

CITY OF EXETER

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

**CITY OF EXETER**  
**BASIC FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2021**

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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 Audit of the Financial Statements**

### **Opinions**

We have audited 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), California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

The City's 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements and the budgetary comparison schedules for non-major funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the budgetary comparison schedules for non-major funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 non-major fund financial statements and the budgetary comparison schedules for non-major funds is 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 November 22, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

San Bernardino, California  
November 22, 2021

## 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, 2021. 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 \$26,040,047 (*net position*). Of this amount, <\$140,067> (*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 \$8,220,619. Of this amount, there is a balance of \$2,314,486 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 \$2,314,486.

### 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 15 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, Housing Funds, Transportation and Measure R, all of which are considered to be major funds. Data from the other 11 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 \$26,040,047 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	
	2021	2020	2021	2020	2021	2020
Current & other assets	\$ 17,781,817	\$ 14,874,412	\$ 2,918,863	\$ 2,673,203	\$ 20,700,680	\$ 17,547,615
Capital assets	14,352,339	9,272,799	14,891,934	15,168,715	29,244,273	24,441,514
Total assets	<u>32,134,156</u>	<u>24,147,211</u>	<u>17,810,797</u>	<u>17,841,918</u>	<u>49,944,953</u>	<u>41,989,129</u>
Deferred outflows of resources	952,178	1,144,965	436,919	444,646	1,389,097	1,589,611
Long-term liabilities	3,960,856	3,844,447	11,395,670	11,543,209	15,356,526	15,387,656
Other liabilities	9,288,364	8,265,285	387,484	417,439	9,675,848	8,682,724
Total liabilities	<u>13,249,220</u>	<u>12,109,732</u>	<u>11,783,154</u>	<u>11,960,648</u>	<u>25,032,374</u>	<u>24,070,380</u>
Deferred inflows of resources	107,477	206,666	154,152	195,497	261,629	402,163
Net position:						
Investment in capital assets	14,352,339	9,272,799	5,457,823	5,336,086	19,810,162	14,608,885
Restricted	5,651,604	4,739,292	718,348	684,624	6,369,952	5,423,916
Unrestricted	(274,306)	(1,036,313)	134,239	109,709	(140,067)	(926,604)
Total net position	<u>\$ 19,729,637</u>	<u>\$ 12,975,778</u>	<u>\$ 6,310,410</u>	<u>\$ 6,130,419</u>	<u>\$ 26,040,047</u>	<u>\$ 19,106,197</u>

An additional portion of the City of Exeter's net position (24 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 <\$140,067>. 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 \$134,239 at June 30, 2021, an increase from \$109,709 at June 30, 2020.

**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	
	2021	2020	2021	2020	2021	2020
<b>Program Revenues:</b>						
Charges for services	\$ 1,014,239	\$ 422,760	\$ 4,721,452	\$ 4,204,866	\$ 5,735,691	\$ 4,627,626
Operating grants and contributions	762,330	1,475,399	-	1,808	762,330	1,477,207
Capital grants and contributions	5,736,110	576,154	-	-	5,736,110	576,154
<b>General Revenues:</b>						
Property taxes	2,100,361	1,992,169	-	-	2,100,361	1,992,169
Other taxes	2,550,340	2,081,426	-	-	2,550,340	2,081,426
Investment earnings - unrestricted	12,484	40,581	8,934	29,449	21,418	70,030
Gain on sale of capital assets	3,432	17,549	3,431	-	6,863	17,549
Special item - fire settlement pmt	-	100,000	-	-	-	100,000
<b>Total Revenue</b>	<b>12,179,296</b>	<b>6,706,038</b>	<b>4,733,817</b>	<b>4,236,123</b>	<b>16,913,113</b>	<b>10,942,161</b>
<b>Expenses</b>						
Community & economic development	245,193	284,461	-	-	245,193	284,461
General government	939,529	815,527	-	-	939,529	815,527
Parks and recreation	218,432	307,465	-	-	218,432	307,465
Public safety	3,282,399	3,393,713	-	-	3,282,399	3,393,713
Public works	739,884	551,254	-	-	739,884	551,254
Water operating	-	-	2,092,056	2,279,737	2,092,056	2,279,737
Sewer operating	-	-	1,331,533	1,531,612	1,331,533	1,531,612
Transit	-	-	-	-	-	-
Sanitation operating	-	-	1,130,237	1,103,609	1,130,237	1,103,609
<b>Total expenses</b>	<b>5,425,437</b>	<b>5,352,420</b>	<b>4,553,826</b>	<b>4,914,958</b>	<b>9,979,263</b>	<b>10,267,378</b>
Changes in net position	6,753,859	1,353,618	179,991	(678,835)	6,933,850	674,783
Net position - beginning	12,975,778	11,622,160	6,130,419	6,809,254	19,106,197	18,431,414
<b>Net position - ending</b>	<b>\$ 19,729,637</b>	<b>\$ 12,975,778</b>	<b>\$ 6,310,410</b>	<b>\$ 6,130,419</b>	<b>\$ 26,040,047</b>	<b>\$ 19,106,197</b>

**Governmental activities.** Governmental activities increased the City of Exeter's net position by \$6,753,859 and \$1,353,618 for the fiscal years ended June 30, 2021 and 2020 respectively.

**Business-type activities.** Business-type activities increased the City of Exeter's net position by \$179,991 at June 30, 2021 and decreased net position by <\$678,835> at June 30, 2020.

## 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, 2021 and 2020, the City of Exeter's governmental funds reported combined ending fund balances of \$8,220,619 and \$6,376,026. Of the June 30, 2021 and 2020 total amount, 28.16 and 21.76 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, 2021 and 2020, unassigned fund balance of the general fund was \$2,314,486 and \$1,387,362, respectively. It may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As of June 30, 2021 and 2020, unassigned fund balance represents 54.98 and 31.80 percent, respectively, of the amount needed to cover general fund expenditures.

The fund balance of the City of Exeter's general fund increased by \$927,124 and \$552,777 for the years ended June 30, 2021 and 2020. The key factor in the increase is reduced spending on operations and 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 \$134,239 and \$109,709 for June 30, 2021 and 2020. The total change in net position for all these funds in 2021 was an increase of \$179,991 and a decrease of <\$678,835> in 2020. 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 2020/21, there were reallocations and additional appropriations in the amount of \$33,093 in the following departments:

General government	\$128,200
Parks and recreation	<\$118,407>
Police	\$ 9,100
Public works	\$ 14,200

## 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, 2021, amounts to \$29,244,273 (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	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,298,149	\$ 1,298,149	\$ 2,404,191	\$ 2,404,191	\$ 3,702,340	\$ 3,702,340
Buildings & Improvements	2,030,743	2,136,722	8,945,443	9,282,393	10,976,186	11,419,115
Machinery & equipment	813,906	881,744	2,376,255	2,380,303	3,190,161	3,262,047
Infrastructure	5,728,214	3,951,299	1,065,669	1,001,452	6,793,883	4,952,751
Construction in progress	4,481,327	1,004,885	100,376	100,376	4,581,703	1,105,261
	<u>\$ 14,352,339</u>	<u>\$ 9,272,799</u>	<u>\$ 14,891,934</u>	<u>\$ 15,168,714</u>	<u>\$ 29,244,273</u>	<u>\$ 24,441,514</u>

**Long-term debt.** At June 30, 2021 and 2020, the City of Exeter had total debt outstanding of \$9,445,742 and \$9,919,226. 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.

### City of Exeter's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Leases payable	\$ -	\$ 73,512	\$ 1,273,837	\$ 1,407,645	\$ 1,273,837	\$ 1,481,157
Bonds/Notes payable	-	-	8,171,905	8,438,069	8,171,905	8,438,069
	<u>\$ -</u>	<u>\$ 73,512</u>	<u>\$ 9,445,742</u>	<u>\$ 9,845,714</u>	<u>\$ 9,445,742</u>	<u>\$ 9,919,226</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 2020/21 that paid development impact fees.

With a balanced budget passed for 2020/21, 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 CARES Covid relief and road project funding.

### **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 2021/22 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, 2022, which will be used towards increased operating costs and infrastructure improvements. There are three more rate increase approved by City Council for the next three 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, 2021**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments			
Unrestricted	\$ 7,207,939	\$ 1,509,560	\$ 8,717,499
Restricted	-	764,701	764,701
Receivables:			
Accounts	-	612,280	612,280
Intergovernmental	3,080,897	-	3,080,897
Inventories	-	32,322	32,322
Loans receivable	7,492,981	-	7,492,981
Capital assets:			
Non-depreciable	5,779,476	2,504,567	8,284,043
Depreciable, net of accumulated depreciation	8,572,863	12,387,367	20,960,230
<b>Total assets</b>	<b>32,134,156</b>	<b>17,810,797</b>	<b>49,944,953</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred bond issue costs/amortization	-	11,631	11,631
Deferred pensions	952,178	425,288	1,377,466
<b>Total deferred outflows of resources</b>	<b>952,178</b>	<b>436,919</b>	<b>1,389,097</b>
<b>LIABILITIES</b>			
Accounts payable and other accruals	1,437,128	258,610	1,695,738
Interest payable	-	64,887	64,887
Unearned revenue	7,709,157	-	7,709,157
Compensated absences	142,079	63,987	206,066
Noncurrent liabilities:			
Due to depositors	-	73,973	73,973
Net pension liability	3,859,365	1,850,109	5,709,474
Compensated absences	101,491	25,846	127,337
Due in one year	-	415,128	415,128
Due in more than one year	-	9,030,614	9,030,614
<b>Total liabilities</b>	<b>13,249,220</b>	<b>11,783,154</b>	<b>25,032,374</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pensions	107,477	154,152	261,629
<b>NET POSITION</b>			
Net investment in capital assets	14,352,339	5,457,823	19,810,162
Restricted for:			
Public service	5,421,082	-	5,421,082
Impact fees	230,522	718,348	948,870
Unrestricted (deficit)	(274,306)	134,239	(140,067)
<b>Total net position</b>	<b>\$ 19,729,637</b>	<b>\$ 6,310,410</b>	<b>\$ 26,040,047</b>

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





**City of Exeter  
Balance Sheet  
Governmental Funds  
June 30, 2021**

	General	Housing Funds	Transportation	Measure R	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,527,118	\$ 707,921	\$ 605,715	\$ -	\$ 3,086,334	\$ 6,927,088
Receivables - (net):						
Intergovernmental	299,683	14,965	149,977	2,576,073	40,199	3,080,897
Due from other funds	-	-	1,136,626	-	-	1,136,626
Notes receivable	135,000	7,207,691	-	-	150,290	7,492,981
Total assets	<u>\$ 2,961,801</u>	<u>\$ 7,930,577</u>	<u>\$ 1,892,318</u>	<u>\$ 2,576,073</u>	<u>\$ 3,276,823</u>	<u>\$ 18,637,592</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts and other payables	\$ 342,325	\$ 7,029	\$ -	\$ 1,061,577	\$ 18,180	\$ 1,429,111
Compensated absences payable	142,079	-	-	-	-	142,079
Due to other funds	-	-	-	1,136,626	-	1,136,626
Unearned revenue	-	7,207,691	-	-	501,466	7,709,157
Total liabilities	<u>484,404</u>	<u>7,214,720</u>	<u>-</u>	<u>2,198,203</u>	<u>519,646</u>	<u>10,416,973</u>
Fund balances:						
Nonspendable	135,000	-	-	-	-	135,000
Restricted	-	715,857	1,892,318	377,870	2,665,559	5,651,604
Committed alley repair	25,411	-	-	-	-	25,411
Committed parking-in-lieu	2,500	-	-	-	-	2,500
Committed for storm drains	-	-	-	-	91,618	91,618
Unassigned	2,314,486	-	-	-	-	2,314,486
Total fund balances	<u>2,477,397</u>	<u>715,857</u>	<u>1,892,318</u>	<u>377,870</u>	<u>2,757,177</u>	<u>8,220,619</u>
Total liabilities and fund balances	<u>\$ 2,961,801</u>	<u>\$ 7,930,577</u>	<u>\$ 1,892,318</u>	<u>\$ 2,576,073</u>	<u>\$ 3,276,823</u>	<u>\$ 18,637,592</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, 2021**

Fund balances of governmental funds		\$ 8,220,619
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.		8,572,863
Other long-term assets are not available to pay current expenditures, and therefore are deferred in the funds - construction-in-progress and land.		5,779,476
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.		266,742
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	188,737	
Internal Service	30,350	
Safety	<u>733,091</u>	952,178
Deferred pension inflows of resources		
Miscellaneous	(68,410)	
Internal Service	(11,000)	
Safety	<u>(28,067)</u>	(107,477)
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	(821,056)	
Internal Service	(132,030)	
Safety	<u>(2,906,279)</u>	(3,859,365)
Long-term portion of compensated absences and sick leave		<u>(95,399)</u>
Net position of governmental activities		<u><u>\$ 19,729,637</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, 2021**

	General	Housing Funds	Transportation	Measure R	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 2,381,983	\$ -	\$ -	\$ -	\$ -	\$ 2,381,983
Sales taxes	938,100	-	-	-	384,410	1,322,510
Utility users tax	632,623	-	-	-	-	632,623
Franchise tax	192,165	-	-	-	-	192,165
Other taxes	121,420	-	-	-	244,214	365,634
Licenses and permits	65,685	-	-	-	-	65,685
Intergovernmental	237,379	-	589,884	4,849,461	494,986	6,171,710
Charges for services	190,092	-	-	-	7,531	197,623
Rental income	45,615	-	-	-	-	45,615
Loan payments	-	656,680	-	-	60,000	716,680
Fines and forfeitures	46,231	-	-	-	-	46,231
Investment earnings	12,484	2,323	7,301	7	7,200	29,315
Miscellaneous	11,522	-	-	-	-	11,522
Total revenues	<u>4,875,299</u>	<u>659,003</u>	<u>597,185</u>	<u>4,849,468</u>	<u>1,198,341</u>	<u>12,179,296</u>
<b>EXPENDITURES</b>						
Community and economic development	-	242,248	-	-	2,945	245,193
General government	695,226	-	-	3,717	83,868	782,811
Parks and recreation	182,703	-	-	-	-	182,703
Public safety - fire	227,481	-	-	-	-	227,481
Public safety - police	2,588,455	-	-	-	107,256	2,695,711
Public works	373,951	-	6,145	-	124,769	504,865
Debt service:						
Principal	-	-	-	-	73,512	73,512
Interest	-	-	-	-	2,319	2,319
Capital outlay						
General government	22,316	-	-	-	-	22,316
Public safety - police	39,682	-	-	-	-	39,682
Public works	80,010	-	-	5,398,054	80,046	5,558,110
Total expenditures	<u>4,209,824</u>	<u>242,248</u>	<u>6,145</u>	<u>5,401,771</u>	<u>474,715</u>	<u>10,334,703</u>
Excess (deficiency) of revenues over expenditures	<u>665,475</u>	<u>416,755</u>	<u>591,040</u>	<u>(552,303)</u>	<u>723,626</u>	<u>1,844,593</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	261,649	-	-	-	-	261,649
Transfers out	-	-	(200,000)	-	(61,649)	(261,649)
Total other financing sources and uses	<u>261,649</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>(61,649)</u>	<u>-</u>
Net change in fund balances	927,124	416,755	391,040	(552,303)	661,977	1,844,593
Fund balances, July 1	<u>1,550,273</u>	<u>299,102</u>	<u>1,501,278</u>	<u>930,173</u>	<u>2,095,200</u>	<u>6,376,026</u>
Fund balances, June 30	<u>\$ 2,477,397</u>	<u>\$ 715,857</u>	<u>\$ 1,892,318</u>	<u>\$ 377,870</u>	<u>\$ 2,757,177</u>	<u>\$ 8,220,619</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, 2021**

Net change in fund balances --total governmental funds	\$ 1,844,593
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 (\$5,486,745) exceeded depreciation (\$407,206) in the current period:	5,079,539
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	73,512
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	(3,109)
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.	22,861
Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB Statement No. 68.	(263,537)
Change in net position of governmental activities	\$ 6,753,859

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

**City of Exeter  
Statement of Net Position  
Proprietary Funds  
June 30, 2021**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Major Funds</b>			<b>Total Proprietary Funds</b>	
	<b>Water Operations</b>	<b>Sewer Operations</b>	<b>Sanitation Operations</b>		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 784,617	\$ 652,781	\$ 72,162	\$ 1,509,560	\$ 280,851
Accounts receivable, net of allowance	250,901	189,373	172,006	612,280	-
Inventories	32,322	-	-	32,322	-
Noncurrent assets:					
Restricted cash and cash equivalents	675,750	88,951	-	764,701	-
Capital assets:					
Nondepreciable	100,376	2,404,191	-	2,504,567	-
Depreciable, net	7,306,211	5,081,156	-	12,387,367	-
<b>Total assets</b>	<b>9,150,177</b>	<b>8,416,452</b>	<b>244,168</b>	<b>17,810,797</b>	<b>280,851</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred bond issue costs/amortization	11,631	-	-	11,631	-
Deferred pensions	235,777	164,509	25,002	425,288	30,350
<b>Total deferred outflow of resources</b>	<b>247,408</b>	<b>164,509</b>	<b>25,002</b>	<b>436,919</b>	<b>30,350</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts and other payables	54,504	34,017	170,089	258,610	8,017
Compensated absences	35,428	24,274	4,285	63,987	-
Accrued Interest	49,695	15,192	-	64,887	-
Noncurrent liabilities:					
Due to depositors	73,973	-	-	73,973	-
Compensated absences	14,548	9,975	1,323	25,846	6,092
Due in one year	275,128	140,000	-	415,128	-
Due in more than one year	5,756,614	3,274,000	-	9,030,614	-
Net pension liability	1,025,689	715,656	108,764	1,850,109	132,030
<b>Total liabilities</b>	<b>7,285,579</b>	<b>4,213,114</b>	<b>284,461</b>	<b>11,783,154</b>	<b>146,139</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred pensions	85,460	59,627	9,065	154,152	11,000
	85,460	59,627	9,065	154,152	11,000
<b>NET POSITION</b>					
Net investment in capital assets	1,386,476	4,071,347	-	5,457,823	-
Restricted for impact fees	629,397	88,951	-	718,348	-
Unrestricted	10,673	147,922	(24,356)	134,239	154,062
<b>Total net position</b>	<b>\$ 2,026,546</b>	<b>\$ 4,308,220</b>	<b>\$ (24,356)</b>	<b>\$ 6,310,410</b>	<b>\$ 154,062</b>

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

**City of Exeter**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2021**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Major Funds</b>			<b>Total Proprietary Funds</b>	
	<b>Water Operations</b>	<b>Sewer Operations</b>	<b>Sanitation Operations</b>		
<b>OPERATING REVENUES</b>					
Charges for services	\$ 2,025,004	\$ 1,469,991	\$ 1,155,025	\$ 4,650,020	\$ -
Connection fees	68,312	3,120	-	71,432	-
Internal Service Charges	-	-	125,454	125,454	955,374
Total operating revenues	<u>2,093,316</u>	<u>1,473,111</u>	<u>1,280,479</u>	<u>4,846,906</u>	<u>955,374</u>
<b>OPERATING EXPENSES</b>					
Personnel Services	803,143	542,666	83,467	1,429,276	85,173
General and administrative	74,591	54,000	33,399	161,990	866,636
Materials and supplies	708,687	461,705	1,013,371	2,183,763	150
Depreciation/amortization	324,378	180,280	-	504,658	-
Total operating expenses	<u>1,910,799</u>	<u>1,238,651</u>	<u>1,130,237</u>	<u>4,279,687</u>	<u>951,959</u>
Operating income (loss)	<u>182,517</u>	<u>234,460</u>	<u>150,242</u>	<u>567,219</u>	<u>3,415</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Grants and reimbursements	-	-	(125,454)	(125,454)	18,330
Investment earnings	6,262	2,672	-	8,934	1,116
Other revenue	-	3,431	-	3,431	-
Interest expense	(181,257)	(92,882)	-	(274,139)	-
Total nonoperating revenue (expenses)	<u>(174,995)</u>	<u>(86,779)</u>	<u>(125,454)</u>	<u>(387,228)</u>	<u>19,446</u>
Change in net position	7,522	147,681	24,788	179,991	22,861
Net position (deficit), July 1	<u>2,019,024</u>	<u>4,160,539</u>	<u>(49,144)</u>	<u>6,130,419</u>	<u>131,201</u>
Net position (deficit), June 30	<u>\$ 2,026,546</u>	<u>\$ 4,308,220</u>	<u>\$ (24,356)</u>	<u>\$ 6,310,410</u>	<u>\$ 154,062</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, 2021**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Major Funds			Total Proprietary Funds	
	Water Operating	Sewer Operating	Sanitation Operating		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Charges for services	\$ 2,047,195	\$ 1,427,463	\$ 1,257,824	\$ 4,732,482	\$ 955,374
Personnel services	(679,500)	(459,457)	(74,689)	(1,213,646)	(68,342)
General administration	(74,591)	(54,000)	(33,399)	(161,990)	(866,636)
Payments to suppliers and contractors	(798,301)	(466,150)	(929,757)	(2,194,208)	16,952
Net cash provided (used) by operating activities	<u>494,803</u>	<u>447,856</u>	<u>219,979</u>	<u>1,162,638</u>	<u>37,348</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Local - operating reimbursements	-	-	(125,454)	(125,454)	18,330
Decrease (increase) in amount due from other funds	-	22,363	-	22,363	-
Increase (decrease) in amount due to other funds	-	-	(22,363)	(22,363)	-
Net cash provided (used) by noncapital financing	<u>-</u>	<u>22,363</u>	<u>(147,817)</u>	<u>(125,454)</u>	<u>18,330</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Interest paid on long-term debt	(202,921)	(93,745)	-	(296,666)	-
Principal paid on bonds/capital lease	(243,808)	(135,000)	-	(378,808)	-
Proceeds from other revenue	-	3,431	-	3,431	-
Purchase of capital assets	(196,131)	(31,746)	-	(227,877)	-
Net cash provided (used) by capital and related financing activities	<u>(642,860)</u>	<u>(257,060)</u>	<u>-</u>	<u>(899,920)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment earnings	6,262	2,672	-	8,934	1,116
(Increase) decrease in restricted cash	(71,242)	(8,835)	-	(80,077)	-
Net cash provided (used) by investing activities	<u>(64,980)</u>	<u>(6,163)</u>	<u>-</u>	<u>(71,143)</u>	<u>1,116</u>
Net Increase (decrease) in cash and cash equivalents	<u>(213,037)</u>	<u>206,996</u>	<u>72,162</u>	<u>66,121</u>	<u>56,794</u>
Balances, July 1	<u>997,654</u>	<u>445,785</u>	<u>-</u>	<u>1,443,439</u>	<u>224,057</u>
Balances, June 30	<u>\$ 784,617</u>	<u>\$ 652,781</u>	<u>\$ 72,162</u>	<u>\$ 1,509,560</u>	<u>\$ 280,851</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 182,517	\$ 234,460	\$ 150,242	\$ 567,219	\$ 3,415
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	324,378	180,279	-	504,657	-
Changes in assets, deferred outflows/inflows and liabilities:					
(Increase) decrease in inventory	13,481	-	-	13,481	-
(Increase) decrease in receivables	(44,640)	(45,648)	(22,655)	(112,943)	-
(Increase) decrease in prepaid	-	-	-	-	24,949
(Increase) decrease deferred outflows	2,228	2,502	1,543	6,273	412
Increase (decrease) in accounts payable	(103,095)	(4,444)	83,614	(23,925)	(7,847)
Increase (decrease) in due to accrued wages	1,408	797	128	2,333	(41)
Increase (decrease) in deferred inflows	(22,357)	(16,029)	(2,959)	(41,345)	(2,935)
Increase (decrease) in due to depositors	(1,481)	-	-	(1,481)	-
Increase (decrease) in compensated absences	(4,909)	(3,320)	(728)	(8,957)	898
Increase (decrease) in net pension liability	147,273	99,259	10,794	257,326	18,497
Net cash provided (used) by operating activities	<u>\$ 494,803</u>	<u>\$ 447,856</u>	<u>\$ 219,979</u>	<u>\$ 1,162,638</u>	<u>\$ 37,348</u>

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



REQUIRED SUPPLEMENTAL INFORMATION

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

**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, 2021

**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 *Transportation Fund* is the government's fund to record the City's share of the 1/4 cent of statewide sales tax collected and returned to each County in compliance with the Local Transportation Development Act.

The *Measure R Fund* is the government's fund to record the City's share of the Tulare County authorized 1/2 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, 2021

**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, 2021

**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. The cost of prepaid items is recorded as an expenditure/expense when consumed rather than when purchased.

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, 2021

**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, 2021

**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, 2021

**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	June 30, 2019
Measure Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

**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, 2021

**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
General Fund				
Capital outlay	\$ 57,000	\$ 142,008	\$ 85,008	CMAQ project completed this year
Transportation Fund				
Public Works	\$ 4,000	\$ 4,000	\$ 6,145	Additional administrative costs

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 \$24,3564 as of June 30, 2021. During the 2020/21 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, 2021

**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	\$ 8,717,499
Restricted - Cash and investments	764,701
Total cash and investments	\$ 9,482,200

Cash and investments as of June 30, 2021, consist of the following:

Cash on hand	\$ 1,100
Deposits with financial institutions	1,339,358
Investments	8,141,742
Total cash and investments	\$ 9,482,200

*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, 2021

**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, 2021:

	<u>Fair Value</u>
Investments not subject to fair value hierarchy	
Local Agency Investment Fund	\$ 6,351,775
Money Market funds	303,967
Non-negotiable Certificates of Deposit	1,486,000
Total investments not subject to fair value hierarchy	<u>8,141,742</u>
Total investments measured at fair value	<u>\$ 8,141,742</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, 2021

**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	\$ 6,351,775	\$ 6,351,775	\$ -	\$ -	\$ -
Held by trustee:					
Money market funds	303,967	303,967	-	-	-
Certificates of Deposit	1,486,000	741,000	247,000	498,000	-
	<u>\$ 8,141,742</u>	<u>\$ 7,396,742</u>	<u>\$ 247,000</u>	<u>\$ 498,000</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	\$ 6,351,775	N/A	-	\$ 6,351,775
Held by trustee:				
Money market funds	303,967	AAA/Aa	AAA	-
Certificates of deposit	1,486,000	N/A	-	1,486,000
	<u>\$ 8,141,742</u>			<u>\$ 7,837,775</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, 2021, 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, 2021

**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, 2021 was \$6,351,775.

**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, 2021, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable fund</u>	<u>Amount</u>	<u>Purpose</u>
Transportation	Measure R	\$ 1,136,626	Cash flow

Interfund transfers:

<u>Transfer Out:</u>	<u>Transfer In:</u>	<u>Amount</u>	<u>Purpose</u>
Gas tax fund	General fund	\$ 61,649	Costs applied
Transportation fund	General fund	200,000	Costs applied

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CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

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

**D. Capital assets**

Capital asset activity, for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Additions & Transfers	Dispositions & Transfers	Balance June 30, 2021
Governmental Activities:				
Capital assets not depreciated				
Construction in progress	\$ 1,004,885	\$ 3,556,176	\$ (79,734)	\$ 4,481,327
Land	1,298,149	-	-	1,298,149
Total capital assets not depreciated	<u>2,303,034</u>	<u>3,556,176</u>	<u>(79,734)</u>	<u>5,779,476</u>
Capital assets being depreciated				
Buildings & improvements	3,518,590	-	-	3,518,590
Infrastructure	4,609,903	1,869,113	-	6,479,016
Equipment/autos	3,953,650	141,191	-	4,094,841
	<u>12,082,143</u>	<u>2,010,304</u>	<u>-</u>	<u>14,092,447</u>
Less accumulated depreciation	<u>(5,112,378)</u>	<u>(407,206)</u>	<u>-</u>	<u>(5,519,584)</u>
Total capital assets being depreciated:	<u>6,969,765</u>	<u>1,603,098</u>	<u>-</u>	<u>8,572,863</u>
Governmental activities capital assets, net	<u>9,272,799</u>	<u>5,159,274</u>	<u>(79,734)</u>	<u>14,352,339</u>
Business-Type Activities:				
Capital assets not depreciated				
Construction in progress	100,376	-	-	100,376
Land	2,404,191	-	-	2,404,191
Total capital assets not depreciated	<u>2,504,567</u>	<u>-</u>	<u>-</u>	<u>2,504,567</u>
Capital assets being depreciated:				
Buildings & improvements	13,769,865	-	-	13,769,865
Infrastructure	1,304,655	91,376	-	1,396,031
Equipment/autos	3,521,109	136,501	-	3,657,610
	<u>18,595,629</u>	<u>227,877</u>	<u>-</u>	<u>18,823,506</u>
Less accumulated depreciation	<u>(5,931,481)</u>	<u>(504,658)</u>	<u>-</u>	<u>(6,436,139)</u>
Business-type activities Total capital assets being depreciated:	<u>12,664,148</u>	<u>(276,781)</u>	<u>-</u>	<u>12,387,367</u>
Business-type activities capital assets, net	<u>15,168,715</u>	<u>(276,781)</u>	<u>-</u>	<u>14,891,934</u>
Entity wide capital assets	<u>\$ 24,441,514</u>	<u>\$ 4,882,493</u>	<u>\$ (79,734)</u>	<u>\$ 29,244,273</u>

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

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

Depreciation

Depreciation expense was charged to governmental activities as follows:

Governmental departments	
General government	\$ 190,020
Parks and recreation	35,239
Public safety - fire	9,215
Public safety - police	83,298
Public works	<u>89,434</u>
Governmental activities	<u>407,206</u>

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

Water Funds	324,378
Sewer Fund	<u>180,280</u>
Total depreciation expense, business-type activities	<u>504,658</u>
Total depreciation, entity wide	<u><u>\$ 911,864</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, 2021, are as follows:

<u>Funds</u>	<u>Amount</u>
Governmental activities:	
Special revenue funds:	
Housing	\$ 7,207,691
Non-Major Governmental Funds	<u>501,466</u>
Total Unearned Revenue - Governmental Activities	<u><u>\$ 7,709,157</u></u>

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CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

**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, 2021:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due within one year
<b>Governmental activities</b>					
Compensated Absences	\$ 234,913	\$ 102,892	\$ 94,235	\$ 243,570	\$ 142,079
Lease Payable	73,512	-	73,512	-	-
	<u>\$ 308,425</u>	<u>\$ 102,892</u>	<u>\$ 167,747</u>	<u>\$ 243,570</u>	<u>\$ 142,079</u>
<b>Business-type activities</b>					
Notes Payable	\$ 7,909,000	\$ -	\$ 245,000	\$ 7,664,000	\$ 255,000
Premium on notes	529,068	-	21,163	507,905	21,163
Lease Payable	1,407,645	-	133,808	1,273,837	138,965
Compensated Absences	98,790	23,604	32,561	89,833	63,987
Due to depositors	75,454	15,799	17,280	73,973	73,973
	<u>\$ 10,019,957</u>	<u>\$ 39,403</u>	<u>\$ 449,812</u>	<u>\$ 9,609,548</u>	<u>\$ 553,088</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. This activity is being serviced by Banc of America currently. The water meters have a cost of \$2,097,701 and accumulated depreciation of \$369,596 at June 30, 2021.

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

Fiscal Year Ending	Water Meter Lease		
	Principal	Interest	Total
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	161,662	23,745	185,407
2027-2029	523,341	32,876	556,217
Totals	<u>\$ 1,273,837</u>	<u>\$ 209,414</u>	<u>\$ 1,483,251</u>

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CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

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

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

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

Fiscal Year Ending	2020 Water Revenue Refunding Bonds		
	Principal	Interest	Total
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	130,000	138,750	268,750
2027-2031	730,000	610,150	1,340,150
2032-2036	885,000	449,250	1,334,250
2037-2041	1,080,000	253,350	1,333,350
2042-2046	945,000	56,625	1,001,625
Totals	<u>\$ 4,250,000</u>	<u>\$ 2,102,775</u>	<u>\$ 6,352,775</u>

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

Fiscal Year Ending	2020 Sewer Revenue Refunding Bonds		
	Principal	Interest	Total
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	156,000	73,505	229,505
2027-2031	844,000	301,977	1,145,977
2032-2036	965,000	181,360	1,146,360
2037-2040	866,000	46,885	912,885
Totals	<u>\$ 3,414,000</u>	<u>\$ 937,704</u>	<u>\$ 4,351,704</u>

The City has pledged the revenues of the Water and Sewer Funds for payment of the Bonds. The revenues will remain pledged for the duration for the loans. The Water Fund had approximately \$2,100,000 in gross revenues to pay \$267,400 in debt service. The Sewer Fund had approximately \$1,480,000 in gross revenues to pay \$228,745 in debt service.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

**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 (the current year information was not available at the time of this report):

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

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

**C. Contingent liabilities**

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

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

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

**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. In addition, the City has no control of any of the assets of either plan, therefore the plans' assets have not been reported in these 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 or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. 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 generally accepted accounting principles. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City participates in four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Benefits Provided**

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

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

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

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

The Plans' provisions and benefits in effect at June 30, 2021, 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	50 - 60	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 3.0%	1.0% to 2.5%
Required employee contribution rates for 2021	8.00%	6.25%
Required employer contribution rates for 2021	14.729% + \$178,405	7.732% + \$3,196

  

	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	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates for 2021	9.00%	11.50%
Required employer contribution rates for 2021	20.585% + \$166,442	13.044% + \$5,676

Notes:

The hire dates related to each benefit tier can be obtained on the CalPERS website for local government staff that have access to the contract information.

The benefit formula comes from the PERS Actuarial Valuation Report, Section: Plan's Major Benefit Options schedule.

The required employee contribution rates come from the PERS Actuarial Valuation Report, Appendix B, Section: Employee Contributions.

The required employer contribution rates come from the PERs Actuarial Valuation Report, Section: Required Employer Contribution.

**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.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

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

Employer contributions to the Plan for the fiscal year ended June 30, 2021, were \$694,321. The actual employer payments of \$774,037, made to CalPERS by the City during the measurement period ended June 30, 2020, differed from the City's proportionate share of the employer's contributions of \$884,872 by (\$110,835), 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 is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows:

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
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, 2019 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Long-term Expected Rate of Return**

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

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

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

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.

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

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

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

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

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

***Change in Assumptions***

The Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019.

***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.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

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

**Pension Plan Fiduciary Net Position**

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

**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
Balance at: 6/30/2019 (VD)	\$ 23,181,722	\$ 17,915,487	\$ 5,266,234
Balance at: 6/30/2020 (MD)	24,058,555	18,349,081	5,709,473
Net changes during 2019-20	<u>\$ 876,834</u>	<u>\$ 433,594</u>	<u>\$ 443,240</u>

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

The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The City's proportionate share of the net pension liability for the miscellaneous/safety/total Plan as of the June 30, 2019 and 2020 measurement dates was as follows:

Proportion - June 30, 2019	0.05139%
Proportion - June 30, 2020	<u>0.05247%</u>
Change - increase/(decrease)	<u>0.00108%</u>

**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 of the 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%
Plan's Net Pension Liability(Asset)	\$ 8,944,068	\$ 5,709,474	\$ 3,046,149

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

**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:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives (EARSL) 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, 2020 is 3.8 years, which was obtained by dividing the total service years of 548,581 (the sum of remaining service lifetimes of the active employees) by 145,663 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. 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, 2019), the City's net pension liability for the plan was \$5,266,234. For the measurement period ending June 30, 2020 (the measurement date), the City incurred a pension expense of \$1,196,081 for the Plan.

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CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

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

At June 30, 2021, the City has deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred outflows of resources	Deferred inflows of resources
Differences between Expected and Actual Experience	\$ 369,824	\$ -
Changes in assumptions	-	29,674
Net Differences between Projected and Actual Earnings on Pension Plan Investments	146,439	
Adjustment due to Differences in Proportions	-	-
Changes in employer's proportion	118,350	41,666
Differences between the employer's contributions and the employer's proportionate share of contributions	48,532	190,286
Pension Contributions Subsequent to Measurement Date	694,321	-
Total	\$ 1,377,466	\$ 261,626

The amounts above are net of outflows and inflows recognized in the 2019-20 measurement period expense. Contributions subsequent to the measurement date of \$694,321 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2022	\$ 44,279
2023	173,259
2024	132,391
2025	71,591
2026	-
Thereafter	-

**E. Payable to the Pension Plan**

At June 30, 2021, the City reports a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year then ended.

**NOTE 7 - Recent Accounting Pronouncements**

*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.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 7 - Recent Accounting Pronouncements** (continued)

*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.

*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.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 8 - Subsequent Events**

The date to which events occurring after June 30, 2021, have been evaluated for possible adjustments to the financial statements or disclosures is November 22, 2021, which is the date that the financial statements were available to be issued.

On March 11, 2021, HR 1319, the American Rescue Plan Act of 2021 (ARPA), was signed into law. ARPA was designed to provide assistance to individuals, businesses and, state and local governments to assist in the economic recovery from the ongoing COVID-19 pandemic. The City of Exeter was granted an allocation of \$2,508,234, delivered in two tranches of \$1,254,117 in July 2021 and July 2022. The qualified use of these funds includes public safety, infrastructure, and restoration of services to pre-pandemic levels.

**NOTE 9 - COVID 19**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. The City's major revenue sources could still be directly impacted by these events, it is possible that this matter could negatively impact the City. However, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this contingency.

# REQUIRED SUPPLEMENTARY 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, 2021  
**Schedule of the Proportionate Share of the Net Pension Liability and  
Related Ratios as of the Measurement Date  
Last 10 Years\***

Measurement Date	Employer's Proportion of the Collective Net Pension Liability <sup>1</sup>	Employer's Proportionate Share of the Collective Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a percentage of the Employer's Covered Payroll	Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability
<b>Miscellaneous</b>					
6/30/2014	0.08230%	\$ 2,034,243	\$ 1,245,778	163.29%	75.630%
6/30/2015	0.07450%	2,043,093	1,238,307	164.99%	76.646%
6/30/2016	0.06840%	2,375,106	1,410,468	168.39%	74.487%
6/30/2017	0.06550%	2,580,874	1,307,030	197.46%	75.917%
6/30/2018	0.06110%	2,303,164	1,346,241	171.08%	79.183%
6/30/2019	0.06371%	2,551,311	1,230,144	207.40%	77.834%
6/30/2020	0.06646%	2,803,195	1,116,900	250.98%	76.576%
<b>Safety</b>					
6/30/2014	0.05680%	\$ 2,129,696	\$ 1,058,178	201.26%	73.713%
6/30/2015	0.04920%	2,028,878	1,153,308	175.92%	75.320%
6/30/2016	0.04700%	2,432,600	1,276,485	190.57%	72.261%
6/30/2017	0.04500%	2,684,289	1,009,726	265.84%	71.995%
6/30/2018	0.04115%	2,590,468	1,040,018	249.08%	76.164%
6/30/2019	0.04349%	2,714,923	1,304,914	208.05%	76.718%
6/30/2020	0.04362%	2,906,279	1,416,464	205.18%	75.964%

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

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

CITY OF EXETER  
For the Year Ended June 30, 2021  
**Schedule of Plan Contributions**  
**Last 10 Years\***

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>Miscellaneous</b>					
6/30/2015	\$ 356,472	\$ (356,472)	\$ -	\$ 1,238,307	28.79%
6/30/2016	409,652	(409,652)	-	1,410,468	29.04%
6/30/2017	424,250	(424,250)	-	1,307,030	32.46%
6/30/2018	205,373	(205,373)	-	1,346,241	15.26%
6/30/2019	238,469	(238,469)	-	1,230,144	19.39%
6/30/2020	273,816	(273,816)	-	1,116,900	24.52%
6/30/2021	300,742	(300,742)	-	1,047,234	28.72%
<b>Safety</b>					
6/30/2015	\$ 346,841	\$ (346,841)	\$ -	\$ 1,153,308	30.07%
6/30/2016	348,796	(348,796)	-	1,276,485	27.32%
6/30/2017	375,767	(375,767)	-	1,009,726	37.21%
6/30/2018	380,898	(380,898)	-	1,040,018	36.62%
6/30/2019	441,587	(441,587)	-	1,304,914	33.84%
6/30/2020	500,221	(500,221)	-	1,416,464	35.31%
6/30/2021	393,579	(393,579)	-	1,371,833	28.69%

\* 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: The Plan adopted a new amortization policy effective with the 2019 actuarial valuation. The new amortization policy shortens the period over which actuarial gains and losses are amortized from 30 to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investmer gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes apply only to new UAL bases established on or after June 30, 2019. 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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 1,046,100	\$ 1,153,623	\$ 1,243,303	\$ 89,680
Sales taxes	778,000	744,000	839,309	95,309
Sales taxes - Prop 172	89,500	92,000	98,791	6,791
Utility users tax	564,500	583,900	632,623	48,723
Transient occupancy tax	91,600	91,600	121,420	29,820
Property transfer tax/Real Property Transfer	24,500	27,545	43,486	15,941
Franchise tax	165,800	185,600	192,165	6,565
Business licenses	57,400	50,900	55,270	4,370
Dog licenses	3,200	4,500	3,180	(1,320)
Other licenses and permits	3,200	6,003	7,235	1,232
Motor vehicle in-lieu tax	1,050,700	1,095,194	1,095,194	-
Street Sweeping/Leaf Pickup	53,112	59,000	62,727	3,727
Federal grants(homeland security, traffic safety)	-	-	94,622	94,622
State grants/reimbursements	6,200	142,389	142,757	368
Zoning and subdivision fees	8,000	8,000	9,000	1,000
Police services	70,000	70,000	70,000	-
Recreational activities	51,869	-	-	-
Parking fines	3,800	7,953	5,578	(2,375)
Vehicle code fines	12,900	12,900	15,441	2,541
Street sweeping fees	5,888	5,900	5,888	(12)
Other fines	29,800	27,100	25,213	(1,887)
Investment Earnings	2,200	2,200	12,484	10,284
Rent	12,700	12,700	45,615	32,915
Other revenues	36,400	35,500	53,998	18,498
	<u>4,167,369</u>	<u>4,418,507</u>	<u>4,875,299</u>	<u>456,792</u>
<b>EXPENDITURES</b>				
Current:				
General government	653,168	781,368	695,226	86,142
Parks and recreation	306,300	187,893	182,703	5,190
Public safety - fire	290,000	290,000	227,481	62,519
Public safety - police	2,760,900	2,770,000	2,588,455	181,545
Public works	406,700	420,900	373,951	46,949
Capital Outlay	57,000	57,000	142,008	(85,008)
	<u>4,474,068</u>	<u>4,507,161</u>	<u>4,209,824</u>	<u>297,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(306,699)</u>	<u>(88,654)</u>	<u>665,475</u>	<u>754,129</u>
Transfers in	307,000	321,000	261,649	(59,351)
Total other financing sources (uses)	<u>307,000</u>	<u>321,000</u>	<u>261,649</u>	<u>(59,351)</u>
Net change in fund balance	<u>\$ 301</u>	<u>\$ 232,346</u>	<u>927,124</u>	<u>\$ 694,778</u>
<b>Fund balance, July 1</b>			<u>1,550,273</u>	
<b>Fund balance, June 30</b>			<u>\$ 2,477,397</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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Loan payments	\$ 110,000	\$ 110,000	\$ 656,680	\$ 546,680
Investment earnings	800	800	2,323	1,523
Total revenues	<u>110,800</u>	<u>110,800</u>	<u>659,003</u>	<u>548,203</u>
<b>EXPENDITURES</b>				
Current:				
Community and economic development	<u>672,000</u>	<u>672,000</u>	<u>242,248</u>	<u>429,752</u>
Total expenditures	<u>672,000</u>	<u>672,000</u>	<u>242,248</u>	<u>429,752</u>
Net change in fund balances	<u>\$ (561,200)</u>	<u>\$ (561,200)</u>	416,755	<u>\$ 977,955</u>
<b>Fund balance, July 1</b>			<u>299,102</u>	
<b>Fund balance, June 30</b>			<u>\$ 715,857</u>	



**CITY OF EXETER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP basis) AND ACTUAL - REQUIRED SUPPLEMENTAL INFORMATION**  
**TRANSPORTATION FUND**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 363,000	\$ 363,000	\$ 589,884	\$ 226,884
Investment earnings	4,000	4,000	7,301	3,301
Total revenues	<u>367,000</u>	<u>367,000</u>	<u>597,185</u>	<u>230,185</u>
<b>EXPENDITURES</b>				
Current:				
Public works	4,000	4,000	6,145	(2,145)
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>6,145</u>	<u>(2,145)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>363,000</u>	<u>363,000</u>	<u>591,040</u>	<u>228,040</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(200,000)	(200,000)	(200,000)	-
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ 163,000</u>	<u>\$ 163,000</u>	391,040	<u>\$ 228,040</u>
<b>Fund balance, July 1</b>			<u>1,501,278</u>	
<b>Fund balance, June 30</b>			<u>\$ 1,892,318</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 5,953,050	\$ 5,953,050	\$ 4,849,461	\$ (1,103,589)
Investment earnings	2,000	2,000	7	(1,993)
Total revenues	<u>5,955,050</u>	<u>5,955,050</u>	<u>4,849,468</u>	<u>(1,105,582)</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,000	5,000	3,717	1,283
Capital outlay	<u>6,660,300</u>	<u>6,660,300</u>	<u>5,398,054</u>	<u>1,262,246</u>
Total expenditures	<u>6,665,300</u>	<u>6,665,300</u>	<u>5,401,771</u>	<u>1,263,529</u>
Net change in fund balances	<u>\$ (710,250)</u>	<u>\$ (710,250)</u>	(552,303)	<u>\$ 157,947</u>
<b>Fund balance, July 1</b>			<u>930,173</u>	
<b>Fund balance, June 30</b>			<u>\$ 377,870</u>	

## SUPPLEMENTAL INFORMATION

**City of Exeter  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021**

	Special Revenue					
	Gas Tax	Measure P	Storm Drain	Grant Fund	RMRA Fund	CASP Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 312,832	\$ 736,825	\$ 91,618	\$ 113,240	\$ 640,773	\$ 10,390
Intergovernmental receivables	-	-	-	-	37,262	-
Notes receivables	-	-	-	120,000	-	-
Total assets	<u>\$ 312,832</u>	<u>\$ 736,825</u>	<u>\$ 91,618</u>	<u>\$ 233,240</u>	<u>\$ 678,035</u>	<u>\$ 10,390</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts and other payables	\$ 10,298	\$ -	\$ -	\$ 27	\$ -	\$ -
Unearned revenue	-	351,176	-	120,000	-	-
Total liabilities	<u>10,298</u>	<u>351,176</u>	<u>-</u>	<u>120,027</u>	<u>-</u>	<u>-</u>
Fund balances:						
Restricted	302,534	385,649	-	113,213	678,035	10,390
Committed	-	-	91,618	-	-	-
Total fund balances	<u>302,534</u>	<u>385,649</u>	<u>91,618</u>	<u>113,213</u>	<u>678,035</u>	<u>10,390</u>
Total liabilities and fund balances	<u>\$ 312,832</u>	<u>\$ 736,825</u>	<u>\$ 91,618</u>	<u>\$ 233,240</u>	<u>\$ 678,035</u>	<u>\$ 10,390</u>

**City of Exeter**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	Special Revenue					Total
	COPS Fund	Police Donations Fund	Landscape & Lighting Fund	BIP Fund	Impact Fees Fund	Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 199,845	\$ 84,867	\$ 31,802	\$ 633,620	\$ 230,522	\$ 3,086,334
Intergovernmental receivables	1,939	-	998	-	-	40,199
Notes receivables	-	-	-	30,290	-	150,290
Total assets	<u>\$ 201,784</u>	<u>\$ 84,867</u>	<u>\$ 32,800</u>	<u>\$ 663,910</u>	<u>\$ 230,522</u>	<u>\$ 3,276,823</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts and other payables	\$ 2,625	\$ -	\$ 5,230	\$ -	\$ -	\$ 18,180
Unearned revenue	-	-	-	30,290	-	501,466
Total liabilities	<u>2,625</u>	<u>-</u>	<u>5,230</u>	<u>30,290</u>	<u>-</u>	<u>519,646</u>
Fund balances:						
Restricted	199,159	84,867	27,570	633,620	230,522	2,665,559
Committed	-	-	-	-	-	91,618
Total fund balances	<u>199,159</u>	<u>84,867</u>	<u>27,570</u>	<u>633,620</u>	<u>230,522</u>	<u>2,757,177</u>
Total liabilities and fund balances	<u>\$ 201,784</u>	<u>\$ 84,867</u>	<u>\$ 32,800</u>	<u>\$ 663,910</u>	<u>\$ 230,522</u>	<u>\$ 3,276,823</u>

**City of Exeter**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2021**

	Special Revenue					
	Gas Tax	Measure P	Storm Drain	Grant Fund	RMRA Fund	
<b>REVENUES</b>						
Gas Tax	\$ 244,214	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	384,410	-	-	-	-
Intergovernmental	-	-	-	-	204,480	2,838
Charges for services	-	-	4,746	-	-	-
Loan payments	-	-	-	60,000	-	-
Investment earnings	1,347	1,463	411	242	2,656	41
Total revenues	<u>245,561</u>	<u>385,873</u>	<u>5,157</u>	<u>60,242</u>	<u>207,136</u>	<u>2,879</u>
<b>EXPENDITURES</b>						
Community and economic development	-	-	-	445	-	-
General government	-	224	-	-	-	-
Public safety - police	-	-	-	-	-	-
Public works	124,769	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay	80,046	-	-	-	-	-
Total expenditures	<u>204,815</u>	<u>224</u>	<u>-</u>	<u>445</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>40,746</u>	<u>385,649</u>	<u>5,157</u>	<u>59,797</u>	<u>207,136</u>	<u>2,879</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(61,649)	-	-	-	-	-
Total other financing sources and uses	<u>(61,649)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(20,903)	385,649	5,157	59,797	207,136	2,879
Fund balances, July 1	<u>323,437</u>	<u>-</u>	<u>86,461</u>	<u>53,416</u>	<u>470,899</u>	<u>7,511</u>
Fund balances, June 30	<u>\$ 302,534</u>	<u>\$ 385,649</u>	<u>\$ 91,618</u>	<u>\$ 113,213</u>	<u>\$ 678,035</u>	<u>\$ 10,390</u>

**City of Exeter**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2021**

	Special Revenue					Total Nonmajor Governmental Funds
	COPS Fund	Police Donations Fund	Landscape & Lighting Fund	BIP Fund	Impact Fees Fund	
<b>REVENUES</b>						
Gas Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,214
Sales Tax	-	-	-	-	-	384,410
Intergovernmental	156,727	25,910	105,031	-	-	494,986
Charges for services	-	-	-	-	2,785	7,531
Loan payments	-	-	-	-	-	60,000
Investment earnings	-	-	-	-	1,040	7,200
Total revenues	<u>156,727</u>	<u>25,910</u>	<u>105,031</u>	<u>-</u>	<u>3,825</u>	<u>1,198,341</u>
<b>EXPENDITURES</b>						
Community and economic development	-	-	-	2,500	-	2,945
General government	-	-	83,644	-	-	83,868
Public safety - police	91,565	15,691	-	-	-	107,256
Public works	-	-	-	-	-	124,769
Debt service:						
Principal	73,512	-	-	-	-	73,512
Interest	2,319	-	-	-	-	2,319
Capital outlay	-	-	-	-	-	80,046
Total expenditures	<u>167,396</u>	<u>15,691</u>	<u>83,644</u>	<u>2,500</u>	<u>-</u>	<u>474,715</u>
Excess (deficiency) of revenues over expenditures	<u>(10,669)</u>	<u>10,219</u>	<u>21,387</u>	<u>(2,500)</u>	<u>3,825</u>	<u>723,626</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	-	-	-	-	-	(61,649)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,649)</u>
Net change in fund balances	<u>(10,669)</u>	<u>10,219</u>	<u>21,387</u>	<u>(2,500)</u>	<u>3,825</u>	<u>661,977</u>
Fund balances, July 1	<u>209,828</u>	<u>74,648</u>	<u>6,183</u>	<u>636,120</u>	<u>226,697</u>	<u>2,095,200</u>
Fund balances, June 30	<u>\$ 199,159</u>	<u>\$ 84,867</u>	<u>\$ 27,570</u>	<u>\$ 633,620</u>	<u>\$ 230,522</u>	<u>\$ 2,757,177</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**

Brenda L. Odle, CPA, MST  
Terry P. Shea, CPA  
Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST

*Independent Auditor's Report*

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

**MANAGERS / STAFF**

Charles De Simoni, CPA  
Gardenya Duran, CPA, CGMA  
Brianna Schultz, CPA  
Seong-Hyea Lee, CPA, MBA  
Evelyn Morentin-Barcena, CPA  
Veronica Hernandez, CPA  
Laura Arvizu, CPA  
Xinlu Zoe Zhang, CPA, MSA  
John Maldonado, CPA, MSA  
Thao Le, CPA, MBA  
Julia Rodriguez Fuentes, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 22, 2021.

***Internal Control over Financial Reporting***

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

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**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*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  
November 22, 2021