	<b>58,854</b>	<b>130,336</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	14,200	-	-	-	-
Transfers out	(8,600)	-	-	-	(10,700)	-
<b>Total other financing sources (uses)</b>	<b>(8,600)</b>	<b>14,200</b>	<b>-</b>	<b>-</b>	<b>(10,700)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(2,391)</b>	<b>(5,800)</b>	<b>343</b>	<b>303</b>	<b>48,154</b>	<b>130,336</b>
<b>FUND BALANCES:</b>						
Beginning of year	174,678	(60,000)	4,267	955	384,519	134,561
End of year	\$ 172,287	\$ (65,800)	\$ 4,610	\$ 1,258	\$ 432,673	\$ 264,897

Special Revenue		Capital Projects				Total Other
Community Development	Capital Facilities	City Hall	Traffic Mitigation	Sewer Bond Debt Service		Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 18,176	\$	136,840
-	-	1,360	5,321	-		6,681
-	-	-	-	-		146,942
-	-	-	-	-		33,482
511	589	9	34	124		5,811
-	-	-	-	-		700
<u>511</u>	<u>589</u>	<u>1,369</u>	<u>5,355</u>	<u>18,300</u>		<u>330,456</u>
-	-	-	-	-		28,581
-	-	-	-	-		20,000
6,948	-	-	-	-		69,997
-	-	-	-	-		16,657
-	-	-	-	15,000		15,000
-	-	-	-	2,350		2,350
<u>6,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,350</u>		<u>152,585</u>
<u>(6,437)</u>	<u>589</u>	<u>1,369</u>	<u>5,355</u>	<u>950</u>		<u>177,871</u>
-	-	-	-	-		14,200
(2,250)	(14,200)	-	-	-		(35,750)
<u>(2,250)</u>	<u>(14,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(21,550)</u>
(8,687)	(13,611)	1,369	5,355	950		156,321
<u>178,103</u>	<u>241,504</u>	<u>1,680</u>	<u>6,574</u>	<u>21,663</u>		<u>1,088,504</u>
<u>\$ 169,416</u>	<u>\$ 227,893</u>	<u>\$ 3,049</u>	<u>\$ 11,929</u>	<u>\$ 22,613</u>	<u>\$</u>	<u>1,244,825</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guadalupe, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2018.

**Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2017-001 and 2017-002 in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as items 2017-003 to 2017-006 in the accompanying schedule of findings and responses to be significant deficiencies

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

### **Compliance and Other Matters**

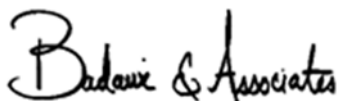
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

### **City's Response to Findings**

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

### **Purpose of this Report**

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



Badawi & Associates, CPAs  
Oakland, California  
June 29, 2018

**City of Guadalupe**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2017**

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**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2017-001 - Deficit Fund Balance In The General Fund, Wastewater Treatment Fund And The Solid Waste Fund And The Ability Of The City To Continue As A Going Concern (Material Weakness)**

**Criteria:**

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

**Condition:**

The General Fund had a negative fund balance as of June 30, 2017. The General Fund finished the year with a deficit of \$(684,624) compared to a negative fund balance of \$(739,427) in the prior fiscal year. Overall, the funds liabilities exceeded assets, and the fund had a negative cash balance of \$307,156 that is included as cash overdraft on the balance sheet. The amount of cash overdraft are considered to be borrowings from other funds and eventually will need to be repaid. Additionally, as of June 30, 2017 the General Fund owed internally to the Lighting and Assessment Fund and to the Water Fund in the amounts of \$280,000 and \$373,333, respectively. These interfund loans were made so that the General Fund could sustain its basic operations. Finally, there is a court judgment against the City for approximately \$450,000. The City intend on appealing this judgement, however, if the City is not successful in the appeal, the General fund will most likely have to pay the \$450,000 judgment which it does not have the ability to do so.

The Wastewater Treatment Fund had a negative unrestricted net position of \$(347,867) as of June 30, 2017. In addition, the fund had cash overdraft of \$280,308 as of June 30, 2017. The amount of cash overdraft represents borrowings from other funds that will need to be eventually repaid.

The Solid Waste Fund had a negative fund balance of \$(68,587) as of June 30, 2017. In addition, the fund had cash overdraft of \$76,092 as of June 30, 2017. The amount of cash overdraft represents borrowings from other funds that will need to be eventually repaid.

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 16.

**Cause:**

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

**Effect:**

Deficiency in fund balances 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, the cash overdraft as well as provide the necessary revenues and financing for continued operations of the City..

**City of Guadalupe**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2017**

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**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 and other funds to recoup the deficit fund balance, the cash overdraft balance as well as provide continued financing for City operations.

**Management Response:**

The City will continue to analyze cost cutting measures as well as pursue options for sustainable revenues. The City has also performed a five year projection to provide a guideline for current and future decisions for the general fund.

Permit revenues from the Pasadera development have increased 880% from FY 14-15 (\$29,655) to FY 16-17 (\$290,577). There were five homes permitted in FY 14-15, sixteen homes permitted in FY15-16 and fifty homes permitted in FY 16-17. In the long term, after approximately 420 homes are built, the commercial portion of the development will commence. The City expects an increase in sales tax revenues once this occurs. The City also expects an increase in property tax revenues during buildout which will be a period of approximately five to seven years. These increases will gradually bring the general fund to a positive fund balance.

The negative fund balance in the wastewater fund was addressed in FY 2016 per ordinance 2016-442 after a Prop 218 process. The ordinance increased wastewater rates 30% over a three year period starting June 1, 2016 with the last increase on January 1, 2018. Thereafter increases will continue every January 1 as a CPI adjustment only. The City will also see increased revenues for wastewater due to the Pasadera development. The negative balance has decreased 3% from June 2016 (1,530,565) to June 2017 (1,486,616).

The negative fund balance in the solid waste fund was addressed in FY 2015 per ordinance 2015-430 after a Prop 218 process. The negative balance has decreased 21% from June of 2014 (87,222) to June of 2017 (68,589). There are no longer costs associated with this fund as the waste haulers took over the billing in August of 2016. The City expects the fund to be made whole by July of 2018.

An ongoing focus for the City is to remain perseverant in obtaining sustainable revenues and continue to diligently control costs in the general fund and enterprise funds.

**2017-002 - Cash Overdraft And Potential Non-Compliance With Laws And Regulations (Material Weakness)**

**Criteria:**

Restricted resources such as Gas Tax and Measure A are to be used only for their legally intended purpose. Any borrowings by other funds from these restricted resources are usually not allowed unless it is very short term in nature and if it does occur, it should be recognized by the City and a repayment plan should be put in place.



**City of Guadalupe**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2017**

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**Condition:**

During our audit we noted that the following funds had the following cash overdraft balance as of June 30, 2017:

- General Fund - \$307,156
- Library Fund - \$2,467
- Wastewater Treatment Fund - \$280,308
- Solid Waste Fund - \$76,092

The amount of cash overdraft represents borrowings from other funds. It is unclear which funds have loaned the above mentioned funds the amounts listed above. However, by analyzing the various City funds, it appears that the funds with the most cash balances where most likely the loans came from are the Measure A and Gas Tax funds. Those funds are legally restricted and the use of those funds for purposes other than the legally intended purpose is not allowed. Giving the financial condition of the funds listed above, there is substantial doubt about the ability of the funds listed above to repay the amounts borrowed from the legally restricted funds.

**Cause:**

The City have overspend in the funds listed above and covered that overspending by using funds that are legally restricted and not intended to be used to subsidize the General Fund, the Wastewater Treatment Fund and the Solid Waste Fund.

**Effect:**

The amount of cash overdraft represents additional borrowings for the funds listed above that will need to be repaid based on a repayment plan. This will add to the challenges already faced by the funds listed above

**Recommendation:**

We recommend that the City analyze its funds to determine which funds loaned the above mentioned funds the amounts listed above. We recommend that the City Council approve a repayment plan to ensure all restricted resources are paid back to the funds it belongs to.

**Management Response:**

The City will analyze the general fund to determine which funds loaned monies to the general fund. The City will then present a repayment schedule to Council for approval.

As of FY 2016 the wastewater capital fund is a recipient of the Proposition 1 Integrated Regional Water Management (IRWM) Disadvantaged Community Involvement Grant. In order to receive the grant for planning and design of \$440,337 the wastewater capital fund must expend the costs first. As of June 30, 2017 the wastewater capital fund has expended \$121,927. The City has submitted invoices to the County and expects reimbursement in FY 2019. The wastewater capital fund also continues to receive development fees from the Pasadera project. The wastewater capital fund is expected to receive \$348,750 by the end of FY 2018 and \$146,250 in August of 2018.

**City of Guadalupe**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2017**

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The solid waste fund will be made whole by July of 2018 through ordinance 2015-430. As mentioned in finding 2017-001 there are no longer costs associated with this fund as the waste haulers took over the billing in August of 2016.

The Library fund will be made whole as library developer fees are collected through the Pasadera development. In FY 16-17 \$14,200 was collected for the seventy one homes that were permitted from FY 14-15 through FY 16-17.

**2017-003 – Recordkeeping Of Capital Assets And Long-Term Debt (Significant Deficiency)**

**Criteria:**

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

**Condition:**

We noted during the audit that the City did not maintain adequate records for capital assets and long-term debt to enable it to exercise control over those activities. Instead, the City is relying on a loosely maintained spreadsheets that were originally developed by the previous audit firm used by the City. The spreadsheets were outdated and it did not match amounts reported in the City's accounting records or the previously audited financial statements. In addition, there were various lease agreements and acquisition of assets that occurred in prior years and were not properly and timely recorded either on the City's records or the previously audited financial statements. Finally, the City did not record the interest accrual and some other debt transactions as required by accounting standards generally accepted in the United States.

**Cause:**

The City did not keep accurate and complete records of its capital assets and long-term debt obligations. In addition, the City is not able to locate certain long-term debt repayment schedules which contributed to the difficulty in the accounting for those transactions.

**Effect:**

Capital assets and long-term debt may be misstated and/or not properly or timely accounted for.

**Recommendation:**

We recommend that the City implement a tracking system and to conduct an inventory of its capital assets and ensure that it is in possession of all debt agreements and repayment schedules.

**Management Response:**

The City will implement a tracking system and continue to conduct an inventory of its capital assets to ensure that it is in possession of all debt agreements and repayment schedules.

**City of Guadalupe**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2017**

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**2017-004 - Control Over Expenditures And Accounts Payable (Significant Deficiency)**

**Criteria:**

A good internal control system over expenditures and accounts payable requires that certain tasks such as creating new vendors, inputting invoices, and processing checks be segregated and not performed by the same individual. In addition, changes to the master file should be reviewed and reconciled by a qualified individual independent from the accounts payable process.

**Condition:**

During our audit we noted that the Accounts Payable Clerk is responsible for setting up new vendors in the system. There is no independent review of changes made to the vendor master files. In addition, we noted that the reviewer of the accounts payable do not keep track of the sequence numbers of the checks reviewed

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Management Response:**

The City will strengthen its procedure for review and reconciliation to ensure that changes to the vendor master file are properly review and reconciled by an independent person.

**2017-005 - Control Over Payroll And Related Liabilities (Significant Deficiency)**

**Criteria:**

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

**Condition:**

During our audit we noted that there was mainly one person who was responsible for setting up new employees, making and updating all changes in the payroll system as well as processing payroll.

**City of Guadalupe**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2017**

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**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Management Response:**

The City will strengthen its procedure for review and reconciliation to ensure that payroll is properly reviewed and reconciled by an independent person.

**2017-006 - Control Over Journal Entries And Financial Reporting (Significant Deficiency)**

**Criteria:**

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

**Condition:**

During our audit we noted that there was mainly one person who was responsible for creating journal entries with no independent review of those entries by an independent person

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Management Response:**

Although there is a concern regarding proper review of journal entries, the City is limited in its ability to have an independent person review senior level journal entries. The department will continue to monitor and reconcile all accounts to make sure the journal entry activity is correctly recorded.