

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

Basic Financial Statements  
For the Year Ended June 30, 2020

**CITY OF GUADALUPE  
GUADALUPE, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Prepared by:**

**FINANCE DEPARTMENT**

**City of Guadalupe**  
**Basic Financial Statements**  
**For the year ended June 30, 2020**

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**Basic Financial Statements**  
**For the year ended June 30, 2020**

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, schedule of plan contributions, and schedule of changes in total other post-employment benefits on pages 5-18 and 85-89, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

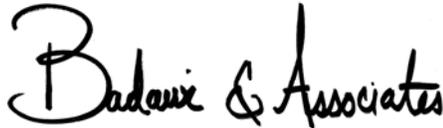
To the Honorable Mayor and Members of the City Council  
of the City of Guadalupe  
Guadalupe, California  
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**Emphasis of Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 15 to the financial statements, the City continues to have expenditures higher than revenues in the General Fund, remedied only by transfers in from other funds. In addition, the General Fund has a large interfund loans payable balance. There are doubts about the General Fund's ability to repay the interfund loans payable without having a significant impact on the City's operations. In addition, the impact of the economy and City revenues due to COVID-19 are also a concern. These conditions raise doubt about the City's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Badawi and Associates  
Certified Public Accountants  
Berkeley, California  
February 8, 2021

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2020

### 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, 2020. For the most complete picture of the City, please read this document in conjunction with the City's basic financial statements, and the accompanying notes to the basic financial statements. Comparisons between this year and the prior year are presented showing percentage changes.

### FINANCIAL HIGHLIGHTS

- Total assets of the City at the close of the most recent fiscal year ended at about \$27 million with an overall increase of about \$2.3 million from the prior year. Governmental activities ended at over \$13.8 million and experienced an increase in assets of about \$1.5 million. Business-type activities increased assets by about \$717,000, ending the year at over \$13.2 million in assets. Total primary government assets exceeded liabilities by over \$20.9 million.
- Total liabilities of the City on June 30, 2020 were at about \$7 million. Liabilities increased for governmental activities by about \$470,000 and decreased for business-type activities by about \$222,000. The City experienced an overall increase in liabilities of almost \$248,000.
- As of the close of the current fiscal year, the City's total net position increased by about \$2 million. Net position for Governmental activities increased by about \$1.1 million and business-type activities increased by about \$935,000. The City experienced an increase of about 11 percent in total net position from the prior year.
- Governmental funds reported combined ending fund balances of about \$4.6 million. The General Fund ended the current fiscal year with a positive fund balance of approximately \$485,000. This is an improvement of about \$470,000 from the prior year when it closed at about \$15,000.
- In FY 2019-20, 104 more homes were permitted for the Pasadera development within the City. The "Pasadera Development" will include approximately 800 homes and approximately 250,000 square feet of commercial space. Project build out is estimated to occur within 10 to 15 years.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

### Government-Wide Financial Statements

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

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

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

### Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the City's largest funds, not the City as a whole. The City has 26 funds that are considered governmental, four funds that are considered proprietary, and one fund that is considered fiduciary.

## OVERVIEW OF THE FINANCIAL STATEMENTS - continued

The City has three types of fund financial statements:

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

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

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

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

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

### Notes to the Basic Financial Statements

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

**FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS**

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

**City of Guadalupe  
 Summary of Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent Change
	2020	2019	2020	2019	2020	2019	
<b>Assets</b>							
Current Assets	\$ 5,319,814	\$ 4,501,556	\$ 5,459,175	\$ 4,650,514	\$ 10,778,989	\$ 9,152,070	17.8%
Noncurrent Assets	8,570,892	7,768,476	7,817,777	7,908,762	16,388,669	15,677,238	4.5%
Total Assets	13,890,706	12,270,032	13,276,952	12,559,276	27,167,658	24,829,308	9.4%
<b>Deferred Outflows of Resources</b>							
Deferred amounts	1,016,302	940,018	134,020	127,834	1,150,322	1,067,852	
<b>Liabilities</b>							
Current Liabilities	704,834	663,424	328,192	483,660	\$ 1,033,026	\$ 1,147,084	-9.9%
Noncurrent Liabilities	3,737,647	3,308,575	2,271,089	2,337,800	6,008,736	5,646,375	6.4%
Total Liabilities	4,442,481	3,971,999	2,599,281	2,821,460	7,041,762	6,793,459	3.7%
<b>Deferred Inflows of Resources</b>							
Deferred pensions	248,912	180,126	37,532	27,160	286,444	207,286	
<b>Net Position</b>							
Net investment in capital assets	8,530,354	7,650,414	5,939,410	5,904,115	\$ 14,469,764	\$ 13,554,529	6.8%
Restricted	3,205,072	2,145,544	147,033	149,254	3,352,105	2,294,798	46.1%
Unrestricted	(1,519,811)	(738,033)	4,687,716	3,785,121	3,167,905	3,047,088	4.0%
	\$ 10,215,615	\$ 9,057,925	\$ 10,774,159	\$ 9,838,490	\$ 20,989,774	\$ 18,896,415	11.1%

**Analysis of net position**

Total net position of the primary government increased approximately \$2 million at the close of the fiscal year ending June 30, 2020. Total assets increased about \$2.3 million, deferred pension outflows increased \$82,000, total liabilities increased \$248,000 and deferred pension inflows increased \$79,000. The following analysis of governmental and business-type activities provides more detailed information explaining these changes.

**Governmental activities:**

Total assets increased \$1.6 million largely due to an increase in General Fund cash and investments, in addition to an increase to accounts receivable. Public safety vehicle and equipment purchases caused additional asset increases in 2020, along with additional capital projects for the City.

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

**Governmental Activities - continued**

Deferred outflows of resources increased almost \$77,000. Deferred Pension Plan information is located in Note 8 to the financials.

Total liabilities increased about \$470,000 mainly due to an increase in accounts payable and accrued salaries.

Deferred Pension inflows increased \$68,000. Detailed Pension Plan information is located in Note 8 to the financials.

**Business-type activities:**

Total assets increased about \$717,000 due to an increase in cash and investments.

Deferred Pension outflows increased about \$6,000. Detailed Pension Plan information is located in Note 8 to the financials.

Total liabilities decreased about \$222,000 due primarily to a decrease in accounts payable and the cash overdraft, along with a decrease to long term debt obligations.

Deferred Pension inflows increased about \$10,000. Detailed Pension Plan information is located in Note 8 to the financials.

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

The City's net position increased by over \$2 million during the current fiscal year. Information about changes in net position is summarized.

<b>Changes in Net Position</b>							
For the Fiscal Years Ended June 30, 2020 and 2019							
	Governmental		Business-type		Total Primary		Total
	Activities		Activities		Government		
	2020	2019	2020	2019	2020	2019	Change
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 1,184,101	\$ 2,288,481	\$ 4,574,859	\$ 4,254,796	\$ 5,758,960	\$ 6,543,277	-12.0%
Operating grants and contributions	2,201,545	1,201,260	492,684	544,355	2,694,229	1,745,615	54.3%
Capital grants and contributions	-	-	388,901	-	388,901	-	100.0%
General revenue:							
Sales tax	603,956	610,148			603,956	610,148	-1.0%
Property tax	1,547,855	1,383,270			1,547,855	1,383,270	11.9%
Utility users tax	442,934	408,899			442,934	408,899	8.3%
Other taxes	538,839	485,682			538,839	485,682	10.9%
Interest income	187,883	185,165	69,469	65,925	257,352	251,090	2.5%
Other revenues	284,317	247,706			284,317	247,706	14.8%
Total revenues	<u>6,991,430</u>	<u>6,810,611</u>	<u>5,525,913</u>	<u>4,865,076</u>	<u>12,517,343</u>	<u>11,675,687</u>	7.2%
<b>Program Expenses</b>							
Public safety	3,195,866	2,630,902			3,195,866	2,630,902	21.5%
Transportation	396,961	1,455,823			396,961	1,455,823	-72.7%
Leisure, culture and social services	395,236	299,212			395,236	299,212	32.1%
Community development	852,983	826,241			852,983	826,241	3.2%
General government	1,480,926	1,040,875			1,480,926	1,040,875	42.3%
Business-type activities	-	-	4,081,144	3,872,416	4,081,144	3,872,416	5.4%
Interest on long-term debt	20,868	17,412			20,868	17,412	19.8%
Total expenses	<u>6,342,840</u>	<u>6,270,465</u>	<u>4,081,144</u>	<u>3,872,416</u>	<u>10,423,984</u>	<u>10,142,881</u>	2.8%
Transfers	509,100	350,880	(509,100)	(350,880)	-	-	-
Change in net position	1,157,690	891,026	935,669	641,780	2,093,359	1,532,806	36.6%
Net position - beginning of year	9,057,925	8,166,899	9,838,490	9,196,710	18,896,415	17,363,609	8.8%
Net position - end of year	<u>\$ 10,215,615</u>	<u>\$ 9,057,925</u>	<u>\$ 10,774,159</u>	<u>\$ 9,838,490</u>	<u>\$ 20,989,774</u>	<u>\$ 18,896,415</u>	11.1%

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

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

Total government-wide revenues of the primary government increased \$841,000, about 7.2 percent from the prior year, and total expenses increased almost \$288,000 or about 2.8% increase. These changes are discussed in more detail below.

**Governmental Activities:**

Total revenues for governmental activities increased about \$181,000 from the prior year. Total expenditures increased about \$79,000.

**Revenue**

Charges for Services decreased about \$1.1 million primarily due to receipt of property in lieu of Quimby Act fees as part of the Pasadera development project that was received in the previous year. Sales tax decreased about \$6,000, which may be related to the COVID19 pandemic. Property tax increased about \$164,000, due to new residential development.

**Expenses**

Transportation decreased almost \$1.1 million mainly due to pavement maintenance project and other capital projects performed in the prior year. General government increased about \$440,000 primarily due to capital expenditures and payroll.

**Business-Type Activities:**

Total revenues for business-type activities increased about \$661,000 from the prior year. Total expenses increased about \$209,000.

**Revenue**

Charges for services for Business-Type activities increased \$320,000 primarily due to an increased water usage from residential customers, specifically related to new development. Authorized rate increases and CPI rate adjustments also occurred and will increase revenue in future years.

**Expenses**

Business-type activity expenses increased \$209,000 mainly due to increased service activity related to the Pasadera development.

## 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 \$767,000 during fiscal year 2020. Total revenues for governmental funds increased \$133,000, total expenditures for governmental funds increased about \$1.1 million. Reasons for these changes are discussed in more detail below.

#### General Fund

Total General Fund revenues increased \$775,000 in the current year. Taxes increased by about \$259,000, license and permits increased about \$248,000, and revenues from other agencies increased about \$229,000.

Total General Fund expenditures increased about \$724,000 this year, of which \$681,000 is related to Public Safety.

#### Community Development Funds

Revenues for Community Development funds, related to CDBG, were up from prior year by about \$420,000 related to receipt of grant funds. Expenditures increased by about \$370,000 due to Leroy Park project.

#### Capital Improvement Program Fund

This is a new fund for capital improvement projects, funded as capital expenditures are incurred.

#### Capital Facilities Fund

Revenues for the Capital Facilities Fund is down by about \$800,000 primarily due to receipt of impact fees from the Pasadera development and People Self Help Housing funding received in a prior year. Expenditures increased by about \$300,000 related capital outlay and other services for the public safety and infrastructure as approved by City Council.

#### Other Governmental Funds

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

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

**Enterprise Funds:**

The City's four enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Total operating revenues increased by more than \$320,000. Total operating expenses increased by about \$209,000 over prior year. The discussion below provides a detailed explanation for each business-type fund.

**Water Fund**

Water fund operating revenues increased \$144,000 compared to the prior year primarily due to increased water usage from residential customers, specifically related to the new development. Authorized rate increases and CPI rate adjustments have increased and will increase revenue in future years. Operating expenses in the current year increased by \$278,000, related to maintenance and operations.

**Wastewater Fund**

Wastewater fund operating revenues increased over \$191,000 compared to the prior year due to developer impact fees from the Pasadera development. Operating expenses decreased about \$21,000 primarily due to a decrease in maintenance and operations.

**Solid Waste Fund**

Solid Waste revenue decreased about \$75,000 due to the end of a contract for the city's waste hauler. The service provider is required to pay a surcharge until the current deficit is relieved. The Solid Waste fund incurred zero expenses in 2020. The City anticipates the negative fund balance will be eliminated to be in the next fiscal year.

**Transit Fund**

Transit fund net operating income increased about \$64,000 due to an increase in State of Good Repair Funds received. In addition, the Transit fund saw an increase in revenue from other agencies related to an increase in FTA Sec. 5311 and 5339 grants received.

**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, 2020 is presented as required supplementary information following the notes to the financial statements.

The following summarizes the original and final general fund budget compared with actual results for 2019-20:

General Fund	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 4,137,622	\$ 4,177,622	\$ 4,650,093	\$ 472,471
Expenditures	(4,475,977)	(4,475,976)	(4,719,679)	(243,703)
Other Financing Sources	<u>536,213</u>	<u>525,213</u>	<u>539,883</u>	<u>14,670</u>
Change in fund balances	197,858	226,859	470,297	243,438
Fund balance - beginning of year	<u>15,325</u>	<u>15,325</u>	<u>15,325</u>	<u>-</u>
Fund balances (deficit) - end of year	<u>\$ 213,183</u>	<u>\$ 242,184</u>	<u>\$ 485,622</u>	<u>\$ 243,438</u>

Actual ending fund balance ended the year was \$485,622. This was an increase of about \$470,000 from the prior year when it closed at \$15,325. The net increase resulted from a variety of activities; the key changes are summarized as follows:

- Revenues were about \$472,000 higher than estimated which resulted from a rise in Building Permit revenue relative to the Pasadera development. Taxes increased by about \$259,000, license and permits increased about \$248,000, and revenues from other agencies increased about \$229,000.
- Expenditures were about \$243,000 more than estimated primarily due to Public Safety.

**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, 2020, amounts to about \$16.3 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 on June 30, 2020 follows:

<u>Capital Assets, Net of Accumulated Depreciation</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 343,131	\$ 248,425	\$ 591,556
Infrastructure	4,260,271	3,604,624	7,864,895
Buildings and Improvements	3,382,487	2,687,555	6,070,042
Vehicles	152,189	771,799	923,988
Equipment	70,509	14,335	84,844
Construction in Progress	355,696	491,039	846,735
	<u>\$ 8,564,283</u>	<u>\$ 7,817,777</u>	<u>\$ 16,382,060</u>

Please see next page for detailed activity on capital assets.

**CAPITAL ASSETS - continued**

Capital assets activity for the fiscal year ended June 30, 2020 was as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>Governmental Activities:</b>				
Land	\$ 343,131	\$	\$	\$ 343,131
Construction in progress	-	355,696		355,696
Buildings and improvements	5,244,508	68,655		5,313,163
Accumulated depreciation	(1,787,191)	(143,485)		(1,930,676)
Vehicles	1,335,910	69,482	(509,960)	895,432
Accumulated depreciation	(1,182,339)	(73,825)	512,921	(743,243)
Equipment	571,849	59,825		631,674
Accumulated depreciation	(552,485)	(21,007)	12,327	(561,165)
Infrastructure	6,998,887	741,747		7,740,634
Accumulated depreciation	(3,203,794)	(276,569)		(3,480,363)
Total governmental capital assets, net	<u>\$ 7,768,476</u>	<u>\$ 780,519</u>	<u>\$ 15,288</u>	<u>\$ 8,564,283</u>
<b>Business-Type Activities:</b>				
Land	\$ 248,425			\$ 248,425
Construction in progress	334,077	156,962		491,039
Buildings and improvements	10,328,961	71,762	(241,870)	10,158,853
Accumulated depreciation	(8,666,158)	(248,286)	1,443,146	(7,471,298)
Vehicles	1,681,713	463,531	(316,187)	1,829,057
Accumulated depreciation	(1,196,374)	(171,071)	310,187	(1,057,258)
Equipment	529,516	15,642		545,158
Accumulated depreciation	(519,336)	(11,487)		(530,823)
Infrastructure	6,998,888	-	241,870	7,240,758
Accumulated depreciation	(1,830,950)	(362,038)	(1,443,146)	(3,636,134)
Total business type capital assets, net	<u>\$ 7,908,762</u>	<u>\$ (84,985)</u>	<u>\$ (6,000)</u>	<u>\$ 7,817,777</u>
Depreciation expense was charged to functions/programs as follows:				
<b>Governmental activities:</b>				
Public safety		\$ 70,027		
Transportation		21,823		
Leisure, cultural & social services		32,310		
Community development		361,529		
General government		29,197		
Total governmental activities depreciation expense		<u>\$ 514,886</u>		
<b>Business-type activities:</b>				
Water		\$ 196,725		
Waste water		461,146		
Transit		135,011		
Total business-type activities depreciation expense		<u>\$ 792,882</u>		

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

**LONG-TERM DEBT**

On June 30, 2020, the City of Guadalupe had almost \$2.3 million in long-term debt outstanding as summarized below:

Long-Term Debt	Governmental Activities	Business-type Activities	Total
Certificates of participation		\$ 1,840,368	\$ 1,840,368
Compensated absences	319,120		319,120
Insurance claim payable	-	49,954	49,954
Capital leases payable	40,538	37,999	78,537
	\$ 359,658	\$ 1,928,321	\$ 2,287,979

Long-term debt governmental activity for the fiscal year ended June 30, 2020 was as follows:

Governmental activities:	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
Compensated absences	\$ 227,215	\$ 91,905	\$ -	\$ 319,120
Insurance loan payable	21,819	-	21,819	-
Capital leases obligations	118,062		77,524	40,538
Total	\$ 367,096	\$ 91,905	\$ 99,343	\$ 359,658

Long-term debt business-type activity for the fiscal year ended June 30, 2020 was as follows:

Business-Type Activities:	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
Certificates of participation	\$ 1,905,921		\$ 65,553	\$ 1,840,368
Insurance loan payable	70,719	-	20,765	49,954
Capital lease obligations	98,726	-	60,727	37,999
Total	\$ 2,075,366	\$ -	\$ 147,045	\$ 1,928,321

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

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

On July 31, 2018, the Council adopted the fiscal year 2019-20 budget (Resolution No. 2018-47). The General Fund portion of that budget contains a balanced budget.

**Fiscal Outlook.** Revenues continue to increase and sustain the City's general fund. In fiscal year 2019-20 the General fund increased from prior year's negative fund balance, ending the year at \$485,622, from a negative \$15,325. The primary goal is to begin the preservation of future reserves. The City's revenue continues to increase as the Pasadera Development added additional homes this fiscal year and expects 150 over the next two fiscal years with build out expected within eight years. Development construction has continued amid the COVID virus pandemic, although slow. The Escalante Meadows Development is also expected to increase Building Permit and related construction fee revenues by fiscal year 2021. Other revenues showing steady increases are Sales Tax with the new Measure N that was passed with the November 2020 election, Property Tax with new development, Business License, Utility Users Tax and Franchise Fees. In regard to sales tax revenue, the City did not see a significant impact with the pandemic as most businesses in town are considered essential businesses. City Staff will continue to monitor closely and is working with FEMA to obtain reimbursement for costs related to the pandemic. The City has received \$99,777 from the CARES Act in fiscal year 2021. Amid the pandemic, the City still needs to look at finding alternatives to sustain recurring revenue streams for the future in order to build strong reserves.

## 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, along with City parks. Measure A and Gas Tax funding is used for street maintenance projects.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT TEAM

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

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# BASIC FINANCIAL STATEMENTS

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**City of Guadalupe**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 4,642,066	\$ 3,651,282	\$ 8,293,348
Accounts receivable	945,972	736,243	1,682,215
Prepaid expenses	153,722	637,820	791,542
Loans receivable	11,884	-	11,884
Internal balances	(433,830)	433,830	-
Total current assets	<u>5,319,814</u>	<u>5,459,175</u>	<u>10,778,989</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	705,436	739,464	1,444,900
Depreciable, net	7,865,456	7,078,313	14,943,769
Total capital assets	<u>8,570,892</u>	<u>7,817,777</u>	<u>16,388,669</u>
Total noncurrent assets	<u>8,570,892</u>	<u>7,817,777</u>	<u>16,388,669</u>
<b>Total assets</b>	<u>13,890,706</u>	<u>13,276,952</u>	<u>27,167,658</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related amounts	888,838	134,020	1,022,858
OPEB related amounts	127,464	-	127,464
<b>Total deferred outflows of resources</b>	<u>1,016,302</u>	<u>134,020</u>	<u>1,150,322</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	427,924	109,848	537,772
Cash overdraft	-	4,229	4,229
Accrued salaries and wages payable	176,422	29,293	205,715
Interest payable	-	33,216	33,216
Deposits payable	63,654	50,458	114,112
Long-term debt - due within one year	36,834	101,148	137,982
Total current liabilities	<u>704,834</u>	<u>328,192</u>	<u>1,033,026</u>
Noncurrent liabilities:			
Net pension liability	2,944,075	443,916	3,387,991
Total OPEB liability	470,748	-	470,748
Long-term debt - due in more than one year	322,824	1,827,173	2,149,997
Total noncurrent liabilities	<u>3,737,647</u>	<u>2,271,089</u>	<u>6,008,736</u>
<b>Total liabilities</b>	<u>4,442,481</u>	<u>2,599,281</u>	<u>7,041,762</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related amounts	248,912	37,532	286,444
<b>Total deferred inflows of resources</b>	<u>248,912</u>	<u>37,532</u>	<u>286,444</u>
<b>NET POSITION</b>			
Net investment in capital assets	<u>8,530,354</u>	<u>5,939,410</u>	<u>14,469,764</u>
Restricted for:			
Street maintenance	1,395,215	-	1,395,215
Other capital projects	23,951	-	23,951
Community development	35,560	-	35,560
Other purposes	1,750,346	147,033	1,897,379
Total restricted	<u>3,205,072</u>	<u>147,033</u>	<u>3,352,105</u>
Unrestricted	<u>(1,519,811)</u>	<u>4,687,716</u>	<u>3,167,905</u>
<b>Total net position</b>	<u>\$ 10,215,615</u>	<u>\$ 10,774,159</u>	<u>\$ 20,989,774</u>

**City of Guadalupe**  
**Statement of Activities**  
**For the year ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
General Government	\$ 1,480,926	\$ 469,034	\$ 174,713	\$ -
Public Safety	3,195,866	307,171	135,863	-
Transportation	396,961	39,706	1,466,663	-
Leisure, cultural and social services	395,236	30,026	-	-
Community development	852,983	338,164	424,306	-
Interest on long-term debt	20,868	-	-	-
Total governmental activities	6,342,840	1,184,101	2,201,545	-
<b>Business-type activities:</b>				
Water	2,080,569	2,291,912	8,981	-
Wastewater Treatment	1,416,478	2,149,075	15,232	-
Solid Waste	-	5,044	-	-
Transit	584,097	128,828	468,471	388,901
Total business-type activities	4,081,144	4,574,859	492,684	388,901
<b>Total primary government</b>	<b>\$ 10,423,984</b>	<b>\$ 5,758,960</b>	<b>\$ 2,694,229</b>	<b>\$ 388,901</b>

**General Revenues and Transfers:**

Taxes:

Property taxes

Sales taxes

Utilities Uses Tax

Other taxes

Total taxes

Investment earnings

Other

Transfers

**Total general revenues and transfers**

**Change in net position**

**Net position - beginning of year**

**Net position - end of year**

Net (Expense) Revenue  
and Changes in Net Position

Total	Governmental Activities	Business-Type Activities	Total
\$ 643,747	\$ (837,179)	\$ -	\$ (837,179)
443,034	(2,752,832)	-	(2,752,832)
1,506,369	1,109,408	-	1,109,408
30,026	(365,210)	-	(365,210)
762,470	(90,513)	-	(90,513)
-	(20,868)	-	(20,868)
<u>3,385,646</u>	<u>(2,957,194)</u>	<u>-</u>	<u>(2,957,194)</u>
2,300,893	-	220,324	220,324
2,164,307	-	747,829	747,829
5,044	-	5,044	5,044
986,200	-	402,103	402,103
<u>5,456,444</u>	<u>-</u>	<u>1,375,300</u>	<u>1,375,300</u>
<u>\$ 8,842,090</u>	<u>(2,957,194)</u>	<u>1,375,300</u>	<u>(1,581,894)</u>
	1,547,855	-	1,547,855
	603,956	-	603,956
	442,934	-	442,934
	538,839	-	538,839
	<u>3,133,584</u>	<u>-</u>	<u>3,133,584</u>
	187,883	69,469	257,352
	284,317	-	284,317
	509,100	(509,100)	-
	<u>4,114,884</u>	<u>(439,631)</u>	<u>3,675,253</u>
	1,157,690	935,669	2,093,359
	9,057,925	9,838,490	18,896,415
	<u>\$ 10,215,615</u>	<u>\$ 10,774,159</u>	<u>\$ 20,989,774</u>

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

**City of Guadalupe**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	Major Funds				Other Govern- mental Funds	Total Govern- mental Funds
	General	Community Development	Capital Facilities	Capital Improvement Program		
<b>ASSETS</b>						
Cash and investments	\$ 959,897	\$ 748,721	\$ 895,395	\$ 159,856	\$1,878,197	\$4,642,066
Accounts receivable	394,828	32,041	51,391	-	467,712	945,972
Prepaid expenses	142,361	-	-	-	11,361	153,722
Interfund loans receivable	-	-	68,333	-	1,027,236	1,095,569
Loans receivable	-	11,884	-	-	-	11,884
<b>Total assets</b>	<b>\$1,497,086</b>	<b>\$ 792,646</b>	<b>\$1,015,119</b>	<b>\$ 159,856</b>	<b>\$3,384,506</b>	<b>\$6,849,213</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 64,763	\$ 12,350	\$ 173,620	\$ 166,465	\$ 10,726	\$ 427,924
Accrued salaries and wages payable	166,717	-	-	-	9,705	176,422
Deposits payable	63,654	-	-	-	-	63,654
Interfund loans payable	716,330	744,736	-	-	68,333	1,529,399
<b>Total liabilities</b>	<b>1,011,464</b>	<b>757,086</b>	<b>173,620</b>	<b>166,465</b>	<b>88,764</b>	<b>2,197,399</b>
<b>Deferred inflows of resources:</b>						
Unavailable revenue	-	-	-	-	39,706	39,706
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,706</b>	<b>39,706</b>
<b>Fund Balances:</b>						
Nonspendable:						
Prepaid expenses	142,361	-	-	-	2,273	144,634
Restricted for:						
Street maintenance	-	-	-	-	1,395,215	1,395,215
Other capital projects	-	-	-	-	23,951	23,951
Community development	-	35,560	-	-	-	35,560
Public safety	-	-	-	-	165,666	165,666
Utility infrastructure	-	-	-	-	781,585	781,585
Debt service	-	-	-	-	31,833	31,833
Lighting and landscape	-	-	-	-	771,262	771,262
Committed to:						
Capital projects	-	-	841,499	-	119,885	961,384
General Reserve	171,630	-	-	-	-	171,630
Emergency Reserve	171,631	-	-	-	-	171,631
Unassigned	-	-	-	(6,609)	(35,634)	(42,243)
<b>Total fund balances</b>	<b>485,622</b>	<b>35,560</b>	<b>841,499</b>	<b>(6,609)</b>	<b>3,256,036</b>	<b>4,612,108</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$1,497,086</b>	<b>\$ 792,646</b>	<b>\$1,015,119</b>	<b>\$ 159,856</b>	<b>\$3,384,506</b>	<b>\$6,849,213</b>

**City of Guadalupe**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2020**

<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 4,612,108</b>
Amounts reported for governmental activities in the Statement of Net Position were different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:	
Non-depreciable	705,436
Depreciable, net	7,865,456
Total capital assets	<u>8,570,892</u>
Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.	39,706
Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.	397,876
In the Government-Wide Financial Statement certain OPEB amounts are deferred and amortized over a period of time, however, in the governmental funds no transactions are recorded.	127,464
In the Government-Wide Financial Statement certain pension amounts are deferred and amortized over a period of time, however, in the governmental funds no transactions are recorded.	242,050
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	(2,944,075)
Net OPEB liability	(470,748)
Long term liabilities - due within one year	(36,834)
Long term liabilities - due in more than one year	(322,824)
Total long-term liabilities	<u>(3,774,481)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 10,215,615</u></b>

**City of Guadalupe**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2020**

	Major Funds				Other Govern- mental Funds	Total Govern- mental Funds
	General	Community Development	Capital Facilities	Capital Improvement Program		
<b>REVENUES:</b>						
Taxes	\$2,607,994	\$ -	\$ -	\$ -	\$ 912,698	\$3,520,692
Licenses and permits	985,407	-	-	-	80,567	1,065,974
Fines and penalties	12,270	-	-	-	-	12,270
Revenues from other agencies	572,697	386,324	-	-	827,314	1,786,335
Charges for current services	112,245	-	-	-	9,750	121,995
Interest	118,581	5,999	18,367	-	44,935	187,882
Other revenues	240,899	30,000	-	-	10,501	281,400
<b>Total revenues</b>	<b>4,650,093</b>	<b>422,323</b>	<b>18,367</b>	<b>-</b>	<b>1,885,765</b>	<b>6,976,548</b>
<b>EXPENDITURES:</b>						
Current:						
General government	1,155,435	-	-	-	-	1,155,435
Public safety	2,956,469	-	-	-	1,182	2,957,651
Transportation	-	-	-	853,238	293,300	1,146,538
Leisure, cultural and social services	165,349	106,178	139,893	-	10,932	422,352
Community development	415,478	-	434	591,029	91,790	1,098,731
Capital outlay	1,000	-	169,339	-	14,207	184,546
Debt service:						
Principal	5,080	-	-	-	18,600	23,680
Interest and fiscal charges	20,868	-	-	-	-	20,868
<b>Total expenditures</b>	<b>4,719,679</b>	<b>106,178</b>	<b>309,666</b>	<b>1,444,267</b>	<b>430,011</b>	<b>7,009,801</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(69,586)</b>	<b>316,145</b>	<b>(291,299)</b>	<b>(1,444,267)</b>	<b>1,455,754</b>	<b>(33,253)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from disposal of assets	-	-	-	-	49,281	49,281
Transfers in	612,600	-	-	1,437,658	33,074	2,083,332
Transfers out	(72,717)	(359,253)	(1,000)	-	(912,538)	(1,345,508)
<b>Total other financing sources (uses)</b>	<b>539,883</b>	<b>(359,253)</b>	<b>(1,000)</b>	<b>1,437,658</b>	<b>(830,183)</b>	<b>787,105</b>
<b>Net change in fund balances</b>	<b>470,297</b>	<b>(43,108)</b>	<b>(292,299)</b>	<b>(6,609)</b>	<b>625,571</b>	<b>753,852</b>
<b>FUND BALANCES:</b>						
Beginning of year	15,325	78,668	1,133,798	-	2,630,465	3,858,256
End of year	<u>\$ 485,622</u>	<u>\$ 35,560</u>	<u>\$ 841,499</u>	<u>\$ (6,609)</u>	<u>\$3,256,036</u>	<u>\$4,612,108</u>

# City of Guadalupe

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2020

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 753,852</b>
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	1,530,738
In the Government-Wide Statement of Activities, transfers of capital assets from governmental funds to enterprise funds are recorded as transfers out, whereas in the governmental funds no transfer out is recorded.	(228,724)
Disposed capital assets are recorded as other financing sources in the governmental funds if sold for an amount, but are recorded as a gain or (loss) on the Statement of Activities.	15,288
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.	(514,886)
Accrued compensated leave payable is not recorded in the governmental funds, but the accrued payable increased in the Government-Wide Statement of Net Position causing an expense on the Statement of Activities.	(91,905)
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.	(51,031)
Repayment of debt principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Insurance claims payable	21,819
Long-term debt repayments	77,524
Revenues that are not considered to be available are reported as unavailable revenues in the governmental funds, however, these amounts are recognized in the Government-Wide Statement of Activities. This amount represents the change in unavailable revenues.	(34,390)
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.	397,876
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however, pension expense is not recognized in the governmental funds.	(718,471)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,157,690</b>

**City of Guadalupe**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 1,277,234	\$ 2,044,347	\$ -	\$ 329,701	3,651,282
Accounts receivable, net of allowance	289,754	331,791	-	114,698	736,243
Prepaid expenses	617,652	20,168	-	-	637,820
Interfund loan receivable, current portion	58,168	-	-	-	58,168
<b>Total current assets</b>	<b>2,242,808</b>	<b>2,396,306</b>	<b>-</b>	<b>444,399</b>	<b>5,083,513</b>
Noncurrent assets:					
Interfund loan receivable, net of current portion	375,662	-	-	-	375,662
Capital assets:					
Land	29,464	218,961	-	-	248,425
Work in progress	29,653	461,386	-	-	491,039
Buldings, infrastructure and improvements	5,493,067	11,889,200	-	17,344	17,399,611
Vehicles	68,251	113,286	-	1,647,520	1,829,057
Equipment	392,348	142,200	-	10,610	545,158
Less accumulated depreciation	(3,394,095)	(8,353,441)	-	(947,977)	(12,695,513)
<b>Total capital assets</b>	<b>2,618,688</b>	<b>4,471,592</b>	<b>-</b>	<b>727,497</b>	<b>7,817,777</b>
<b>Total noncurrent assets</b>	<b>2,994,350</b>	<b>4,471,592</b>	<b>-</b>	<b>727,497</b>	<b>8,193,439</b>
<b>Total assets</b>	<b>5,237,158</b>	<b>6,867,898</b>	<b>-</b>	<b>1,171,896</b>	<b>13,276,952</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related amounts	57,710	76,310	-	-	134,020
<b>Total deferred outflows of resources</b>	<b>57,710</b>	<b>76,310</b>	<b>-</b>	<b>-</b>	<b>134,020</b>

**City of Guadalupe**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	60,863	25,843	-	23,142	109,848
Cash overdraft	-	-	4,229	-	4,229
Deposits payable	50,458	-	-	-	50,458
Accrued wages and benefits	15,434	13,859	-	-	29,293
Interest payable	18,262	14,954	-	-	33,216
Current portion of capital lease obligations	10,309	22,820	-	-	33,129
Current portion of certificates of participation	43,839	24,180	-	-	68,019
<b>Total current liabilities</b>	<b>199,165</b>	<b>101,656</b>	<b>4,229</b>	<b>23,142</b>	<b>328,192</b>
Noncurrent liabilities:					
Insurance claim payable	24,977	24,977	-	-	49,954
Capital lease obligations, net of current portion	-	4,870	-	-	4,870
Certificates of participation, net of current portion	998,402	773,947	-	-	1,772,349
Net pension liability	191,155	252,761	-	-	443,916
<b>Total noncurrent liabilities</b>	<b>1,214,534</b>	<b>1,056,555</b>	<b>-</b>	<b>-</b>	<b>2,271,089</b>
<b>Total liabilities</b>	<b>1,413,699</b>	<b>1,158,211</b>	<b>4,229</b>	<b>23,142</b>	<b>2,599,281</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related amounts	16,161	21,371	-	-	37,532
<b>Total deferred inflows of resources</b>	<b>16,161</b>	<b>21,371</b>	<b>-</b>	<b>-</b>	<b>37,532</b>
<b>NET POSITION</b>					
Net investment in capital assets	1,566,138	3,645,775	-	727,497	5,939,410
Restricted for debt service	88,455	58,578	-	-	147,033
Unrestricted	2,210,415	2,060,273	(4,229)	421,257	4,687,716
<b>Total net position</b>	<b>\$ 3,865,008</b>	<b>\$ 5,764,626</b>	<b>\$ (4,229)</b>	<b>\$ 1,148,754</b>	<b>\$ 10,774,159</b>

# City of Guadalupe

## Statement of Revenues, Expenses and Changes in Fund Net Position

### Proprietary Funds

For the year ended June 30, 2020

	Enterprise Funds				Total
	Water	Wastewater Treatment	Solid Waste	Transit	
<b>OPERATING REVENUES:</b>					
Water sales	\$ 2,068,534	\$ -	\$ -	\$ -	\$ 2,068,534
Standby charges	41,764	-	-	-	41,764
Connection fees	64,952	12,223	-	-	77,175
Sewer service charges	-	1,680,511	-	-	1,680,511
Refuse service charges	-	-	5,044	-	5,044
Other revenues	116,662	456,341	-	128,828	701,831
<b>Total operating revenues</b>	<b>2,291,912</b>	<b>2,149,075</b>	<b>5,044</b>	<b>128,828</b>	<b>4,574,859</b>
<b>OPERATING EXPENSES:</b>					
Personnel services	363,263	384,300	-	-	747,563
Maintenance and operations	1,485,731	552,491	-	449,086	2,487,308
Depreciation	196,725	461,146	-	135,011	792,882
<b>Total operating expenses</b>	<b>2,045,719</b>	<b>1,397,937</b>	<b>-</b>	<b>584,097</b>	<b>4,027,753</b>
<b>OPERATING INCOME (LOSS)</b>	<b>246,193</b>	<b>751,138</b>	<b>5,044</b>	<b>(455,269)</b>	<b>547,106</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Revenues from other agencies	8,981	15,232	-	857,372	881,585
Interest income	33,970	29,307	-	6,192	69,469
Interest expense	(34,850)	(18,541)	-	-	(53,391)
<b>Total nonoperating revenues (expenses)</b>	<b>8,101</b>	<b>25,998</b>	<b>-</b>	<b>863,564</b>	<b>897,663</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>254,294</b>	<b>777,136</b>	<b>5,044</b>	<b>408,295</b>	<b>1,444,769</b>
Contributed capital	29,653	199,071	-	-	228,724
Transfers out	(308,853)	(393,971)	-	(35,000)	(737,824)
<b>Total contributions and transfers</b>	<b>(279,200)</b>	<b>(194,900)</b>	<b>-</b>	<b>(35,000)</b>	<b>(509,100)</b>
<b>Change in net position</b>	<b>(24,906)</b>	<b>582,236</b>	<b>5,044</b>	<b>373,295</b>	<b>935,669</b>
<b>NET POSITION</b>					
Beginning of year	3,889,914	5,182,390	(9,273)	775,459	9,838,490
End of year	<u>\$ 3,865,008</u>	<u>\$ 5,764,626</u>	<u>\$ (4,229)</u>	<u>\$ 1,148,754</u>	<u>\$ 10,774,159</u>

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**City of Guadalupe**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2020**

	Enterprise Funds	
	Water	Wastewater Treatment
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 2,161,323	\$ 2,075,912
Cash received from connection fees	64,952	12,223
Cash received from standby charges and other agencies	41,764	-
Cash paid to suppliers for goods and services	(1,142,244)	(694,639)
Cash paid to employees and related benefits	(337,078)	(351,453)
<b>Net cash provided by (used in) operating activities</b>	<b>788,717</b>	<b>1,042,043</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating grants received	8,981	15,232
Internal activity - cash paid to (received from) other funds for interfund loan payments	58,168	-
Net transfers	(279,200)	(194,900)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(212,051)</b>	<b>(179,668)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Net change in insurance payable	(12,125)	(8,640)
Net changes in capital lease obligations	(21,436)	(39,291)
Principal payments on certificates of participation	(42,153)	(23,400)
Interest payments on certificates of participation	(39,176)	(20,989)
Sale (Acquisition) of capital assets	(29,653)	(214,713)
<b>Net cash used in capital and related financing activities</b>	<b>(144,543)</b>	<b>(307,033)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	33,970	29,307
<b>Net cash provided by (used in) investing activities</b>	<b>33,970</b>	<b>29,307</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>466,093</b>	<b>584,649</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>811,141</b>	<b>1,459,698</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 1,277,234</b>	<b>\$ 2,044,347</b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>		
Cash and investments	\$ 1,277,234	\$ 2,044,347
Cash overdraft	-	-
<b>Total</b>	<b>\$ 1,277,234</b>	<b>\$ 2,044,347</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 246,193	\$ 751,138
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	196,725	461,146
Changes in assets, deferred outflows and inflows of resources, and liabilities		
Accounts receivable	(31,615)	(60,940)
Prepaid expenses	314,923	(15,482)
Deferred outflows pensions	(2,664)	(3,522)
Accounts payable	28,564	(126,666)
Deposits payable	7,742	-
Accrued wages and benefits	5,369	5,322
Net pension liability	19,014	25,141
Deferred inflows pensions	4,466	5,906
<b>Total adjustments</b>	<b>542,524</b>	<b>290,905</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 788,717</b>	<b>\$ 1,042,043</b>

Enterprise Funds		
Waste	Transit	Total
\$ 15,597	\$ 78,158	\$ 4,330,990
-	-	77,175
-	-	41,764
-	(466,335)	(2,303,218)
-	-	(688,531)
15,597	(388,177)	1,458,180
-	468,471	492,684
-	-	58,168
-	(35,000)	(509,100)
-	433,471	41,752
-	-	(20,765)
-	-	(60,727)
-	-	(65,553)
-	-	(60,165)
-	(68,630)	(312,996)
-	(68,630)	(520,206)
-	6,192	69,469
-	6,192	69,469
15,597	(17,144)	1,049,195
(19,826)	346,845	2,597,858
\$ (4,229)	\$ 329,701	\$ 3,647,053
\$ -	\$ 329,701	3,651,282
(4,229)	-	(4,229)
\$ (4,229)	\$ 329,701	\$ 3,647,053
\$ 5,044	\$ (455,269)	\$ 547,106
-	135,011	792,882
10,553	(50,670)	(132,672)
-	-	299,441
-	-	(6,186)
-	(17,249)	(115,351)
-	-	7,742
-	-	10,691
-	-	44,155
-	-	10,372
10,553	67,092	911,074
\$ 15,597	\$ (388,177)	\$ 1,458,180

See accompanying Notes to Basic Financial Statements.

**City of Guadalupe**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**June 30, 2020**

	<u>Private-Purpose Trust Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 974,075
Cash with fiscal agent	303,733
Accounts receivable	207,941
Property held for resale	222,482
Capital assets, net of accumulated depreciation	<u>139,439</u>
<b>Total assets</b>	<u>1,847,670</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on refunding	<u>81,958</u>
<b>Total deferred outflows of resources</b>	<u>81,958</u>
<b>LIABILITIES</b>	
Accounts payable	21,018
Interest payable	57,721
Unearned revenue	444,939
Long-term liabilities:	
Due within one year	226,195
Due after one year	<u>4,112,031</u>
<b>Total liabilities</b>	<u>4,861,904</u>
<b>NET POSITION</b>	
Held in trust for other governments	<u>\$ (2,932,276)</u>

**City of Guadalupe**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the year ended June 30, 2020**

	Private-Purpose Trust Fund
<b>ADDITIONS:</b>	
Property taxes	\$ 532,456
Revenue from other agencies	233,433
Other revenues	17,212
<b>Total additions</b>	<u>783,101</u>
<b>DEDUCTIONS:</b>	
Program expenses	200,226
Administration expenses	165,000
Interest on long-term liabilities	150,097
Depreciation	14,021
<b>Total Deductions</b>	<u>529,344</u>
<b>Change in net position</b>	253,757
<b>NET POSITION:</b>	
Beginning of year	<u>(3,186,033)</u>
End of year	<u>\$ (2,932,276)</u>

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# NOTES TO BASIC FINANCIAL STATEMENTS

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**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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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, 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 12 for additional information on the dissolution and reporting of the Agency as a Private Purpose Trust Fund.

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

Guadalupe Public Financing Authority

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

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

**Government-Wide Financial Statements, Continued**

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

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

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

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

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

**Fund Financial Statements**

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

**Governmental Fund Financial Statements**

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

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

**Governmental Fund Financial Statements, Continued**

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

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

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

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

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

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

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

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

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

**Proprietary Fund Financial Statements**

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

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

**Proprietary Fund Financial Statements, Continued**

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

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

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

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

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

Solid Waste Fund: This enterprise fund accounts for the discontinued operations of the City's solid waste collection and disposal services, which rendered service on a user charge basis to residents and businesses. Because the fund balance is negative, customers are continuing to be charged until the fund has paid off its debts to the City. It is anticipated that this fund will close in the fiscal year ending June 30, 2021.

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

**Fiduciary Fund Financial Statements**

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

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

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

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

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

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

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

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

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

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

**D. Restricted Cash and Investments**

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

**E. Capital Assets**

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

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

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

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

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

**F. Interest Payable**

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

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

**G. Long-Term Debt**

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

**G. Long-Term Debt, Continued**

**Fund Financial Statements, Continued**

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

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

**H. Property Taxes**

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

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

Property taxes are billed and collected as follows:

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

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

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

**J. Net Position**

**Government-Wide Financial Statements**

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

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

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

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

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

**K. Fund Balances**

**Fund Financial Statements**

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

**Non-spendable Fund Balances**

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

**Restricted Fund Balances**

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

**Committed Fund Balances**

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

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

**Assigned Fund Balances**

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

**Unassigned Fund Balance**

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

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

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

***L. Compensated Leave Payable***

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

***M. Pension***

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

***M. Pension, Continued***

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

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

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

- Valuation Date - July 1, 2018
- Measurement Date - June 30, 2020
- Measurement Period - July 1, 2019 to June 30, 2020

***O. Use of Estimates***

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

***P. New Pronouncements***

In 2020, the City did not adopt any new accounting standards.

**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, 2020**

**2. CASH AND INVESTMENTS, Continued**

The following is a summary of cash and investments at June 30, 2020:

	Government-Wide Statement of Net Position			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Position	Total
Cash and investments	\$ 4,642,066	\$ 3,651,282	\$ 8,293,348	\$ 974,075	\$ 9,267,423
Cash overdraft	-	(4,229)	(4,229)	-	(4,229)
Total cash and Investments	4,642,066	3,647,053	8,289,119	974,075	9,263,194
Restricted cash and investments	-	-	-	303,733	303,733
<b>Total cash and investments and restricted cash and investments</b>	<b>\$ 4,642,066</b>	<b>\$ 3,647,053</b>	<b>\$ 8,289,119</b>	<b>\$ 1,277,808</b>	<b>\$ 9,566,927</b>

**A. Summary of Cash and Investments**

Cash and investments as of June 30, 2020 consist of the following:

<b>Cash and investments:</b>	
Deposits	\$ 811,326
Petty cash	2,800
Local Agency Investment Fund (LAIF)	8,418,993
Common stock	30,075
<b>Total cash and investments</b>	<b>\$ 9,263,194</b>

**B. Deposits**

The carrying amount of the City’s cash deposits was \$811,326 at June 30, 2020. Bank balances before reconciling items were \$1,513,807 at June 30, 2020. The City’s cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City’s name.

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

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**2. CASH AND INVESTMENTS, Continued**

**C. Investments**

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

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

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

Interest and dividend income	\$ 153,225
Unrealized loss in changes in fair value of investments	<u>(11,856)</u>
<b>Total investment income</b>	<u><u>\$ 141,369</u></u>

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

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

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

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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**2. CASH AND INVESTMENTS, Continued**

**C. Investments, Continued**

As of June 30, 2020, the City had \$8,418,993 invested in LAIF, which had invested 3.37% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.77% in the previous year. The LAIF fair value factor of 1.004912795 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, 2020, are shown below:

Investment Type	Totals	Remaining Maturity (in Months) 12 Months Or Less
LAIF	\$ 8,418,993	\$ 8,418,993
Common stock	30,075	30,075
Total	\$ 8,449,068	\$ 8,449,068

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

At June 30, 2020, the City's deposits and investments were rated as follows:

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year-End Not Rated
State Pool	\$ 8,418,993	N/A	\$ 8,418,993
Common stock	30,075	N/A	30,075
Total	\$ 8,449,068		\$ 8,449,068

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**2. CASH AND INVESTMENTS, Continued**

*E. Investment Valuation*

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

Investments' fair value measurements at June 30, 2020 are described below:

Investment Type	Amount	Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
Investments subject to leveling:				
Common stock	\$ 30,075	\$ 30,075	\$ -	\$ -
Total investments subject to leveling	30,075	30,075	-	-
Investments not subject to leveling:				
State Pool	8,418,993			
Total investments	\$ 8,449,068			

**3. INTERFUND TRANSACTIONS**

*A. Interfund Loans Receivable*

At June 30, 2020, the City had the following interfund loans:

Loans To	Loans From			
	Capital Facilities	Non-Major Governmental Funds	Water Fund	Total
General Fund	\$ -	\$ 282,500	\$ 433,830	\$ 716,330
Community Development	-	744,736	-	744,736
Non-Major Governmental Fund	68,333	-	-	68,333
Total	\$ 68,333	\$ 1,027,236	\$ 433,830	\$ 1,529,399

Interfund loans occur when one fund loans another fund amounts for a specific purpose. The City intends to pay amounts back to the appropriate loaning fund in a manner similar to how an external loan would be paid, with a set payment schedule and interest based on the LAIF interest rate. The purpose of the interfund loans to the General Fund was to reduce a negative cash balance and support continued operations. The purpose of the Library Fund interfund loan was to pay the library lease payments, which will be supported through development fees in future years. In the fiscal year ending June 30, 2020, the Park Development Fund loaned proceeds from the sale of property to the Community Development Fund to aid in liquidity for community projects.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**3. INTERFUND TRANSACTIONS, Continued**

**A. Interfund Loans Receivable, Continued**

As of June 30, 2020, future minimum payments on the General Fund loans were as follows:

	<u>General Fund</u>
2021	107,334
2022	119,000
2023	130,666
2024	142,332
2025	153,998
2026-2028	63,000
	<u>\$ 716,330</u>

The Community Development Fund and Library Fund interfund loans do not have a set payment schedule.

**B. Transfers**

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

At June 30, 2020 the City had the following transfers in/out which arose in the normal course of operations:

Transfer Out	<u>Transfer In</u>			Total
	General Fund	Capital Improvement Program	Non-Major Governmental Funds	
General Fund	\$ -	\$ 39,643	\$ 33,074	\$ 72,717
Community Development Capital Facilities	8,000	351,253	-	359,253
Non-Major Governmental Funds	-	1,000	-	1,000
Water Fund	95,500	817,038	-	912,538
Wastewater Treatment Fund	279,200	29,653	-	308,853
Transit Fund	194,900	199,071	-	393,971
Total	35,000	-	-	35,000
	<u>\$ 612,600</u>	<u>\$ 1,437,658</u>	<u>\$ 33,074</u>	<u>\$ 2,083,332</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**4. LOANS AND NOTES RECEIVABLE**

The City has made various loans under Community Development Block Grants to qualified homeowners and businesses. Under the terms of the business loans, repayments are due in monthly installments through 2021. Under the terms of the homeowner agreements, repayments of the loans are only required upon the sale of the home. The outstanding balance of the total loans receivable was \$11,884 at June 30, 2020 and the business loans receivable portion was \$5,566.

At June 30, 2020, the aggregate maturities of the City's business loans and notes receivable were as follows:

<u>For the Year Ending June 30,</u>	<u>Business Loans</u>
2021	\$ 5,566
Total	<u>\$ 5,566</u>

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

**5. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

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

	Balance June 30, 2019	Additions	Retirements	Transfers to Enterprise Funds	Balance June 30, 2020
Non-depreciable assets:					
Land	\$ 343,131	\$ -	\$ -	\$ -	\$ 343,131
Construction in progress	-	519,267	-	(156,962)	362,305
Total non-depreciable assets	<u>343,131</u>	<u>519,267</u>	<u>-</u>	<u>(156,962)</u>	<u>705,436</u>
Depreciable assets:					
Buildings and improvements	5,244,508	68,655	-	-	5,313,163
Vehicles	1,335,910	69,482	(509,960)	-	895,432
Equipment	571,849	59,825	-	-	631,674
Infrastructure	6,998,887	813,509	-	(71,762)	7,740,634
Total depreciable assets	<u>14,151,154</u>	<u>1,011,471</u>	<u>(509,960)</u>	<u>(71,762)</u>	<u>14,580,903</u>
Less accumulated depreciation:					
Buildings and improvements	1,787,191	143,485	-	-	1,930,676
Vehicles	1,182,339	73,825	(512,921)	-	743,243
Equipment	552,485	21,007	(12,327)	-	561,165
Infrastructure	3,203,794	276,569	-	-	3,480,363
Total accumulated depreciation	<u>6,725,809</u>	<u>514,886</u>	<u>(525,248)</u>	<u>-</u>	<u>6,715,447</u>
Total depreciable assets, net	<u>7,425,345</u>	<u>496,585</u>	<u>15,288</u>	<u>(71,762)</u>	<u>7,865,456</u>
<b>Total capital assets</b>	<u>\$ 7,768,476</u>	<u>\$ 1,015,852</u>	<u>\$ 15,288</u>	<u>\$ (228,724)</u>	<u>\$ 8,570,892</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**5. CAPITAL ASSETS, Continued**

*A. Government-Wide Financial Statements, Continued*

Depreciation expense by program for capital assets for the year ended June 30, 2020 was as follows:

General government	\$ 29,197
Public safety	70,027
Transportation	21,823
Leisure, cultural & social services	32,310
Community development	<u>361,529</u>
<b>Total depreciation expense</b>	<b><u><u>\$ 514,886</u></u></b>

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfer</u>	<u>Balance</u> <u>June 30, 2020</u>
Non-depreciable assets:					
Land	\$ 248,425	\$ -	\$ -	\$ -	\$ 248,425
Construction in progress	<u>334,077</u>	<u>156,962</u>	<u>-</u>	<u>-</u>	<u>491,039</u>
Total non-depreciable assets	<u>582,502</u>	<u>156,962</u>	<u>-</u>	<u>-</u>	<u>739,464</u>
Depreciable assets:					
Buildings and improvements	10,328,961	71,762	-	(241,870)	10,158,853
Vehicles	1,681,713	463,531	(316,187)	-	1,829,057
Equipment	529,516	15,642	-	-	545,158
Infrastructure	<u>6,998,888</u>	<u>-</u>	<u>-</u>	<u>241,870</u>	<u>7,240,758</u>
Total depreciable assets	<u>19,539,078</u>	<u>550,935</u>	<u>(316,187)</u>	<u>-</u>	<u>19,773,826</u>
Less accumulated Depreciation:					
Buildings and improvements, and infrastructure	8,666,158	248,286	-	(1,443,146)	7,471,298
Vehicles	1,196,374	171,071	(310,187)	-	1,057,258
Equipment	519,336	11,487	-	-	530,823
Infrastructure	<u>1,830,950</u>	<u>362,038</u>	<u>-</u>	<u>1,443,146</u>	<u>3,636,134</u>
Total accumulated depreciation	<u>12,212,818</u>	<u>792,882</u>	<u>(310,187)</u>	<u>-</u>	<u>12,695,513</u>
Total depreciable assets, net	<u>7,326,260</u>	<u>(241,947)</u>	<u>(6,000)</u>	<u>-</u>	<u>7,078,313</u>
Total capital assets	<u><u>\$ 7,908,762</u></u>	<u><u>\$ (84,985)</u></u>	<u><u>\$ (6,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,817,777</u></u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**5. CAPITAL ASSETS, Continued**

*A. Government-Wide Financial Statements, Continued*

Depreciation expense for the year ended June 30, 2020 was as follows:

Water	\$ 196,725
Wastewater	461,146
Transit	<u>135,011</u>
<b>Total depreciation expense</b>	<b><u><u>\$ 792,882</u></u></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.

**6. LONG-TERM DEBT**

*C. Governmental Activities*

For the year ended June 30, 2020, governmental activities long-term liabilities activity was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Capital lease obligations	\$ 118,062	\$ -	\$ (77,524)	\$ 40,538	\$ 36,834
Insurance claims payable	21,819	-	(21,819)	-	-
Compensated absences	<u>227,215</u>	<u>91,905</u>	<u>-</u>	<u>319,120</u>	<u>-</u>
<b>Total</b>	<b><u><u>\$ 367,096</u></u></b>	<b><u><u>\$ 91,905</u></u></b>	<b><u><u>\$ (99,343)</u></u></b>	<b><u><u>\$ 359,658</u></u></b>	<b><u><u>\$ 36,834</u></u></b>

**Capital Lease Obligations**

The City leases vehicles and equipment under capital leases with terms that expire in December 2021. Amortization on the assets leased is included in depreciation expense. At June 30, 2020, future minimum payments for governmental capital lease obligations were as follows:

Year Ending June 30,	Amount
2021	\$ 36,834
2022	<u>3,704</u>
Present value of minimum lease payments	40,538
Less current portion	<u>(36,834)</u>
Long-term principal obligations	<b><u><u>\$ 3,704</u></u></b>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

*A. Governmental Activities, Continued*

**Compensated Absences**

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, 2020, business-type activities long-term liabilities activity was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Certificates of participation	\$ 1,905,921	\$ -	\$ (65,553)	\$ 1,840,368	\$ 68,019
Capital lease obligations	98,726	-	(60,727)	37,999	33,129
Insurance claims payable	70,719	-	(20,765)	49,954	-
Total	<u>\$ 2,075,366</u>	<u>\$ -</u>	<u>\$ (147,045)</u>	<u>\$ 1,928,321</u>	<u>\$ 101,148</u>

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

On December 21, 2000, the City issued certificates of participation through the Guadalupe Financing Authority which were purchased by the US Department of Agriculture (USDA) Rural Utilities Service (RUS), amounting to \$1,429,800, in an agreement which included a grant of \$875,200 for water and sewer line replacement. Under the terms of the agreement, the City has pledged net water revenues and net wastewater revenues for the payment of debt service. For the fiscal year ending June 30, 2020, the net water and wastewater revenues were \$514,720 and \$1,257,270 respectively. The principal and interest payments for the debt during the fiscal year ended June 30, 2020 totaled \$77,527. The certificates of participation bear interest at 4.5% per annum, with principal and interest payments due semiannually through August 1, 2040. At June 30, 2020, the principal balance outstanding was \$1,023,240.

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 31,000	\$ 46,164	\$ 77,164
2022	32,000	44,734	76,734
2023	34,000	43,257	77,257
2024	36,000	41,690	77,690
2025	37,000	40,055	77,055
2026-2030	215,000	172,905	387,905
2031-2035	268,000	118,761	386,761
2036-2040	333,000	51,601	384,601
2041	37,240	859	38,099
Total	<u>\$ 1,023,240</u>	<u>\$ 560,026</u>	<u>\$ 1,583,266</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

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

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

On July 27, 2005, the City issued certificates of participation which were purchased by the US Department of Agriculture (USDA) Rural Utilities Service (RUS), amounting to \$1,203,900, in an agreement which included a grant for water tank construction and upgrades. Under the terms of the agreement, the City has pledged tax increment revenues for the payment of debt service. Where tax increment revenues are no longer available for the payment of debt service, the City has pledged net water revenues for the payment of debt service. For the fiscal year ending June 30, 2020, the net water revenues were \$514,720 and the principal and interest payments for the debt during the fiscal year were \$71,354. 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, 2020, the principal balance outstanding was \$817,128.

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 37,019	\$ 34,307	\$ 71,326
2022	38,546	32,750	71,296
2023	40,135	31,130	71,265
2024	41,793	29,442	71,235
2025	43,516	27,686	71,202
2026-2030	246,033	109,431	355,464
2031-2035	301,141	53,272	354,413
2036	68,945	2,854	71,799
Total	<u>\$ 817,128</u>	<u>\$ 320,872</u>	<u>\$ 1,138,000</u>

**Capital Lease Obligations**

The City leases vehicles and equipment under capital leases that have terms that expire in December 2021. Amortization on the assets leased is included in depreciation expense. At June 30, 2020, future minimum payments for business-type capital lease obligations were as follows:

For the Year Ending June 30,	Amount
2021	\$ 33,129
2022	4,870
Present value of minimum lease payments	37,999
Less current portion	<u>(33,129)</u>
Long-term principal obligations	<u>\$ 4,870</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**7. FUND BALANCE**

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

**General Reserve**

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

**Emergency Reserve**

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

**8. JOINT EXERCISE OF POWERS AGREEMENT**

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

**A. *Central Coast Water Authority***

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

Each participant is required to pay to CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement costs of the DWR facilities), debt service on CCWA bonds and all CCWA operating and administrative costs. Each participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. The City's share of State water payments was \$895,725 for the year ended June 30, 2020. The City's allocation of CCWA's operating expenses for the year ended June 30, 2020 was \$140,789.

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.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

***B. California Joint Powers Insurance Authority***

The City is a member of the California Joint Powers Insurance Authority (CJPIA). CJPIA is composed of 118 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The CJPIA's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

*Self-Insurance Program of CJPIA:*

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

*Primary Liability Program:*

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

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

*Primary Workers' Compensation Program:*

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

**B. California Joint Powers Insurance Authority, Continued**

Primary Workers' Compensation Program, Continued:

For fiscal year 2019-20, CJPIA's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

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 \$22,674,726. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Adequacy of Protection under CJPIA:

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2019-20.

Insurance Claim Payable:

CJPIA has assessed a retrospective claims liability balance to pool members. The City's share of the liability is \$49,954 at June 30, 2020 and after paying the July 1, 2020 portion in May 2020. The final payment is due July 1, 2021. The long-term liability applicable to governmental type and business-type activities have been allocated accordingly. As of June 30, 2020, the General Fund had paid off its allocated portion of the liability.

At June 30, 2020, the aggregate future maturities of the insurance claim payable were as follows:

For the Year Ending June 30,	Business-Type	Total
2021	\$ -	\$ -
2022	49,954	49,954
Total	<u>\$ 49,954</u>	<u>\$ 49,954</u>

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**9. EMPLOYEE RETIREMENT PLANS**

**A. Plan Descriptions**

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

**B. Benefits Provided**

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

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	Safety	PEPRA Miscellaneous	PEPRA Safety
Hire date	Prior to Jan 1, 2013	Prior to Jan 1, 2013	On or after Jan 1, 2013	On or after Jan 1, 2013
Benefit formula	2.0% @55	2.0% @55	2.0% @62	2.0% @57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	55	62	57
Monthly benefits, as a % of eligible compensation	2%	2%	2%	2%
Required employee contribution rates	7.000%	7.000%	6.750%	10.000%
Required employer contribution rates	10.221%	13.540%	6.985%	10.216%
Unfunded liability payment	\$ 125,934	\$ 77,511	\$ 1,415	\$ 2,391

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**9. EMPLOYEE RETIREMENT PLANS, Continued**

**C. Contributions**

Section 20814(C) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City’s contributions to the Plan for the measurement period ended June 30, 2019 were \$363,003.

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

As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$3,387,991.

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, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City’s proportionate share of the net pension liability was based on the City’s plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 were as follows:

Proportion - June 30, 2018	0.03166%
Proportion - June 30, 2019	0.03306%
Change - Increase (Decrease)	<u>0.00140%</u>

For the year ended June 30, 2020, the City recognized pension expense of \$826,805.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**9. EMPLOYEE RETIREMENT PLANS, Continued**

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

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 457,869	\$ -
Changes in assumptions	152,142	44,752
Differences between expected and actual experience	225,485	6,694
Changes in employer's proportion	187,362	-
Differences between the employer's contribution and the employer's proportionate share of contributions	-	181,004
Net differences between projected and actual earnings on plan investments	-	53,994
Total	<u>\$ 1,022,858</u>	<u>\$ 286,444</u>

\$457,869 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Pension Expense
2021	\$ 250,769
2022	(9,910)
2023	26,920
2024	10,766

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**9. EMPLOYEE RETIREMENT PLANS, Continued**

*E. Actuarial Assumptions*

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Mortality(1)	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies

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

*F. Discount Rate*

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

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

**9. EMPLOYEE RETIREMENT PLANS, Continued**

**F. Discount Rate, Continued**

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

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

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

Liquidity is included in Short-term investments;

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

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

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

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

The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 5,472,467
Current Discount Rate	7.15%
Net Pension Liability	\$ 3,387,991
1% Increase	8.15%
Net Pension Liability	\$ 1,672,552

**G. Payable to the Pension Plan**

At June 30, 2020 the City reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**10. OTHER POST EMPLOYMENT BENEFITS**

*A. Plan Description*

The City’s other post-employment benefits (OPEB) plan, an agent multiple-employer defined benefit plan, is for retiree health benefits and is administrated by the California Public Employees Retirement System (PERS) Health Benefit Program. The City entered the PERS medical insurance program in 1990 under the Public Employees Medical and Hospital Care Act (PEMHCA). The required employer contribution was \$136-\$139 per month for each retiree, spouse or surviving spouse, and dependent during the fiscal year. The City provides post-employment health care insurance to all employees who retire from the City on or after attaining age 50 with at least 5 years of PERS credited service. For employees first covered under PERS on or after January 1, 2013, the eligibility requirements are attaining age 52 and 5 years of PERS credited service. Benefits are paid for the lifetime of the retiree, spouse or surviving spouse, and dependents up to the age of 65. The City's OPEB Plan does not issue a publicly available financial report.

*B. Employees Covered*

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

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

*C. Contributions*

The City currently finances benefits on a pay-as-you-go basis, and sets its maximum monthly contribution rates for health insurance on behalf of active employees according to the PEMHCA statutory minimum. The minimum was \$136 per month for calendar year 2019 and \$139 per month for calendar year 2020. This amount is indexed to the rate of medical inflation and increased each year accordingly. The City also pays a 0.32% of premiums as an administrative fee on behalf of employees and retirees. For the measurement period July 1, 2019 to June 30, 2020, the City contributed \$4,950 in benefit payments for retirees.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

**D. Total OPEB Liability**

The City’s total OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2018. Standard actuarial update procedures were used to project/discount from the valuation to measurement dates. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.45%
Salary increases	3.00%
Healthcare cost trend rate	5.80% for 2020, decreasing 0.10% each year to an ultimate rate of 5.00% for 2028 and later years

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

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

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

The discount rate used to measure the total OPEB liability was 2.45%, which reflects the municipal bond 20-year high grade index rate, and assumes the net fiduciary position of the plan remains at \$0.

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

	Increase (Decrease)
	<u>Total OPEB Liability</u>
<b>Balance at June 30, 2019</b>	
(Measurement date 06/30/2019)	\$ 384,465
<b>Changes in the year:</b>	
Service cost	25,383
Interest	12,751
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	53,099
Benefit payments	(4,950)
<b>Net changes</b>	<u>86,283</u>
<b>Balance at June 30, 2020</b>	
(Measurement date 06/30/2020)	<u>\$ 470,748</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.45 percent) or 1-percentage point higher (3.45 percent) than the current discount rate:

	1% Decrease 1.45%	Discount Rate 2.45%	1% Increase 3.45%
Total OPEB Liability (Asset)	\$ 566,841	\$ 470,748	\$ 395,500

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (4.80 percent) or 1-percentage point higher (6.80 percent) than the current healthcare cost trend rate:

	1% Decrease (4.80% decreasing to 4.00%)	Trend Rate (5.80% decreasing to 5.00%)	1% Increase (6.80% decreasing to 6.00%)
Total OPEB Liability (Asset)	\$ 380,050	\$ 470,748	\$ 591,103

**H. OPEB Expense and Deferred Outflows and Inflows of Resources**

At June 30, 2020, the City's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 56,217	\$ -
Changes in assumptions or other inputs	71,247	-
Differences between projected and actual return on investments	-	-
	<u>\$ 127,464</u>	<u>\$ -</u>

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

Fiscal Year ending June 30,	OPEB Expense
2021	\$ 17,847
2022	17,847
2023	17,847
2024	17,847
2025	17,847
2026-2028	38,229

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$55,981.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**11. CONTINGENCIES AND COMMITMENTS**

**A. *Litigation***

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

**B. *Grant Commitments***

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

**12. SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY**

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

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

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

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

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

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

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

**A. Cash and Investments**

The City maintained investments with the State of California Local Agency Investment Fund (LAIF) for all City activities, including the Trust Fund. The Trust had \$974,075 in cash and investments as of June 30, 2020, that was held in LAIF. The City manages the Trust Fund’s cash and investments in a consistent manner with the rest of its cash and investment pool. Refer to Note 2 for additional information regarding LAIF.

**B. Cash with Fiscal Agent**

The Trust Fund had \$303,733 in cash and investments as of June 30, 2020, held by fiscal agents pledged for the payment or security of certain bonds. The California Government code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the Trust’s general investment policy. In no instance have additional types of investments, not permitted by the Trust’s general investment policy, been authorized.

**C. Property Held for Resale**

At June 30, 2020, the carrying value of property held for resale was as follows:

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

**D. Capital Assets**

For the year ended June 30, 2020, capital assets activity was as follows:

	Balance June 30, 2019	Transfers/ Additions	Retirements	Balance June 30, 2020
Capital assets being depreciated				
Infrastructure	\$ 201,197	\$ -	\$ -	\$ 201,197
Structures and improvements	83,333	-	-	83,333
Less accumulated depreciation	(131,070)	(14,021)	-	(145,091)
Net capital assets	<u>\$ 163,360</u>	<u>\$ (14,021)</u>	<u>\$ -</u>	<u>\$ 139,439</u>

**E. Long-Term Liabilities**

For the year ended June 30, 2020, long-term liabilities activity was as follows:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020	Due within One Year
Note payable	\$ 5,722	\$ -	\$ (4,527)	\$ 1,195	\$ 1,195
2017 Tax allocation bonds	4,640,000	-	(215,000)	4,425,000	220,000
Discount on 2017 bonds	(93,467)	-	5,498	(87,969)	-
Total	<u>\$ 4,810,896</u>	<u>\$ -</u>	<u>\$ (214,029)</u>	<u>\$ 4,338,226</u>	<u>\$ 221,195</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, 2020, the principal balance outstanding was \$1,303.

At June 30, 2020, the aggregate maturities of the note payable were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,195	\$ 108	\$ 1,303
Total	<u>\$ 1,195</u>	<u>\$ 108</u>	<u>\$ 1,303</u>

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

*E. Long-Term Liabilities, Continued*

**Tax Allocation Bonds**

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

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

The scheduled payment of principal of and interest on the Bonds when due is guaranteed under an insurance policy issued concurrently with the Bonds. The Bonds mature through August 1, 2035, with interest rates from 1.5% to 3.5%. Principal on the bonds is due annually on August 1 of each year, and interest on the Bonds is due semiannually on February 1 and August 1 of each year. At June 30, 2020, the total principal and interest remaining to be paid on the bonds was \$5,709,355. The outstanding principal balance net of bond discounts was \$4,337,031.

For the year ended June 30, 2020, the aggregate maturities of the tax allocation bonds were as follows:

<b>For the Year</b>			
<b>Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 220,000	\$ 136,331	\$ 356,331
2022	225,000	131,600	356,600
2023	230,000	126,194	356,194
2024	240,000	120,019	360,019
2025	245,000	113,044	358,044
2026-2030	1,335,000	448,041	1,783,041
2021-2035	1,585,000	203,088	1,788,088
2036	345,000	6,038	351,038
Subtotal	4,425,000	\$ 1,284,355	\$ 5,709,355
Bond Discount	(87,969)		
	<u>\$ 4,337,031</u>		

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

*E. Long-Term Liabilities, Continued*

**Pollution Remediation**

The Trust owns property designated by the Santa Barbara County Public Health Department as a LUFT (Leaking Underground Fuel Tank) site (#52010). The property is located at 995 Guadalupe Street in Guadalupe, which also is designated as 2424 10<sup>th</sup> Street. This environmental cleanup project has been accepted into the State Water Resources Cleanup of Underground Storage Tanks Fund (USTCF), which approved a total Letter of Commitment (LOC) in the amount of \$1.5 Million. These funds are available for reimbursement of most of the costs associated with assessment and cleanup of the contamination under the site, associated with a former gasoline storage tank leak. DMI-EMK Environmental Services, Inc. (DMI-EMK) has been the environmental consulting firm at this property for the City since 2007.

Between the fiscal years 2008 through June 30, 2020, the former Agency:

- 1) Submitted a total of \$1,098, 970 to the USTCF for reimbursement;
- 2) Received a total of \$888,006 thus far, and
- 3) Is waiting for the completion of an evaluation of an additional \$189,618 for reimbursement by the USTCF. This amount is comprised of -
  - a. \$157,863 in labor and costs from DMI-EMK for all work conducted during the 2019-20 FY, and
  - b. \$31,755 in appeals for prior costs that were previously submitted to, but initially deemed ineligible by, the USTCF.

The reimbursable costs submitted for fiscal year 2019-20 discussed in 3a., above, will typically be reimbursed sometime in the first half of 2021. The appealed costs discussed in 3b., above, reportedly can take several years to move through the appeals process. However, these costs are typically processed more quickly once the site is provided with a final closure letter and final reimbursement submittals are presented to the USTCF. Since this site is currently anticipated to receive final closure in the first half of 2021 (see discussion on closure below), these appealed costs may be acted on by the USTCF near the end of 2021.

During the first half of the 2019-20 fiscal year, the primary activity conducted for the site was system operation and monitoring (O&M) of a Soil Vapor Extraction (SVE) system implemented at the site during the 2017-18 fiscal year. During the second half of the 2019-20 fiscal year, DMI-EMK worked with the State and local oversight agencies to evaluate the site for closure, and identify a path to closure for the site with these agencies.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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

*E. Long-Term Liabilities, Continued*

Specific tasks conducted by DMI-EMK in 2019/20 included: 1) providing electronic technical assistance services (ETAC) required by the State for submitting reimbursement request ; 2) evaluation, preparation and submittal of a Project Execution Plan (PEP) update and Budget Change Order (BCO) Request for future site corrective action activities anticipated, as required by the State; 3) remediation system O&M activities related to approved remedial actions (SVE system)]; 4) on-going remediation system repairs, reporting, permitting, project management, system restart, and system O&M activities related to approved remedial actions (SVE); 5) assistance with on-going waste management, profiling and removal activities; 6) preparation and submittal of appeals packages to the USTCF for previously denied charges (from RR#14 & #15); 7) getting the site enrolled in the USTCF ECAP program in order to expedite site closure reviews; 8) arranging and attending ECAP meetings with the USTCF to evaluate the site status and future requirements for site closure; and 9) conducting a groundwater monitoring event as part of directed closure assessment activities.

The SVE remediation at the site was effectively completed in March of 2020 and a path to closure was developed with the state and local oversight agencies. In June of 2020, these agencies evaluated the site and conditionally agreed that the site appeared to meet low-threat site closure criteria, and directed a closure assessment to address remaining data gaps. The closure assessment consisting of a drilling and sampling program to evaluate the impact of remediation activities conducted at the site. Based on the results of the closure assessment, the State and local oversight agencies conditionally granted site closure, and directed final site closure activities (including public notifications, permitting, system removal, well abandonment, and final reporting activities) be completed.

During the 2020-21 fiscal year DMI-EMK will be conducting the required site closure activities. DMI-EMK currently estimates that all permits, system and compound removal, and well abandonment activities required to complete the physical site closure process will be completed sometime in February 2021. Final reporting requirements are anticipated to be completed by the end of March 2021, and typically the local oversight agency should provide the City with a final closure letter sometime in April or May of 2021.

Final billing and reimbursement requests are anticipated to be provided to the City and the State by April-May of 2021. Typically the reimbursement requests take anywhere from 6 to 9 months, but are sometimes expedited when the site is in the process of final closure.

Estimated future costs through June 30, 2021 (for the 2020-21 FY) are anticipated to be approximately \$160,000 to \$200,000, and should represent the final cleanup costs for the site through obtaining final closure. Based on current expenditures and estimated future costs discussed above, the total current estimated (reimbursable) costs for cleanup activities is approximately \$1,200,000-\$1,300,000, which is well below the \$1.5 Million budget allotted this site by the State.

**13. 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 \$12,006 for the year ended June 30, 2020.

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**13. OPERATING LEASES, CONTINUED**

At June 30, 2020, future minimum lease payments under these operating leases were as follows:

For the Year Ending June 30,	Payment
2021	\$ 12,006
2022	7,577
2023	6,100
2024	6,100
Total	<u>\$ 31,783</u>

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

**Major Funds**

A deficit net position of \$4,229 exists for the Solid Waste Fund. Over the years, the difference was due to the City not always increasing customer rates to cover increases by the waste hauler, discrepancies between the waste hauler’s customer data base and the City’s customer data base, and prior year loans to cover negative balances in the Solid Waste Fund.

As of June 30, 2020, a deficit fund balance of \$6,609 exists for the Capital Improvement Program Fund. This was a result of timing differences between invoices payable by the Capital Improvement Program Fund and the reimbursements made by the funds financing the projects.

**Non-major Funds**

The Library Fund had a deficit fund balance of \$33,634 as of June 30, 2020.

**15. GOING CONCERN**

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

The City is experiencing an increase in business licenses and building permits from the Pasadera residential development. New business activity results in a positive economic boost to the General Fund. With the recent November 2020 elections, residents voted to pass Measure N, which results in about \$600,000-\$650,000 estimated annual sales tax revenue for the City of Guadalupe, which is three times higher than the current sales tax revenue. This new sales tax will be effective April 2021.

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

**City of Guadalupe**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2020**

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**15. GOING CONCERN, CONTINUED**

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

**16. COVID-19**

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

This pandemic had a ripple-effect through state-wide and local economies where nonessential businesses suspended operations. The employees of these businesses were furloughed or laid-off. Based on a study done by HDL, a sales tax revenue forecasting company, the City of Guadalupe is expected to receive a total of \$592,400 in sales tax revenue, which includes Measure X revenue, for fiscal year 2020, in addition to the new Measure N beginning in April 2021. The reasoning for this estimate is that most businesses in town, which would generate sales tax income for the City, are considered essential businesses. City Staff will continue to monitor revenues closely and is working with FEMA to obtain reimbursement for costs related to the pandemic. The City of Guadalupe has received a total of \$99,777 from the CARES Act to offset the impact of the pandemic in Fiscal Year 2020-2021.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**City of Guadalupe**  
**Required Supplementary Information**  
**For the year ended June 30, 2020**

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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. No amendments were made during the fiscal year.

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

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

*B. Excess of Expenditures over Appropriations*

At June 30, 2020, expenditures exceeded appropriations in the General Fund as noted below.

<b>Department</b>	<b>Budget Variance</b>
Police	128,816
Fire	114,726
Parks & Recreation	11,567
Building Maintenance	21,453
Building and Safety; Permits; Planning	15,129

**City of Guadalupe**  
**Budgetary Comparison Schedule - General Fund**  
**For the year ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 2,329,500	\$ 2,329,500	\$ 2,607,994	\$ 278,494
Licenses and permits	725,900	725,900	985,407	259,507
Fines and penalties	28,700	28,700	12,270	(16,430)
Revenues from other agencies	482,122	522,122	572,697	50,575
Charges for current services	236,900	236,900	112,245	(124,655)
Interest	6,500	106,500	118,581	12,081
Other revenues	228,000	228,000	240,899	12,899
<b>Total revenues</b>	<b>4,037,622</b>	<b>4,177,622</b>	<b>4,650,093</b>	<b>472,471</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,205,463	1,205,463	1,155,435	50,028
Public Safety	2,712,927	2,712,927	2,956,469	(243,542)
Leisure, cultural and social services	153,782	153,782	165,349	(11,567)
Community development	378,896	378,896	415,478	(36,582)
Capital outlay	1,000	1,000	1,000	-
Debt service:				
Principal	5,800	5,800	5,080	720
Interest and fiscal charges	18,108	18,108	20,868	(2,760)
<b>Total expenditures</b>	<b>4,475,976</b>	<b>4,475,976</b>	<b>4,719,679</b>	<b>(243,703)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(438,354)</b>	<b>(298,354)</b>	<b>(69,586)</b>	<b>228,768</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	623,600	612,600	612,600	-
Transfers out	(87,387)	(87,387)	(72,717)	14,670
<b>Total other financing sources (uses)</b>	<b>536,213</b>	<b>525,213</b>	<b>539,883</b>	<b>14,670</b>
<b>Net change in fund balances</b>	<b>97,859</b>	<b>226,859</b>	<b>470,297</b>	<b>243,438</b>
<b>FUND BALANCES:</b>				
Beginning of year	15,325	15,325	15,325	-
End of year	\$ 113,184	\$ 242,184	\$ 485,622	\$ 243,438

**City of Guadalupe**  
**Budgetary Comparison Schedule - Community Development**  
**For the year ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Revenues from other agencies	\$ 1,117,029	\$ 1,000,000	\$ 386,324	\$ (613,676)
Interest	-	-	5,999	5,999
Other revenues	-	-	30,000	30,000
<b>Total revenues</b>	<b>1,117,029</b>	<b>1,000,000</b>	<b>422,323</b>	<b>(577,677)</b>
<b>EXPENDITURES:</b>				
Current:				
Leisure, cultural and social services	-	-	106,178	(106,178)
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>106,178</b>	<b>(106,178)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,117,029</b>	<b>1,000,000</b>	<b>316,145</b>	<b>(683,855)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(1,117,029)	(1,008,000)	(359,253)	648,747
<b>Total other financing sources (uses)</b>	<b>(1,117,029)</b>	<b>(1,008,000)</b>	<b>(359,253)</b>	<b>648,747</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(8,000)</b>	<b>(43,108)</b>	<b>(35,108)</b>
<b>FUND BALANCES:</b>				
Beginning of year	78,668	78,668	78,668	-
End of year	\$ 78,668	\$ 70,668	\$ 35,560	\$ (35,108)

**City of Guadalupe**  
**Required Supplementary Information**  
**For the year ended June 30, 2020**

**2. DEFINED BENEFIT PENSION PLANS**

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

Fiscal year	2020	2019	2018	2017	2016	2015
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.03306%	0.03166%	0.03091%	0.02989%	0.02666%	0.0312%
Proportionate share of the net pension liability	\$3,387,991	\$3,050,995	\$3,065,323	\$2,586,229	\$1,830,129	\$1,939,137
Covered payroll	\$2,025,580	\$2,153,332	\$1,925,534	\$1,572,208	\$1,479,094	\$1,548,925
Proportionate Share of the net pension liability as percentage of covered payroll	167.26%	141.69%	159.19%	164.50%	123.73%	125.19%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

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

*Changes in assumptions.* In 2017, the accounting discount rate decreased from 7.65% to 7.15% and has remained at 7.15% in 2018. In 2016, there were no changes in assumptions. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65%.

**B. Schedule of Plan Contributions - Last 10 Years\***

Fiscal Year	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 457,869	\$ 363,003	\$ 329,839	\$ 305,064	\$ 251,172	\$ 211,025
Contribution in relation to the actuarially determined contributions	(457,869)	(363,003)	(329,839)	(305,064)	(251,172)	(211,025)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$2,450,043	\$2,025,580	\$2,153,332	\$1,925,534	\$1,572,208	\$1,479,094
Contributions as a percentage of covered payroll	18.69%	17.92%	15.32%	15.84%	15.98%	14.27%

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

**City of Guadalupe**  
**Required Supplementary Information**  
**For the year ended June 30, 2020**

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

Actuarial Cost Method	Entry-Age Normal
Investment Rate of Return	7.375% net of pension plan investment and administrative expenses; includes inflation
Payroll Growth	3.00%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Retirement Age	CalPERS 1997-2011 experience study
Mortality	CalPERS 1997-2011 experience study Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries

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

Schedule of Changes in Total OPEB Liability and Related Ratios

<i>Measurement Period</i>	<b>2020</b>	<b>2019</b>	<b>2018<sup>1</sup></b>
<b>Total OPEB Liability</b>			
Service Cost	\$ 25,383	\$ 22,620	\$ 22,060
Interest	12,751	11,639	11,646
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	72,513	-
Changes of assumptions	53,099	31,372	-
Benefit payments	(4,950)	(4,842)	(206,667)
Net change in total OPEB liability	86,283	133,302	(172,961)
Total OPEB liability - beginning (a)	384,465	251,163	424,124
Total OPEB liability - ending (b)	<u>\$ 470,748</u>	<u>\$ 384,465</u>	<u>\$ 251,163</u>
Covered-employee payroll	\$ 2,846,031	\$ 2,525,683	\$ 2,267,277
Total OPEB liability as a percentage of covered-employee payroll	16.5%	15.2%	11.1%

<sup>1</sup>Amount includes implicit subsidy associated with benefits paid for this year.

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# SUPPLEMENTARY INFORMATION

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**City of Guadalupe**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**June 30, 2020**

	Special Revenue				
	Local Transportation	Library	Public Facilities	Park Development	Guadalupe Lighting and Assessment
<b>ASSETS</b>					
Cash and investments	\$ (62,664)	\$ 29,414	\$ 15,657	\$ 21,079	\$ 494,025
Accounts receivable	364,707	3,285	48	65	1,437
Prepaid items	-	2,000	-	-	273
Interfund loans receivable	-	-	-	744,736	282,500
<b>Total assets</b>	<b>\$ 302,043</b>	<b>\$ 34,699</b>	<b>\$ 15,705</b>	<b>\$ 765,880</b>	<b>\$ 778,235</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	-	-	-	-	6,700
Accrued wages and benefits	-	-	-	-	-
Interfund loans payable	-	68,333	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>68,333</b>	<b>-</b>	<b>-</b>	<b>6,700</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Nonspendable:					
Prepaid items	-	2,000	-	-	273
Restricted for:					
Street maintenance	302,043	-	-	-	-
Other capital projects	-	-	-	-	-
Community development	-	-	-	-	-
Public safety	-	-	-	-	-
Utility infrastructure	-	-	15,705	765,880	-
Debt service	-	-	-	-	-
Lighting and landscape	-	-	-	-	771,262
Committed to:					
Capital projects	-	-	-	-	-
Unassigned	-	(35,634)	-	-	-
<b>Total fund balances</b>	<b>302,043</b>	<b>(33,634)</b>	<b>15,705</b>	<b>765,880</b>	<b>771,535</b>
<b>Total liabilities and fund balances</b>	<b>\$ 302,043</b>	<b>\$ 34,699</b>	<b>\$ 15,705</b>	<b>\$ 765,880</b>	<b>\$ 778,235</b>

Special Revenue				Capital Projects			Total Other
Public Safety	Transportation Grant	Measure A	Gas Tax	City Hall	Traffic Mitigation	Sewer Bond Debt Service	Governmental Funds
\$ 165,162	\$ -	\$ 749,961	\$ 296,655	\$ 22,605	\$ 114,567	\$ 31,736	1,878,197
504	-	89,997	908	1,346	5,318	97	467,712
-	-	9,088	-	-	-	-	11,361
-	-	-	-	-	-	-	1,027,236
<u>\$ 165,666</u>	<u>\$ -</u>	<u>\$ 849,046</u>	<u>\$ 297,563</u>	<u>\$ 23,951</u>	<u>\$ 119,885</u>	<u>\$ 31,833</u>	<u>\$ 3,384,506</u>
-	-	4,026	-	-	-	-	10,726
-	-	9,705	-	-	-	-	9,705
-	-	-	-	-	-	-	68,333
-	-	13,731	-	-	-	-	88,764
-	-	39,706	-	-	-	-	39,706
-	-	39,706	-	-	-	-	39,706
-	-	-	-	-	-	-	2,273
-	-	795,609	297,563	-	-	-	1,395,215
-	-	-	-	23,951	-	-	23,951
-	-	-	-	-	-	-	-
165,666	-	-	-	-	-	-	165,666
-	-	-	-	-	-	-	781,585
-	-	-	-	-	-	31,833	31,833
-	-	-	-	-	-	-	771,262
-	-	-	-	-	119,885	-	119,885
-	-	-	-	-	-	-	(35,634)
<u>165,666</u>	<u>-</u>	<u>795,609</u>	<u>297,563</u>	<u>23,951</u>	<u>119,885</u>	<u>31,833</u>	<u>3,256,036</u>
<u>\$ 165,666</u>	<u>\$ -</u>	<u>\$ 849,046</u>	<u>\$ 297,563</u>	<u>\$ 23,951</u>	<u>\$ 119,885</u>	<u>\$ 31,833</u>	<u>\$ 3,384,506</u>

**City of Guadalupe**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Other Governmental Funds**  
**For the year ended June 30, 2020**

	Special Revenue				
	Local Transportation	Library	Public Facilities	Park Development	Guadalupe Lighting and Assessment
<b>REVENUES:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 244,216
Licenses and permits	-	24,201	-	-	-
Revenues from other agencies	509,544	-	-	-	-
Charges for current services	-	-	3,922	5,828	-
Interest	4,151	254	267	5,141	14,042
Other revenues	-	-	-	-	-
<b>Total revenues</b>	<b>513,695</b>	<b>24,455</b>	<b>4,189</b>	<b>10,969</b>	<b>258,258</b>
<b>EXPENDITURES:</b>					
Current:					
Public Safety	-	-	-	-	-
Transportation	2,028	-	-	-	-
Leisure, cultural and social services	-	10,127	-	805	-
Community development	-	-	-	-	91,790
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
<b>Total expenditures</b>	<b>2,028</b>	<b>10,127</b>	<b>-</b>	<b>805</b>	<b>91,790</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>511,667</b>	<b>14,328</b>	<b>4,189</b>	<b>10,164</b>	<b>166,468</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of assets	-	-	-	49,281	-
Transfers in	-	6,187	-	-	-
Transfers out	(375,268)	-	-	-	(12,900)
<b>Total other financing sources (uses)</b>	<b>(375,268)</b>	<b>6,187</b>	<b>-</b>	<b>49,281</b>	<b>(12,900)</b>
<b>Net change in fund balances</b>	<b>136,399</b>	<b>20,515</b>	<b>4,189</b>	<b>59,445</b>	<b>153,568</b>
<b>FUND BALANCES:</b>					
Beginning of year	165,644	(54,149)	11,516	706,435	617,967
End of year	\$ 302,043	\$ (33,634)	\$ 15,705	\$ 765,880	\$ 771,535

Special Revenue				Capital Projects			Total Other
Public Safety	Transportation Grant	Measure A	Gas Tax	City Hall	Traffic Mitigation	Sewer Bond Debt Service	Governmental Funds
\$ -	\$ -	\$ 495,335	\$ 171,401	\$ -	\$ -	\$ 1,746	\$ 912,698
-	-	-	-	9,680	46,686	-	80,567
27,386	183,468	-	106,916	-	-	-	827,314
-	-	-	-	-	-	-	9,750
2,756	-	12,504	3,535	291	1,451	543	44,935
10,501	-	-	-	-	-	-	10,501
40,643	183,468	507,839	281,852	9,971	48,137	2,289	1,885,765
1,182	-	-	-	-	-	-	1,182
-	-	287,952	3,320	-	-	-	293,300
-	-	-	-	-	-	-	10,932
-	-	-	-	-	-	-	91,790
14,207	-	-	-	-	-	-	14,207
-	-	-	18,600	-	-	-	18,600
15,389	-	287,952	21,920	-	-	-	430,011
25,254	183,468	219,887	259,932	9,971	48,137	2,289	1,455,754
-	-	-	-	-	-	-	49,281
26,887	-	-	-	-	-	-	33,074
-	(111,491)	(317,855)	(95,024)	-	-	-	(912,538)
26,887	(111,491)	(317,855)	(95,024)	-	-	-	(830,183)
52,141	71,977	(97,968)	164,908	9,971	48,137	2,289	625,571
113,525	(71,977)	893,577	132,655	13,980	71,748	29,544	2,630,465
\$ 165,666	\$ -	\$ 795,609	\$ 297,563	\$ 23,951	\$ 119,885	\$ 31,833	\$ 3,256,036

**City of Guadalupe**  
**Budgetary Comparison Schedule - Capital Facilities Fund**  
**For the year ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses and permits	\$ 210,938	\$ 210,938	\$ -	\$ (210,938)
Interest	2,500	2,500	18,367	15,867
<b>Total revenues</b>	<b>213,438</b>	<b>213,438</b>	<b>18,367</b>	<b>(195,071)</b>
<b>EXPENDITURES:</b>				
Current:				
Leisure, cultural and social services	-	-	139,893	(139,893)
Community development	-	-	434	(434)
Capital outlay	150,000	150,000	169,339	(19,339)
<b>Total expenditures</b>	<b>150,000</b>	<b>150,000</b>	<b>309,666</b>	<b>(159,666)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>63,438</b>	<b>63,438</b>	<b>(291,299)</b>	<b>(354,737)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(270,000)	(270,000)	(1,000)	269,000
<b>Total other financing sources (uses)</b>	<b>(270,000)</b>	<b>(270,000)</b>	<b>(1,000)</b>	<b>269,000</b>
<b>Net change in fund balances</b>	<b>(206,562)</b>	<b>(206,562)</b>	<b>(292,299)</b>	<b>(85,737)</b>
<b>FUND BALANCES:</b>				
Beginning of year	1,133,798	1,133,798	1,133,798	-
End of year	\$ 927,236	\$ 927,236	\$ 841,499	\$ (85,737)

*Excess of expenditures over appropriations*

<b>Project</b>	<b>Budget Variance</b>
Vehicle leases and acquisitions	19,339
Building maintenance and information technology	139,893
Supplies	434

**City of Guadalupe**  
**Budgetary Comparison Schedule - Capital Improvement Program**  
**For the year ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
Current:				
Community development	\$ 3,863,754	\$ 3,031,725	\$ 591,029	\$ 2,440,696
<b>Total expenditures</b>	<u>3,863,754</u>	<u>3,863,754</u>	<u>1,444,267</u>	<u>2,419,487</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,863,754)</u>	<u>(3,863,754)</u>	<u>(1,444,267)</u>	<u>2,419,487</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	<u>4,418,229</u>	<u>4,418,229</u>	<u>1,437,658</u>	<u>2,980,571</u>
<b>Total other financing sources (uses)</b>	<u>4,418,229</u>	<u>4,418,229</u>	<u>1,437,658</u>	<u>2,980,571</u>
<b>Net change in fund balances</b>	554,475	554,475	(6,609)	(561,084)
<b>FUND BALANCES:</b>				
Beginning of year	-	-	-	-
End of year	<u>\$ 554,475</u>	<u>\$ 554,475</u>	<u>\$ (6,609)</u>	<u>\$ (561,084)</u>

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guadalupe, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 8, 2021.

**Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 2020-001 in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as item 2020-002 in the accompanying schedule of findings and responses to be a significant deficiency.

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

### **Compliance and Other Matters**

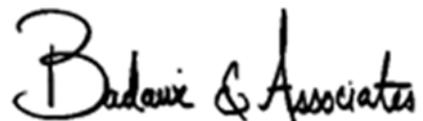
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

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

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

### **Purpose of this Report**

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



Badawi & Associates, CPAs  
Berkeley, California  
February 8, 2021

**City of Guadalupe**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2020**

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**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2020-001 - Insufficient Fund Balance in the General Fund and the Ability of the City to Continue As a Going Concern (Material Weakness)**

**Criteria:**

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

**Condition:**

The General Fund did not maintain a sufficient or adequate fund balance level to ensure continuity of operations as of June 30, 2020. The General Fund finished the year with a fund balance of \$485,622 compared to a fund balance of \$15,325 in the prior fiscal year. This balance represents 38 days of operating revenues and 38 days of operating expenditures. The fund balance in spendable form is \$343,261. As of June 30, 2020 the General Fund owed internally to the Lighting and Assessment Fund and the Water Fund the amounts of \$282,500 and \$433,830, respectively. These interfund loans were made so that the General Fund could sustain its basic operations.

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

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Management Response:**

General Fund: The City has a positive fund balance currently as of November 2020. The City's goal is to maintain a positive fund balance and the preservation of future reserves. The City adopted Financial Policies with its 2019-2021 Budget that target the establishment of reserve funds at optimum levels. However, the City of Guadalupe declared a local state of Emergency in March 2020 due to the COVID19 pandemic. Although the pandemic brings much uncertainty, the City expects sales tax revenue, along with business licenses, property tax and local streets and roads funding to not be

**City of Guadalupe**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2020**

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**2020-001 – Insufficient Fund Balance in the General Fund and the Ability of the City to Continue As a Going Concern (Material Weakness), Continued**

**Management Response (continued):**

significantly impacted. City staff will monitor the financial situation and impact of the pandemic on a monthly basis for the remainder of fiscal year 2021 and into fiscal year 2022. Amid the pandemic, building Permit and related construction fee revenues have helped the City’s cash flow as the Pasadera development continues construction. Other development projects are expected at the end of fiscal year 2021. The City is also working with FEMA to obtain reimbursement for COVID19 related expenses. The City received \$99,777 from the CARES Act to offset the impact of the pandemic. The City is looking to sustain recurring revenue streams for the future including a new sales tax measure effective April 2021 and continuation of increase of water and wastewater rates. In addition, Users Tax, Franchise Fees and Property taxes are expected to rise over time as a positive long-term outcome of the new development.

**2020-002– Control Over Journal Entries and Financial Reporting (Significant Deficiency)**

**Criteria:**

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

**Condition:**

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

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Management Response:**

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