

**City of Exeter  
Agenda Item Transmittal**

Date: December 8, 2020

**Agenda Item Number:**

**G1**

**Wording for Agenda: PUBLIC HEARING** to consider an amendment to the Exeter General Plan, Land Use Element, and Exeter Zoning Ordinance on 0.72 acres of land (containing four parcels) located on the east side of South F Street north of Chestnut Street in Exeter (APNs 135-122-07, 08, 09 and 15); Adopt Resolution 2020-49 upholding the Planning Commission's recommendation on the approval of General Plan Amendment 2020-02, Service Commercial to Professional Office; and introduce and give first reading of Ordinance 695 amending Ordinance 246 of the Exeter Zoning Ordinance to reclassify the real property from, CS (Service Commercial) to PO (Professional Office).

**Submitting Department:** Planning Department  
**Contact Name:** Greg Collins, City Planner  
**Phone Number:** (559) 734-8737  
**Email:** greg@weplancities.com

**For action by:**

City Council  
 Planning  
Commission

**Regular Session:**

Consent Calendar  
 Regular Item  
 Public Hearing

**Review:**

**City Administrator  
(Initials Required)**



**Staff Recommendation:**

Staff recommends that the Council adopt Resolution 2020-49 upholding the Planning Commission's recommendation on the approval of General Plan Amendment 2020-02, Service Commercial to Professional Office, and introduce and give first reading of Ordinance 695 amending Ordinance 246 of the Exeter Zoning Ordinance to reclassify the real property from, CS (Service Commercial) to PO (Professional Office), on 0.72 acres of land located on the east side of South F Street north of Chestnut Street in Exeter (see Exhibits A and B).

**Summary:**

The applicant, Hal Sousa, for the 251 South F Street property wishes to remodel the structure and use it for a residential use. When staff informed him that the property was zoned for service commercial uses and the remodel could not be allowed under that zoning, he requested this proposed general plan and zoning ordinance amendment. The applicant wanted to re-designate the 7,000 square foot parcel of land located at 251 South F Street from the "service commercial" to the "professional office" designation and rezone it from the CS to PO district. This lot and building is located between existing residential buildings that have been used for both office and residential uses in the past. Staff has informed the applicant that "spot" zoning a small portion of a block is generally discouraged in cities and that a wiser and more defensible position would be to re-designate and rezone the south half of the block in question. This would leave the north half still zoned CS and the south half PO. The southern half of the block is occupied by four residential-like structures while the north half by large metal buildings that are used for storage.

A successful re-designation and rezoning by the applicant would allow the applicant to remodel the residential unit into a residence and potentially an office at some future date. This option would of course also be available to the two residential structures to the north and the one on the corner to the south.

The benefit to all the subject parcels is the owners may have the latitude of using the existing residential type structures for one of three types of uses – single-family residential, multi-family residential or office.

Staff has determined that the project will not have a significant impact on the environment and has filed a categorical exemption (CE).

### **Planning Commission Public Hearing**

The Planning Commission held a public hearing on November 19, 2020 on the Amendments detailed above. There was no public comment in favor of or in opposition to the proposed Amendments. The Commission voted 4-0 to approve both amendments. The Commission surfaced a number of questions regarding the proposed Amendments. They were:

What can these four parcels be used for? **single family dwellings, multi-family dwellings, offices or accessory dwelling units.**

What is the process for converting one land use to another? **Site plan review.**

Were the neighbors notified? **Persons within 300 feet of the subject properties were notified of the proposed amendments.**

### **Background Information:**

#### **Exeter General Plan**

The subject site, which currently contains single-family dwellings and an office, is designated for service commercial uses. This designation was applied to the property years ago when adjacent properties were used for storage, a veterinary clinic and an agricultural laboratory. At that time, service commercial was the appropriate designation for these types of land uses. Over the last couple of years, the veterinary clinic has moved down the street, the agricultural lab is no longer in business and the residential dwellings have never converted to a service commercial use and have actually fallen into disrepair.

Given the above described changes, and the interest in using these residential structures for residential or office uses, it seems reasonable that re-designation of the southern half of the subject block from service commercial to office will stimulate redevelopment activity in the area as well as support the Downtown by adding either residents or offices to the mix of nearby land uses.

Residential in-fill development near the downtown will also assist in enhancing the viability of Exeter's downtown. Folks living in the remodeled residential units could easily walk to the downtown for services (banking), shopping and eating/drinking.

#### **Exeter Zoning Ordinance**

If the City Council upholds the Planning Commission's recommendation for the proposed general plan amendment, service commercial to office, the Council is required to reclassify the subject sites' zoning to be consistent with this amendment. In this case, the appropriate zone district is PO (Professional Office). The Zoning Ordinance not only establishes the uses that are permitted in the PO zone but also development standards including setbacks, parking, height, signage and coverage. These standards serve to ensure that office and residential development being constructed in Exeter is visually pleasing and does not have an adverse impact on nearby neighborhoods. Impacts could involve noise, traffic, lighting, over views into backyards, etc.

### **CONCLUSION**

The Planning Commission and staff are recommending that the Council adopt Resolution 2020-49 approving General Plan Amendment 2020-02, Service Commercial to Professional Office, and introduce Zoning Ordinance Amendment 2020-02, CS to the PO District.

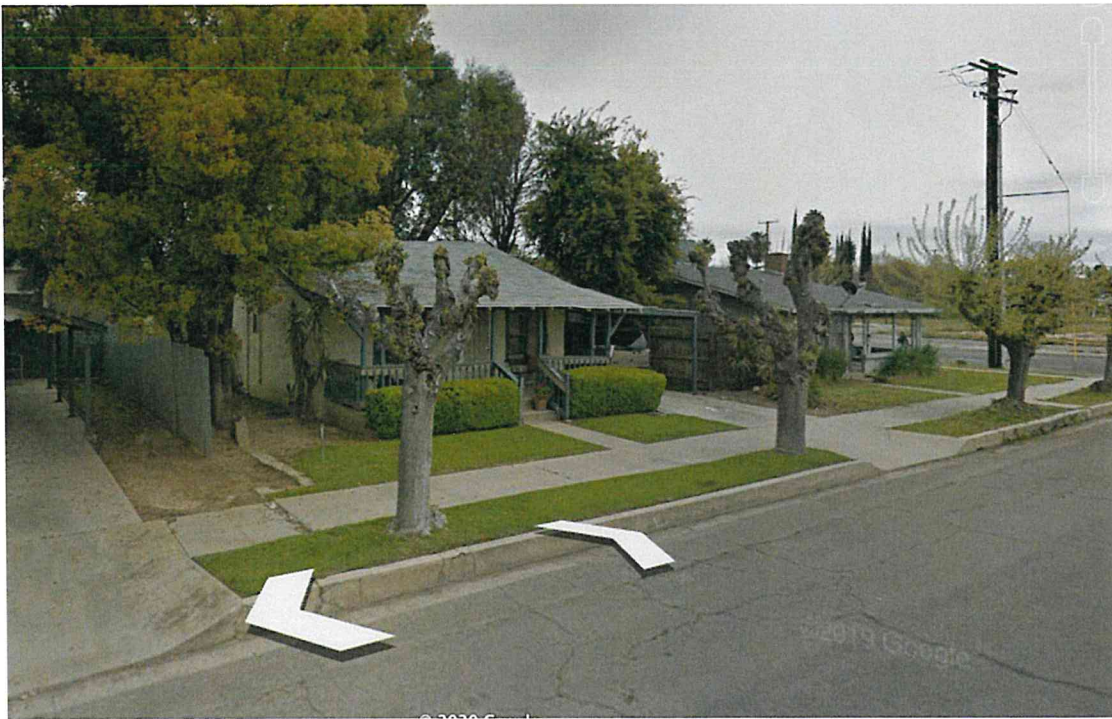
**FACTS**

*Applicant:* Hal Sousa, 400 E. Main Street, Visalia, Ca. 93291

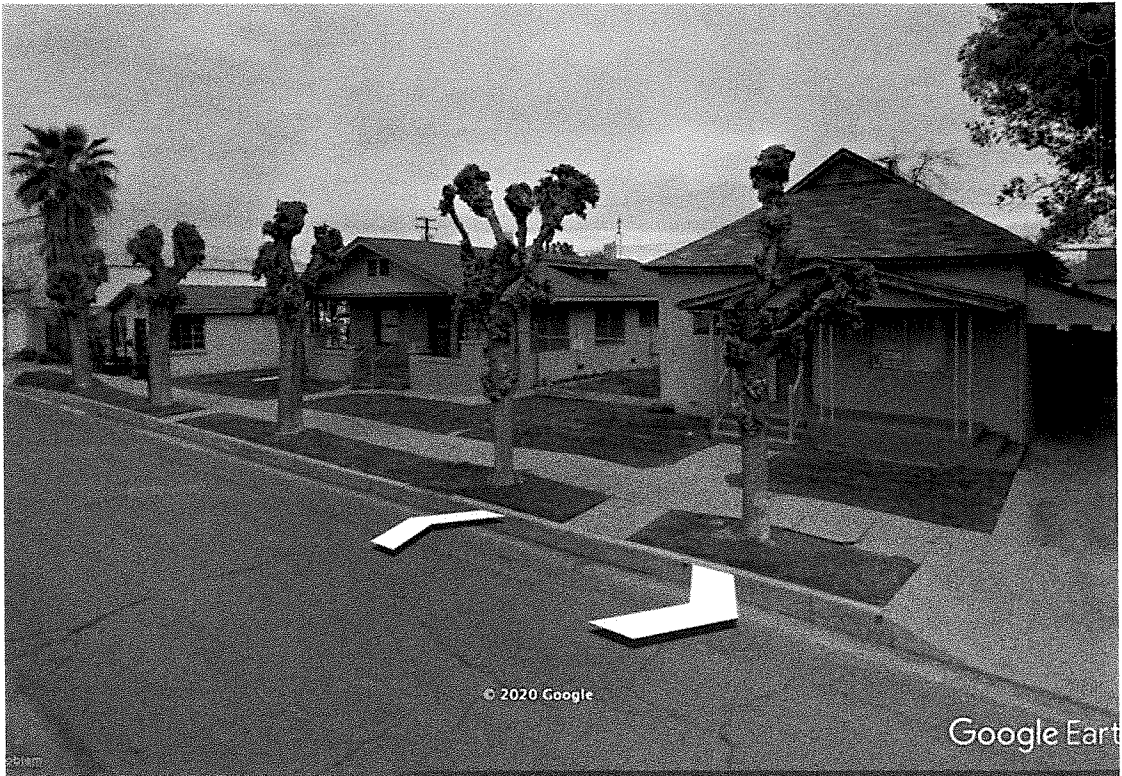
*Location:* The subject property occupies 0.72 acres of land (containing four parcels) located on the east side of South F Street north of Chestnut Street in Exeter. The APNs are 135-122-07, 08, 09 and 15.



***The subject property encompasses four parcels on the northeast corner of South F Street and East Chestnut Street. All four structures are residential-like buildings but some have been used as offices or Vet. Clinics in the past.***



***Looking east and south from F Street onto the subject sites.***



***Looking north and east from F Street onto the subject sites.***

**Request:** An amendment to the Exeter General Plan, Land Use Element, and Exeter Zoning Ordinance on 0.72 acres of land located on the east side of F Street north of Chestnut Avenues in Exeter. The APNs are 135-122—07, 08, 09 and 15.

**Zoning:** The subject sites are proposed to be zoned PO (professional office), which permit single-family, multi-family and office uses. Development standards for this district are as follows:

- Front Yard: 15 feet
- Side Yard: 5 feet
- Rear Yard: 10 feet
- Parking: one stall per 250 square feet of office area. In the case of multi-family residential uses, 1.5 stalls per unit half of which shall be covered.
- Coverage: 60 percent of the lot area
- Lot Width: 50 feet
- Lot Depth: 100 feet

The current zone district, Service Commercial, permits a myriad of heavy commercial uses including the following:

- A. Auto repair garages and associated operations
- B. Glass shops
- C. Gun shops
- D. Heating, air conditioning and sheet metal shops
- E. Household and office equipment and machinery repair

- F. Laundries and linen supply services
- H. Lumber yards
- I. Machinery sales and rentals
- J. Motorcycle sales and repair
- K. Nurseries and garden supply stores
- L. Plumbing and sheet metal shops
- M. Printing, lithographic and engraving
- N. Public utility yards
- O. Refrigeration equipment sales and service
- P. Rug and carpet cleaning
- Q. Safe and vault manufacturing and repair
- R. Sign painting shops
- S. Stone and monument yards
- T. Storage garages and yards, warehouses and mini-storage facilities
- U. Tire sales and service, upholstery shop, radiator shops, body and fender shops
- V. Welding and blacksmith shops
- W. Wholesale establishments
- X. Offices and retail stores incidental to and on the same site with a service commercial establishment.

Use: The subject property currently contains four residential/office structures. Surrounding land uses are as follows:

North:	service commercial/warehouse uses
South:	future apartment complex
East:	single-family dwellings
West:	tire shop/carwash

Site: The site measures 200 feet by 150 feet.

Gen. Plan: The subject site is designated service commercial by the Land Use Element. The Circulation Element designates F Street as a collector roadway.

Infrast: Sewer and water lines are located in the alley and surrounding streets.

CEQA: A Categorical Exemption has been prepared on the project.

**Prior Council/Board Actions:** N/A

**Attachments:** Resolution 2020-49  
Ordinance 695

**Recommended motion to be made by Council/Board:** I move to 1.) Adopt Resolution 2020-49 as presented and 2.) Give first reading of Ordinance 695 amending Ordinance 246 of the Exeter Zoning Ordinance, read by title only, and waiving further reading in full.

## RESOLUTION 2020-49

### A RESOLUTION OF THE CITY COUNCIL UPHOLDING THE PLANNING COMMISSION'S RECOMMENDATION TO APPROVE GENERAL PLAN AMENDMENT 2020-02, SERVICE COMMERCIAL TO PROFESSIONAL OFFICE

WHEREAS, Hal Sousa, 400 E. Main Street, Visalia, Ca. 93291, has applied for a general plan amendment to redesignate .72 acres of land, located on the northeast corner of F and Chestnut Streets in Exeter, from the "service commercial" to the "professional office" designation, and a zoning ordinance amendment from the CS (service commercial) to the PO (professional office) district, and

WHEREAS, the subject property encompasses .72 acres of land (containing four parcels) located on the east side of South F Street north of Chestnut Street in Exeter (see Exhibits A and B attached). The APNs are 135-122—07,08,09 and 15, and

WHEREAS, persons within 300 feet of the subject site were notified of the City Council's intention to amend the Exeter General Plan, redesignating the subject property from "service commercial" to "professional office", and

WHEREAS, a public hearing notice was published ten (10) days prior to the City Council's meeting of December 8, 2020, and

WHEREAS, the Planning Department has prepared a staff report on these planning applications along with a categorical exemption (CE) indicating that the project would not have an adverse impact on the environment, and

WHEREAS, the Planning Commission held a public hearing on 'said general plan amendment on November 19, 2020; accepted testimony, reviewed the staff report and CE and forwarded a recommendation of approval to the Exeter City Council.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council, after considering all the evidence presented, determined the following findings were relevant in evaluating these amendment requests.

1. The proposed project will not have a significant impact on the environment and a CE has been prepared consistent with CEQA.
2. The proposed general plan amendment is consistent with the Land Use Element, which promotes residential in-fill while also eliminating types of land uses within or near residential neighborhoods that might pose a conflict to the residents of the neighborhood.
3. The proposed amendment to the Exeter General Plan implements many of the policies contained in Exeter's certified Housing Element, which promotes affordable housing to households that occupy lower-income categories, increases residential densities in the community by reclassifying property to high density residential; and provides housing products that are affordable to persons with handicapped needs or households that only need one or as many as three bedrooms.

4. The proposed project will not have an adverse impact on the public's health, safety and welfare.

**BE IT FURTHER RESOLVED** that the City Council hereby upholds the Planning Commission's recommendation to approve General Plan Amendment 2020-02 (see Exhibit A), and hereby adopts Resolution 2020-49. The foregoing resolution was adopted upon a motion of Council member \_\_\_\_\_, second by Council member \_\_\_\_\_ at a regular meeting of the Exeter City Council on December 8, 2020, by the following roll call vote:

AYES:

NOS:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

Exhibit A



**ORDINANCE 695**

**AN ORDINANCE OF THE CITY OF EXETER, STATE OF CALIFORNIA, AMENDING  
ORDINANCE NO. 246, THE EXETER ZONING ORDINANCE, RELATING TO THE  
RECLASSIFICATION OF REAL PROPERTY IN EXETER FROM THE CS (SERVICE  
COMMERCIAL) TO THE PO (PROFESSIONAL OFFICE) DISTRICT**

Section 1. Ordinance No. 246 of the City of Exeter is hereby amended by reclassifying real property in Exeter from the CS to the PO district.

The subject property occupies .72 acres of land and is located on the east side of South F street and north of Chestnut Street in Exeter. The subject site is specifically comprised of Assessor's Parcel Numbers (APN) 135-122-07,08,09 and 15.

Section 2. All ordinances and parts thereof of the City of Exeter in conflict herewith are hereby repealed.

Section 3. This ordinance shall take effect thirty (30) days after passage. Prior to the expiration of fifteen (15) days from the passage hereof this Ordinance shall be published once in a local paper of general circulation and delivered within Exeter, together with the names of the members of the City Council voting for and against this matter.

The foregoing ordinance was passed and adopted by the City Council of the City of Exeter on a motion of Council member \_\_\_\_\_, seconded by Council member \_\_\_\_\_, at a regular meeting held on the 8th day of December, 2020, by the following vote:

AYES:  
NOS:  
ABSTAIN:  
ABSENT:

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

**City of Exeter  
Agenda Item Transmittal**

**Meeting Date:** December 8, 2020

**Agenda Item Number:** **G2**

**Wording for Agenda:** Receive the Fiscal Year 2019/2020 Audited Financial Statements for the City of Exeter, review the financial condition of the City and provide feedback.

**Submitting Department:** Finance  
**Contact Name:** Chris Tavarez, Finance Director  
**Phone Number:** 592-2755  
**Email:** [ctavarez@exetercityhall.com](mailto:ctavarez@exetercityhall.com)

**For action by:**  
 City Council

**Regular Session:**  
 Consent Calendar  
 Regular Item  
 Public Hearing

**Review:**  
**City Administrator  
 (Initials Required)**  


**Department Recommendation:**

Staff recommends that:

- City Council receive the Fiscal Year 2019/2020 Financial Audit,
- Review the financial condition of the City and,
- Provide feedback on the financial policy report card for the City as of June 30, 2020

**Summary:**

State law requires The City of Exeter to prepare audited financial statements for each fiscal year. The City received an Unqualified Opinion (clean) in relation to the 2019/2020 Financial Statements audit.

Over the last several years, the City has made a concerted effort and implemented policies to improve the financial condition of the City. Starting out the 2019/2020 fiscal year, the City had the following report card for following its' financial policies.

**Table 1: 2018/19 Fiscal Year Financial Policy Report Card**

<b>Financial Policy</b>	<b>Policy Achieved?</b>	<b>Action</b>
Balanced Budget	Mostly	GF-Yes, EF-No
Budget Reserve 25%	No	Working towards
One-time revenues towards reserves or one-time use	Yes	Pass
Enterprise Rates should cover operations and capital needs	No	Working towards
Investment Policy keep cash liquid and safe	Yes	Pass
Debt sparingly used	Yes	Pass
Annual Audit timely	Yes	Pass

For the 2019/2020 fiscal year City Council had in place a balanced budget and continued actions to improve financial conditions addressed in the adopted policies. Despite the beginning of the COVID19 Pandemic in the last quarter of the fiscal year 2019/2020, the City's financial position stood firm thanks in part to adhering to a balanced budget, strong first three quarters of the fiscal year, one-time revenues and keeping expenditures within budget. By adhering to its' financial policies, over time the City's financial condition should continue to improve for the General Fund as well as all other funds.

Table 2, 2019/2020 Fiscal Year Report Card, provides a look on how well the City has done adhering to its financial policies as of June 30, 2020 summarized as follows:

**Table 2: 2019/2020 Fiscal Year Financial Policy Report Card**

<b>Financial Policy</b>	<b>Policy Achieved?</b>	<b>Action</b>
Balanced Budget	Yes	Pass
Budget Reserve 25%	Yes	Pass – 30%
One-time revenues towards reserves or one-time use	Yes	Pass
Enterprise Rates should cover operations and capital needs	No	By 2024
Investment Policy keep cash liquid and safe	Yes	Pass
Debt sparingly used	Yes	Pass
Annual Audit timely	Yes	Pass

The Enterprise Funds of Water and Sewer underwent a Proposition 218 process in late 2019, as a result of that process Council approved rate increases to ensure rates cover operations, debt service and capital needs. In addition, the City underwent a refinance of its Water and Sewer United States Department of Agriculture (USDA) debt in fiscal year 2019/2020. This enabled the City to release restriction of approximately \$400,000 cash in each fund to be able to be used for current needs. Although the new debt no longer has a cash restriction requirement, there are other requirements on the City that require it to keep rates at a minimum of at least a 1.15 debt service ratio (net revenues 15% over debt service, before capital projects). Rates for Water and Sewer Enterprise Funds will increase annually over the next four years to fund maintenance and capital improvement projects needed to provide reliable and efficient systems. A final increase in 2024 will result in the funds being able to cover all their necessary expenditures with the anticipation that only minor cost index increases would be needed thereafter.

The financial impact of the COVID19 Pandemic for the 2020/2021 fiscal year is still to be seen. An early review of the two key revenues for the General Fund indicate that preliminary sales tax estimates through 9/30/2020 and property taxes show that the adopted budgeted revenues are on track, with the potential to outperform projections.

**Background Discussion:**

State law requires the City to prepare audited financial statements for each fiscal year. The attached 2019/2020 audited financial statements meets this requirement. The City’s independent auditors, Rogers, Anderson, Malody and Scott, LLP (RAMS) have audited the City’s financial statements for the fiscal year ended June 30, 2020, with the final letter dated October 29, 2020, which was completed within 180 days of the end of the fiscal year in compliance with the City’s financial policy.

- The Auditors have issued an unqualified (clean) opinion.
- The financial condition of the City continues to improve.
  - Despite the start of the COVID19 Pandemic hitting in the final quarter of the fiscal year, the first three quarters of the 2019/2020 fiscal year were strong which offset decreases in revenue.
  - Primary revenues in all funds were at or exceeded budget and expenditures in the General Fund and Enterprise Funds were within those revenues.
  - City Council’s actions for a balanced budget realized an increase to the General Fund unrestricted fund balance, increasing from 18% to approximately 30% of budgeted General Fund expenses.

- The General Fund reserve is approximately 30% General Fund of operating budget. Per the State Auditor's "Fiscal Health of CA Cities" website, would put the City in "Moderate Risk", a step above the "High Risk" category it has been in.
  - Council action in November 2019 to refinance Water Fund debt and subsequent action in March 2020 to refinance the Sewer Fund debt have brought both funds into a positive or near positive fund balance at the end of the 2019/2020 fiscal year.
  - The City's Enterprise Funds (Water, Sewer and Refuse) have very little or no reserves. Water has just come out of a negative position this fiscal year, and the other two are working out of a negative unrestricted fund position which is estimated to be within the next two years.
- Improving the financial condition of the City continues as Staff and Council strive to follow the City's financial policies.

The City issues copies of the audited financial statements to financial institutions for use in evaluating the City's financial position, as well as to the City Council, City Management, interested citizens and the public. The City's 2019/2020 Audited Financial Statements will be available on the City's web site.

#### 2019/2020 Report Card Discussion

The General Fund has seen minimal growth in revenues over the last few years, however, they have been buoyed by one-time revenues such as large sales tax transactions and a fire tax credit over the past five years. In addition, concentrated financial efforts have improved the General Fund's financial position enabling it to build reserves which City Council has indicated is important, with a minimum 25% reserve goal.

The City should continue to achieve positive financial growth as the City Council has continued to follow adopted fiscal policies for a financially healthy and well-run organization and prepares to address many needs that have been deferred. Pension cost increases are projected to use up additional resources; however, the City has taken steps that started in fiscal year 2018/19 to reduce ongoing costs that help offset those increased costs (such as reduction of staff , correcting staff cost allocations and contracting out services for park maintenance and animal control). However, future operational expenditures will continue to increase, and the City's improved financial condition will enable it to better withstand known and unknown financial pressures.

Table 3, Government Funds Financial Results, 2019/2020, shows the outlook of the City's governmental funds. The main concern in these funds is that the General Fund had minimal growth and a reserve of 18% (which was an improvement from 3% in the prior year), below the minimum 25% of the General Fund's expenditures as of June 30, 2019. In 2019/2020 the City realized ongoing expenditure control, one-time revenues over budget and one-time savings that have realized an increase in the unrestricted fund balance in the General Fund to approximately 30% of operating budget.

Table 3: Governmental Fund Financial Results, 2019/2020 (In Thousands)				
Governmental:				
<u>Fund</u>	<u>Net Income (Loss)</u>	<u>Available Fund Balance</u>	<u>Growing</u>	<u>Comment</u>
General Fund	552.9	1,387.4	yes	Growth in fund balance from \$834,500 of one-time or special revenues and contracting of services and position reduction in parks
<i>Housing Grants</i>	(79.5)	299.1	no	Restricted Funds: Revenues from loan payoffs and payments.
Transportation and Other Funds	601.3	4,526.7	yes	Restricted Funds: Non-Major Funds include Measure R, Transportation, Storm Drain, Gas Tax and Business Improvement Program.
	<u>1,074.7</u>	<u>6,213.2</u>		

Revenues in the General Fund for the 2019/2020 fiscal year generally met or were close to budget. There was an increase over budget in Sales Tax revenues and other revenues also saw minimal increases. Overall, revenues were over budget by approximately \$430,000. Property Tax revenues, in contrast, are the most stable revenue source for the City's General Fund and saw modest growth of approximately \$150,000 or 15% over budget. Recreation Fees saw the biggest drop of approximately \$37,000 or 61% drop off from budget which can be attributed to the COVID19 Pandemic.

#### Enterprise (Business) Revenues

Table 4, Business Type Fund Financial Results, 2019/20 shows results of the City's utilities. Fees for the City's enterprise funds that cover costs to maintain, operate and fund infrastructure needs are increasing due to the fee increases passed in 2019. The three major enterprise funds Water, Sewer and Sanitation realized an increase in revenues. All three business fund increases (Water – 14.5%, Sewer 17.5%, Sanitation – 3%) were implemented January 2020. The fees for services are based off demand and service provided so the actual percentage varies.

- City Council approved Water and Sewer Fund rate increases in December 2019 to meet ongoing and future maintenance, operational, debt service and capital improvement needs. The first of five increases were implemented in January 2020. Both the Water and Sewer systems need more capital investment as demonstrated by a high number of water leaks and higher than acceptable lift station repairs. In part due to the fee increases, staff has been able to begin addressing these issues now instead of continued deferral (summarized in the City's approved Capital Improvement Program adopted for 2020/2021 and 2021/2022).
- Water Fund is now in a positive financial position compared to last fiscal year and projected to increase. It has a positive unrestricted balance of \$163,310 thanks in large part due to the refinancing of USDA debt in the fund and release of approximately \$400k of restricted cash. This fund should continue to go into a positive position in 2020/2021 towards the 25% reserve goal of operating budget.
- Sewer Fund remains in a negative position compared to last year but is projected to be in a positive position at the end of 2020/2021. Due to the refinancing of USDA debt in the fund and release of restricted cash of approximately \$400k, it currently has a negative unrestricted balance of (\$4,457). This fund should continue to go into a positive position in 2020/2021 towards the 25% reserve goal of operating budget.

- The Sanitation (Trash/Refuse) Fund had a net gain of \$29,536 and a deficit fund balance of (\$49,144). City Council has directed Alley Repair funding previously set aside from these revenues received, to be reduced until this Fund Balance is in a positive position. For three years in a row the fund has improved its financial position.

Table 4:  
Business Type Funds Financial Results, 2019/2020  
(In Thousands)

Fund	Net Income (Loss)	Available Cash less		
		Restricted	Growing	
Water	(437.7)	392.2	no	Restricted cash includes \$604.5k impact fees
Sewer	(270.7)	365.7	no	Restricted cash includes \$80.1k in impact fees
Sanitation	29.5	0.0	yes	This fund saw a gain thus reducing a deficit fund balance. Revenues allocated for Alley Repair have been adjusted to improve fund balance.
Enterprise sub-total	\$ (678.9)	757.9		
Internal Service	(22.1)	131.2	no	This fund will not typically grow. Costs are recovered from Operating Departments/Divisions for pay for liability, workers comp and health insurance costs.
	<u>\$ (701.0)</u>	<u>889.1</u>	*	

\* Note: Business-activity fund equity includes fixed assets which are not expendable resources. As a result, net available cash is shown. Governmental funds do not include debt nor fixed assets. As a result, Fund Balance is shown.

The City has made significant strides toward cost reductions and future project planning in all major funds. In addition, the passage of Measure P by voters in November 2020 will help make sure the City has a stronger financial standing going into the future while meeting the needs/expectations of its residents and businesses. In a separate report, an outline of the next steps for implementation of Measure P that will help to fund essential City services will be discussed.

It is important to keep in mind, costs to operate the City continue to increase and generally match or outpace the growth of revenues (specifically in General Fund) which limits efforts of the City to take care of deferred needs.

By consistently striving to meet the City's financial policies, the City's financial condition has improved significantly since 2017. The State Auditor's Office shows the City of Exeter behind all cities in Tulare County on fiscal health except for Dinuba and Lindsay. However, this is based on information through 2017, so it is anticipated as the information is updated the City's rank will improve. Below is the anticipated report card at the end of the 2020/2021 fiscal year.

**Table 5: 2020/2021 Fiscal Year Anticipated Financial Policy Report Card**

Financial Policy	Policy Achieved?	Action
Balanced Budget	Yes	Pass
Budget Reserve 25%	Yes	Consider deferred needs after pandemic
One-time revenues towards reserves or one-time use	Yes	Pass
Enterprise Rates should cover operations and capital needs	No	By 2024
Investment Policy keep cash liquid and safe	Yes	Pass
Debt sparingly	Yes	Pass

Annual Audit timely (within 180 days of the end of the fiscal year)	Yes	Pass
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**Fiscal Impact:** This item is informational. There is no fiscal impact.

**Prior Council/Board Actions:** Not applicable

**Attachments:** 2019/2020 Financial Audit Report

**Recommended motion to be made by Council/Board:**  
No action required

Receive report and provide feedback on the Financial Policy Report Card for the City as of June 30, 2020

CITY OF EXETER

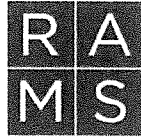
AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

**CITY OF EXETER**  
**BASIC FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2020

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## FINANCIAL SECTION



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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*Independent Auditor's Report*

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

**PARTNERS**

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Jenny W. Liu, CPA, MST

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Zoe Xinlu Zhang, CPA, MSA

**MEMBERS**

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**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 City of Exeter, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

### ***Opinions***

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

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020, on our consideration of the City of Exeter, California'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 of Exeter, California's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
October 29, 2020

## 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, 2020. 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 \$19,106,197 (*net position*). Of this amount, <\$926,604> (*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 \$6,376,026. Of this amount, there is a balance of \$1,387,362 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 \$1,387,362.

### 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 Water, Sewer, and Sanitation.

The government-wide financial statements include the Water, Sewer, and Sanitation 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 21 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, Business Improvement Program (BIP) Funds, Housing Funds, and Measure R, all of which are considered to be major funds. Data from the other 14 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 Water, Sewer and Sanitation. *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 and Sanitation activities, all of which are considered to be major funds of the City of Exeter.

**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 proportionate share of net pension liability and related ratios and schedule of contributions for its employees and budget to actual on major governmental funds.

### **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 \$19,106,197 at the close of the most recent fiscal year.

Of the City of Exeter's net position, 76 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	
	2020	2019	2020	2019	2020	2019
Current & other assets	\$ 14,874,412	\$ 13,917,280	\$ 2,673,203	\$ 2,421,985	\$ 17,547,615	\$ 16,339,265
Capital assets	9,272,799	9,022,844	15,168,715	15,526,754	24,441,514	24,549,598
Total assets	<u>24,147,211</u>	<u>22,940,124</u>	<u>17,841,918</u>	<u>17,948,739</u>	<u>41,989,129</u>	<u>40,888,863</u>
Deferred outflow s of resources	1,144,965	1,296,492	444,646	388,430	1,589,611	1,684,922
Long-term liabilities	3,844,447	3,986,321	11,543,209	10,975,189	15,387,656	14,961,510
Other liabilities	8,265,285	8,412,334	417,439	404,190	8,682,724	8,816,524
Total liabilities	<u>12,109,732</u>	<u>12,398,655</u>	<u>11,960,648</u>	<u>11,379,379</u>	<u>24,070,380</u>	<u>23,778,034</u>
Deferred outflow s of resources - pension	206,666	215,801	195,497	148,536	402,163	364,337
Net position:						
Investment in capital assets	9,272,799	9,022,844	5,336,086	5,807,453	14,608,885	14,830,297
Restricted	4,739,292	4,009,211	684,624	1,563,488	5,423,916	5,572,699
Unrestricted	(1,036,313)	(1,409,895)	109,709	(561,687)	(926,604)	(1,971,582)
Total net position	<u>\$ 12,975,778</u>	<u>\$ 11,622,160</u>	<u>\$ 6,130,419</u>	<u>\$ 6,809,254</u>	<u>\$ 19,106,197</u>	<u>\$ 18,431,414</u>

An additional portion of the City of Exeter's net position (28 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 <\$926,604>. 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 post GASB 68. For the business-type activities, unrestricted net position was \$109,709 at June 30, 2020, an increase from the deficit of <\$561,687> at June 30, 2019.

**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 requires 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, the City is required 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	
	2020	2019	2020	2019	2020	2019
<b>Program Revenues:</b>						
Charges for services	\$ 422,760	\$ 609,186	\$ 4,204,866	\$ 3,937,791	\$ 4,627,626	\$ 4,546,977
Operating grants and contributions	1,475,399	1,030,450	1,808	187	1,477,207	1,030,637
Capital grants and contributions	576,154	1,746,478	-	-	576,154	1,746,478
<b>General Revenues:</b>						
Property taxes	1,992,169	1,922,002	-	-	1,992,169	1,922,002
Other taxes	2,081,426	2,006,139	-	-	2,081,426	2,006,139
Investment earnings - unrestricted	40,581	25,610	29,449	38,065	70,030	63,675
Gain on sale of capital assets	17,549	7,536	-	78,329	17,549	85,865
Special item - fire settlement pmt	100,000	134,977	-	-	100,000	134,977
Transfers in (out)	-	(51,175)	-	51,175	-	-
<b>Total Revenue</b>	<b>6,706,038</b>	<b>7,431,203</b>	<b>4,236,123</b>	<b>4,105,547</b>	<b>10,942,161</b>	<b>11,536,750</b>
<b>Expenses</b>						
Community & economic development	284,461	258,941	-	-	284,461	258,941
General government	815,527	790,850	-	-	815,527	790,850
Parks and recreation	307,465	369,539	-	-	307,465	369,539
Public safety	3,393,713	3,185,497	-	-	3,393,713	3,185,497
Public works	551,254	697,716	-	-	551,254	697,716
Water operating	-	-	2,279,737	2,083,804	2,279,737	2,083,804
Sewer operating	-	-	1,531,612	1,234,155	1,531,612	1,234,155
Transit	-	-	-	82	-	82
Sanitation operating	-	-	1,103,609	1,028,472	1,103,609	1,028,472
<b>Total expenses</b>	<b>5,352,420</b>	<b>5,302,543</b>	<b>4,914,958</b>	<b>4,346,513</b>	<b>10,267,378</b>	<b>9,649,056</b>
Changes in net position	1,353,618	2,128,660	(678,835)	(240,966)	674,783	1,887,694
Net position - beginning	11,622,160	9,493,500	6,809,254	7,050,220	18,431,414	16,543,720
<b>Net position - ending</b>	<b>\$ 12,975,778</b>	<b>\$ 11,622,160</b>	<b>\$ 6,130,419</b>	<b>\$ 6,809,254</b>	<b>\$ 19,106,197</b>	<b>\$ 18,431,414</b>

**Governmental activities.** Governmental activities increased the City of Exeter's net position by \$1,353,618 and \$2,128,660 for the fiscal years ended June 30, 2020 and 2019 respectively.

**Business-type activities.** Business-type activities decreased the City of Exeter's net position by <\$678,835> at June 30, 2020 and <\$240,966> at June 30, 2019.

## 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, 2020 and 2019, the City of Exeter's governmental funds reported combined ending fund balances of \$6,376,026 and \$5,301,420. Of the June 30, 2020 and 2019 total amount, 21.759 and 15.743 percent, respectively, 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. As of June 30, 2020 and 2019, unassigned fund balance of the general fund was \$1,387,362 and \$834,585, respectively. It may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As of June 30, 2020 and 2019, unassigned fund balance represents 31.80 and 20.37 percent, respectively, of the amount needed to cover general fund expenditures.

The fund balance of the City of Exeter's general fund increased by \$552,777 and \$687,837 for the years ended June 30, 2020 and 2019. The key factor in the increase is reduced spending on operations and capital outlay as well as one time increases in revenues.

**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 and Sanitation activities at the end of the year amounted to \$109,709 and <\$561,687> for June 30, 2020 and 2019. The total change in net position for all these funds in 2020 was a decrease of <\$678,835> and a decrease of <\$240,966> in 2019. 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

For the duration of 2019/20, there were reallocations and additional appropriations in the amount of \$209,250 in the following departments:

General government	<\$134,530>
Parks and recreation	<\$100,411>
Fire	\$128,000
Police	\$178,100
Public works	\$80,650
Capital outlay	\$57,441

## 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, 2020, amounts to \$24,441,514 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. See note 4.D for additional information.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,298,149	\$ 1,298,149	\$ 2,404,191	\$ 2,404,191	\$ 3,702,340	\$ 3,702,340
Buildings & Improvements	2,136,722	2,242,701	9,282,393	9,241,363	11,419,115	11,484,064
Machinery & equipment	881,744	1,091,512	2,380,303	2,479,417	3,262,047	3,570,929
Infrastructure	3,951,299	2,240,509	1,001,452	1,027,547	4,952,751	3,268,056
Construction in progress	1,004,885	2,149,973	100,376	374,237	1,105,261	2,524,210
	<u>\$ 9,272,799</u>	<u>\$ 9,022,844</u>	<u>\$ 15,168,715</u>	<u>\$ 15,526,754</u>	<u>\$ 24,441,514</u>	<u>\$ 24,549,599</u>

**Long-term debt.** At June 30, 2020 and 2019, the City of Exeter had total debt outstanding of \$9,919,226 and \$9,878,617. The City of Exeter's debt represents Sewer and Water revenue refunding bonds for wastewater improvement and a water system improvement, the water meter lease and leasing of police vehicles. See note 4.G for additional information.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Leases payable	\$ 73,512	\$ 144,777	\$ 1,407,645	\$ 1,536,487	\$ 1,481,157	\$ 1,681,264
Bonds/Notes payable	-	-	8,438,069	8,197,353	8,438,069	8,197,353
	<u>\$ 73,512</u>	<u>\$ 144,777</u>	<u>\$ 9,845,714</u>	<u>\$ 9,733,840</u>	<u>\$ 9,919,226</u>	<u>\$ 9,878,617</u>

## Economic Factors and Next Year's Budgets and Rates

The City of Exeter continues to experience a slight increase in development activity, which is comparable to other small cities in Tulare County. Exeter is traditionally very cautious and structured in its approach to City growth, and slow growth is – by design - more the rule than the exception. There were three new building permits pulled within the City in 2019/20 that paid development impact fees.

With a balanced budget passed for 2019/20, the City realized operational savings from adhering to the City's budget, and higher than anticipated revenues from the General Fund which includes one time special revenues from fire property tax credits and one time railroad sales tax receipts.

## **Governmental Activities**

General Fund operating revenues are shifting in both directions. The City will continue to assess revenue status quarterly and semi-annually to determine available funds for operations. Significant operational cuts may be looked at to alleviate the financial strain of the City's operating revenue and fund deferred needs.

In the midst of the ongoing COVID-19 Pandemic, the approved 2020/21 balanced budget will continue with a conservative measure in appropriations, utilizing one-time revenues for special projects, and not for ongoing operations.

## **Business Type Activities**

The Enterprise Funds had 14.5% Water, 17.5% Sewer and 3% Refuse increase in rates. There is another, 14.5% for Water and 17.5% for Sewer approved for January 1, 2021, which will be used towards increased operating costs and infrastructure improvements. There are four more rate increase approved by City Council for the next four years of 14.5% annually for Water and 17.5% for Sewer until 2024.

## **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, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments			
Unrestricted	\$ 6,423,507	\$ 1,443,439	\$ 7,866,946
Restricted	-	684,624	684,624
Receivables:			
Accounts	-	499,337	499,337
Intergovernmental	472,154	-	472,154
Prepays	29,426	-	29,426
Inventories	-	45,803	45,803
Internal balances	-	-	-
Loans receivable	7,949,325	-	7,949,325
Capital assets:			
Non-depreciable	2,303,034	2,504,567	4,807,601
Depreciable, net of accumulated depreciation	6,969,765	12,664,148	19,633,913
Total assets	<u>24,147,211</u>	<u>17,841,918</u>	<u>41,989,129</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred bond issue costs/amortization	-	13,085	13,085
Deferred pensions	1,144,965	431,561	1,576,526
Total deferred outflows of resources	<u>1,144,965</u>	<u>444,646</u>	<u>1,589,611</u>
<b>LIABILITIES</b>			
Accounts payable and other accruals	313,531	280,201	593,732
Interest payable	-	67,706	67,706
Unearned revenue	7,814,325	-	7,814,325
Compensated absences	137,429	69,532	206,961
Noncurrent liabilities:			
Due to depositors	-	75,454	75,454
Net pension liability	3,673,451	1,592,783	5,266,234
Compensated absences	97,484	29,258	126,742
Due in one year	73,512	389,443	462,955
Due in more than one year	-	9,456,271	9,456,271
Total liabilities	<u>12,109,732</u>	<u>11,960,648</u>	<u>24,070,380</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pensions	206,666	195,497	402,163
<b>NET POSITION</b>			
Net investment in capital assets	9,272,799	5,336,086	14,608,885
Restricted for:			
Public service	4,512,595	-	4,512,595
Impact fees	226,697	684,624	911,321
Unrestricted (deficit)	(1,036,313)	109,709	(926,604)
Total net position	<u>\$ 12,975,778</u>	<u>\$ 6,130,419</u>	<u>\$ 19,106,197</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, 2020**

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
<b>Primary government:</b>							
Governmental activities:							
Community and economic development	\$ 284,461	\$ 196,089	\$ 8,338	\$ -	\$ (80,034)		\$ (80,034)
General government	815,527	40,489	14,070	-	(760,968)		(760,968)
Parks and recreation	307,465	24,938	-	-	(282,527)		(282,527)
Public safety - fire	228,045	-	-	-	(228,045)		(228,045)
Public safety - police	3,165,668	70,988	315,312	-	(2,779,368)		(2,779,368)
Public works	551,254	90,256	1,137,679	576,154	1,252,835		1,252,835
Total governmental activities	5,352,420	422,760	1,475,399	576,154	(2,878,107)		(2,878,107)
Business-type Activities:							
Water operations	2,279,737	1,816,894	-	-		\$ (462,843)	(462,843)
Sewer operations	1,531,612	1,254,827	1,808	-		(274,977)	(274,977)
Sanitation operations	1,103,609	1,133,145	-	-		29,536	29,536
Total business-type activities	4,914,958	4,204,866	1,808	-		(708,284)	(708,284)
Total primary government	\$ 10,267,378	\$ 4,627,626	\$ 1,477,207	\$ 576,154	(2,878,107)	(708,284)	(3,586,391)
General revenues:							
Property taxes					1,992,169	-	1,992,169
Fire property taxes					258,894	-	258,894
Sales tax					956,641	-	956,641
Utility users tax					583,866	-	583,866
Franchise tax					181,989	-	181,989
Other taxes					100,036	-	100,036
Gain(loss) on sale of capital assets					17,549	-	17,549
Unrestricted investment earnings					40,581	29,449	70,030
Transfers					-	-	-
Special item - fire settlement payment					100,000	-	100,000
Total general revenues					4,231,725	29,449	4,261,174
Change in net position					1,353,618	(678,835)	674,783
Net position - beginning					11,622,160	6,809,254	18,431,414
Net position - ending					\$ 12,975,778	\$ 6,130,419	\$ 19,106,197

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

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

	General	Housing Funds	Measure R	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,475,856	\$ 364,462	\$ 867,379	\$ 3,491,753	\$ 6,199,450
Receivables - (net):					
Intergovernmental	256,379	2,341	90,240	123,194	472,154
Prepays	4,477	-	-	-	4,477
Note receivable	135,000	7,604,035	-	210,290	7,949,325
<b>Total assets</b>	<b>\$ 1,871,712</b>	<b>\$ 7,970,838</b>	<b>\$ 957,619</b>	<b>\$ 3,825,237</b>	<b>\$ 14,625,406</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and other payables	\$ 184,010	\$ 67,701	\$ 27,446	\$ 18,469	\$ 297,626
Compensated absences payable	137,429	-	-	-	137,429
Unearned revenue	-	7,604,035	-	210,290	7,814,325
<b>Total liabilities</b>	<b>321,439</b>	<b>7,671,736</b>	<b>27,446</b>	<b>228,759</b>	<b>8,249,380</b>
Fund balances:					
Nonspendable	135,000	-	-	-	135,000
Restricted	-	299,102	930,173	3,510,017	4,739,292
Committed alley repair	25,411	-	-	-	25,411
Committed parking-in-lieu	2,500	-	-	-	2,500
Committed for storm drains	-	-	-	86,461	86,461
Unassigned	1,387,362	-	-	-	1,387,362
<b>Total fund balances</b>	<b>1,550,273</b>	<b>299,102</b>	<b>930,173</b>	<b>3,596,478</b>	<b>6,376,026</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,871,712</b>	<b>\$ 7,970,838</b>	<b>\$ 957,619</b>	<b>\$ 3,825,237</b>	<b>\$ 14,625,406</b>

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, 2020

Fund balances of governmental funds		\$ 6,376,026
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.		6,969,765
Other long-term assets are not available to pay current expenditures, and therefore are deferred in the funds - construction-in-progress and land.		2,303,034
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, outflows, liabilities and inflows of the internal service funds are included governmental activities in the statement of net position. The pension activity is recorded elsewhere in this reconciliation.		227,907
Deferred outflows of resources and deferred inflows 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		
Miscellaneous	228,949	
Internal Service	30,762	
Safety	<u>885,254</u>	1,144,965
Deferred pension inflows of resources		
Miscellaneous	(103,714)	
Internal Service	(13,935)	
Safety	<u>(89,017)</u>	(206,666)
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		
Miscellaneous	(844,995)	
Internal Service	(113,533)	
Safety	<u>(2,714,923)</u>	(3,673,451)
Capital lease payable		(73,512)
Long-term portion of compensated absences and sick leave		<u>(92,290)</u>
Net position of governmental activities		<u>\$ 12,975,778</u>

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, 2020**

	General	Housing Funds	Measure R	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 2,251,063	\$ -	\$ -	\$ -	\$ 2,251,063
Sales taxes	956,641	-	-	-	956,641
Utility users tax	583,866	-	-	-	583,866
Franchise tax	181,989	-	-	-	181,989
Other taxes	100,036	-	-	252,847	352,883
Licenses and permits	60,523	-	-	-	60,523
Intergovernmental	28,137	-	564,050	989,227	1,581,414
Charges for services	174,883	-	-	12,493	187,376
Rental income	39,295	-	-	-	39,295
Loan payments	-	196,089	-	-	196,089
Fines and forfeitures	67,403	-	-	-	67,403
Investment earnings	40,581	8,338	16,013	50,945	115,877
Miscellaneous	14,070	-	-	-	14,070
Total revenues	<u>4,498,487</u>	<u>204,427</u>	<u>580,063</u>	<u>1,305,512</u>	<u>6,588,489</u>
<b>EXPENDITURES</b>					
Community and economic development	-	283,930	-	531	284,461
General government	622,886	-	4,993	66,560	694,439
Parks and recreation	298,085	-	-	-	298,085
Public safety - fire	218,830	-	-	-	218,830
Public safety - police	2,778,528	-	-	94,235	2,872,763
Public works	364,330	-	-	79,870	444,200
Debt service:					
Principal	-	-	-	71,264	71,264
Interest	-	-	-	4,567	4,567
Capital outlay					
Parks and recreation	17,577	-	-	-	17,577
Public safety - police	23,105	-	-	-	23,105
Public works	39,313	-	648,963	13,865	702,141
Total expenditures	<u>4,362,654</u>	<u>283,930</u>	<u>653,956</u>	<u>330,892</u>	<u>5,631,432</u>
Excess (deficiency) of revenues over expenditures	<u>135,833</u>	<u>(79,503)</u>	<u>(73,893)</u>	<u>974,620</u>	<u>957,057</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	299,395	-	-	-	299,395
Transfers out	-	-	-	(299,395)	(299,395)
Sale of property	17,549	-	-	-	17,549
Special item - fire settlement payment	100,000	-	-	-	100,000
Total other financing sources and uses	<u>416,944</u>	<u>-</u>	<u>-</u>	<u>(299,395)</u>	<u>117,549</u>
Net change in fund balances	552,777	(79,503)	(73,893)	675,225	1,074,606
Fund balances, July 1	<u>997,496</u>	<u>378,605</u>	<u>1,004,066</u>	<u>2,921,253</u>	<u>5,301,420</u>
Fund balances, June 30	<u>\$ 1,550,273</u>	<u>\$ 299,102</u>	<u>\$ 930,173</u>	<u>\$ 3,596,478</u>	<u>\$ 6,376,026</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, 2020**

Net change in fund balances --total governmental funds	\$ 1,074,606
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 (\$677,929) exceeded depreciation (\$427,974) in the current period:	249,956
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.	
Payments of principal on capital lease	71,265
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	(3,260)
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.	(22,115)
Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB Statement No. 68.	(16,834)
Change in net position of governmental activities	\$ 1,353,618

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

City of Exeter  
Statement of Net Position  
Proprietary Funds  
June 30, 2020

	<b>Business-Type Activities - Enterprise Funds</b>				Governmental Activities - Internal Service Fund
	Major Funds			Total Proprietary Funds	
	Water Operations	Sewer Operations	Sanitation Operations		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 997,654	\$ 445,785	\$ -	\$ 1,443,439	\$ 224,057
Accounts receivable, net of allowance	206,261	143,725	149,351	499,337	-
Due from other funds	-	22,363	-	22,363	-
Inventories	45,803	-	-	45,803	-
Prepaid	-	-	-	-	24,949
Noncurrent assets:					
Restricted cash and cash equivalents	604,508	80,116	-	684,624	-
Bond issue costs net of amortization	13,085	-	-	13,085	-
Capital assets:					
Nondepreciable	100,376	2,404,191	-	2,504,567	-
Depreciable, net	7,434,458	5,229,690	-	12,664,148	-
<b>Total assets</b>	<b>9,402,145</b>	<b>8,325,870</b>	<b>149,351</b>	<b>17,877,366</b>	<b>249,006</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred pensions	238,005	167,011	26,545	431,561	30,762
<b>Total deferred outflow of resources</b>	<b>238,005</b>	<b>167,011</b>	<b>26,545</b>	<b>431,561</b>	<b>30,762</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts and other payables	156,191	37,663	86,347	280,201	15,905
Compensated absences	38,580	26,239	4,713	69,532	-
Accrued Interest	51,650	16,056	-	67,706	-
Due to other funds	-	-	22,363	22,363	-
Noncurrent liabilities:					
Due to depositors	75,454	-	-	75,454	-
Compensated absences	16,305	11,330	1,623	29,258	5,194
Due in one year	254,443	135,000	-	389,443	-
Due in more than one year	6,042,270	3,414,001	-	9,456,271	-
Net pension liability	878,416	616,397	97,970	1,592,783	113,533
<b>Total liabilities</b>	<b>7,513,309</b>	<b>4,256,686</b>	<b>213,016</b>	<b>11,983,011</b>	<b>134,632</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred pensions	107,817	75,656	12,024	195,497	13,935
<b>NET POSITION</b>					
Net investment in capital assets	1,251,206	4,084,880	-	5,336,086	-
Restricted for impact fees	604,508	80,116	-	684,624	-
Unrestricted	163,310	(4,457)	(49,144)	109,709	131,201
<b>Total net position</b>	<b>\$ 2,019,024</b>	<b>\$ 4,160,539</b>	<b>\$ (49,144)</b>	<b>\$ 6,130,419</b>	<b>\$ 131,201</b>

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, 2020**

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Fund
	<u>Major Funds</u>			Total Proprietary Funds	
	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Sanitation Operations</u>		
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,765,101	\$ 1,254,827	\$ 1,133,145	\$ 4,153,073	\$ -
Connection fees	51,793	-	-	51,793	-
Internal Service Charges	-	-	122,960	122,960	974,388
Total operating revenues	<u>1,816,894</u>	<u>1,254,827</u>	<u>1,256,105</u>	<u>4,327,826</u>	<u>974,388</u>
<b>OPERATING EXPENSES</b>					
Personnel Services	960,197	650,066	85,347	1,695,610	118,906
General and administrative	228,287	554,406	28,239	810,932	893,898
Materials & Supplies	538,409	48,535	990,023	1,576,967	312
Depreciation/amortization	312,170	170,945	-	483,115	-
Total operating expenses	<u>2,039,063</u>	<u>1,423,952</u>	<u>1,103,609</u>	<u>4,566,624</u>	<u>1,013,116</u>
Operating income (loss)	<u>(222,169)</u>	<u>(169,125)</u>	<u>152,496</u>	<u>(238,798)</u>	<u>(38,728)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Grants and reimbursements	-	1,808	(122,960)	(121,152)	16,613
Investment earnings	25,186	4,263	-	29,449	-
Interest expense	(240,674)	(107,660)	-	(348,334)	-
Total nonoperating revenue (expenses)	<u>(215,488)</u>	<u>(101,589)</u>	<u>(122,960)</u>	<u>(440,037)</u>	<u>16,613</u>
Change in net position	(437,657)	(270,714)	29,536	(678,835)	(22,115)
Net position (deficit), July 1	<u>2,456,681</u>	<u>4,431,253</u>	<u>(78,680)</u>	<u>6,809,254</u>	<u>153,316</u>
Net position (deficit), June 30	<u>\$ 2,019,024</u>	<u>\$ 4,160,539</u>	<u>\$ (49,144)</u>	<u>\$ 6,130,419</u>	<u>\$ 131,201</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 Fiscal Year Ended June 30, 2020**

	Business-type Activities - Enterprise Funds			Total Proprietary Funds	Governmental Activities - Internal Service Fund
	Major Funds				
	Water Operating	Sewer Operating	Sanitation Operating		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Charges for services	\$ 1,763,260	\$ 1,224,458	\$ 1,238,165	\$ 4,225,883	\$ 974,388
Personnel services	(696,148)	(459,812)	(72,347)	(1,228,307)	(67,860)
General administration	(228,287)	(554,406)	(28,239)	(810,932)	(893,898)
Payments to suppliers and contractors	(472,910)	(65,959)	(986,281)	(1,525,150)	(31,017)
Net cash provided (used) by operating activities	<u>365,915</u>	<u>144,281</u>	<u>151,298</u>	<u>661,494</u>	<u>(18,387)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Local - operating reimbursements	-	1,808	(122,960)	(121,152)	16,613
Decrease (increase) in amount due from other funds	2,003	(22,363)	-	(20,360)	-
Increase (decrease) in amount due to other funds	-	(40,955)	(28,338)	(69,293)	-
Net cash provided (used) by noncapital financing	<u>2,003</u>	<u>(61,510)</u>	<u>(151,298)</u>	<u>(210,805)</u>	<u>16,613</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Interest paid on long-term debt	(250,315)	(166,193)	-	(416,508)	-
Principal paid on bonds/capital lease	(4,850,297)	(3,475,898)	-	(8,326,195)	-
Proceeds/premiums from bond refunding	4,891,727	3,549,001	-	8,440,728	-
Purchase of capital assets	(114,817)	(10,259)	-	(125,076)	-
Net cash provided (used) by capital and related financing activities	<u>(323,702)</u>	<u>(103,349)</u>	<u>-</u>	<u>(427,051)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment earnings	25,186	4,263	-	29,449	-
(Increase) decrease in restricted cash	416,570	462,100	-	878,670	-
Net cash provided (used) by investing activities	<u>441,756</u>	<u>466,363</u>	<u>-</u>	<u>908,119</u>	<u>-</u>
Net Increase (decrease) in cash and cash equivalents	<u>485,972</u>	<u>445,785</u>	<u>-</u>	<u>931,757</u>	<u>(1,774)</u>
Balances - beginning of year	511,682	-	-	511,682	225,831
Balances - end of the year	<u>\$ 997,654</u>	<u>\$ 445,785</u>	<u>\$ -</u>	<u>\$ 1,443,439</u>	<u>\$ 224,057</u>

**Reconciliation of operating income (loss) to net cash provided (used) by operating activities:**

Operating income (loss)	\$ (222,169)	\$ (169,125)	\$ 152,496	\$ (238,798)	\$ (38,728)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	312,170	170,945	-	483,115	-
Changes in assets, deferred outflows/inflows and liabilities:					
(Increase) decrease in inventory	(5,519)	-	-	(5,519)	-
(Increase) decrease in receivables	(54,650)	(30,369)	(17,940)	(102,959)	-
(Increase) decrease in prepaid	-	-	-	-	(24,949)
(Increase) decrease deferred outflows	(34,010)	(26,322)	2,662	(57,670)	(11,492)
Increase (decrease) in accounts payable	71,018	(17,424)	3,742	57,336	(5,756)
Increase (decrease) in due to accrued wages	4,068	2,614	492	7,174	(644)
Increase (decrease) in deferred inflows	26,776	19,764	421	46,961	6,280
Increase (decrease) in due to depositors	1,016	-	-	1,016	-
Increase (decrease) in compensated absences	12,957	8,262	818	22,037	2,330
Increase (decrease) in net pension liability	254,258	185,936	8,607	448,801	54,572
Net cash provided (used) by operating activities	<u>\$ 365,915</u>	<u>\$ 144,281</u>	<u>\$ 151,298</u>	<u>\$ 661,494</u>	<u>\$ (18,387)</u>

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

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 1 - Summary of significant accounting policies**

**A. Reporting entity**

The City of Exeter is a municipal corporation governed by an elected five-member council by district. The accompanying financial statements present that government.

**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.

**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 if received within 60 days of year end. All other revenue items are considered to be measurable and available only when the government receives cash.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 1 - Summary of significant accounting policies (continued)**

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 *Housing Funds* which includes: *CDBG Community Development Block Grant Housing Fund* is the government's fund to assist in Low – Moderate Housing Rehabilitation, Low- Moderate Housing Acquisition and accessibility improvements; *Home Program Income Revolving Fund* is the government's fund to assist in Low – Moderate Housing Acquisition and Administrative Services and *Low – Moderate Housing Fund* is the government's fund to record loans and loan payments made for housing.

The *Measure R Fund* is the government's fund to record the City's share of the Tulare County authorized ½ cent sales tax for transportation.

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.

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's policy to use restricted resources first, and then unrestricted resources, as they are needed.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**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 "cash and cash equivalents" and "cash and investments". All investments are reported at fair value.

In accordance with its investment policy, the City 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.).

For purposes of the Statement of Cash Flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the enterprise fund types are pooled with the City's pooled cash and investments.

**Fair Value Measurement**

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

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

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

For current fiscal year, the application of valuation technique applied to the City's financial statements has been consistent.

**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.

CITY OF EXETER  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

**NOTE 1 - Summary of significant accounting policies (continued)**

**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 acquisition 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.

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

Assets	Years
Building and improvements	50
Public domain infrastructure	60
System infrastructure	25
Vehicles	5-8
City equipment	5-20

**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 is paid the full value of his/her vacation leave and a percentage of the total amount accumulated for sick leave based on years of service.

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

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 1 - Summary of significant accounting policies (continued)**

**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. Deferred Outflows/Inflows of Resources**

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

In additions to liabilities, this statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from federal and state grants, and from the housing loan principal. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**8. Classification of Net Position and Fund Balances**

In the government-wide and proprietary fund financial statements utilize a net position presentation. Net position are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Net 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.

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.

In accordance with generally accepted accounting principles, 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.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 1 - Summary of significant accounting policies (continued)**

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.

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.

**9. 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.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 1 - Summary of significant accounting policies (continued)**

**10. 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.

**11. Pension Plan**

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2018
Measure Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

**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.

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.

CITY OF EXETER  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

**NOTE 3 - Stewardship, compliance, and accountability**

**A. Budgetary information**

Budget policy and practice

The Finance Director and City Administrator submit a biennial 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: personnel 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. For the current fiscal year, the City increased expenditure budgets in the General Fund, Program Income Community Block Grant Fund and Program Income Home Fund, planning to use reserves for those additional costs. The expenditures in excess of appropriations are shown below:

<u>Expenditure</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Difference</u>	<u>Explanation</u>
Public works	\$ 356,300	\$ 364,330	\$ 8,030	Increased code enforcement services

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 XIII B 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 current fiscal year, based on calculations by City staff, appropriations from proceeds of taxes did not exceed the appropriations limit.

The Sanitation Fund had a deficit net position balance of \$49,144 as of June 30, 2020. During the 2019/20 fiscal year, the City increased rates by 3 percent, and expects to replenish the net position with future income generated from sanitation.

The General Fund had a balanced budget, with the intent of using current revenues to cover costs.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 - Detailed notes on all funds**

**A. Cash and investments**

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

	Statement of Net Position
Cash and investments	\$ 7,866,946
Restricted - Cash and investments	684,624
Total cash and investments	\$ 8,551,570

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

Cash on hand	\$ 1,100
Deposits with financial institutions	927,877
Investments	7,622,593
Total cash and investments	\$ 8,551,570

*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	180 days	40%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	5%
Placement Service Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
State of California Obligations	5 years	None	None
Medium-Term Notes/Corporate Bonds	5 years	30%	5%
Mutual Funds	N/A	20%	None
Mortgage Securities	5 years	20%	None
Money Market Mutual Funds	N/A	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000

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

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**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

**Investment Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy, established by generally accepted accounting principles. Investments classified in Level 2 of the fair value hierarchy are valued using quote prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based pricing valuations for which all significant assumptions are observable or can be corroborated by observable market data.

The following is a summary of the fair value measurements as of June 30, 2020:

	Fair Value	Significant Other Observable Inputs (Level 2)
Investments classified by fair value hierarchy		
U.S. Government Securities	\$ 251,940	\$ 251,940
Total investments by fair value hierarchy	<u>251,940</u>	<u>\$ 251,940</u>
Investments not subject to fair value hierarchy		
Local Agency Investment Fund	5,388,742	
Money Market funds	499,911	
Non-negotiable Certificates of Deposit	1,482,000	
Total investments not subject to fair value hierarchy	<u>7,370,653</u>	
Total investments measured at fair value	<u>\$ 7,622,593</u>	

*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.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 - Detailed notes on all funds** (continued)

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	\$ 5,388,742	\$ 5,388,742	\$ -	\$ -	\$ -
U.S. Treasury bonds/notes	251,940	251,940			
Held by trustee:					
Money market funds	499,911	499,911	-	-	-
Certificates of Deposit	1,482,000	494,000	741,000	247,000	-
	<u>\$ 7,622,593</u>	<u>\$ 6,634,593</u>	<u>\$ 741,000</u>	<u>\$ 247,000</u>	<u>\$ -</u>

*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 yearend for each investment type.

Investment type	Total	Minimum legal rating	Ratings as of year end	Not rated
State investment pool	\$ 5,388,742	N/A	-	\$ 5,388,742
Held by trustee:				
Money market funds	499,911	AAA/Aa	AAA	-
U.S. Treasury Bonds/Notes	251,940	TSY	AAA,Aaa	-
Certificates of deposit	1,482,000	N/A	-	1,482,000
	<u>\$ 7,622,593</u>			<u>\$ 6,870,742</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. As of June 30, 2020, the City's deposits with financial institutions in excess of federal depository limits were held in collateralized accounts.

CITY OF EXETER  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2020

**NOTE 4 - Detailed notes on all funds** (continued)

*Investment in State Investment Pool*

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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. For withdrawals over \$10,000,000, LAIF requires at least 24-hour notice. Also, this is a \$5,000 minimum and a limit of 15 transactions per month.

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, 2020 was \$5,388,742.

**B. Receivables**

*Enterprise Receivables*

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

**C. Interfund receivable/payables, and transfers**

The composition of interfund balances as of June 30, 2020, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable fund</u>	<u>Amount</u>	<u>Purpose</u>
Sewer	Sanitation	\$ 22,363	Cash flow

Interfund transfers:

<u>Transfer Out:</u>	<u>Transfer In:</u>	<u>Amount</u>	<u>Purpose</u>
Gas tax fund	General fund	\$ 107,000	Costs applied
Transportation fund	General fund	192,395	Costs applied

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CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 - Detailed notes on all funds** (continued)

**D. Capital assets**

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

	Balance June 30, 2019	Additions & Transfers	Dispositions & Transfers	Balance June 30, 2020
<b>Governmental Activities:</b>				
Capital assets not depreciated				
Construction in progress	\$ 2,149,973	\$ 196,155	\$ (1,341,243)	\$ 1,004,885
Land	1,298,149	-	-	1,298,149
Total capital assets not depreciated	<u>3,448,122</u>	<u>196,155</u>	<u>(1,341,243)</u>	<u>2,303,034</u>
Capital assets being depreciated				
Buildings & improvements	3,502,454	16,136	-	3,518,590
Infrastructure	2,839,373	1,770,530	-	4,609,903
Equipment/autos	3,917,299	36,351	-	3,953,650
	<u>10,259,126</u>	<u>1,823,017</u>	<u>-</u>	<u>12,082,143</u>
Less accumulated depreciation	<u>(4,684,404)</u>	<u>(427,974)</u>	<u>-</u>	<u>(5,112,378)</u>
Total capital assets being depreciated:	<u>5,574,722</u>	<u>1,395,043</u>	<u>-</u>	<u>6,969,765</u>
Governmental activities capital assets, net	<u>9,022,844</u>	<u>1,591,198</u>	<u>(1,341,243)</u>	<u>9,272,799</u>
<b>Business-Type Activities:</b>				
Capital assets not depreciated				
Construction in progress	374,237	100,376	(374,237)	100,376
Land	2,404,191	-	-	2,404,191
Total capital assets not depreciated	<u>2,778,428</u>	<u>100,376</u>	<u>(374,237)</u>	<u>2,504,567</u>
Capital assets being depreciated:				
Buildings & improvements	13,395,628	374,237	-	13,769,865
Infrastructure	1,304,655	-	-	1,304,655
Equipment/autos	3,511,895	24,700	(15,486)	3,521,109
	<u>18,212,178</u>	<u>398,937</u>	<u>(15,486)</u>	<u>18,595,629</u>
Less accumulated depreciation	<u>(5,463,852)</u>	<u>(483,115)</u>	<u>15,486</u>	<u>(5,931,481)</u>
Business-type activities Total capital assets being depreciated:	<u>12,748,326</u>	<u>(84,178)</u>	<u>-</u>	<u>12,664,148</u>
Business-type activities capital assets, net	<u>15,526,754</u>	<u>16,198</u>	<u>(374,237)</u>	<u>15,168,715</u>
Entity wide capital assets	<u>\$ 24,549,598</u>	<u>\$ 1,607,396</u>	<u>\$ (1,715,480)</u>	<u>\$ 24,441,514</u>

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 - Detailed notes on all funds** (continued)

Depreciation

Depreciation expense was charged to governmental activities as follows:

Governmental departments	
General government	\$ 163,768
Parks and recreation	39,503
Public safety - fire	9,215
Public safety - police	109,299
Public works	<u>106,189</u>
Governmental activities	<u>427,974</u>

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

Water Funds	312,170
Sewer Fund	<u>170,945</u>
Total depreciation expense, business-type activities	<u>483,115</u>
Total depreciation, entity wide	<u><u>\$ 911,089</u></u>

**E. Infrastructure capitalization**

The City 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, 2020, are as follows:

<u>Funds</u>	<u>Amount</u>
Governmental activities:	
Special revenue funds:	
Business Improvement Program (BIP)	\$ 30,290
Housing	7,604,035
Non-Major Governmental Funds	<u>180,000</u>
Total Unearned Revenue - Governmental Activities	<u><u>\$ 7,814,325</u></u>

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CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 - Detailed notes on all funds (continued)**

**G. Long-term obligations**

The following is a summary of long-term obligations for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due within one year
<b>Governmental activities</b>					
Compensated Absences	\$ 222,091	\$ 139,600	\$ 126,778	\$ 234,913	\$ 137,429
Lease Payable	144,777	-	71,265	73,512	73,512
	<u>\$ 366,868</u>	<u>\$ 139,600</u>	<u>\$ 198,043</u>	<u>\$ 308,425</u>	<u>\$ 210,941</u>
<b>Business-type activities</b>					
Notes Payable	\$ 8,197,353	\$ 7,909,000	\$ 8,197,353	\$ 7,909,000	\$ 245,000
Premium on notes	-	531,727	2,659	529,068	10,635
Lease Payable	1,536,487	-	128,842	1,407,645	133,808
Compensated Absences	76,753	75,341	53,304	98,790	69,532
Due to depositors	74,438	35,325	34,309	75,454	75,454
	<u>\$ 9,885,031</u>	<u>\$ 8,551,393</u>	<u>\$ 8,416,467</u>	<u>\$ 10,019,957</u>	<u>\$ 534,429</u>

**Business type activities:**

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 \$46,352. The water meters have a cost of \$2,097,701 and accumulated depreciation of \$309,662 at June 30, 2020.

The following is a summary of future required minimum payments due:

Fiscal Year Ending	Water Meter Lease		
	Principal	Interest	Total
2021	\$ 133,808	\$ 51,598	\$ 185,406
2022	138,965	46,441	185,406
2023	144,322	41,085	185,407
2024	149,885	35,522	185,407
2025	155,662	29,745	185,407
2026-2029	685,003	56,621	741,624
Totals	<u>\$ 1,407,645</u>	<u>\$ 261,012</u>	<u>\$ 1,668,657</u>

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CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 - Detailed notes on all funds** (continued)

**G. Long-term obligations** (continued)

**USDA Water system improvement loan – direct borrowing**

The City entered into a USDA loan in the amount of \$3,000,000 for the improvements to the City water system. Interest on the loan is at a fixed rate of 4.375 percent per annum. The City is required to make annual principal payments on April 1 of each year commencing July 1, 2003 through July 1, 2043, with interest payments made semi-annually on April 1 and October 1.

**USDA Water Well loan – direct borrowing**

The City entered into a USDA loan in the amount of \$2,732,619 for the improvements and drilling of new water wells. Interest on the loan is at a fixed rate of 4.375 percent per annum. The City is required to make annual principal payments on October 20 of each year commencing July 1, 2010 through July 1, 2045, with interest payments made semi-annually on October 20 and April 20.

Both of these USDA direct borrowings were repaid by the following 2020 Water Refunding Bonds.

**2020 Water Revenue Refunding Bonds**

On April 4, 2020 the City issued the 2020 Water Revenue Refunding Bonds in the amount of \$4,360,000 to payoff the above mentioned USDA loans. The interest rates range from 3% to 4%. The bonds final maturity is October 1, 2045. The City is required to make annual principal payments on October 1st of each year commencing October 1, 2020 through October 1, 2045, with interest payments made semi-annually on October 1 and April 1.

The refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt. The City completed the advance refunding to reduce its total debt service payments over the next 20 years by \$1,116,607 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$852,226.

The following is a summary of future required minimum payments due:

Fiscal Year Ending	2020 Water Revenue Refunding Bonds		
	Principal	Interest	Total
2021	\$ 110,000	\$ 157,400	\$ 267,400
2022	115,000	154,025	269,025
2023	120,000	150,500	270,500
2024	120,000	146,900	266,900
2025	125,000	143,225	268,225
2026-2030	700,000	638,750	1,338,750
2031-2035	855,000	484,050	1,339,050
2036-2040	1,035,000	295,650	1,330,650
2041-2045	1,110,000	88,625	1,198,625
2046	70,000	1,050	71,050
Totals	<u>\$ 4,360,000</u>	<u>\$ 2,260,175</u>	<u>\$ 6,620,175</u>

**USDA Sewer Improvement loan – direct borrowing**

The City entered into a USDA loan in the amount of \$5,000,000 for the improvements to the City sewer system. Interest on the loan is at a fixed rate of 3.25 percent per annum. The City is required to make annual principal and interest payments on November 1 of each year commencing July 1, 2001 through July 1, 2039.

This USDA direct borrowing was repaid by the following 2020 Sewer Revenue Refunding Bonds.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 - Detailed notes on all funds** (continued)

**G. Long-term obligations** (continued)

**2020 Sewer Revenue Refunding Bonds – direct borrowing**

On April 28, 2020 the City issued the 2020 Sewer Revenue Refunding Bonds in the amount of \$3,549,000 to payoff the above mentioned USDA loan. The interest rate is 2.67%. The bonds final maturity is November 1, 2039. The City is required to make annual principal payments on November 1st of each year commencing November 1, 2020 through November 1, 2039, with interest payments made semi-annually on November 1 and May 1.

The refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt. The City completed the advance refunding to reduce its total debt service payments over the next 20 years by \$37,704 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$34,110.

The following is a summary of future required minimum payments due:

Fiscal Year Ending	2020 Sewer Revenue Refunding Bonds		
	Principal	Interest	Total
2021	\$ 135,000	\$ 93,745	\$ 228,745
2022	140,000	89,285	229,285
2023	144,000	85,493	229,493
2024	148,000	81,595	229,595
2025	151,000	77,604	228,604
2026-2030	822,000	324,219	1,146,219
2031-2035	940,000	206,792	1,146,792
2036-2040	1,069,000	72,717	1,141,717
Totals	<u>\$ 3,549,000</u>	<u>\$ 1,031,450</u>	<u>\$ 4,580,450</u>

The City has pledged the revenues of the Water and Sewer Funds for payment of the Bonds. The revenues will remain pledged for the duration for the loans. The Water Fund had approximately \$1,820,000 in gross revenues to pay \$296,115 in debt service. The Sewer Fund had approximately \$1,250,000 in gross revenues to pay \$195,837 in debt service.

**Government-Wide activities:**

On February 27, 2019, the City entered into a lease purchase contract to lease Ford Police cars in the amount of \$220,145, at 3.15%, with 3 annual payments of \$75,831 due April 1<sup>st</sup> of each year.

The following is a summary of future required minimum lease payments due:

Year ended June 30,	Government-Type Activities
	Lease Payable
2021	\$ 75,831
Less interest	(2,319)
	<u>\$ 73,512</u>

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**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 54 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.

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, 2020:

Net Assets	
Assets	\$ 140,373,479
Liabilities to member cities	(120,609,137)
Net assets, reserved for insurance claims and losses	\$ 19,764,342
Changes in Net Assets	
Revenues	\$ 58,727,520
Expenses	(57,743,994)
Excess of income over (under) expenses	\$ 983,526

This information is not included in the accompanying financial statements. Separate financial statements of the Authority may be obtained at Bickmore Risk Services, 1020 19<sup>th</sup> 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.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 5 - Other information** (continued)

**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 to social security. In lieu of participation in PERS, PTS employees must contribute 6.2 percent of their earnings in accordance with IRS regulations. In regard 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. CalPERS 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.

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

**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 five years of service. The death benefit is one of the following: the Basic Death Benefit; the 1957 Survivor Benefit, or Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature, and in some cases require approval by the CalPERS Board.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 6 - Defined benefit pension plan (continued)**

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

	Miscellaneous	
	Classic Members	New Members
Hire date		
Benefit formula	3% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	60	62
Monthly benefits, as a % of eligible compensation	2.00%	2.00%
Required employee contribution rates for 2019	8.00%	6.25%
Required employer contribution rates for 2019	13.692% + \$153,275	6.985% + \$2,878

	Safety	
	Classic Members	New Members
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	57
Monthly benefits, as a % of eligible compensation	2.00%	2.00%
Required employee contribution rates for 2019	9.00%	11.50%
Required employer contribution rates for 2019	18.928% + \$286,293	13.034% + \$5,235

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Employer contributions to the Plan for the fiscal year ended June 30, 2020, were \$774,037. The actual employer payments of \$680,057, made to CalPERS by the City during the measurement period ended June 30, 2019, differed from the City's proportionate share of the employer's contributions of \$763,958 by (\$83,901), which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

**B. Net Pension Liability**

The City'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, 2019, using an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using standard update procedures.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 6 - Defined benefit pension plan (continued)**

**Actuarial Assumptions Methods and Assumptions Used to Determine Total Pension Liability**

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset valuation method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality rate table (1)	Derived using CalPERS' Membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA up to 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 6 - Defined benefit pension plan (continued)**

The expected real rates of return by asset class are as follows:

Asset Class <sup>1</sup>	Assumed Asset Allocation	Real return years 1-10 <sup>2</sup>	Real return years 11+ <sup>3</sup>
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%

<sup>1</sup> In the System's CAFR, fixed income is included in Global Debt Securities; Liquidity is included in Short-term investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>2</sup> An expected inflation of 2.0% used for this period

<sup>3</sup> An expected inflation of 2.92% used for this period

***Change in Assumption***

There were no changes in assumptions.

***Discount Rate***

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

***Pension Plan Fiduciary Net Position***

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 6 - Defined benefit pension plan** (continued)

**C. Proportionate Share of Net Pension Liability**

The following table shows the Plans' proportionate share of the net pension liability over the measurement period:

	Increase (decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2018 (VD)	\$ 21,931,770	\$ 17,038,138	\$ 4,893,632
Balance at: 6/30/2019 (MD)	23,181,722	17,915,487	5,266,234
Net changes during 2018-19	<u>\$ 1,249,952</u>	<u>\$ 877,349</u>	<u>\$ 372,602</u>

\*Valuation Date (VD), Measurement Date (MD)

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The Local Government's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The City's proportionate share of the net pension liability for the Plan as of the June 30, 2018 and 2019 measurement dates was as follows:

	Misc	Safety	Total
Proportion - June 30, 2018	0.06111%	0.04414%	0.05078%
Proportion - June 30, 2019	<u>0.06371%</u>	<u>0.04349%</u>	<u>0.05139%</u>
Change - increase/(decrease)	<u>0.00260%</u>	<u>-0.00065%</u>	<u>0.00061%</u>

The City reports a net pension liability for its proportionate share of the net pension liability as follows:

	Misc	Safety	Total
Plan's proportionate share of the Net Pension Liability	\$ 2,551,311	\$ 2,714,923	\$ 5,266,234

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

The following presents the City's proportionate share of the net pension liability for each Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount rate -1% 6.15%	Current discount rate 7.15%	Discount rate +1% 8.15%
Employer's Net Pension Liability - Misc	\$ 4,102,570	\$ 2,551,311	\$ 1,270,856
Employer's Net Pension Liability - Safety	4,311,268	2,714,923	1,406,171
Employer's Net Pension Liability - Total	<u>\$ 8,080,304</u>	<u>\$ 5,266,234</u>	<u>\$ 2,677,027</u>

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 6 - Defined benefit pension plan (continued)**

**Subsequent Events**

There were no subsequent events that would materially affect the results presented in this disclosure.

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2019 is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

As of the start of the measurement period (July 1, 2018), the net pension liability for the plan was \$4,893,632. For the measurement period ending June 30, 2019 (the measurement date), the City incurred a pension expense of \$1,278,324 for the Plan.

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CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 6 - Defined benefit pension plan (continued)**

At June 30, 2020, the City has deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred outflows of resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	\$ 774,037	\$ -
Differences between actual contributions and proportionate share of employer contributions	105,195	159,306
Changes in assumptions	232,938	64,843
Differences between actual and expected experience	354,459	13,729
Net differences between projected & actual earnings on pension plan investments	-	81,953
Change in proportion	109,896	82,333
<b>Total</b>	<b>\$ 1,576,525</b>	<b>\$ 402,164</b>

These amounts above are net of outflows and inflows recognized in the 2018-2019 measurement period expense. The \$774,037 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal year ending June 30:	Misc	Safety	Total
2021	\$ 167,260	\$ 252,802	\$ 420,062
2022	(83,168)	1,623	(81,545)
2023	11,202	34,325	45,527
2024	9,013	7,268	16,281
2025	-	-	-
Thereafter	-	-	-
	<b>\$ 104,307</b>	<b>\$ 296,018</b>	<b>\$ 400,325</b>

**E. Payable to the Pension Plan**

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

**NOTE 7 - Subsequent Events**

The date to which events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosures is October 29, 2020, which is the date that the financial statements were available to be issued.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 8 - Recent Accounting Pronouncements**

*GASB Statement No. 84 – Fiduciary Activities:* The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

*GASB Statement No. 87 – Leases:* This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

*GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period:* This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

*GASB Statement No. 90 – Majority Equity Interests:* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

*GASB Statement No. 91 – Conduit Debt Obligations:* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

*GASB Statement No. 92 – Omnibus 2020:* The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

*GASB Statement No. 93 – Replacement of Interbank Offered Rates:* . The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

*GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements:* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

*GASB Statement No. 95 – Postponement of Effective Dates of Certain Authoritative Guidance:* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this statement are effective immediately.

*GASB Statement No. 96 – Subscription-Based Information Technology Arrangements:* The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 8 - Recent Accounting Pronouncements** (continued)

*GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32:* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

**NOTE 9 - Special Item**

The County of Tulare and the City have come to an agreement on prior fire protection costs relating to the City. In this agreement the City will receive a credit against the City fire prevention costs which will be shown as a special item in the general fund annually until the credit is used up.

**NOTE 10 - COVID 19**

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the City could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The City has not included any contingencies in the financial statements specific to this issue.

REQUIRED SUPPLEMENTAL INFORMATION

# **REQUIRED SUPPLEMENTAL INFORMATION**

## **SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

- The beginning and ending balances of the City's share of total pension liability, the plan assets available for pension benefits (called plan fiduciary net position), and the net pension liability
- A ratio of the City's share of plan net position divided by the total pension liability, the payroll amount for employees in the plan (covered-employee payroll), and a ratio of the City's share of net pension liability divided by covered-employee payroll

## **SCHEDULE OF CONTRIBUTIONS**

- If an agent employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the agent employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

CITY OF EXETER  
 FOR THE YEAR ENDED JUNE 30, 2020  
*Schedule of the Proportionate Share of the Net Pension Liability and  
 Related Ratios as of the Measurement Date  
 Last 10 Years\**

Measurement Date	Employer's Proportion of the Collective Net Pension Liability <sup>1</sup>	Employer's Proportionate Share of the Collective Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a percentage of the Employer's Covered Payroll	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
<b>Miscellaneous</b>					
6/30/2014	0.08230%	\$ 2,034,243	\$ 1,245,778	163.29%	75.630%
6/30/2015	0.07450%	2,043,093	1,238,307	164.99%	76.646%
6/30/2016	0.06840%	2,375,106	1,410,468	168.39%	74.487%
6/30/2017	0.06550%	2,580,874	1,307,030	197.46%	75.917%
6/30/2018	0.06110%	2,303,164	1,346,241	171.08%	79.183%
6/30/2019	0.06371%	2,551,311	1,230,144	207.40%	77.834%
<b>Safety</b>					
6/30/2014	0.05680%	\$ 2,129,696	\$ 1,058,178	201.26%	73.713%
6/30/2015	0.04920%	2,028,878	1,153,308	175.92%	75.320%
6/30/2016	0.04700%	2,432,600	1,276,485	190.57%	72.261%
6/30/2017	0.04500%	2,684,289	1,009,726	265.84%	71.995%
6/30/2018	0.04115%	2,590,468	1,040,018	249.08%	76.164%
6/30/2019	0.04349%	2,714,923	1,304,914	208.05%	76.718%

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

<sup>1</sup> Proportion of the net pension liability represents the plan's proportion of PERF C, which includes Safety Risk Pools excluding the 1959 Survivors Risk Pool.

CITY OF EXETER  
FOR THE YEAR ENDED JUNE 30, 2020  
*Schedule of Plan Contributions*  
*Last 10 Years\**

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>Miscellaneous</b>					
6/30/2015	\$ 356,472	\$ (356,472)	\$ -	\$ 1,238,307	28.79%
6/30/2016	409,652	(409,652)	-	1,410,468	29.04%
6/30/2017	424,250	(424,250)	-	1,307,030	32.46%
6/30/2018	205,373	(205,373)	-	1,346,241	15.26%
6/30/2019	238,469	(238,469)	-	1,230,144	19.39%
6/30/2020	273,816	(273,816)	-	1,116,900	24.52%
<b>Safety</b>					
6/30/2015	\$ 346,841	\$ (346,841)	\$ -	\$ 1,153,308	30.07%
6/30/2016	348,796	(348,796)	-	1,276,485	27.32%
6/30/2017	375,767	(375,767)	-	1,009,726	37.21%
6/30/2018	380,898	(380,898)	-	1,040,018	36.62%
6/30/2019	441,587	(441,587)	-	1,304,914	33.84%
6/30/2020	500,221	(500,221)	-	1,416,464	35.31%

\* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Additional years will be presented as information becomes available.

**Notes to Schedule:**

Change in Benefit Terms: None

Changes in Assumptions: There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate in 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

**CITY OF EXETER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP basis) AND ACTUAL - REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 957,030	\$ 1,010,500	\$ 1,168,644	\$ 158,144
Sales taxes	810,000	820,014	867,978	47,964
Sales taxes - Prop 172	70,540	71,951	88,663	16,712
Utility users tax	504,980	504,980	583,866	78,886
Transient occupancy tax	96,900	96,900	100,036	3,136
Property transfer tax/Real Property Transfer	33,100	26,470	31,723	5,253
Franchise tax	140,450	143,260	181,989	38,729
Business licenses	40,800	41,200	50,363	9,163
Dog licenses	3,060	3,120	4,370	1,250
Other licenses and permits	3,120	3,180	5,790	2,610
Motor vehicle in-lieu tax	1,024,410	1,039,150	1,050,696	11,546
Street Sweeping/Leaf Pickup	56,610	56,610	61,480	4,870
Federal grants(homeland security, traffic safety)	-	-	8,256	8,256
State grants/reimbursements	-	5,800	19,881	14,081
Zoning and subdivision fees	6,870	7,830	7,450	(380)
Police services	70,000	70,000	70,988	988
Recreational activities	61,200	60,180	23,075	(37,105)
Parking fines	-	3,700	8,748	5,048
Vehicle code fines	14,360	12,610	16,241	3,631
Street sweeping fees	5,888	5,888	5,888	-
Alley repair	14,460	-	-	-
Other fines	34,262	33,432	42,414	8,982
Investment Earnings	2,080	2,120	40,580	38,460
Rent	11,650	11,780	39,295	27,515
Other revenues	26,010	28,530	20,073	(8,457)
Total revenues	<u>3,987,780</u>	<u>4,059,205</u>	<u>4,498,487</u>	<u>439,282</u>
<b>EXPENDITURES</b>				
Current:				
General government	697,597	649,109	622,886	26,223
Parks and recreation	403,911	303,500	298,085	5,415
Public safety - fire	152,000	280,000	218,830	61,170
Public safety - police	2,614,800	2,792,900	2,778,528	14,372
Public works	301,650	356,300	364,330	(8,030)
Debt service	-	-	-	-
Capital Outlay	40,000	83,441	79,995	3,446
Total expenditures	<u>4,209,958</u>	<u>4,465,250</u>	<u>4,362,654</u>	<u>102,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(222,178)</u>	<u>(406,045)</u>	<u>135,833</u>	<u>541,878</u>
Transfers in	-	-	299,395	299,395
Transfers out	-	-	-	-
Sale of property	-	-	17,549	17,549
Special item - fire settlement payment	-	-	100,000	100,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>416,944</u>	<u>416,944</u>
Net change in fund balance	<u>\$ (222,178)</u>	<u>\$ (406,045)</u>	<u>552,777</u>	<u>\$ 958,822</u>
<b>Fund balance, July 1</b>			<u>997,496</u>	
<b>Fund balance, June 30</b>			<u>\$ 1,550,273</u>	

**CITY OF EXETER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP basis) AND ACTUAL - REQUIRED SUPPLEMENTAL INFORMATION**  
**Housing Funds**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Loan payments	\$ 167,900	\$ 167,900	\$ 196,089	\$ 28,189
Investment earnings	300	300	8,338	8,038
Total revenues	<u>168,200</u>	<u>168,200</u>	<u>204,427</u>	<u>36,227</u>
<b>EXPENDITURES</b>				
Current:				
Community and economic development	40,000	40,000	283,930	(243,930)
Total expenditures	<u>40,000</u>	<u>40,000</u>	<u>283,930</u>	<u>(243,930)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>128,200</u>	<u>128,200</u>	<u>(79,503)</u>	<u>(207,703)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 128,200</u>	<u>\$ 128,200</u>	(79,503)	<u>\$ (207,703)</u>
Fund balance, July 1			<u>378,605</u>	
Fund balance, June 30			<u>\$ 299,102</u>	

**CITY OF EXETER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP basis) AND ACTUAL - REQUIRED SUPPLEMENTAL INFORMATION**  
**MEASURE R FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 207,100	\$ 207,100	\$ 564,050	\$ 356,950
Investment earnings	5,100	5,100	16,013	10,913
Total revenues	<u>212,200</u>	<u>212,200</u>	<u>580,063</u>	<u>367,863</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	4,993	(4,993)
Capital outlay	-	638,284	648,963	(10,679)
Total expenditures	<u>-</u>	<u>638,284</u>	<u>653,956</u>	<u>(15,672)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>212,200</u>	<u>(426,084)</u>	<u>(73,893)</u>	<u>352,191</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 212,200</u>	<u>\$ (426,084)</u>	<u>(73,893)</u>	<u>\$ 352,191</u>
Fund balance, July 1			<u>1,004,066</u>	
Fund balance, June 30			<u>\$ 930,173</u>	

## SUPPLEMENTAL INFORMATION

City of Exeter  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2020

	Special Revenue					
	Gas Tax	Transportation	Storm Drain	Grant Fund	RMRA Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 331,804	\$ 1,436,711	\$ 86,461	\$ 53,457	\$ 441,800	\$ 7,511
Intergovernmental receivables	-	64,567	-	-	29,099	-
Notes receivables	-	-	-	180,000	-	-
Total assets	<u>\$ 331,804</u>	<u>\$ 1,501,278</u>	<u>\$ 86,461</u>	<u>\$ 233,457</u>	<u>\$ 470,899</u>	<u>\$ 7,511</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts and other payables	\$ 8,367	\$ -	\$ -	\$ 41	\$ -	\$ -
Unearned revenue	-	-	-	180,000	-	-
Total liabilities	<u>8,367</u>	<u>-</u>	<u>-</u>	<u>180,041</u>	<u>-</u>	<u>-</u>
Fund balances:						
Restricted	323,437	1,501,278	-	53,416	470,899	7,511
Committed	-	-	86,461	-	-	-
Total fund balances	<u>323,437</u>	<u>1,501,278</u>	<u>86,461</u>	<u>53,416</u>	<u>470,899</u>	<u>7,511</u>
Total liabilities and fund balances	<u>\$ 331,804</u>	<u>\$ 1,501,278</u>	<u>\$ 86,461</u>	<u>\$ 233,457</u>	<u>\$ 470,899</u>	<u>\$ 7,511</u>

**City of Exeter  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2020**

	Special Revenue				Total	
	COPS Fund	Police Donations Fund	Landscape & Lighting Fund	BIP Fund	Impact Fees Fund	Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 183,009	\$ 74,648	\$ 13,535	\$ 636,120	\$ 226,697	\$ 3,491,753
Intergovernmental receivables	28,885	-	643	-	-	123,194
Notes receivables	-	-	-	30,290	-	210,290
<b>Total assets</b>	<b>\$ 211,894</b>	<b>\$ 74,648</b>	<b>\$ 14,178</b>	<b>\$ 666,410</b>	<b>\$ 226,697</b>	<b>\$ 3,825,237</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts and other payables	\$ 2,066	\$ -	\$ 7,995	\$ -	\$ -	\$ 18,469
Unearned revenue	-	-	-	30,290	-	210,290
<b>Total liabilities</b>	<b>2,066</b>	<b>-</b>	<b>7,995</b>	<b>30,290</b>	<b>-</b>	<b>228,759</b>
Fund balances:						
Restricted	209,828	74,648	6,183	636,120	226,697	3,510,017
Committed	-	-	-	-	-	86,461
<b>Total fund balances</b>	<b>209,828</b>	<b>74,648</b>	<b>6,183</b>	<b>636,120</b>	<b>226,697</b>	<b>3,596,478</b>
<b>Total liabilities and fund balances</b>	<b>\$ 211,894</b>	<b>\$ 74,648</b>	<b>\$ 14,178</b>	<b>\$ 666,410</b>	<b>\$ 226,697</b>	<b>\$ 3,825,237</b>

**City of Exeter**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**

	Special Revenue					
	Gas Tax	Transportation	Storm Drain	Grant Fund	RMRA Fund	CASP Fund
<b>REVENUES</b>						
Gas Tax	\$ 252,847	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	491,437	-	-	190,553	2,211
Charges for services	-	-	4,371	-	-	-
Investment earnings	7,637	28,560	1,643	1,018	7,653	125
<b>Total revenues</b>	<b>260,484</b>	<b>519,997</b>	<b>6,014</b>	<b>1,018</b>	<b>198,206</b>	<b>2,336</b>
<b>EXPENDITURES</b>						
Community and economic development	-	-	-	531	-	-
General government	-	-	-	-	-	-
Public safety - police	-	-	-	-	-	-
Public works	77,594	2,276	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	9,225	4,640	-	-	-	-
<b>Total expenditures</b>	<b>86,819</b>	<b>6,916</b>	<b>-</b>	<b>531</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	<b>173,665</b>	<b>513,081</b>	<b>6,014</b>	<b>487</b>	<b>198,206</b>	<b>2,336</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(107,000)	(192,395)	-	-	-	-
<b>Total other financing sources     and uses</b>	<b>(107,000)</b>	<b>(192,395)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>66,665</b>	<b>320,686</b>	<b>6,014</b>	<b>487</b>	<b>198,206</b>	<b>2,336</b>
Fund balances - beginning	256,772	1,180,592	80,447	52,929	272,693	5,175
Fund balances - ending	<b>\$ 323,437</b>	<b>\$ 1,501,278</b>	<b>\$ 86,461</b>	<b>\$ 53,416</b>	<b>\$ 470,899</b>	<b>\$ 7,511</b>

**City of Exeter**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**

	Special Revenue				Total Nonmajor Governmental Funds	
	COPS Fund	Police Donations Fund	Landscape & Lighting Fund	BIP Fund		Impact Fees Fund
<b>REVENUES</b>						
Gas Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,847
Intergovernmental	220,892	12,000	72,134	-	-	989,227
Charges for services	-	-	-	-	8,122	12,493
Investment earnings	-	-	-	-	4,309	50,945
<b>Total revenues</b>	<b>220,892</b>	<b>12,000</b>	<b>72,134</b>	<b>-</b>	<b>12,431</b>	<b>1,305,512</b>
<b>EXPENDITURES</b>						
Community and economic development	-	-	-	-	-	531
General government	-	-	66,560	-	-	66,560
Public safety - police	84,702	9,533	-	-	-	94,235
Public works	-	-	-	-	-	79,870
Debt service:						
Principal	71,264	-	-	-	-	71,264
Interest	4,567	-	-	-	-	4,567
Capital outlay	-	-	-	-	-	13,865
<b>Total expenditures</b>	<b>160,533</b>	<b>9,533</b>	<b>66,560</b>	<b>-</b>	<b>-</b>	<b>330,892</b>
Excess (deficiency) of revenues over expenditures	60,359	2,467	5,574	-	12,431	974,620
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital leases	-	-	-	-	-	(299,395)
Total other financing sources and uses	-	-	-	-	-	(299,395)
Net change in fund balances	60,359	2,467	5,574	-	12,431	675,225
Fund balances - beginning	149,469	72,181	609	636,120	214,266	2,921,253
Fund balances - ending	<u>\$ 209,828</u>	<u>\$ 74,648</u>	<u>\$ 6,183</u>	<u>\$ 636,120</u>	<u>\$ 226,697</u>	<u>\$ 3,596,478</u>

OTHER REPORT



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

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### *Independent Auditor's Report*

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

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Louis Fernandez, CPA  
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Zoe Xintu Zhang, CPA, MSA

We have audited, 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, 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 (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 29, 2020.

### ***Internal Control over Financial Reporting***

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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### **Compliance and Other Matters**

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

### **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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
October 29, 2020

**City of Exeter  
Agenda Item Transmittal**

**Meeting Date:** December 8, 2020

**Agenda Item Number:** G3

**Wording for Agenda:** Discussion of development of the Citizen's Oversight Committee and Initial Expenditure Plan for Measure P.

**Submitting Department:** Administration  
**Contact Name:** Adam Ennis  
**Phone Number:** (559) 592-4539  
**Email:** adam@exetercityhall.com

**Department Recommendation:**

Staff recommends that the Council discuss and provide direction to staff on development of the Citizen's Oversight Committee and Initial Expenditure Plan for Measure P.

**Summary/Background:**

On July 28, 2020, the Council approved the proposed revenue measure being placed on the November 3, 2020 ballot for voter consideration. The final election results indicate the measure (Measure P) passed with 69.78% approval. Due to the holidays, remaining processing for Measure P and required timeframes, beginning discussion of Oversight Committee and Initial Expenditure Plan development is critical.

Several months will be needed to fully develop the details for implementing the revenue measure and preparing for ongoing activities. Initially, a submittal must be made to the California Department of Fee and Tax Administration (CDFTA) by early January to develop the agreement with them to collect the tax and send the quarterly disbursements to the City. A separate item is on tonight's Council agenda to begin that process. It is anticipated that staff will bring a recommended draft initial expenditure plan to Council in January 2021 for consideration and comment and then take the plan, with Council amendments, to the Oversight Committee for review in February. In March staff would bring the initial expenditure plan, with Oversight Committee comments, back to Council for final adjustments and approval for the mid-year budget adjustment. This schedule would provide for having a budget in place for the new revenues prior to the beginning of the tax collection in April and the first disbursement to the City by early July.

In order to meet this schedule, development of the Oversight Committee will need to begin in December. For development of the Oversight Committee, staff recommends the approach that was previously used for the Proposed Revenue Measure Advisory Committee (PRMAC). Staff would develop an application and information sheet for placement on the City website, Facebook page and utility bills and presented to community groups in person and through email. The information sheet would present the purpose of the group, organization, anticipated schedule of meetings and responsibilities of the committee. Applications would be due to the City Clerk's office by January 19, 2021 so that they could be assembled and brought to the City Council for consideration at the regular meeting on January 26, 2021. At this meeting Council could direct staff on their preference for committee member selections and adopt the resolution that establishes the committee and their purpose and responsibilities. It is anticipated that the committee would act in a community advisory role to the Council regarding the use of Measure

**For action by:**

City Council

**Regular Session:**

Consent Calendar

Regular Item

Public Hearing

**Review:**

**City Administrator  
(Initials Required)**



P revenues and would meet two to four times per year, typically during budget preparation or amendment, The committee meetings would be conducted in accordance with the Brown Act, being open to the public and public comment with agendas posted a minimum of 72 hours in advance. The parliamentary procedure followed by the committee would be the Robert's Rules of Order.

The process to develop an initial expenditure plan will also need to begin in December to meet the proposed schedule. To begin this process, it is important to have an overview discussion of needs to be funded and their relative amount of funding, building of a fund reserve and how to address initial and one-time expenditures.

In previous presentations and discussions with Council, several major categories of needs have been considered for potential revenue measure funding such as public safety, roads, code enforcement, parks and recreation and associated City facility needs. In addition, the PRMAC had recommended that the Council also consider ways that funding might assist with development related tasks. As is typical, there are more needs than revenue, so staff plans to list needs in each of these areas in order of priority and determine a recommended initial expenditure plan that relatively balances priorities and needs in the different categories. This recommended initial expenditure plan would then be brought back to Council for consideration and direction, taken to the Oversight Committee for community input and ultimately presented for approval of a mid-year budget adjustment.

Since the revenue from Measure P has the potential to fluctuate with the economy, it will be important to build and maintain a reserve to potentially carry any ongoing costs funded by the measure through times when the measure funding could dip. Staff would also include in the above referenced prioritization the building up of a reserve in the fund, probably on the order of 25% of the annual revenue.

There will be some items that will require initial start-up costs or are one-time costs. Staff will develop estimates for these and determine how they could be included in the spending plan. It is anticipated to use the first disbursement, which is for the last quarter of the current fiscal year, to cover these costs as much as possible prior to the regular annual budget that will begin in the following quarter. However, set-up costs with the CDTFA will also have to come out of this initial disbursement, which are estimated to be approximately \$30,000 based on discussions with other communities.

**Fiscal Impact:** None with this item. In upcoming meetings fiscal impacts due to the revenue measure and the associated initial expenditure plan will be determined.

**Prior Council/Board Actions:** Miscellaneous Council actions over the last three years regarding the revenue measure.

**Attachments:** None

<p><b>Recommended motion to be made by Council/Board:</b> No action needed, provide direction to staff regarding Oversight Committee and Initial Expenditure Plan Development.</p>
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**City of Exeter  
Agenda Item Transmittal**

**Meeting Date:** December 8, 2020

**Agenda Item Number:** **G4**

**Wording for Agenda:** Discussion of COVID-19 status and review the need to continue the state of emergency established by Resolution 2020-12 due to the Novel Coronavirus (COVID-19) for another 60 days.

**Submitting Department:** Administration  
**Contact Name:** Adam Ennis  
**Phone Number:** (559) 592-4539  
**Email:** adam@exetercityhall.com

**Department Recommendation:**

Staff recommends that the City Council receive a COVID-19 status update and continue the state of emergency established by Resolution 2020-12 due to the Novel Coronavirus (COVID-19) for another 60 days.

**Summary:**

On March 24, 2020 the Council adopted Resolution 2020-12 proclaiming the existence of a local emergency due to the Novel Coronavirus (COVID-19) subsequent to emergencies being declared by the United States Department of Public Health and Human Services, the State and County. Recently, Tulare County reports that there have been about 220,000 tests completed, 22,000 confirmed cases and 320 deaths. About 35% of the deaths resulted from skilled nursing home cases. There have been about 460 confirmed cases in Exeter.

In addition to the medical impacts listed above, many local businesses categorized as non-essential by County and State orders were closed or at reduced services for many weeks resulting in loss of income and employee layoffs. In addition, bars and gyms remain closed and restaurants are limited to take out, delivery and outside dining options in an attempt to reduce spread of the virus. This is and will have a significant impact on the local economy and the City revenues. In addition, the effects of this pandemic on the investment markets will have an impact on the economy, City revenues and future CalPERS unfunded liabilities.

The City has developed and distributed a no cost encroachment permit process and conditions for use of the public right-of-way along business frontages to assist in continuing and maximizing business operations as much as possible. Additional options to assist local businesses through this pandemic are currently being discussed with the Chamber of Commerce and local community groups. The City will continue to assist where possible on any potential options that could benefit local businesses. In addition, several programs have been developed through the County and State using CARES ACT funding to financially assist businesses.

Preparing for, responding to, mitigating, and recovering from the spread of COVID-19 has and will continue to require the City to divert resources from normal day-to-day operations and impose extraordinary requirements on and expenses to the City. Since the pandemic began affecting Tulare County and the declaration of a local emergency, the City Administrator took administrative actions to address State, County and local emergency declarations, guidance and orders and ensure continuity of service to the community and staff safety.

**For action by:**  
 City Council

**Regular Session:**  
 Consent Calendar  
 Regular Item  
 Public Hearing

**Review:**

**City Administrator  
(Initials Required)**



The City Police Department lobby was closed during the first few weeks of the Stay-At-Home order but has been opened since then. Staff has prepared City lobbies to meet current orders and guidance and in late August reopened the City Hall lobby between 10 a.m. to 2 p.m. and Public Works lobby from 7am to 3pm, both Monday through Friday. Reopening these lobbies required that policies be prepared, modifications made to the facilities and staff trained. So far, the City has spent about \$40,000 on sanitizing, personal protective equipment, technology for virtual meetings and retrofitting City facilities for social distancing measures in order to reopen. In addition, the annual revenues from recreation programs has decreased upwards of \$45,000.

Staff recommends continuing the state of emergency established by Resolution 2020-12 since additional future requirements, needs and costs are likely and the potential for future reimbursement exists that could depend on an emergency declaration being in place. If the declaration is continued it must be reviewed again in 60 days, which would have to occur by February 6, 2021.

**Background:**

COVID-19 is a respiratory disease which the Centers for Disease Control and Prevention (CDC) considers to be a very serious public health threat with outcomes ranging from mild to severe sickness and death. On March 4, 2020, Governor Newsom declared a state of emergency in the State of California due to the number of confirmed cases of COVID-19 in the state. On March 12, 2020, Tulare County declared an emergency due to the confirmed case of COVID-19 at Sierra View Medical Center in the City of Porterville.

**Fiscal Impact:** At this point the City has spent about \$40,000 on sanitizing, personal protective equipment, technology for virtual meetings and retrofitting City facilities for social distancing measures in order to reopen. In addition, the annual revenues from recreation programs has decreased upwards of \$45,000.

The potential future financial impacts of this virus are unknown at this time but could vary depending on the level of resources, and associated costs, that are required to be expended by the City and the effect on future revenues due to impacts on the local economy. The total potential for assistance to the City and community from State and Federal resources for these impacts are still unknown at this time and their availability could be dependent on whether a City declaration of emergency is in place or not.

The City has received two of the four total disbursements of CARES ACT funding through the State for costs incurred to meet orders and guidance. The total CARES ACT funding available to the City is about \$136,000 and requires staff to develop and provide documentation to the State justifying the City receiving these disbursements. Staff anticipates submitting the \$40,000 in expenses mentioned above and about \$96,000 for "Preservation of Essential City Services for Residents", which is defined by the CARES ACT primarily as public safety services through the pandemic, for a total of about \$136,000. The State must then review the justifications to confirm the City's eligibility to receive the funding.

**Prior Council/Board Actions:** On March 24, 2020 the Council adopted Resolution 2020-12 proclaiming the existence of a local emergency due to the novel coronavirus (COVID-19).

On May 19, July 14, 2020, September 8, 2020 and November 2, 2020 Council approved to continue the state of emergency established by Resolution 2020-12 due to the Novel Coronavirus (COVID-19) for an additional 60 days.

**Attachments:** RESOLUTION 2020-12 - A Resolution Of The City Council Of The City Of Exeter Proclaiming The Existence Of A Local Emergency

**Recommended motion to be made by Council/Board:** I move to continue the state of emergency established by Resolution 2020-12 due to the Novel Coronavirus (COVID-19) for another 60 days.

## RESOLUTION 2020-12

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EXETER PROCLAIMING THE EXISTENCE OF A LOCAL EMERGENCY

WHEREAS, the novel coronavirus (COVID-19) is a respiratory disease which the Centers of Disease Control and Prevention (CDC) consider to be a very serious public health threat with outcomes ranging from mild to severe sickness and death; and

WHEREAS, COVID-19 is easily transmissible from person to person and has spread globally to over 118 countries, infected more than 125,000, and killed more than 4,000 as of March 11, 2020 per the World Health Organization (WHO); and

WHEREAS, on January 31, 2020, the United States Department of Public Health and Human Services declared a public emergency for COVID-19 beginning on January 27, 2020; and

WHEREAS, on March 4, 2020, Governor Gavin Newsom declared a state of emergency in the State of California due to the number of confirmed cases of COVID -19 in the State; and

WHEREAS, on March 11, 2020, WHO made the assessment that COVID-19 can be characterized as a pandemic; and

WHEREAS, on March 12, 2020, Tulare County declared an emergency due to the confirmed case of COVID-19 at Sierra View Medical Center in the City of Porterville, thus enabling Tulare County to take extraordinary measures, and since that date there have been 2 more confirmed cases at Kaweah Delta Medical Center in the City of Visalia;

WHEREAS, between the dates of March 13, 2020 and March 17, 2020, various State and Federal authorities have recommended that gatherings of more than 250, 50, or even 10 people should be avoided at least until the end of March; and

WHEREAS, COVID-19 therefore will continue to cause conditions of peril to the health, safety, and welfare of person and property in the City of Exeter; and

WHEREAS, preparing for, responding to, mitigating, and recovering from the spread of COVID-19 requires the City to divert resources from normal day-to-day operations, and has and will continue to impose extraordinary requirements on and expenses to the City; and

WHEREAS, the City Council here finds that the above described conditions related to the COVID-19 outbreak does warrant and necessitate the proclamation of the existence of a local emergency in the City of Exeter;

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND DECLARED** by the City Council of the City of Exeter;

Resolution 2020-12  
COVID-19 Emergency

1. A local emergency is hereby proclaimed to exist throughout the City of Exeter.
2. The local emergency shall be deemed to continue to exist until its termination is proclaimed by the City Council of the City of Exeter.
3. As required by law, the City Council shall review the need to continue the state of emergency at least once every sixty (60) days until this Resolution is terminated.

**PASSED, ADOPTED AND APPROVED** this 24th day of March 2020 by the following vote:

AYES: Alves; Sally; Hails; Petty; and Waterman-Philpot

NOS: N/A

ABSTAIN: N/A

ABSENT: N/A

  
MAYOR

ATTEST:



\_\_\_\_\_  
CITY CLERK