

CITY OF EXETER

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

CITY OF EXETER
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015

<u>Financial Section:</u>	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet to the	
Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in	
Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Position - Enterprise Funds	18
Statement of Revenues, Expenses, and Changes in	
Fund Net Position - Enterprise Funds	19
Statement of Cash Flows - Enterprise Funds	20
Fiduciary Funds:	
Statement of Net Position - Enterprise Funds	21
Statement of Changes in Net Position	22
Notes to the Financial Statements	23
<u>Required Supplementary Information:</u>	
Schedule of Changes in Net Pension Liability and Related Ratios	49
Schedule of Contributions	50
Major Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
General Fund	51
CDBG Special Revenue Fund	52
Program Income/Home fund	53

Supplemental Information:

PAGE

Combining and Individual Nonmajor Governmental Funds Statements: Combining Balance Sheet - Nonmajor Governmental funds	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental funds	55
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -Nonmajor Special Revenue Funds:	
Gas Tax Fund	56
Transportation Development Act Fund	57
Storm Drain Development Fund	58
Grant Fund	59
Low and Moderate Income Housing Fund	60
Measure R Fund	61

Other Reports

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	62
Schedule of Findings and Responses	64

FINANCIAL SECTION

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
Exeter, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Exeter, California, as of and for the year ended June 30, 2015, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Exeter, California as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, during the year ended June 30, 2015, the City implemented *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which modified the current financial reporting of those elements. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Contributions page 49 and 50, and the budgetary comparison information on pages 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 54 through 61 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 and schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic

To the City Council
Exeter, California
Page 3 of 3

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 and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016 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 City's internal control over financial reporting and compliance.

Pressley & Associates, Inc.

Accountancy Corporation

Arroyo Grande, California
March 11, 2016

Management's Discussion and Analysis

As management of the City of Exeter, we offer readers of the City of Exeter's financial statement this narrative overview and analysis of the financial activities of the City of Exeter for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of the City of Exeter exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$13,083,402 (*net position*). Of this amount, <\$2,100,569> (*unrestricted net position*) is a deficit.
- As of the close of the current fiscal year, the City of Exeter governmental funds reported combined ending fund balances of \$2,768,372. Of this amount there is a balance \$478,816 available *for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$478,816.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Exeter's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Exeter's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Exeter's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Exeter is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Exeter that are principally supported by taxes and intergovernmental revenues

(*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Exeter include general government, police service, highways and streets, parks and recreation. The business-type activities of the City of Exeter include a Water, Sewer, Sanitation and Transit.

The government-wide financial statements include the Water, Sewer, Sanitation, and Transit functions for all practical purposes as departments of the City of Exeter, and therefore has been included as an integral part of the primary government.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Exeter, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Exeter can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Exeter maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, CDBG Housing and Home Fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Exeter adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City of Exeter maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Exeter uses enterprise funds to account for its Water, Sewer, Sanitation and Transit. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Exeter's various functions. The City of Exeter has an internal service fund to account for its Health Insurance, Workman's Compensation, Liability, Disability, and Life.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, Refuse and Transit activities, all of which are considered to be major funds of the City of Exeter, with the exception of the Transit Fund.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Exeter's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the 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. Please see the table of contents for page numbers.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Exeter's net pension liability and related ratios and schedule of contributions for its employees. Required supplementary information can be found on page 49 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Exeter's, assets exceeded liabilities by \$13,083,402 at the close of the most recent fiscal year.

Of the City of Exeter's net position (91.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Exeter uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Exeter's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Exeter's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current & other assets	\$ 10,574,273	\$ 10,766,005	\$ 2,958,434	\$ 2,807,031	\$ 13,532,707	\$ 13,573,036
Capital assets	7,178,561	7,459,286	15,995,018	13,991,239	23,173,579	21,450,525
Total assets	<u>17,752,834</u>	<u>18,225,291</u>	<u>18,953,452</u>	<u>16,798,270</u>	<u>36,706,286</u>	<u>35,023,561</u>
Deferred outflows of resources - pension	549,318	-	195,884	-	745,202	-
Long-term liabilities	3,290,790	217,616	12,226,208	9,090,165	15,516,998	9,307,781
Other liabilities	7,641,293	8,171,235	516,937	491,786	8,158,230	8,663,021
Total liabilities	<u>10,932,083</u>	<u>8,388,851</u>	<u>12,743,145</u>	<u>9,581,951</u>	<u>23,675,228</u>	<u>17,970,802</u>
Deferred outflows of resources - pension	500,535	-	192,323	-	692,858	-
Net position:						
Investment in capital assets	7,178,561	7,181,298	5,007,371	4,803,886	12,185,932	11,985,184
Restricted	2,039,407	1,761,257	958,632	847,302	2,998,039	2,608,559
Unrestricted	(2,348,434)	893,885	247,865	1,565,131	(2,100,569)	2,459,016
Total net position	<u>\$ 6,869,534</u>	<u>\$ 9,836,440</u>	<u>\$ 6,213,868</u>	<u>\$ 7,216,319</u>	<u>\$ 13,083,402</u>	<u>\$ 17,052,759</u>

An additional portion of the City of Exeter's net position (22.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit of <\$2,100,569>. At the end of the current fiscal year, the City of Exeter is reporting a negative balance for unrestricted net position due to the requirement to repost GASB 68. For the business-type activities, unrestricted net position was a \$247,865 at June 30, 2015 a decrease from \$1,317,266 at June 30, 2014.

Deferred outflows of resources

As part of the implementation of GASB 68, the City was required to record contributions made to the pension plan during the current fiscal year as deferred inflows of resources. The contributions for outflows will reduce the pension liability in the following fiscal year.

Net Pension Liability

The addition of net pension liability is a result of GASB 68. This required the City to record the liability related to the defined benefit pension plan as it applies to the CalPERS pension plan.

Deferred inflows of resources

Deferred inflows of resources consist of pension deferrals associated with net pension liability. These deferrals will be amortized and recognized in pension expenses in future years.

Net position

Due to the implementation of GASB 68 pronouncement, a prior period adjustment reduces the City's unrestricted net position. GASB 68 requires the City to disclose the net pension liability, and accordingly reduces the net position.

City of Exeter's Changes In Net Assets

	Governmental Activities		Business-type Activities		Total	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Program Revenues:						
Charges for services	\$ 793,994	\$ 495,768	\$ 3,297,876	\$ 3,390,521	\$ 4,091,870	\$ 3,886,289
Operating grants and contributions	1,935,636	2,563,263	189,998	130,537	2,125,634	2,693,800
Capital grants and contributions	32,020	135,509	4,700	32,554	36,720	168,063
General Revenues:						
Property taxes	764,283	736,742	-	-	764,283	736,742
Other taxes	1,655,007	1,707,290	-	-	1,655,007	1,707,290
Investment earnings - unrestricted	6,319	5,619	19,419	16,163	25,738	21,782
Gain on sale of capital assets	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total Revenue	5,187,259	5,644,191	3,511,993	3,569,775	8,699,252	9,213,966
Expenses						
Community & economic development	552,674	382,133	-	-	552,674	382,133
General government	1,009,435	1,472,011	-	-	1,009,435	1,472,011
Parks and recreation	502,474	516,432	-	-	502,474	516,432
Public safety	2,534,040	2,554,636	-	-	2,534,040	2,554,636
Public works	471,418	477,600	-	-	471,418	477,600
Water operating	-	-	1,322,491	1,245,321	1,322,491	1,245,321
Sewer operating	-	-	970,867	983,889	970,867	983,889
Transit	-	-	187,326	181,188	187,326	181,188
Refuse operating	-	-	830,085	826,926	830,085	826,926
Total expenses	5,070,041	5,402,812	3,310,769	3,237,324	8,380,810	8,640,136
Changes in net position	117,218	241,379	201,224	332,451	318,442	573,830
Net position - beginning	6,752,316	9,836,440	6,012,644	7,216,319	12,764,960	17,052,759
Prior period adjustment	-	(3,084,124)	-	(1,203,675)	-	(4,287,799)
Net position - beginning, restated	6,752,316	6,752,316	6,012,644	6,012,644	12,764,960	12,764,960
Net position - ending	\$ 6,869,534	\$ 6,993,695	\$ 6,213,868	\$ 6,345,095	\$ 13,083,402	\$ 13,338,790

Governmental activities. Governmental activities increased the City of Exeter's net position by \$117,218 and \$241,379 for the fiscal years ended June 30, 2015 and 2014 respectively.

Business-type activities. Business-type activities increased the City of Exeter's net position by \$201,224 and \$332,451 for the fiscal years ended June 30, 2015 and 2014.

Financial Analysis of the Government's Funds

As noted earlier, the City of Exeter uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements

Governmental funds. The focus of the City of Exeter's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Exeter's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2015 and 2014, the City of Exeter's governmental funds reported combined ending fund balances of \$2,768,372 and \$2,616,690. Of the June 30, 2015 total amount, 17.3 percent constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Exeter. At the end of the current fiscal year, unassigned fund balance of the general fund was a \$478,816. It may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17 percent of the amount needed to cover general fund expenditures.

The fund balance of the City of Exeter's general fund decreased by \$179,906 and \$91,326 for the years ended June 30, 2015 and 2014. Key factors in the decreases are as follows:

Decrease in revenues:

Sales Tax
UUT
Intergovernmental
Charges for services

Increase in expenditures:

Equipment replacement
Dispatch services
Retirement cost
Health insurance cost
Public safety lease agreement

Proprietary funds. The City of Exeter's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water, Sewer, Refuse, and Transit activities at the end of the year amounted to \$247,865 and 1,565,131 for June 30, 2015 and 2014. The total increase in net positions for all these funds in 2015 and 2014 was \$201,224 and \$332,451. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Exeter's business-type activities.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was an increase of \$185,033. The approved appropriation requests can be briefly summarized as follows:

- Donations
- Equipment-Electric carts
- Grants-COPS
- Rocky Hill Study (ST RT 65)
- Sprinkler system Dobson Field

The appropriations were supported by reimbursements, available grant funds previously received and funds available.

During the year revenues exceeded budgetary estimates and expenditures were at 95% of the budgetary estimates, thus increasing the amount to draw upon the existing fund balance.

Capital Asset and Debt Administration

Capital assets. The City of Exeter's investment in capital assets for its governmental and business type activities as of June 30, 2015, amounts to \$23,173,579 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

City of Exeter's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,298,149	\$ 1,298,149	\$ 2,404,191	\$ 2,404,191	\$ 3,702,340	\$ 3,702,340
Buildings & Improvements	2,564,320	2,666,291	10,404,931	10,713,724	12,969,251	13,380,015
Machinery & equipment	1,317,994	1,448,858	122,125	196,397	1,440,119	1,645,255
Infrastructure	1,998,098	2,045,988	3,063,771	676,927	5,061,869	2,722,915
Construction in progress	-	-	-	-	-	-
	<u>\$ 7,178,561</u>	<u>\$ 7,459,286</u>	<u>\$ 15,995,018</u>	<u>\$ 13,991,239</u>	<u>\$ 23,173,579</u>	<u>\$ 21,450,525</u>

Long-term debt. At June 30 2015 and 2014, the City of Exeter had total debt outstanding of \$11,209,051 and \$9,187,353. The City of Exeter's debt represents three promissory notes to the United States Department of Agriculture Rural Development Agency for wastewater improvement and a water system improvement. Additionally the new debt is from the water meter lease and leasing of police vehicles.

City of Exeter's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Leases payable	\$ 221,405	\$ -	\$ 1,983,967	\$ -	\$ 2,205,372	\$ -
Notes payable	-	-	9,003,679	9,187,353	9,003,679	9,187,353
Revenue bonds	-	-	-	-	-	-
	<u>\$ 221,405</u>	<u>\$ -</u>	<u>\$ 10,987,646</u>	<u>\$ 9,187,353</u>	<u>\$ 11,209,051</u>	<u>\$ 9,187,353</u>

Economic Factors and Next Year's Budgets and Rates

The City of Exeter, like most Central Valley cities are continuing to experience a slight increase in terms of developments activity. The early months of 2012 brought encouragement that the economy is beginning to reverse the downward spiral of development activity, 2012 issued 4 permits, 2013 - 8 permits and 2014 – 19 permits. Exeter is traditionally very cautious and structured in its approach to growth, and slow growth is – by design – more the rule than the exception.

The 2015-16 budget will experience a slight increase and continue with conservative measure in appropriations. The revenues will be considered each quarter to determine the direction for future operating expenditures.

Governmental Activities

General Fund operating revenues are expected to increase slightly. The City will consider the anticipated increase when budgeting General Fund appropriations for next year.

Business Type Activities

CPI increases are part of the City's adopted plan. CPI will be reviewed each year to determine if a rate increase will be considered.

Requests for Information

This financial report is designed to provide a general overview of the City of Exeter's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P. O. Box 237, City of Exeter, CA. 93221.

BASIC FINANCIAL STATEMENTS

**City of Exeter
Statement of Net Position
June 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and investments			
Unrestricted	\$ 2,563,731	\$ 1,954,520	\$ 4,518,251
Restricted	-	655,769	655,769
Receivables:			
Accounts	-	338,698	338,698
Intergovernmental	559,692	189,355	749,047
Inventory	-	28,268	28,268
Internal balances	208,176	(208,176)	-
Loans receivable	7,242,674	-	7,242,674
Capital assets:			
Non-depreciable	1,298,149	2,404,191	3,702,340
Depreciable, net of accumulated depreciation	5,880,412	13,590,827	19,471,239
Total assets	<u>17,752,834</u>	<u>18,953,452</u>	<u>36,706,286</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred pensions	549,318	195,884	745,202
<u>LIABILITIES</u>			
Accounts payable and other accruals	347,055	308,117	655,172
Interest payable	-	150,290	150,290
Unearned revenue	7,167,909	-	7,167,909
Compensated absences	126,329	58,530	184,859
Noncurrent liabilities:			
Due to depositors	-	67,376	67,376
Net pension liability	2,959,324	1,150,164	4,109,488
Due in one year	115,085	296,406	411,491
Due in more than one year	216,381	10,712,262	10,928,643
Total liabilities	<u>10,932,083</u>	<u>12,743,145</u>	<u>23,675,228</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred pensions	500,535	192,323	692,858
<u>NET POSITION</u>			
Net investment in capital assets	7,178,561	5,007,371	12,185,932
Restricted for:			
Inventory	-	28,268	28,268
Public service	1,942,984	-	1,942,984
Debt service	-	655,769	655,769
Impact fees	-	274,595	274,595
Self-insurance	96,423	-	96,423
Unrestricted	(2,348,434)	247,865	(2,100,569)
Total net position	<u>\$ 6,869,534</u>	<u>\$ 6,213,868</u>	<u>\$ 13,083,402</u>

The notes to the financial statements are an integral part of this statement.

City of Exeter
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Community and economic development	\$ 552,674	\$ 406,633	\$ -	\$ 9,160	\$ (136,881)		\$ (136,881)
General government	1,009,435	70,693	818,652	22,860	(97,230)		(97,230)
Parks and recreation	502,474	73,934	-	-	(428,540)		(428,540)
Public safety - fire	47,262	28,840	-	-	(18,422)		(18,422)
Public safety - police	2,486,778	57,535	1,116,984	-	(1,312,259)		(1,312,259)
Public works	471,418	156,359	-	-	(315,059)		(315,059)
Total governmental activities	<u>5,070,041</u>	<u>793,994</u>	<u>1,935,636</u>	<u>32,020</u>	<u>(2,308,391)</u>		<u>(2,308,391)</u>
Business-type Activities:							
Water operations	1,322,491	1,466,819	-	-		\$ 144,328	144,328
Sewer operations	970,867	1,025,943	643	-		55,719	55,719
Sanitation operations	830,085	794,605	-	-		(35,480)	(35,480)
Transit	187,326	10,509	189,355	4,700		17,238	17,238
Total business-type activities	<u>3,310,769</u>	<u>3,297,876</u>	<u>189,998</u>	<u>4,700</u>		<u>181,805</u>	<u>181,805</u>
Total primary government	<u>\$ 8,380,810</u>	<u>\$ 4,091,870</u>	<u>\$ 2,125,634</u>	<u>\$ 36,720</u>	<u>(2,308,391)</u>	<u>181,805</u>	<u>(2,126,586)</u>
General revenues:							
Property taxes					764,283	-	764,283
Sales tax					846,706	-	846,706
Utility users tax					570,870	-	570,870
Franchise tax					153,259	-	153,259
Other taxes					84,172	-	84,172
Unrestricted investment earnings					6,319	19,419	25,738
Total general revenues					<u>2,425,609</u>	<u>19,419</u>	<u>2,445,028</u>
Change in net position					<u>117,218</u>	<u>201,224</u>	<u>318,442</u>
Net position - beginning					9,836,440	7,216,319	17,052,759
Prior period adjustments					(3,084,124)	(1,203,675)	(4,287,799)
Net position - beginning					<u>6,752,316</u>	<u>6,012,644</u>	<u>12,764,960</u>
Net position - ending					<u>\$ 6,869,534</u>	<u>\$ 6,213,868</u>	<u>\$ 13,083,402</u>

The notes to the financial statements are an integral part of this statement.

**City of Exeter
Balance Sheet
Governmental Funds
June 30, 2015**

	General	CDBG Housing	Home Funds	Non-major Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 867,005	\$ 385,615	\$ 82,876	\$ 1,048,857	\$ 2,384,353
Receivables - misc (net):					
Intergovernmental	196,123	86,483	3,750	273,336	559,692
Taxes	-	-	-	-	-
Due from other funds	-	-	-	245,942	245,942
Note receivable	90,000	4,400,575	2,146,827	605,272	7,242,674
Total assets	<u>\$ 1,153,128</u>	<u>\$ 4,872,673</u>	<u>\$ 2,233,453</u>	<u>\$ 2,173,407</u>	<u>\$ 10,432,661</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 208,490	\$ 92,969	\$ 2,306	\$ 31,120	\$ 334,885
Compensated absences payable	123,729	-	-	-	123,729
Deferred revenue	-	4,400,575	2,146,827	620,507	7,167,909
Due to other funds	36,000	-	-	1,766	37,766
Total liabilities	<u>368,219</u>	<u>4,493,544</u>	<u>2,149,133</u>	<u>653,393</u>	<u>7,664,289</u>
Fund balances:					
Restricted	-	379,129	84,320	1,479,535	1,942,984
Committed Impact fees	175,796	-	-	-	175,796
Committed Alley repair	127,797	-	-	-	127,797
Committed Parking-in-lieu	2,500	-	-	-	2,500
Committed for storm drains	-	-	-	40,479	40,479
Assigned for City Hall	-	-	-	-	-
Unassigned	478,816	-	-	-	478,816
Total fund balances	<u>784,909</u>	<u>379,129</u>	<u>84,320</u>	<u>1,520,014</u>	<u>2,768,372</u>
Total liabilities and fund balances	<u>\$ 1,153,128</u>	<u>\$ 4,872,673</u>	<u>\$ 2,233,453</u>	<u>\$ 2,173,407</u>	<u>\$ 10,432,661</u>

The notes to the financial statements are an integral part of this statement.

City of Exeter
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

Fund balances of governmental funds	\$ 2,768,372
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds-	5,880,412
Other long-term assets are not available to pay current expenditures, and therefore are deferred in the funds - construction-in-progress and land.	1,298,149
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included governmental activities in the statement of net position -	96,423
Deferred inflows of resources and deferred outflows of resources:	
Deferred outflows of resources are not current assets of financial resources; and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the governmental funds:	
Deferred pension outflows of resources	538,185
Deferred pension inflows of resources	(489,604)
Long-term liabilities; including accrued interest on bonds, are not due and payable in the current period and therefore are not reported in the funds:	
Net pension liability	
Safety	(2,129,696)
Miscellaneous	(764,257)
Capital Lease payable	(216,381)
Long-term portion of compensated absences and sick leave	(112,069)
	(3,222,403)
Net position of governmental activities	\$ 6,869,534

The notes to the financial statements are an integral part of this statement.

City of Exeter
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	CDBG Housing Fund	Home Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 764,283	\$ -	\$ -	\$ -	\$ 764,283
Sales taxes	920,467	-	-	-	920,467
Utility users tax	570,870	-	-	-	570,870
Franchise tax	153,259	-	-	-	153,259
Other taxes	84,172	-	-	303,378	387,550
Licenses and permits	51,700	-	-	-	51,700
Intergovernmental	1,102,060	-	-	514,086	1,616,146
Charges for services	151,716	-	-	8,323	160,039
Rental income	8,315	-	-	-	8,315
Loan payments	-	297,423	100,507	8,703	406,633
Fines and forfeitures	53,115	-	-	-	53,115
Investment earnings	6,027	4,371	725	5,537	16,660
Miscellaneous	55,355	-	-	-	55,355
Total revenues	<u>3,921,339</u>	<u>301,794</u>	<u>101,232</u>	<u>840,027</u>	<u>5,164,392</u>
EXPENDITURES					
Community and economic development	-	497,018	54,408	1,248	552,674
General government	582,516	-	-	169,227	751,743
Parks and recreation	489,096	-	-	-	489,096
Public safety - fire	35,335	-	-	-	35,335
Public safety - police	2,491,728	-	-	-	2,491,728
Public works	438,065	-	-	-	438,065
Debt service:					
Principal	61,607	-	-	-	61,607
Interest	11,986	-	-	-	11,986
Capital outlay	163,772	-	-	39,564	203,336
Total expenditures	<u>4,274,105</u>	<u>497,018</u>	<u>54,408</u>	<u>210,039</u>	<u>5,035,570</u>
Excess (deficiency) of revenues over expenditures	<u>(352,766)</u>	<u>(195,224)</u>	<u>46,824</u>	<u>629,988</u>	<u>128,822</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	22,860	-	-	-	22,860
Transfers in	150,000	-	-	-	150,000
Transfers out	-	-	-	(150,000)	(150,000)
Total other financing sources and uses	<u>172,860</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>	<u>22,860</u>
Net change in fund balances	(179,906)	(195,224)	46,824	479,988	151,682
Fund balances - beginning	<u>964,815</u>	<u>574,353</u>	<u>37,496</u>	<u>1,040,026</u>	<u>2,616,690</u>
Fund balances - ending	<u>\$ 784,909</u>	<u>\$ 379,129</u>	<u>\$ 84,320</u>	<u>\$ 1,520,014</u>	<u>\$ 2,768,372</u>

The notes to the financial statements are an integral part of this statement.

City of Exeter
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net change in fund balances --total governmental funds	\$	151,682
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$ 116,009) exceeded depreciation (\$396,734) and disposition of capital assets in the current period -		(280,725)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		61,607
Some 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 - Compensated absences		(9,268)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities -		23,582
Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB Statement No. 68		170,340
Change in net position of governmental activities	<u>\$</u>	<u>117,218</u>

The notes to the financial statements are an integral part of this statement.

City of Exeter
Statement of Net Position
Proprietary Funds
June 30, 2015
Business-Type Activities - Enterprise Funds

	Major Funds			Non-major Fund	Total	Governmental
	Water Operations	Sewer Operations	Sanitation Operations	Transit	Proprietary Funds	Activities - Internal Service Fund
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,759,970	\$ 194,550	\$ -	\$ -	\$ 1,954,520	\$ 179,378
Accounts receivable, net of allowance	147,699	96,977	94,022	-	338,698	-
Intergovernmental receivable	-	-	-	189,355	189,355	-
Due from other funds	131,737	-	-	36,000	167,737	-
Loans Receivable	-	-	-	-	-	-
Inventories	28,268	-	-	-	28,268	-
Noncurrent assets:						
Restricted cash and cash equivalents	285,712	370,057	-	-	655,769	-
Capital assets:						
Nondepreciable	-	2,404,191	-	-	2,404,191	-
Depreciable, net	8,052,149	5,429,733	389	108,556	13,590,827	-
Total assets	10,405,535	8,495,508	94,411	333,911	19,329,365	179,378
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pensions	78,702	76,375	15,418	25,389	195,884	11,133
LIABILITIES						
Current liabilities:						
Accounts and other payables	209,085	30,389	64,476	4,167	308,117	12,170
Accrued Interest	66,938	83,352	-	-	150,290	-
Due to other funds	-	-	131,737	244,176	375,913	-
Unearned revenue	-	-	-	-	-	-
Compensated absences payable	19,351	25,077	4,400	9,702	58,530	2,600
Bonds and notes payable	192,503	103,903	-	-	296,406	-
Noncurrent liabilities:						
Due to depositors	67,376	-	-	-	67,376	-
Compensated absences payable	7,129	8,732	1,410	3,750	21,021	3,016
Net pension liability	462,113	448,445	90,529	149,077	1,150,164	65,371
Bonds and notes payable	6,882,930	3,808,311	-	-	10,691,241	-
Total noncurrent liabilities:						
Total liabilities	7,907,425	4,508,209	292,552	410,872	13,119,058	83,157
DEFERRED INFLOWS OF RESOURCES						
Deferred pensions	77,271	74,986	15,138	24,928	192,323	10,931
NET POSITION						
Net investment in capital assets	976,716	3,921,710	389	108,556	5,007,371	-
Restricted for inventory	28,268	-	-	-	28,268	-
Restricted for debt service	285,712	370,057	-	-	655,769	-
Restricted for self-insurance	-	-	-	-	-	96,423
Restricted for impact fees	274,595	-	-	-	274,595	-
Unrestricted	934,250	(303,079)	(198,250)	(185,056)	247,865	-
Total net position	\$ 2,499,541	\$ 3,988,688	\$ (197,861)	\$ (76,500)	\$ 6,213,868	\$ 96,423

The notes to the financial statements are an integral part of this statement.

City of Exeter
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds				Total Proprietary Funds	Governmental Activities - Internal Service Fund
	Major Funds			Non-major Fund		
	Water Operations	Sewer Operations	Sanitation Operations	Transit		
Operating revenues:						
Charges for services	\$ 1,432,691	\$ 1,025,943	\$ 794,605	\$ 10,509	\$ 3,263,748	\$ -
Connection fees	34,128	-	-	-	34,128	-
Internal Service Charges	-	-	127,349	-	127,349	916,106
Total operating revenues	<u>1,466,819</u>	<u>1,025,943</u>	<u>921,954</u>	<u>10,509</u>	<u>3,425,225</u>	<u>916,106</u>
Operating expenses:						
Personnel Services	415,727	394,731	76,742	147,151	1,034,351	66,216
General and administrative	37,426	29,537	16,873	13,390	97,226	826,315
Materials & Supplies	325,708	262,028	735,965	994	1,324,695	-
Depreciation/amortization	229,514	156,892	505	25,791	412,702	-
Total operating expenses	<u>1,008,375</u>	<u>843,188</u>	<u>830,085</u>	<u>187,326</u>	<u>2,868,974</u>	<u>892,531</u>
Operating income (loss)	<u>458,444</u>	<u>182,755</u>	<u>91,869</u>	<u>(176,817)</u>	<u>556,251</u>	<u>23,575</u>
Nonoperating revenues (expenses):						
Grants and reimbursements	-	643	(127,349)	189,355	62,649	-
Loss on the disposition of capital assets	-	-	-	4,700	4,700	-
Investment earnings	15,402	4,017	-	-	19,419	7
Interest expense	(314,116)	(127,679)	-	-	(441,795)	-
Total nonoperating revenue (expenses)	<u>(298,714)</u>	<u>(123,019)</u>	<u>(127,349)</u>	<u>194,055</u>	<u>(355,027)</u>	<u>7</u>
Change in net position	<u>159,730</u>	<u>59,736</u>	<u>(35,480)</u>	<u>17,238</u>	<u>201,224</u>	<u>23,582</u>
Total net position - beginning	2,823,423	4,398,261	(67,640)	62,275	7,216,319	141,253
Prior period adjustment	<u>(483,612)</u>	<u>(469,309)</u>	<u>(94,741)</u>	<u>(156,013)</u>	<u>(1,203,675)</u>	<u>(68,412)</u>
Total net position - beginning restated	<u>2,339,811</u>	<u>3,928,952</u>	<u>(162,381)</u>	<u>(93,738)</u>	<u>6,012,644</u>	<u>72,841</u>
Total net position - ending	<u>\$ 2,499,541</u>	<u>\$ 3,988,688</u>	<u>\$ (197,861)</u>	<u>\$ (76,500)</u>	<u>\$ 6,213,868</u>	<u>\$ 96,423</u>

The notes to the financial statements are an integral part of this statement.

City of Exeter
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Major Funds			Non-Major	Total	
	Water Operating	Sewer Operating	Sanitation Operating	Fund Transit	Proprietary Funds	
CASH FLOWS FROM OPERATING ACTIVITIES						
Charges for services	\$ 1,470,814	\$ 1,024,878	\$ 913,666	\$ 10,509	\$ 3,419,867	\$ 920,940
Personnel services	(416,454)	(398,544)	(76,203)	(146,670)	(1,037,871)	(65,877)
General administration	(37,426)	(29,537)	(16,873)	(8,690)	(92,526)	(810,986)
Payments to suppliers and contractors	(125,027)	(251,443)	(738,727)	(491)	(1,115,688)	-
Net cash provided by operating activities	<u>891,907</u>	<u>345,354</u>	<u>81,863</u>	<u>(145,342)</u>	<u>1,173,782</u>	<u>44,077</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental - operating assistance	-	-	-	130,537	130,537	-
Local - operating reimbursements	-	643	(127,349)	-	(126,706)	-
Increase (decrease) in amount due to other funds	(49,978)	-	49,978	47,626	47,626	-
Deferred inflows/outflows and pension	(22,730)	(22,254)	(4,492)	(7,407)	(56,883)	(38,404)
Transfers-in	-	-	-	-	-	-
Transfers-out	-	-	-	-	-	-
Net cash (used) by noncapital financing	<u>(72,708)</u>	<u>(21,611)</u>	<u>(81,863)</u>	<u>170,756</u>	<u>(5,426)</u>	<u>(38,404)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Interest paid on long-term debt	(297,203)	(130,418)	-	-	(427,621)	-
Principal paid on bonds	(196,776)	(100,632)	-	-	(297,408)	-
Proceeds from long-term capital lease	2,097,702	-	-	-	2,097,702	-
Purchase of capital assets	(2,326,488)	(64,779)	-	(25,414)	(2,416,681)	-
Net cash (used) by capital and related financing activities	<u>(722,765)</u>	<u>(295,829)</u>	<u>-</u>	<u>(25,414)</u>	<u>(1,044,008)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment earnings	15,402	4,017	-	-	19,419	7
(Increase) decrease in restricted cash	(32,870)	(25,800)	-	-	(58,670)	-
Net cash provided by investing activities	<u>(17,468)</u>	<u>(21,783)</u>	<u>-</u>	<u>-</u>	<u>(39,251)</u>	<u>7</u>
Net Increase (decrease) in cash and cash equivalents	<u>78,966</u>	<u>6,131</u>	<u>-</u>	<u>-</u>	<u>85,097</u>	<u>5,680</u>
Balances - beginning of year	<u>1,681,004</u>	<u>188,419</u>	<u>-</u>	<u>-</u>	<u>1,869,423</u>	<u>173,698</u>
Balances - end of the year	<u>\$ 1,759,970</u>	<u>\$ 194,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,954,520</u>	<u>\$ 179,378</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 458,444	\$ 182,755	\$ 91,869	\$ (176,817)	\$ 556,251	\$ 23,575
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	229,514	156,892	505	25,791	412,702	-
Loss on the capital assets	-	-	-	4,700	4,700	-
Changes in assets and liabilities:						
(Increase) decrease in						
Inventory	11,399	-	-	-	11,399	-
Receivables	1,510	(1,065)	(8,288)	-	(7,843)	331
Increase (decrease) in						
Accounts payable	189,282	10,585	(2,762)	503	197,608	15,329
Salaries & benefits payable	(727)	(3,813)	539	481	(3,520)	339
Due to depositors	2,485	-	-	-	2,485	-
Unearned revenue	-	-	-	-	-	4,503
Net cash provided by operating activities	<u>\$ 891,907</u>	<u>\$ 345,354</u>	<u>\$ 81,863</u>	<u>\$ (145,342)</u>	<u>\$ 1,173,782</u>	<u>\$ 44,077</u>

The notes to the financial statements are an integral part of this statement.

**City of Exeter
Statement of Net Position
Fiduciary Fund
June 30, 2015**

	Private-purpose Trust Fund
<u>ASSETS</u>	
Cash and cash equivalents	\$ 66,291
Investments	-
Due from other funds	-
Notes receivable	1,014,659
Capital assets:	
Land	-
Improvements other than land	-
Less accumulated depreciation	-
Total Assets	1,080,950
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred pensions	9,275
 <u>LIABILITIES</u>	
Accounts payable	4,924
Advances payable	-
Net pension liability	54,449
Unearned revenues	969,659
Total Liabilities	1,029,032
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred pensions	9,104
 <u>NET POSITION</u>	
Net assets held in trust	\$ 52,089

The notes to the financial statements are an integral part of this statement.

City of Exeter
Statement of Changes in Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private-purpose Trust Fund
<u>ADDITIONS</u>	
Intergovernmental	\$ -
Loan payments received	7,795
Interest revenue	611
Total Additions	8,406
 <u>DEDUCTIONS</u>	
Administrative expenses	45,871
Advance payments to General Fund	-
Depreciation expense	-
Total Deductions	45,871
Change in net position	(37,465)
Net position held in trust - beginning	146,536
Prior period adjustment	(56,982)
Net position held in trust - beginning, restated	89,554
Net position held in trust - ending	\$ 52,089

The notes to the financial statements are an integral part of this statement.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 1 - Summary of significant accounting policies

A. Reporting entity

The City of Exeter is a municipal corporation governed by an elected mayor at large and a four-member council. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The component unit, although a legally separate entity, is, in substance, part of the government's operation. As such, its operations are "blended" with the City's.

Blended component unit. The Exeter Redevelopment Agency (ERA) was established with the primary purpose of developing, financing and maintaining the property inside the Redevelopment Project Area of the City of Exeter, California. The Mayor and the City Council members of the City of Exeter, California serve as the governing body. The City council reviews the ERA budget. Because of this level of control, the ERA is treated as a blended component unit in the financial statements of the City.

The ERA was established in March of 1990 pursuant to the California Community Redevelopment Laws contained in Sections 33000 Et. Seq. of Division 24 of the Health and Safety Code.

The Successor Agency of the City of Exeter (Successor Agency) was established January 12, 2012 for the purpose of dissolving the Redevelopment Agency as a result of Assembly Bill(AB) X1 26 and AB 1484.

Impact of State Legislation – Pursuant to Assembly Bill 1X26, the Redevelopment Agency of the City of Exeter was dissolved on January 31, 2012. The dissolution of the Redevelopment Agency created an extraordinary item. Additional information about the dissolution of the Redevelopment Agency can be found in Note 7.

B. Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, 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*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *CDBG Community Development Block Grant Housing fund* is the governments fund to assist in Low – Moderate Housing Rehabilitation, Low- Moderate Housing Acquisition and the replacement of curb, gutter and sidewalk.

The *Home Program Income Revolving Fund* is the governments fund to assist in Low – Moderate Housing Acquisition and Administrative Services.

The City reports the following major proprietary funds:

The *Water Fund* account for the operating activities of the city's water utilities services, water related endeavors, water utilities construction, contracting, and debt.

The *Sewer Fund* accounts for the operating activities of the city's sewer pumping stations, treatment plant, and laboratory. This fund also has an annual debt payment to USDA for a sewer upgrade.

The *Sanitation Fund* accounts for the activities associated with refuse collections and recycling.

Additionally, the government reports the following fund types:

Internal service fund accounts for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. These include risk management, information technology, and central financing services.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The exceptions to this general rule are the fleet management and the risk management charges to the enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The exceptions to this general rule are the fleet management and the risk management charges to the enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fiduciary Fund Financial Statements

The City's fiduciary funds represent:

An agency fund, which is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, and a private purpose trust fund, which is used to record the assets, liabilities and activities of the Redevelopment Successor Agency. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

The City reports the following agency and special purpose trust funds:

The **Successor Agency Fund** is responsible for the wind down of the affairs of the dissolved Redevelopment Agency of the City of Exeter.

Amounts reported as *program revenues* include:

- 1) charges to customers or applicants for goods, services, or privileges provided;
- 2) operating grants and contributions; and
- 3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City of Exeter's policy to use restricted resources first, and then unrestricted resources, as they are needed.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 1 - Summary of significant accounting policies (continued)

D. Assets, liabilities, and net position or equity

1. Deposits and Investments

The City maintains its cash in cash and investment pools. Each fund's or component unit's portion of a pool is displayed on its respective balance sheet as "pooled cash and cash equivalents" and "investments". All investments are reported at fair value.

In accordance with its investment policy, the City of Exeter operates its temporary pooled idle cash investments under the prudent man rule (Civil Code Section 2261, et. Seq.). This affords the City a broad spectrum of opportunities as long as the investment is deemed prudent and allowable under current legislation of the State of California (Government Code Section 53600 et. Seq.).

GASB Statement No. 40 requires agencies to expand on the level of detail related to deposit and investment risk. This Statement has been implemented with the June 30, 2005 report, and the detailed information can be found in Note 4.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (e.g., the current portion of interfund loans) or "advances receivable/payable" (e.g., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

3. Inventories and Prepaid Items

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis.

Any payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

Fund balance is reserved for inventories and prepaids, if any, to indicate that a portion of fund balance is not available for appropriation and not expendable, available financial resources.

4. Capital Assets

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary and component unit capital assets are also reported in their respective funds. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. For information describing capital assets, see note 4.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 1 - Summary of significant accounting policies (continued)

4. Capital Assets

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Public domain infrastructure	50
System infrastructure	25
Vehicles	6-8
City equipment	12-20

5. Compensated Absences

Full-time, permanent employees are granted vacation and sick pay benefits in varying amounts to specified maximums depending on tenure with the City. The City's policy is to record such amounts as operating expenses in the period vacations or sick-leaves are taken. In the event of an employee leaving the employ of the City, this employee would be entitled to draw a percentage of the total amount accumulated for sick leave based on years of service and the full amount of vacation benefits.

Years of Service	Percentage of Accumulated Benefit Received
0 – 4	0%
5 – 9	15%
10 – 14	20%
15 – 19	25%
20+	30%

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

7. Classification of Net Position and Fund Balances

In the government-wide financial statements, net position are classified in the following categories:

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position- This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of capital projects, and specific projects and programs as established by the City Council and Management.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 1 - Summary of significant accounting policies (continued)

7. *Classification of Net Position and Fund Balances*

Unrestricted net position - This component of net position consists of net position that do not meet the definition of "restricted net position" or "invested in capital assets, net of related debt".

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

The City implemented GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. The objective of the statement is to enhance the usefulness of fund balance information by provided clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

As prescribed by GASB Statement No. 54, governmental funds report fund balances in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance - includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance - includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other government or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed fund balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council and Management. These amounts cannot be used for any other purpose unless the City Council and Management removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed fund balance resources as of June 30, 2015.

Assigned fund balance - includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. This intent is expressed by (a) the City Council and Management or (b) an appointed body or official to which the City Council and Management has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance - this classification includes all residual fund balances for the General Fund that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, it is the City's policy to use restricted resources first, followed by committed, assigned and unassigned. However, the City reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 1 - Summary of significant accounting policies (continued)

8. Property Taxes

Tulare County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. The property tax calendar for the City is as follows:

Lien date	January 1
Levy dates	July 1 through June 30
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31.

The City is permitted to levy property taxes in accordance with Article XIII A of the California Constitution (Proposition 13), which limits ad valorem taxes on real property to 1.0 percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the basis and limits annual increases to the cost of living, not to exceed 2.0 percent, for each year thereafter. Property may also be reassessed to full fair value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of 66.67 percent of the qualified electors.

9. Utility Users Tax

The City is permitted by Chapter 22, Article V, of the Exeter Municipal Code to collect a utility user's tax on certain types of utility services. The tax imposed is set by City Council resolution and was established at a 5.0 percent tax rate beginning July 1, 1994.

NOTE 2 - Reconciliation of government-wide and fund financial statements

A. Explanation of differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. The components of that reconciliation detail the inclusion of capital assets and long-term debt formerly reported in the general fixed assets account group and general long-term debt account group, respectively. Also reported in the reconciliation are the internal service fund additions to the government-wide statements.

B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in government-wide statement of activities. One element of that reconciliation explains the recording of current year capital assets that had formerly not been recognized in the financial statements (infrastructure). Another element of that reconciliation is the treatment of long-term debt principal payments made in the current fiscal year, previously recorded in the long-term debt account group. Interest payable is recorded in conformity with rules applied to business-type activities.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 2 - Reconciliation of government-wide and fund financial statements (continued)

Internal service funds are blended into the governmental activities as they primarily serve the governmental functions. The reconciliation details the inclusion of those revenues and expenditures.

C. Explanation of certain differences between the proprietary fund statement of net position and the government-wide statement of net position

The proprietary fund statement of net position includes a reconciliation between net position – total enterprise funds and net position of business-type activities as reported in the government-wide statement of net position. The sole element of that reconciliation is the adjustment to reflect the internal receivable representing charges in excess of cost to business-type activities.

NOTE 3 - Stewardship, compliance, and accountability

A. Budgetary information

Budget policy and practice

The Finance Director and City Administrator submit an annual budget to the City Council in accordance with the City Charter. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. The City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, and transfers. Budget revisions at this level are subject to final review by the City Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

The budgets for the operating funds and proprietary fund operations are prepared on the cash basis and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Under Article XIIB of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes. If appropriations from proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements. For the fiscal year ended June 30, 2015, based on calculations by City staff, appropriations from proceeds of taxes did not exceed the appropriations limit.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 4 - Detailed notes on all funds

A. Cash and investments (GASB 40 – Segmented Time Distribution)

Cash and investments are reported in the accompanying financial statements as follows:

	Statement of Net Assets	Private- Purpose Trust fund	Total
Cash and investments	\$ 4,518,251	\$ 66,291	\$ 4,584,542
Restricted - Cash and investments	655,769	-	655,769
Total cash and investments	<u>\$ 5,174,020</u>	<u>\$ 66,291</u>	<u>\$ 5,240,311</u>

Cash and investments as of June 30, 2015, consist of the following:

Cash on hand	\$ 550
Deposits with financial institutions	381,287
Investments	<u>4,858,474</u>
Total cash and investments	<u>\$ 5,240,311</u>

Investments authorized by the California Government Code and the City's investment policy

The table below identifies the investment types that are authorized by the City's investment policy. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized investment type	Maximum maturity	Maximum percentage of * portfolio	Maximum investment in one issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities/Mortgage Securities	5 years	None	None
Banker's Acceptances	270 days	30%	None
Commercial Paper	270 days	25%	None
Certificates of Deposit	5 years	30%	None
Repurchase Agreements	90 days	None	None
State of California Obligations	5 years	None	None
Medium-Term Notes/Corporate Bonds	5 years	30%	None
Mutual Funds	N/A	15%	None
Money Market Mutual Funds	N/A	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 4 - Detailed notes on all funds (continued)

Investments authorized by debt agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities/Mortgage Securities	None	None	None
Banker's Acceptances	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Medium Term Notes/Corporate Bonds	5 years	30%	None

Disclosures related to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment type	Total	Remaining maturity (in months)			
		12 months or less	13 to 24 months	25 to 60 months	Over 60 mos/ No maximum
State investment pool	\$ 852,220	\$ 852,220	\$ -	\$ -	\$ -
Held by trustee:					
Money market funds	54,326	54,326	-	-	-
Certificates of Deposits	3,711,000	248,000	744,000	2,719,000	-
	<u>\$ 4,617,546</u>	<u>\$ 1,154,546</u>	<u>\$ 744,000</u>	<u>\$ 2,719,000</u>	<u>\$ -</u>

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 4 - Detailed notes on all funds (continued)

Disclosures relating to 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 City's investment policy or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment type</u>	<u>Total</u>	<u>Minimum legal rating</u>	<u>Ratings as of year end</u>	<u>Not rated</u>
State investment pool	\$ 852,220	N/A	-	\$ 852,220
Held by trustee:				
Money market funds	54,326	AAA/Aa	AAA	-
Corporate debt securities	-	A	A2/A	-
U.S. Treasury Bonds/Notes	240,929	TSY	AAA,Aaa	-
Certificates of deposit	<u>3,711,000</u>	N/A	-	<u>3,711,000</u>
	<u>\$ 4,858,475</u>			<u>\$ 4,563,220</u>

Concentration of credit risk

The investment policy of the City contains certain limitations on the amount that can be invested in any one issuer.

Custodial credit risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 4 - Detailed notes on all funds (continued)

The total fair value amount invested by all public agencies in LAIF at June 30, 2015, is \$21.5 billion, managed by the State Treasurer. Of that amount, 100 percent is invested in non-derivative financial products and -0- percent in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of pool shares in LAIF which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the City's position in the pool. Investments in LAIF are highly liquid and are secured by the full faith and credit of the State of California. The City's investment in LAIF at June 30, 2015 was \$852,220.

Investments for the City and the component unit are reported at fair value as determined by quoted market prices. Changes in the fair value of investments are included with all other investment income.

B. Receivables

Enterprise Receivables

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within 60 days.

Property Taxes, and Property Tax Calendar

Property taxes are collected and remitted to the City by the County of Tulare. Taxes are levied July 1 – June 30, and are due November 1 – February 1. Major tax payments are received December through April. Lien dates for real property are in January.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

C. Interfund receivable/payables, and transfers

The composition of interfund balances as of June 30, 2015, is as follows:

Due to/from other funds:

Receivable Fund	Payable fund	Amount
Transit	General	36,000
Gas tax	Measure R	1,766
Transportation	Transit	244,176
Water	Sanitation	131,737

Interfund transfers:

Transfer Out:	Transfer In:			Total
	General Fund	CDBG Housing Fund	Non-major Governmental Funds	
Non-major Governmental	\$ 150,000	\$ -	\$ -	\$ 150,000

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 4 - Detailed notes on all funds (continued)

D. Capital assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions & Transfers	Dispositions & Transfers	Balance June 30, 2015
<u>Governmental Activities:</u>				
Capital assets not depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	1,298,149	-	-	1,298,149
Total capital assets not depreciated	<u>1,298,149</u>	<u>-</u>	<u>-</u>	<u>1,298,149</u>
Capital assets being depreciated				
Buildings & improvements	3,404,288	-	-	3,404,288
Infrastructure	2,394,571	-	-	2,394,571
Equipment/autos	3,525,354	116,009	(131,278)	3,510,085
	<u>9,324,213</u>	<u>116,009</u>	<u>(131,278)</u>	<u>9,308,944</u>
Less accumulated depreciation & amortization	<u>(3,163,076)</u>	<u>(396,734)</u>	<u>131,278</u>	<u>(3,428,532)</u>
Total capital assets being depreciated:	<u>6,161,137</u>	<u>(280,725)</u>	<u>-</u>	<u>5,880,412</u>
Governmental activities capital assets, net	<u>\$ 7,459,286</u>	<u>\$ (280,725)</u>	<u>\$ -</u>	<u>\$ 7,178,561</u>
<u>Business-Type Activities:</u>				
Capital assets not depreciated				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	2,404,191	-	-	2,404,191
Total capital assets not depreciated	<u>2,404,191</u>	<u>-</u>	<u>-</u>	<u>2,404,191</u>
Capital assets being depreciated:				
Buildings & improvements	13,185,998	-	-	13,185,998
Infrastructure	974,339	-	-	974,339
Equipment/autos	965,726	2,416,481	(71,302)	3,310,905
	<u>15,126,063</u>	<u>2,416,481</u>	<u>(71,302)</u>	<u>17,471,242</u>
Less accumulated depreciation & amortization	<u>(3,539,015)</u>	<u>(412,702)</u>	<u>71,302</u>	<u>(3,880,415)</u>
Business-type activities Total capital assets being depreciated:	<u>11,587,048</u>	<u>2,003,779</u>	<u>-</u>	<u>13,590,827</u>
Business-type activities capital assets, net	<u>13,991,239</u>	<u>2,003,779</u>	<u>-</u>	<u>15,995,018</u>
Entity wide capital assets	<u>\$ 21,450,525</u>	<u>\$ 1,723,054</u>	<u>\$ -</u>	<u>\$ 23,173,579</u>

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 4 - Detailed notes on all funds (continued)

Depreciation

Depreciation expense was charged to governmental activities as follows:

Governmental departments	
General government	\$ 203,612
Parks and recreation	28,556
Public safety - fire	11,927
Public safety - police	108,172
Public works	<u>44,467</u>
Governmental activities	<u>396,734</u>

Depreciation expense was charged to business-type activities as follows:

Water Funds	229,514
Sewer Fund	149,109
Sanitation Fund	8,288
Transit Fund	<u>25,791</u>
Total depreciation expense, business-type activities	<u>412,702</u>
Total depreciation, entity wide	<u><u>\$ 809,436</u></u>

E. Infrastructure capitalization

The City of Exeter has included estimated fair market value of infrastructure items with the City's capital assets.

F. Unearned revenue - Governmental activities

Details on unearned revenue at June 30, 2015, are as follows:

<u>Funds</u>	<u>Amount</u>
Governmental activities:	
Special revenue funds:	
Community Development Block Grant	\$ 4,400,575
Home Fund	2,146,827
Non-Major Governmental Funds	<u>620,507</u>
Total Unearned Revenue - Governmental Activities	<u><u>\$ 7,167,909</u></u>

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 4 - Detailed notes on all funds (continued)

G. Long-term debt

Business type activities:

The City owes three promissory notes to the United States Department of Agriculture Rural Development Agency for waste water improvements in the Sewer Fund, in the amount of \$4,110,311 and for water system improvements in the Water Fund, in the amount of \$5,253,912. The Sewer fund has annual principal and interest of \$231,050 at 3.25% through November 1, 2039. The Water Fund's average annual principal and interest payment totals \$279,643 at 4.375% through April 1, 2046.

On May 12, 2014 the City entered into a lease purchase contract with Global Water Management, financed through Deutsche Bank, in the amount of \$ 2,097,701, at 3.80%, with 60 quarterly payments of \$46,351.61.

Government-Wide activities:

On October 10, 2013 The City entered a lease purchase contract to lease Ford Police cars in the amount of \$328,640, at 4.70%, with 60 monthly payments of \$6,132.75 per month.

A schedule of changes in long-term debt for the year ended June 30, 2015 is shown below:

	Adjusted Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due within one year
Governmental activities					
Compensated Absences	\$ 225,584	\$ 46,843	\$ 36,629	\$ 235,798	\$ 123,729
Lease Payable	283,012	-	61,607	221,405	64,566
Compensated Absences	<u>\$ 508,596</u>	<u>\$ 46,843</u>	<u>\$ 98,236</u>	<u>\$ 457,203</u>	<u>\$ 188,295</u>
Business-type activities					
Notes Payable	\$ 9,187,353	\$ -	\$ 183,674	\$ 9,003,679	\$ 185,653
Lease Payable	-	2,097,701	113,734	1,983,967	110,753
Compensated Absences	83,081	22,198	17,078	88,201	61,486
Due to depositors	64,891	-	6,805	58,086	-
	<u>\$ 9,335,325</u>	<u>\$ 2,119,899</u>	<u>\$ 321,291</u>	<u>\$ 11,133,933</u>	<u>\$ 357,892</u>

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 4 - Detailed notes on all funds (continued)

G. Long-term debt

The annual requirements to amortize all debt outstanding as of June 30, 2015, including interest, is as follows:

Year ended June 30,	Business-type Activities Notes/lease Payable	Government-Wide Activities Lease Payable
2016	\$ 726,713	\$ 73,593
2017	726,661	73,593
2018	726,520	73,593
2019	726,290	18,398
2020	725,971	-
2021-2025	3,630,365	-
2026-2030	3,443,820	-
2031-2035	2,700,871	-
2036-2040	2,696,369	-
2041-2045	1,381,707	-
2045-2046	62,249	-
	<u>17,547,536</u>	<u>239,177</u>
Less interest	<u>(6,559,890)</u>	<u>(17,772)</u>
	<u>\$ 10,987,646</u>	<u>\$ 221,405</u>

NOTE 5 - Other information

A. Risk management

The City's risk management activities are reported with governmental activities and recorded in the Insurance Internal Service Fund. The purpose of this fund is to administer employee life, health, dental, property and liability, workers' compensation, unemployment, and disability insurance programs of the City on a cost reimbursement basis. This fund accounts for the risk financing activities of the City but does not constitute a transfer of risk from the City.

Significant losses are covered by commercial insurance for all major programs except dental, for which the City retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

B. Joint venture

The City is a member of the Central San Joaquin Valley Risk Management Authority (the Authority). The Authority is comprised of 55 Central California member cities and is organized under the provisions of Sections 6500 - 6515 of the California Government Code. It was established for the purpose of operating and maintaining a cooperative program of self-insurance and risk management which benefits its member agencies through cost reductions, insurance coverage stability and loss control techniques. Each member city has a representative on the Board of Directors. The Board members elect officers of the Authority. The Authority establishes claim liabilities based on actuarial estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred, but not reported.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 5 – Other information (continued)

B. Joint venture (continued)

The following is the summary audited statement of net position and the changes in net position of the Authority for the year ended June 30, 2015:

Net Assets	
Assets	\$ 86,630,360
Liabilities to member cities	(73,673,710)
Net assets, reserved for insurance claims and losses	12,956,650
Changes in Net Assets	
Revenues	\$ 36,826,322
Expenses	(40,427,807)
Excess of income over (under) expenses	\$ (3,601,485)

This information is not included in the accompanying financial statements. Separate financial statements of the Authority may be obtained at Bickmore Risk Services, 1020 19th Street, Suite 200, Sacramento, CA 95814.

C. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Various other claims and suits have been filed against the City in the normal course of business. Based upon information received from the City Attorney and the self-insurance administrator, the estimated liability under such claims would be adequately covered by self-insurance and other insurance coverage.

D. Deferred compensation plans

The City offers several deferred compensation plans created in accordance with Internal Revenue Service Code Section 457 and 401(a). The original 457 plan has two provisions to accommodate regular and part-time, temporary and seasonal employees (PTS). For regular employees, the plan permits them to defer a portion of their salary until future years. Participation in the plan is optional. For PTS employees, participation is not optional. In lieu of participation in PERS, PTS employees must contribute 7.5 percent of their earnings in accordance with IRS regulations. In regards to both classifications of employees, the deferred compensation is not available until termination, retirement, death or unforeseeable emergency.

The City Council has adopted amendments to the 457 plan to accommodate certain tax law changes established by the Internal Revenue Service. The ICMA Retirement Corporation administers the plans and offers several investment options. The choice of the investment option(s) is available only to regular employees and is made solely by the participants. The City has no liability for investment losses under the plan and in accordance with GASB 32, the assets of each of the aforementioned plans have been excluded from the financial statements.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 5 – Other information (continued)

E. Implementation of GASB Statement No. 45, Other Postemployment Benefits (OPEB)

In 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 regarding Postemployment Benefits Other the Pensions. Any postemployment benefits, such as healthcare or other benefits not offered through a pension plan, defined as being paid on behalf of retirees and their eligible spouses fall under the guidance of Statement No. 45 and must be accounted for.

The City of Exeter does not provide postemployment benefits.

NOTE 6 –Defined benefit pension plan

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City of Exeter’s separate Safety (police) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City of Exeter resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

The Plans’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.00%	2.00%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	13.00%	6.25%

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 6 –Defined benefit pension plan (continued)

A. General Information about the Pension Plans (continued)

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	57
Monthly benefits, as a % of eligible compensation	2.00%	2.00%
Required employee contribution rates	7.00%	9.50%
Required employer contribution rates	23.869%	9.50%

Employees Covered – At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	20	15
Inactive employees entitled to but not yet receiving benefits	12	13
Active employees	9	12
Total	<u>41</u>	<u>40</u>

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

B. Net Pension Liability

The City of Exeter’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

B. Net Pension Liability (continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.5%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	7%	7%

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

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

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

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

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

	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 1 - 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	4.50%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100.0%</u>		

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

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

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Miscellaneous Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$7,878,382	\$5,413,174	\$2,465,208
Changes in the year:			
Service cost	220,695		220,695
Interest on the total pension liability	586,468		586,468
Differences between actual and expected experience	0		0
Changes in assumptions	0		0
Implementation year adjustments	0	(48,911)	48,911
Contribution - employer		336,325	(336,325)
Contribution - employee (paid by employer)		0	0
Contribution - employee		90,376	(90,376)
Net investment income		403,485	(403,485)
Deferred inflows /outflows netted		456,853	(456,853)
Benefit payments, including refunds of employee contributions	(338,323)	(338,323)	0
Net changes	468,840	899,805	(430,965)
Balance at June 30, 2015	\$8,347,222	\$6,312,979	\$2,034,243

Safety Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$7,726,992	\$5,190,945	\$2,536,047
Changes in the year:			
Service cost	295,540		295,540
Interest on the total pension liability	572,127		572,127
Differences between actual and expected experience			0
Changes in assumptions			0
Implementation year adjustments		(17,416)	17,416
Contribution - employer		320,148	(320,148)
Contribution - employee (paid by employer)		0	0
Contribution - employee		92,626	(92,626)
Net investment income		384,434	(384,434)
Deferred inflows /outflows netted		494,226	(494,226)
Benefit payments, including refunds of employee contributions	(492,797)	(492,797)	0
Net changes	374,870	781,221	(406,351)
Balance at June 30, 2015	\$8,101,862	\$5,972,166	\$2,129,696

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 6 – DEFINED BENEFIT PENSION PLAN (continued)

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

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$1,708,709	\$1,530,386
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$988,657	\$1,030,795
1% Increase	8.50%	8.50%
Net Pension Liability	\$391,082	\$691,154

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

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

For the year ended June 30, 2015, the City of Exeter recognized pension expense of \$ 521,118 (Miscellaneous \$245,512 and Safety 275,606). At June 30, 2015, the City of Exeter reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>Deferred Outflows of resources</u>	<u>Deferred Outflows of resources</u>	<u>Deferred Outflows of resources</u>	<u>Deferred Outflows of resources</u>
Pension contributions subsequent to measurement date	-	(316,929)	-	(279,108)
Difference between actual and expected experience	-	-	-	-
Changes in assumptions	-	-	-	-
Adjustments due to differences in proportions	-	(23,223)	-	(82,701)
Total	<u>-</u>	<u>(340,152)</u>	<u>-</u>	<u>(361,809)</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	<u>Miscellaneous</u>	<u>Safety</u>
June 30		
2016	\$ (116,701)	\$ (132,417)
2017	(115,042)	(126,510)
2018	(108,409)	(102,882)
2019	-	-
2020	-	-
Thereafter	-	-
	<u>\$ (340,152)</u>	<u>\$ (361,809)</u>

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 7 – Successor agency trust for assets of former redevelopment agency

On December 29, 2011, The California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Exeter that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “Successor Agency” to hold the assets until they are distributed to other units of state and local government. On January 24, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of a City resolution, which passed unanimously.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

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

The Bill directs the State Controller of the State of California to review the propriety of any transfer 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 or 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 by the Bill.

Management believes, in conjunction with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the Successor Agency trustee under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is 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.

NOTE 8 – Subsequent Events

The date to which events occurring after June 30, 2015, have been evaluated for possible adjustments to the financial statements or disclosures is March 11, 2016, which is the date that the financial statements were available to be issued.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 9 – PRIOR PERIOD ADJUSTMENTS

Changes to June 30, 2014, fund balance and net position are as follows:

	Water Fund	Sewer Fund	Sanitation Fund	Transit Fund	Business Type Activities	Government Wide Activities	Private- Purpose Trust Fund
Fund Balance/Net Position June 30, 2014	\$ 2,823,423	4,398,261	(67,640)	62,275	7,216,319	9,836,440	146,536
Prior period adjustment Net pension adjustment per GASB Statement 68	<u>(483,612)</u>	<u>(469,309)</u>	<u>(94,741)</u>	<u>(156,013)</u>	<u>(1,203,675)</u>	<u>(3,084,124)</u>	<u>(56,982)</u>
June 30, 2014, restated	<u>\$ 2,339,811</u>	<u>\$ 3,928,952</u>	<u>\$ (162,381)</u>	<u>\$ (93,738)</u>	<u>\$ 6,012,644</u>	<u>\$ 6,752,316</u>	<u>\$ 89,554</u>

NOTE 10 – Recent Accounting Pronouncements

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions Plans – an amendment of GASB Statement No. 27. Statement No. 68 provisions are effective for financial statements beginning after June 15, 2014. The City implemented the change for the fiscal year ended June 30, 2015.

GASB Statement No. 69 - Government Combinations and Disposals of Government Operations. The provisions of this Statement are effective for periods beginning after December 31, 2013. Management has determined that there was no impact of this Statement on its accounting and financial reporting.

GASB Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The provisions of Statement No. 71 are required and were to be applied simultaneously with the provisions of Statement No. 68. The City implemented this change for the fiscal year ended June 30, 2015.

GASB Statement No. 72 - Fair Value Measurement and Application. The provisions of GASB Statement No. 72 are effective for financial statements beginning after June 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. The provisions of GASB Statement No. 73 are effective for financial statements beginning after June 15, 2015 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are within the scope of GASB Statement No. 68, which are effective for the fiscal years beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The provisions of GASB Statement No. 74 are effective for financial statements beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

CITY OF EXETER
Notes to the Financial Statements
June 30, 2015

NOTE 10 – Recent Accounting Pronouncements (continued)

GASB Statement No. 75 - Accounting and Reporting for Postemployment Benefit Plans Other Than Pensions. The provisions of GASB Statement No. 75 are effective for financial statements beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 76 - The Hierarchy of Generally Accepted Accounting Principles of State and Local Governments. The provisions of GASB Statement No. 76 are effective for financial statements beginning after June 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 77 - The Abatement Disclosures. The provisions of GASB Statement No. 77 are effective for financial statements beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 78 - Pensions Provide through Certain Multiple-Employer Defined Pension Plans. The provisions of GASB Statement No. 78 are effective for financial statements beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF EXETER
FOR THE YEAR ENDED JUNE 30, 2015
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	<u>Miscellaneous 2015</u>	<u>Safety 2015</u>
Total Pension Liability		
Service Cost	\$ 338,829,351	\$ 369,638,880
Interest on total pension liability	921,162,366	1,251,259,652
Changes in assumptions	-	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(523,586,912)	(801,045,884)
Net change in total pension liability	736,404,805	819,852,648
Total pension liability - beginning	12,374,543,647	16,899,165,531
Total pension liability - ending (a)	<u>\$ 13,110,948,452</u>	<u>\$ 17,719,018,179</u>
Plan fiduciary net position		
Contributions - employer	\$ 316,207,965	\$ 424,554,942
Contributions - employee	159,834,203	131,938,305
Net investment income	1,589,130,702	2,097,750,007
Benefit payments, including refunds of employee contributions	(523,586,912)	(801,045,884)
Net change in plan fiduciary net position	1,541,585,958	1,853,197,370
Plan fiduciary net position - beginning	9,097,875,216	12,114,843,971
Plan fiduciary net position - ending (b)	<u>\$ 10,639,461,174</u>	<u>\$ 13,968,041,341</u>
Net pension liability - ending (a)-(b)	<u>\$ 2,471,487,278</u>	<u>\$ 3,750,976,838</u>
Plan fiduciary net position as a percentage of the total pension liability	81.15%	78.83%
Covered - employee payroll	\$ 995,213	\$ 977,775
Net pension liability as percentage of covered-employee payroll	248337.52%	383623.72%

Notes to Schedule:

Benefit changes. In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF EXETER
 FOR THE YEAR ENDED JUNE 30, 2015
 Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	Miscellaneous 2015	Safety 2015
Actuarially determined contribution	\$ 346,451	\$ 329,632
Contributions in relation to the actuarially determined contributions	346,451	329,632
Contribution deficiency (excess)	\$ -	\$ -
 Covered-employee payroll	 \$ 995,213	 \$ 977,775
 Contributions as a percentage of covered- employee payroll	 34.81%	 33.71%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2013
-----------------	-----------	-----------

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.50%
Salary increases	4.5%, average, including inflation of 3.0%
	7.75%, net of pension plan investment expense, including inflation
Investment rate of return	
Retirement age	67 yrs. Misc., 57 yrs. Safety
Mortality	RP-2000 Healthy Annuitant Mortality Table

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**City of Exeter
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 548,000	\$ 548,000	\$ 564,997	\$ 16,997
Sales taxes	745,340	745,340	846,706	101,366
Sales taxes - Prop 172	57,000	57,000	73,760	16,760
Utility users tax	600,000	600,000	570,870	(29,130)
Transient occupancy tax	73,000	73,000	84,172	11,172
Property transfer tax/Real Property Transfer	20,500	20,500	29,867	9,367
Franchise tax	135,000	135,000	153,259	18,259
Business licenses	40,000	40,000	42,912	2,912
Dog licenses	4,500	4,500	4,110	(390)
Other licenses and permits	2,000	2,000	4,678	2,678
Motor vehicle in-lieu tax	800,000	800,000	830,696	30,696
Street Sweeping/Leaf Pickup	46,000	46,000	45,482	(518)
Federal grants(homeland security, traffic safety)	-	-	-	-
State grants/reimbursements	75,000	75,000	274,770	199,770
Zoning and subdivision fees	5,000	5,000	16,435	11,435
Engineering and inspection	5,000	5,000	-	(5,000)
Recreational activities	73,000	73,000	64,949	(8,051)
Landscape & Lighting (assessment districts)	62,000	62,000	60,423	(1,577)
Development Impact Fees	-	-	13,010	13,010
Parking fines	2,300	2,300	835	(1,465)
Vehicle code fines	8,000	8,000	17,486	9,486
Street sweeping fees	5,888	5,888	-	(5,888)
Alley repair	36,500	36,500	36,385	(115)
Other fines	27,700	27,700	19,988	(7,712)
Investment Earnings	3,500	3,500	6,027	2,527
Rent	9,000	9,000	8,315	(685)
Other revenues	-	-	151,207	151,207
Total revenues	<u>3,384,228</u>	<u>3,384,228</u>	<u>3,921,339</u>	<u>537,111</u>
EXPENDITURES				
Current:				
General government	736,458	744,558	582,516	162,042
Parks and recreation	495,127	540,835	489,096	51,739
Public safety - fire	100,000	100,000	35,335	64,665
Public safety - police	2,412,660	2,449,885	2,491,728	(41,843)
Public works	322,625	322,625	438,065	(115,440)
Debt service	-	-	73,593	(73,593)
Capital Outlay	190,066	284,066	163,772	120,294
Total expenditures	<u>4,256,936</u>	<u>4,441,969</u>	<u>4,274,105</u>	<u>167,864</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(872,708)</u>	<u>(1,057,741)</u>	<u>(352,766)</u>	<u>704,975</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	150,000	-
Transfers out	-	-	-	-
Sale of capital assets	-	-	22,860	22,860
Total other financing sources (uses)	<u>150,000</u>	<u>150,000</u>	<u>172,860</u>	<u>22,860</u>
Net change in fund balances	<u>\$ (722,708)</u>	<u>\$ (907,741)</u>	<u>(179,906)</u>	<u>\$ 727,835</u>
Fund balance - beginning			<u>964,815</u>	
Fund balance - ending			<u>\$ 784,909</u>	

The notes to the financial statements are an integral part of this statement.

City of Exeter
Community Development Block Grant
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Loan Payments	\$ -	\$ -	\$ 297,423	\$ 297,423
Investment Earnings	-	-	4,371	4,371
Federal grants	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>301,794</u>	<u>301,794</u>
EXPENDITURES				
Current:				
Community Development	780,500	1,170,291	497,018	673,273
Total expenditures	<u>780,500</u>	<u>1,170,291</u>	<u>497,018</u>	<u>673,273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(780,500)</u>	<u>(1,170,291)</u>	<u>(195,224)</u>	<u>673,273</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (780,500)</u>	<u>\$ (1,170,291)</u>	(195,224)	<u>\$ 673,273</u>
Fund balance - beginning			<u>574,353</u>	
Fund balance - ending			<u>\$ 379,129</u>	

The notes to the financial statements are an integral part of this statement.

City of Exeter
Program Income/Home Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Loan Payoff	\$ -	\$ -	\$ 100,507	\$ 100,507
Home Fund	608,000	-	-	-
Investment Earnings	-	-	725	725
Total revenues	<u>608,000</u>	<u>-</u>	<u>101,232</u>	<u>101,232</u>
EXPENDITURES				
Current:				
Community Development	58,000	80,333	54,406	25,927
Capital	550,000	557,500	-	557,500
Total expenditures	<u>608,000</u>	<u>637,833</u>	<u>54,406</u>	<u>583,427</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(637,833)</u>	<u>46,826</u>	<u>684,659</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (637,833)</u>	46,826	<u>\$ 684,659</u>
Fund balance - beginning			<u>37,495</u>	
Fund balance - ending			<u>\$ 84,321</u>	

The notes to the financial statements are an integral part of this statement.

SUPPLEMENTAL INFORMATION

**City of Exeter
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

	Special Revenue					Measure R Fund	Total Nonmajor Governmental Funds
	Gas Tax	Transportation	Storm Drain	Grant Fund	Low/Mod Housing		
ASSETS:							
Cash and cash equivalents	\$ 286,558	\$ 159,419	\$ 40,479	\$ 41,031	\$ 13,363	\$ 508,007	\$ 1,048,857
Receivables - misc (net):	-	-	-	-	-	-	-
Intergovernmental receivables	29,399	212,082	-	-	-	31,855	273,336
Due from other funds	1,766	244,176	-	-	-	-	245,942
Property held for resale	-	-	-	-	-	-	-
Notes receivables	-	-	-	210,000	395,272	-	605,272
Total assets	\$ 317,723	\$ 615,677	\$ 40,479	\$ 251,031	\$ 408,635	\$ 539,862	\$ 2,173,407
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts and other payables	\$ 7,546	\$ 10,042	\$ -	\$ -	\$ -	\$ 13,532	\$ 31,120
Compensated absences payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	1,766	1,766
Deferred revenue	-	15,235	-	210,000	395,272	-	620,507
Total liabilities	7,546	25,277	-	210,000	395,272	15,298	653,393
Fund balances:							
Restricted	310,177	590,400	-	41,031	13,363	524,564	1,479,535
Committed	-	-	40,479	-	-	-	40,479
Assigned	-	-	-	-	-	-	-
Total fund balances	310,177	590,400	40,479	41,031	13,363	524,564	1,520,014
Total liabilities and fund balances	\$ 317,723	\$ 615,677	\$ 40,479	\$ 251,031	\$ 408,635	\$ 539,862	\$ 2,173,407

The notes to the financial statements are an integral part of this statement.

City of Exeter
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Special Revenue					Measure R Fund	Total Nonmajor Governmental Funds
	Gas Tax	Transportation	Storm Drain	Grant Fund	Low/Mod Housing		
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gas Tax	303,378	-	-	-	-	-	303,378
Intergovernmental	-	285,630	-	262	3,802	224,392	514,086
Charges for services	-	-	8,323	-	-	-	8,323
Loan payments	-	-	-	8,703	-	-	8,703
Investment earnings	-	2,193	285	-	-	3,059	5,537
Total revenues	<u>303,378</u>	<u>287,823</u>	<u>8,608</u>	<u>8,965</u>	<u>3,802</u>	<u>227,451</u>	<u>840,027</u>
EXPENDITURES							
Community and economic development	-	-	-	1,248	-	-	1,248
General government	152,736	16,491	-	-	-	-	169,227
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	39,564	39,564
Total expenditures	<u>152,736</u>	<u>16,491</u>	<u>-</u>	<u>1,248</u>	<u>-</u>	<u>39,564</u>	<u>210,039</u>
Excess (deficiency) of revenues over expenditures	<u>150,642</u>	<u>271,332</u>	<u>8,608</u>	<u>7,717</u>	<u>3,802</u>	<u>187,887</u>	<u>629,988</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	(100,000)	(50,000)	-	-	-	-	(150,000)
Total other financing sources and uses	<u>(100,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>
Net change in fund balances	50,642	221,332	8,608	7,717	3,802	187,887	479,988
Fund balances - beginning	<u>259,535</u>	<u>369,068</u>	<u>31,871</u>	<u>33,314</u>	<u>9,561</u>	<u>336,677</u>	<u>1,040,026</u>
Fund balances - ending	<u>\$ 310,177</u>	<u>\$ 590,400</u>	<u>\$ 40,479</u>	<u>\$ 41,031</u>	<u>\$ 13,363</u>	<u>\$ 524,564</u>	<u>\$ 1,520,014</u>

The notes to the financial statements are an integral part of this statement.

City of Exeter
Gas Tax Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Budget Amounts</u>		<u>Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
State gasoline tax section 2103	\$ 111,678	\$ 111,678	\$ 110,457	\$ (1,221)
State gasoline tax section 2105	79,862	79,862	63,424	(16,438)
State gasoline tax section 2106	48,645	48,645	40,198	(8,447)
State gasoline tax section 2107	69,714	69,714	81,549	11,835
State gasoline tax section 2107.5	3,000	3,000	6,000	3,000
State grants	-	-	-	-
Federal grants	-	-	-	-
Total intergovernmental	<u>312,899</u>	<u>312,899</u>	<u>301,628</u>	<u>(11,271)</u>
Interest	<u>900</u>	<u>900</u>	<u>1,750</u>	<u>850</u>
Total revenues	<u>313,799</u>	<u>313,799</u>	<u>303,378</u>	<u>(10,421)</u>
Expenditures:				
Street Lighting	95,000	95,000	95,231	(231)
Street Projects	95,000	95,000	57,505	37,495
Total expenditures	<u>190,000</u>	<u>190,000</u>	<u>152,736</u>	<u>37,264</u>
Excess (deficiency) of revenues over (under) expenditures	123,799	123,799	150,642	26,843
Other financing sources (uses):				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>23,799</u>	<u>23,799</u>	50,642	<u>26,843</u>
Fund balance - July 1			<u>259,535</u>	
Fund balance - June 30			<u>\$ 310,177</u>	

City of Exeter
Transportation Development - Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Intergovernmental:				
Transportation-Streets & Roads	\$ -		\$ 285,630	\$ 285,630
STP	90,000	90,000	-	(90,000)
Federal grants	-	-	-	-
Interest	-	-	2,193	2,193
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>287,823</u>	<u>197,823</u>
Expenditures:				
Street Projects	<u>150,000</u>	<u>150,000</u>	<u>16,491</u>	<u>133,509</u>
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>16,491</u>	<u>133,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(60,000)</u>	<u>(60,000)</u>	<u>271,332</u>	<u>331,332</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (110,000)</u>	<u>\$ (110,000)</u>	221,332	<u>\$ 331,332</u>
Fund balance - July 1			<u>369,068</u>	
Fund balance - June 30			<u>\$ 590,400</u>	

City of Exeter
Storm Drain - Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Storm drain fees	\$ -	\$ -	\$ 8,323	\$8,323
Interest	-	-	285	285
Total revenues	-	-	8,608	8,608
Expenditures:				
Capital Outlay	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	8,608	8,608
Other financing sources (uses):				
Transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	8,608	\$ 8,608
Fund balance - July 1			31,871	
Fund balance - June 30			\$ 40,479	

City of Exeter
Grant Fund - Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Federal grant	\$ -	\$ -	\$ 262	\$ 262
State grants	-	-	-	-
Interest	-	-	8,703	8,703
Other	-	-	-	-
Total revenues	-	-	8,965	8,965
Expenditures:				
Community development and services:				
Administration	-	-	-	-
Community and housing projects	-	-	1,248	(1,248)
Total expenditures	-	-	1,248	(1,248)
Excess (deficiency) of revenues over (under) expenditures	-	-	7,717	7,717
Other financing sources (uses):				
Gain (loss) on sale of capital assets	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources(uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	7,717	\$ 7,717
Fund balance - July 1			33,314	
Fund balance - June 30			\$ 41,031	

City of Exeter
Low and Moderate Housing Fund-Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ -	\$ -	\$ 3,802	\$ 3,802
Interest	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>3,802</u>	<u>3,802</u>
Expenditures:				
Community development :				
Administration	-	-	-	-
Community and housing projects	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>3,802</u>	<u>3,802</u>
Extraordinary Items				
RDA dissolution transactions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	3,802	<u><u>\$ 3,802</u></u>
Fund balance - July 1			<u>9,561</u>	
Fund balance - June 30			<u><u>\$ 13,363</u></u>	

City of Exeter
Measure R - Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental:				
Measure R local	\$ -	\$ -	\$187,396	\$ 187,396
Measure R regional	-	-	36,996	36,996
Interest	-	-	3,059	3,059
Total revenues	-	-	227,451	227,451
Expenditures:				
Street Projects	4,000,000	4,000,000	39,564	3,960,436
Total expenditures	4,000,000	4,000,000	39,564	3,960,436
Excess (deficiency) of revenues over (under) expenditures	(4,000,000)	(4,000,000)	187,887	4,187,887
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (4,000,000)	\$ (4,000,000)	187,887	\$ 4,187,887
Fund balance - July 1			336,677	
Fund balance - June 30			\$ 524,564	

OTHER REPORT

**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

Honorable Mayor and Members of the
City Council
Exeter, 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 Exeter, California (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 11, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of 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. 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 noted no deficiencies to be significant deficiencies.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of finding and responses that we consider to be material weaknesses (15-01 and 15-02).

Honorable Mayor and Member of the
City Council
Exeter, California
Page two

Compliance and Other Matters

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

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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.

Pressley & Associates, Inc.

Accountancy Corporation

Arroyo Grande, California
March 11, 2016

City of Exeter
Schedule of Findings and Responses

For the Year Ended June 30, 2015

Finding: 15-01 Material Weakness

Reporting Requirement:
Year-end closing

Criteria: A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Condition: The City did not properly record cash, payables, due from other governments, and revenues during the year-end closing process. During our audit we identified these errors and proposed the necessary accounting entries to correct the balance of these accounts. City management agreed with our adjustments and posted the entries.

Effect: As a result of this condition, cash, due from other governments, and revenues were initially materially misstated.

Cause: Financial closing adjustments to record year-end cash, payables, due from other governments, and revenues were not identified and posted to the City accounting records.

Recommendation: We recommend that the City create a year-end financial closing checklist which includes the necessary steps, in detail, that should be undertaken at year-end to ensure proper reconciliation and reporting of all significant account balances.

Views of responsible officials and planned corrective action: The City will revise their current year end financial closing check list to insure proper reconciliation and reporting of all significant account balances.

City of Exeter
Schedule of Findings and Responses

For the Year Ended June 30, 2015

Finding: 15-02 Material Weakness

Reporting Requirement:
Grant accounting

Criteria: In accordance with *Government Auditing Standards* and accounting principles generally accepted in the United States of America, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial performance reporting, or compliance with applicable laws and regulations.

Condition: The City does not reconcile its general ledger accounts to supporting documents for CDBG and Home grant activity and 3rd party operator. In order to make the interim and annual financial statements meaningful, we recommend the City reconcile the grant activity to the general ledger accounts and the supporting documentation on a monthly or routine basis. During our audit, we identified certain adjustments to general ledger assets and liabilities that impacted the operating results of the City.

Effect: The absence of performing monthly and/or routine reconciliations provides an opportunity that errors can accumulate and these errors may go undetected. The benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period (month), which makes it easier to perform future reconciliations.

Cause: Management has not reviewed its policies and procedures to ensure that grant accounting is reconciled to the general ledger accounts and are supported by adequate documentation on a monthly or routine basis. Management is responsible for establishing and maintaining internal controls, including reconciling grant accounting to 3rd party supporting documents.

Recommendation: We recommend management establish monthly and/or routine reconciliation policies and procedures for grant accounting, and review that they are completed for monthly activity and year end reporting.

Views of responsible officials and planned corrective actions: Management agrees with this finding and has since taken corrective action to provide more accurate accounting by funding the rehabilitation projects after completion.

Management relied on the 3rd party contract service to follow and understand State grant guidelines and procedures to ensure the City was adequately funding for each participant in addition to requesting reimbursement in a timely manner. Changes in participant funding sources, after funds had been disbursed, created inaccurate recording in general ledger accounts. State guidelines required program income funds to be spent first before grant reimbursements could be issued. Rehabilitation loans previously were funded by the City as soon as the project was approved. Rehabilitation projects take 4-6 months to complete. Reimbursement requests could be submitted after completion and if program income funds were spent. At this time, program income funds may be available so this would change the funding source of the previously funded project to spend program income funds first.

SCHEDULE OF FINDINGS AND RESPONSES