

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



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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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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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of 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 |
| Program Revenues: | | | | | | |
| 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 |
| General Revenues: | | | | | | |
| 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 | - | - |
| Total Revenue | 6,706,038 | 7,431,203 | 4,236,123 | 4,105,547 | 10,942,161 | 11,536,750 |
| Expenses | | | | | | |
| 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 |
| Total expenses | 5,352,420 | 5,302,543 | 4,914,958 | 4,346,513 | 10,267,378 | 9,649,056 |
| 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 |
| Net position - ending | \$ 12,975,778 | \$ 11,622,160 | \$ 6,130,419 | \$ 6,809,254 | \$ 19,106,197 | \$ 18,431,414 |

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 |
| ASSETS | | | |
| 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> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| 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> |
| LIABILITIES | | | |
| 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> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred pensions | 206,666 | 195,497 | 402,163 |
| NET POSITION | | | |
| 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
Balance Sheet
Governmental Funds
June 30, 2020**

| | General | Housing Funds | Measure R | Non-major Governmental Funds | Total Governmental Funds |
|--------------------------------------|---------------------|---------------------|-------------------|------------------------------------|--------------------------------|
| ASSETS | | | | | |
| 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 |
| Total assets | <u>\$ 1,871,712</u> | <u>\$ 7,970,838</u> | <u>\$ 957,619</u> | <u>\$ 3,825,237</u> | <u>\$ 14,625,406</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| 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 |
| Total liabilities | <u>321,439</u> | <u>7,671,736</u> | <u>27,446</u> | <u>228,759</u> | <u>8,249,380</u> |
| 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 |
| Total fund balances | <u>1,550,273</u> | <u>299,102</u> | <u>930,173</u> | <u>3,596,478</u> | <u>6,376,026</u> |
| Total liabilities and fund balances | <u>\$ 1,871,712</u> | <u>\$ 7,970,838</u> | <u>\$ 957,619</u> | <u>\$ 3,825,237</u> | <u>\$ 14,625,406</u> |

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

City of Exeter
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 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><u>\$ 12,975,778</u></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 |
|------------------------------------------------------|---------------------|-------------------|-------------------|------------------------------------|--------------------------------|
| REVENUES | | | | | |
| 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> |
| EXPENDITURES | | | | | |
| 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> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| 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

| | Business-Type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Fund |
|--------------------------------------------|----------------------------------------------------|-----------------------------|----------------------------------|----------------------------------------|--------------------------------------------------------------------|
| | Major Funds | | | Total Proprietary Funds | |
| | Water Operations | Sewer Operations | Sanitation Operations | | |
| ASSETS | | | | | |
| 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 | - |
| Total assets | 9,402,145 | 8,325,870 | 149,351 | 17,877,366 | 249,006 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred pensions | 238,005 | 167,011 | 26,545 | 431,561 | 30,762 |
| Total deferred outflow of resources | 238,005 | 167,011 | 26,545 | 431,561 | 30,762 |
| LIABILITIES | | | | | |
| 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 |
| Total liabilities | 7,513,309 | 4,256,686 | 213,016 | 11,983,011 | 134,632 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred pensions | 107,817 | 75,656 | 12,024 | 195,497 | 13,935 |
| NET POSITION | | | | | |
| 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 |
| Total net position | \$ 2,019,024 | \$ 4,160,539 | \$ (49,144) | \$ 6,130,419 | \$ 131,201 |

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

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities - Internal Service Fund |
|------------------------------------------|----------------------------------------------------|-----------------------------|----------------------------------|----------------------------------------|--------------------------------------------------------------------|
| | Major Funds | | | Total Proprietary Funds | |
| | Water Operations | Sewer Operations | Sanitation Operations | | |
| OPERATING REVENUES | | | | | |
| 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> |
| OPERATING EXPENSES | | | | | |
| 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> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| 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 | | | | Governmental Activities - Internal Service Fund |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------------|-------------------------|-------------------------------|----------------------------------------------------------|
| | Major Funds | | | Total Proprietary Funds | |
| | Water Operating | Sewer Operating | Sanitation Operating | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| 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> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| 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> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| 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> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| 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 | <u>511,682</u> | <u>-</u> | <u>-</u> | <u>511,682</u> | <u>225,831</u> |
| 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:

| Expenditure | Appropriation | Actual | Difference | Explanation |
|--------------|---------------|------------|------------|-------------------------------------|
| 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 |
|----------------------------------------------|--------------------------|--------------------------|-----------------------------|--------------------------|
| Governmental Activities: | | | | |
| 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> |
| Business-Type Activities: | | | | |
| 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 | <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 |
|---------------------------------|-------------------------|---------------------|---------------------|--------------------------|------------------------|
| Governmental activities | | | | | |
| 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> |
| Business-type activities | | | | | |
| 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 | \$ 3,549,000 | \$ 1,031,450 | \$ 4,580,450 |

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 1st 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) |
| | \$ 73,512 |

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 19th Street, Suite 200, Sacramento, CA 95814.

C. Contingent liabilities

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

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

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.

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.

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 ¹ | Assumed Asset Allocation | Real return years 1-10 ² | Real return years 11+ ³ |
|--------------------------|-----------------------------|----------------------------------------|---------------------------------------|
| 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% |

¹ 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.

² An expected inflation of 2.0% used for this period

³ 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. 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. 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 | 0.061111% | 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 | <u>4,311,268</u> | <u>2,714,923</u> | <u>1,406,171</u> |
| 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:

| | <u>Deferred outflows of resources</u> | <u>Deferred inflows of resources</u> |
|--------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| 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 | <u>109,896</u> | <u>82,333</u> |
| Total | <u>\$ 1,576,525</u> | <u>\$ 402,164</u> |

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:

| <u>Fiscal year ending June 30:</u> | <u>Misc</u> | <u>Safety</u> | <u>Total</u> |
|------------------------------------|-------------------|-------------------|-------------------|
| 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 | - | - | - |
| | <u>\$ 104,307</u> | <u>\$ 296,018</u> | <u>\$ 400,325</u> |

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 ¹ | 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 |
|----------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Miscellaneous | | | | | |
| 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% |
| Safety | | | | | |
| 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.

¹ 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 |
|----------------------|-------------------------------------------|----------------------------------------------------------------------------|----------------------------------------|-----------------|--------------------------------------------------------|
| Miscellaneous | | | | | |
| 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% |
| Safety | | | | | |
| 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> | | |
| REVENUES | | | | |
| 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> |
| EXPENDITURES | | | | |
| 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> |
| Fund balance, July 1 | | | <u>997,496</u> | |
| Fund balance, June 30 | | | <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> | | |
| REVENUES | | | | |
| 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> |
| EXPENDITURES | | | | |
| 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> |
| OTHER FINANCING SOURCES (USES) | | | | |
| 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> | | |
| REVENUES | | | | |
| 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> |
| EXPENDITURES | | | | |
| 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> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>\$ 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 | CASP Fund |
| ASSETS | | | | | | |
| 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> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| 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 |
| ASSETS | | | | | | |
| 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 |
| Total assets | <u>\$ 211,894</u> | <u>\$ 74,648</u> | <u>\$ 14,178</u> | <u>\$ 666,410</u> | <u>\$ 226,697</u> | <u>\$ 3,825,237</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts and other payables | \$ 2,066 | \$ - | \$ 7,995 | \$ - | \$ - | \$ 18,469 |
| Unearned revenue | - | - | - | 30,290 | - | 210,290 |
| Total liabilities | <u>2,066</u> | <u>-</u> | <u>7,995</u> | <u>30,290</u> | <u>-</u> | <u>228,759</u> |
| Fund balances: | | | | | | |
| Restricted | 209,828 | 74,648 | 6,183 | 636,120 | 226,697 | 3,510,017 |
| Committed | - | - | - | - | - | 86,461 |
| Total fund balances | <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> |
| Total liabilities and fund balances | <u>\$ 211,894</u> | <u>\$ 74,648</u> | <u>\$ 14,178</u> | <u>\$ 666,410</u> | <u>\$ 226,697</u> | <u>\$ 3,825,237</u> |

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 |
| REVENUES | | | | | | |
| 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 |
| Total revenues | <u>260,484</u> | <u>519,997</u> | <u>6,014</u> | <u>1,018</u> | <u>198,206</u> | <u>2,336</u> |
| EXPENDITURES | | | | | | |
| 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 | - | - | - | - |
| Total expenditures | <u>86,819</u> | <u>6,916</u> | <u>-</u> | <u>531</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>173,665</u> | <u>513,081</u> | <u>6,014</u> | <u>487</u> | <u>198,206</u> | <u>2,336</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers out | (107,000) | (192,395) | - | - | - | - |
| Total other financing sources and uses | <u>(107,000)</u> | <u>(192,395)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 66,665 | 320,686 | 6,014 | 487 | 198,206 | 2,336 |
| Fund balances - beginning | 256,772 | 1,180,592 | 80,447 | 52,929 | 272,693 | 5,175 |
| Fund balances - ending | <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> |

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 | |
| REVENUES | | | | | | |
| 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 |
| Total revenues | <u>220,892</u> | <u>12,000</u> | <u>72,134</u> | <u>-</u> | <u>12,431</u> | <u>1,305,512</u> |
| EXPENDITURES | | | | | | |
| 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 |
| Total expenditures | <u>160,533</u> | <u>9,533</u> | <u>66,560</u> | <u>-</u> | <u>-</u> | <u>330,892</u> |
| Excess (deficiency) of revenues over expenditures | <u>60,359</u> | <u>2,467</u> | <u>5,574</u> | <u>-</u> | <u>12,431</u> | <u>974,620</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Capital leases | - | - | - | - | - | (299,395) |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(299,395)</u> |
| Net change in fund balances | 60,359 | 2,467 | 5,574 | - | 12,431 | 675,225 |
| Fund balances - beginning | <u>149,469</u> | <u>72,181</u> | <u>609</u> | <u>636,120</u> | <u>214,266</u> | <u>2,921,253</u> |
| 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

PARTNERS

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Jenny W. Liu, CPA, MST

Independent Auditor's Report

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

MANAGERS / STAFF

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Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA
Louis Fernandez, CPA
Abigail Hernandez Conde, CPA, MSA
Zoe Xinlu 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.

MEMBERS

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*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants



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