

CITY OF EXETER

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

**CITY OF EXETER**  
**BASIC FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2022**

<u>Financial Section:</u>	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet to the	
Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in	
Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Position - Enterprise Funds	18
Statement of Revenues, Expenses, and Changes in	
Fund Net Position - Enterprise Funds	19
Statement of Cash Flows - Enterprise Funds	20
Notes to the Financial Statements	21
 <u>Required Supplementary Information:</u>	
Schedule of City's Proportionate Share of Net Pension Liabilities and Related Ratios	47
Schedule of Plan Contributions	48
Major Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
General Fund	49
Housing Funds	50
Transportation	51
Measure R Fund	52
Measure P Fund	53
 <u>Supplementary Information:</u>	
Combining and Individual Nonmajor Governmental Funds Statements:	
Combining Balance Sheet - Nonmajor Governmental funds	54
Combining Statement of Revenues, Expenditures, and	
Changes in Fund Balances - Nonmajor Governmental funds	56
 <u>Other Reports:</u>	
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	58

## FINANCIAL SECTION



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

*Independent Auditor's Report*

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

**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, 2022, 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***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.

***Emphasis of Matter***

As discussed in Note 7 of the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified in respect to this matter.

***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.

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**MEMBERS**

American Institute of  
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*PCPS The AICPA Alliance  
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*Governmental Audit  
Quality Center*

*Employee Benefit Plan  
Audit Quality Center*

California Society of  
Certified Public Accountants



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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements 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 January 18, 2023, 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  
January 18, 2023

## 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, 2022. 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 \$31,631,578 (*net position*). Of this amount, \$2,001,333 is *unrestricted net position*.
- As of the close of the current fiscal year, the City of Exeter governmental funds reported combined ending fund balances of \$11,442,057. Of this amount, there is a balance of \$3,294,149 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 \$3,294,149.

### 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 17 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, Measure R and Measure P, all of which are considered to be major funds. Data from the other 12 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 \$31,631,578 at the close of the most recent fiscal year.

Of the City of Exeter's net position, 66 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	
	2022	2021	2022	2021	2022	2021
Current & other assets	\$ 21,007,322	\$ 17,781,817	\$ 3,553,028	\$ 2,918,863	\$ 24,560,350	\$ 20,700,680
Capital assets	15,493,107	14,352,339	14,457,706	14,891,934	29,950,813	29,244,273
Total assets	<u>36,500,429</u>	<u>32,134,156</u>	<u>18,010,734</u>	<u>17,810,797</u>	<u>54,511,163</u>	<u>49,944,953</u>
Deferred outflows of resources	954,011	952,178	401,643	436,919	1,355,654	1,389,097
Long-term liabilities	2,033,280	3,960,856	10,074,348	11,395,670	12,107,628	15,356,526
Other liabilities	9,158,694	9,288,364	494,874	387,484	9,653,568	9,675,848
Total liabilities	<u>11,191,974</u>	<u>13,249,220</u>	<u>10,569,222</u>	<u>11,783,154</u>	<u>21,761,196</u>	<u>25,032,374</u>
Deferred inflows of resources	1,530,900	107,477	943,143	154,152	2,474,043	261,629
Net position:						
Investment in capital assets	15,493,107	14,352,339	5,437,269	5,457,823	20,930,376	19,810,162
Restricted	7,982,211	5,651,604	717,658	718,348	8,699,869	6,369,952
Unrestricted	1,256,248	(274,306)	745,085	134,239	2,001,333	(140,067)
Total net position	<u>\$ 24,731,566</u>	<u>\$ 19,729,637</u>	<u>\$ 6,900,012</u>	<u>\$ 6,310,410</u>	<u>\$ 31,631,578</u>	<u>\$ 26,040,047</u>

An additional portion of the City of Exeter's net position (28 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is \$2,001,333. For the business-type activities, unrestricted net position was \$745,085 at June 30, 2022, an increase from \$134,239 at June 30, 2021.

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**City of Exeter's Changes In Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Program Revenues:</b>						
Charges for services	\$ 821,456	\$ 1,014,239	\$ 5,493,402	\$ 4,721,452	\$ 6,314,858	\$ 5,735,691
Operating grants and contributions	739,818	762,330	-	-	739,818	762,330
Capital grants and contributions	2,535,885	5,736,110	-	-	2,535,885	5,736,110
<b>General Revenues:</b>						
Property taxes	2,175,724	2,100,361	-	-	2,175,724	2,100,361
Other taxes	4,551,831	2,550,340	-	-	4,551,831	2,550,340
Investment earnings - unrestricted	(8,710)	12,484	(20,066)	8,934	(28,776)	21,418
Gain on sale of capital assets	-	3,432	-	3,431	-	6,863
Other revenue	-	-	27,643	-	27,643	-
<b>Total Revenue</b>	<b>10,816,004</b>	<b>12,179,296</b>	<b>5,500,979</b>	<b>4,733,817</b>	<b>16,316,983</b>	<b>16,913,113</b>
<b>Expenses</b>						
Community & economic development	222,473	245,193	-	-	222,473	245,193
General government	1,049,042	939,529	-	-	1,049,042	939,529
Parks and recreation	255,164	218,432	-	-	255,164	218,432
Public safety	2,801,140	3,282,399	-	-	2,801,140	3,282,399
Public works	1,375,506	739,884	-	-	1,375,506	739,884
Water operating	-	-	2,226,402	2,092,056	2,226,402	2,092,056
Sewer operating	-	-	1,410,679	1,331,533	1,410,679	1,331,533
Transit	-	-	-	-	-	-
Sanitation operating	-	-	1,385,046	1,130,237	1,385,046	1,130,237
<b>Total expenses</b>	<b>5,703,325</b>	<b>5,425,437</b>	<b>5,022,127</b>	<b>4,553,826</b>	<b>10,725,452</b>	<b>9,979,263</b>
Changes in net position before transfers	5,112,679	6,753,859	478,852	179,991	5,591,531	6,933,850
Transfers in (out)	(110,750)	-	110,750	-	-	-
Changes in net position	5,001,929	6,753,859	589,602	179,991	5,591,531	6,933,850
Net position - beginning	19,729,637	12,975,778	6,310,410	6,130,419	26,040,047	19,106,197
<b>Net position - ending</b>	<b>\$ 24,731,566</b>	<b>\$ 19,729,637</b>	<b>\$ 6,900,012</b>	<b>\$ 6,310,410</b>	<b>\$ 31,631,578</b>	<b>\$ 26,040,047</b>

**Governmental activities.** Governmental activities increased the City of Exeter's net position by \$5,001,929 and \$6,753,859 for the fiscal years ended June 30, 2022 and 2021 respectively.

**Business-type activities.** Business-type activities increased the City of Exeter's net position by \$589,602 and \$179,991 for the fiscal years ended June 30, 2022 and 2021 respectively.

**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, 2022 and 2021, the City of Exeter's governmental funds reported combined ending fund balances of \$11,442,057 and \$8,220,619. Of the June 30, 2022 and 2021 total amount, 28.79 and 28.16 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, 2022 and 2021, unassigned fund balance of the general fund was \$3,294,149 and \$2,314,486, respectively. It may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As of June 30, 2022 and 2021, unassigned fund balance represents 68.89 and 54.98 percent, respectively, of the amount needed to cover general fund expenditures.

The fund balance of the City of Exeter's general fund increased by \$1,613,283 and \$927,124 for the years ended June 30, 2022 and 2021. 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 \$745,085 and \$134,239 for June 30, 2022 and 2021. The total change in net position for all these funds in 2022 and 2021 was an increase of \$589,602 and \$179,991 respectively. 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 2021/22, there were reallocations and additional appropriations in the amount of \$292,853 in the following departments:

General government	\$153,653
Parks and recreation	\$ 2,600
Police	\$117,400
Public works	\$ 19,200

## 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, 2022, amounts to \$29,950,813 (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	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,298,149	\$ 1,298,149	\$ 2,404,191	\$ 2,404,191	\$ 3,702,340	\$ 3,702,340
Buildings & Improvements	1,924,764	2,030,743	8,660,959	8,945,444	10,585,723	10,976,187
Machinery & equipment	711,763	813,906	2,253,671	2,376,255	2,965,434	3,190,161
Infrastructure	5,598,633	5,728,214	1,038,509	1,065,669	6,637,142	6,793,883
Construction in progress	5,959,798	4,481,327	100,376	100,376	6,060,174	4,581,703
	<u>\$ 15,493,107</u>	<u>\$ 14,352,339</u>	<u>\$ 14,457,706</u>	<u>\$ 14,891,934</u>	<u>\$ 29,950,813</u>	<u>\$ 29,244,274</u>

**Long-term debt.** At June 30, 2022 and 2021, the City of Exeter had total debt outstanding of \$9,030,614 and \$9,445,742. 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	
	2022	2021	2022	2021	2022	2021
Leases payable	\$ -	\$ -	\$ 1,134,872	\$ 1,273,837	\$ 1,134,872	\$ 1,273,837
Bonds/Notes payable	-	-	7,895,742	8,171,905	7,895,742	8,171,905
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,030,614</u>	<u>\$ 9,445,742</u>	<u>\$ 9,030,614</u>	<u>\$ 9,445,742</u>

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

Similar to the comparable cities in Tulare County, the City of Exeter continues to experience slow increases in development activities. Exeter is traditionally very conservative and structured in its approach to City growth, and slow growth is – by design - more the rule than the exception. There were six new building permits pulled within the City in 2021/22 that paid development impact fees. With a balanced budget passed for 2021/22, the City realized operational savings from adhering to the City’s budget. Due mainly to the City’s low reliance on volatile revenues such as sales tax revenues, the general fund revenue outperformed its original estimates once again. However, with the substantial cost increases being anticipated during upcoming years due to the inflations caused by the supply chain disruptions, the City continues to monitor its budgets closely to ensure financial stability.

## **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 resources for operations. Significant operational cuts may be explored to alleviate the financial strain of the City's operating revenue and to fund deferred needs. In addition to passing the balanced budget for FY2022-2023, the City will adhere to its Financial Policies to effectively steward the resources. One of the examples of the financial discipline is utilizing one-time revenues for special projects, and not for ongoing operations.

## **Business Type Activities**

The Enterprise Funds had 14.5% Water and 17.5% Sewer increases in rates. The contract renewal negotiations for the solid waste service resulted in various rate increases in Refuse services during December 2021. There is another, 14.5% for Water and 17.5% for Sewer approved for January 1, 2023, which will be used towards increased operating costs and infrastructure improvements. The approved rate increases will end in 2024 at which point, the Enterprise funds will have healthy fund balances to cover the ongoing operations, debt services, capital needs, and the required reserves.

## **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, 2022**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments			
Unrestricted	\$ 10,485,152	\$ 1,892,385	\$ 12,377,537
Restricted	1,525,523	803,828	2,329,351
Receivables:			
Accounts	660	820,724	821,384
Intergovernmental	1,704,626	-	1,704,626
Inventories	-	36,091	36,091
Loans receivable	7,291,361	-	7,291,361
Capital assets:			
Non-depreciable	7,257,947	2,504,567	9,762,514
Depreciable, net of accumulated depreciation	8,235,160	11,953,139	20,188,299
Total assets	<u>36,500,429</u>	<u>18,010,734</u>	<u>54,511,163</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred bond issue costs/amortization	-	10,177	10,177
Deferred pensions	954,011	391,466	1,345,477
Total deferred outflows of resources	<u>954,011</u>	<u>401,643</u>	<u>1,355,654</u>
<b>LIABILITIES</b>			
Accounts payable and other accruals	976,614	361,780	1,338,394
Interest payable	-	62,227	62,227
Unearned revenue	8,048,264	-	8,048,264
Compensated absences	133,816	70,867	204,683
Noncurrent liabilities:			
Due to depositors	-	73,165	73,165
Net pension liability	1,924,952	941,527	2,866,479
Compensated absences	108,328	29,042	137,370
Due in one year	-	429,485	429,485
Due in more than one year	-	8,601,129	8,601,129
Total liabilities	<u>11,191,974</u>	<u>10,569,222</u>	<u>21,761,196</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pensions	1,530,900	943,143	2,474,043
<b>NET POSITION</b>			
Net investment in capital assets	15,493,107	5,437,269	20,930,376
Restricted for:			
Public service	7,742,430	-	7,742,430
Impact fees	239,781	717,658	957,439
Unrestricted	1,256,248	745,085	2,001,333
Total net position	<u>\$ 24,731,566</u>	<u>\$ 6,900,012</u>	<u>\$ 31,631,578</u>

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



**City of Exeter  
Statement of Activities  
For the Fiscal Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Community and economic development	\$ 222,473	\$ 562,766	\$ 83,413	\$ 99,698	\$ 523,404		\$ 523,404
General government	1,049,042	35,759	70,505	-	(942,778)		(942,778)
Parks and recreation	255,164	21,116	-	-	(234,048)		(234,048)
Public safety - fire	428,692	-	-	-	(428,692)		(428,692)
Public safety - police	2,372,448	73,440	57,828	-	(2,241,180)		(2,241,180)
Public works	1,375,506	128,375	528,072	2,436,187	1,717,128		1,717,128
Total governmental activities	<u>5,703,325</u>	<u>821,456</u>	<u>739,818</u>	<u>2,535,885</u>	<u>(1,606,166)</u>		<u>(1,606,166)</u>
Business-type Activities:							
Water operations	2,226,402	2,312,438	-	-		\$ 86,036	86,036
Sewer operations	1,410,679	1,743,095	-	-		332,416	332,416
Sanitation operations	1,385,046	1,437,869	-	-		52,823	52,823
Total business-type activities	<u>5,022,127</u>	<u>5,493,402</u>	<u>-</u>	<u>-</u>		<u>471,275</u>	<u>471,275</u>
Total primary government	<u>\$ 10,725,452</u>	<u>\$ 6,314,858</u>	<u>\$ 739,818</u>	<u>\$ 2,535,885</u>	<u>(1,606,166)</u>	<u>471,275</u>	<u>(1,134,891)</u>
General revenues:							
Property taxes					2,175,724	-	2,175,724
Fire property taxes					250,112	-	250,112
Sales tax					1,267,528	-	1,267,528
Sales tax - Measure P					1,601,756	-	1,601,756
Utility users tax					697,022	-	697,022
Franchise tax					223,861	-	223,861
Other taxes					156,504	-	156,504
ARPA					355,048	-	355,048
Other revenue					-	27,643	27,643
Unrestricted investment earnings					(8,710)	(20,066)	(28,776)
Transfers					(110,750)	110,750	-
Total general revenues					<u>6,608,095</u>	<u>118,327</u>	<u>6,726,422</u>
Change in net position					5,001,929	589,602	5,591,531
Net position - July 1					19,729,637	6,310,410	26,040,047
Net position - June 30					<u>\$ 24,731,566</u>	<u>\$ 6,900,012</u>	<u>\$ 31,631,578</u>

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

**City of Exeter  
Balance Sheet  
Governmental Funds  
June 30, 2022**

	General	Housing Funds	Transportation	Measure R	Measure P	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 3,659,611	\$ 1,063,747	\$ 1,496,414	\$ 223,859	\$ 1,529,572	\$ 2,061,731	\$ 10,034,934
Receivables - (net):							
Intergovernmental	414,841	88,367	631,069	225,470	192,232	152,646	1,704,625
Due from other funds	-	91,074	-	-	-	-	91,074
Notes receivable	135,000	6,729,571	-	-	-	150,290	7,014,861
Restricted - cash and cash equivalents	633,620	-	-	-	-	891,903	1,525,523
<b>Total assets</b>	<b>\$ 4,843,072</b>	<b>\$ 7,972,759</b>	<b>\$ 2,127,483</b>	<b>\$ 449,329</b>	<b>\$ 1,721,804</b>	<b>\$ 3,256,570</b>	<b>\$ 20,371,017</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts and other payables	\$ 618,576	\$ 3,020	\$ -	\$ 4,599	\$ -	\$ 306,111	\$ 932,306
Compensated absences payable	133,816	-	-	-	-	-	133,816
Due to other funds	-	-	-	-	-	91,074	91,074
Unearned revenue	-	6,729,571	-	-	-	1,042,193	7,771,764
<b>Total liabilities</b>	<b>752,392</b>	<b>6,732,591</b>	<b>-</b>	<b>4,599</b>	<b>-</b>	<b>1,439,378</b>	<b>8,928,960</b>
Fund balances:							
Nonspendable	135,000	-	-	-	-	-	135,000
Restricted	633,620	1,240,168	2,127,483	444,730	1,721,804	1,814,406	7,982,211
Committed alley repair	25,411	-	-	-	-	-	25,411
Committed parking-in-lieu	2,500	-	-	-	-	-	2,500
Committed for storm drains	-	-	-	-	-	2,786	2,786
Unassigned	3,294,149	-	-	-	-	-	3,294,149
<b>Total fund balances</b>	<b>4,090,680</b>	<b>1,240,168</b>	<b>2,127,483</b>	<b>444,730</b>	<b>1,721,804</b>	<b>1,817,192</b>	<b>11,442,057</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,843,072</b>	<b>\$ 7,972,759</b>	<b>\$ 2,127,483</b>	<b>\$ 449,329</b>	<b>\$ 1,721,804</b>	<b>\$ 3,256,570</b>	<b>\$ 20,371,017</b>

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

**City of Exeter**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2022**

Fund balances of governmental funds		\$ 11,442,057
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.		8,235,160
Other long-term assets are not available to pay current expenditures, and therefore are deferred in the funds - construction-in-progress and land.		7,257,947
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.		399,080
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	200,747	
Internal Service	26,804	
Safety	<u>726,460</u>	954,011
Deferred pension inflows of resources		
Miscellaneous	(483,651)	
Internal Service	(64,577)	
Safety	<u>(982,672)</u>	(1,530,900)
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	(482,822)	
Internal Service	(64,465)	
Safety	<u>(1,377,665)</u>	(1,924,952)
Long-term portion of compensated absences and sick leave		<u>(100,837)</u>
Net position of governmental activities		<u>\$ 24,731,566</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, 2022**

	General	Housing Funds	Transportation	Measure R	Measure P	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Property taxes	\$ 2,425,836	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,425,836
Sales taxes	1,267,528	-	-	-	1,601,756	-	2,869,284
Utility users tax	697,022	-	-	-	-	-	697,022
Franchise tax	223,861	-	-	-	-	-	223,861
Other taxes	156,504	-	-	-	-	353,768	510,272
Licenses and permits	64,179	-	-	-	-	-	64,179
Intergovernmental	10,444	99,698	631,070	1,607,078	-	843,155	3,191,445
Charges for services	212,989	-	-	-	-	12,941	225,930
Rental income	34,770	-	-	-	-	-	34,770
Loan payments	-	562,766	-	-	-	-	562,766
Fines and forfeitures	44,124	-	-	-	-	-	44,124
Investment earnings	6,459	(9,613)	(11,694)	(1,739)	(11,952)	(18,650)	(47,189)
Miscellaneous	16,921	-	-	-	-	-	16,921
Total revenues	<u>5,160,637</u>	<u>652,851</u>	<u>619,376</u>	<u>1,605,339</u>	<u>1,589,804</u>	<u>1,191,214</u>	<u>10,819,221</u>
<b>EXPENDITURES</b>							
Community and economic development	-	128,540	-	-	-	93,933	222,473
General government	773,593	-	-	10,737	161,849	53,158	999,337
Parks and recreation	224,712	-	-	-	-	-	224,712
Public safety - fire	419,477	-	-	-	-	-	419,477
Public safety - police	2,874,632	-	-	-	-	12,180	2,886,812
Public works	439,918	-	148,418	-	-	532,659	1,120,995
Capital outlay							
General government	718	-	-	-	-	-	718
Public safety - police	48,368	-	-	-	-	-	48,368
Public works	-	-	-	1,527,742	31,699	-	1,559,441
Total expenditures	<u>4,781,418</u>	<u>128,540</u>	<u>148,418</u>	<u>1,538,479</u>	<u>193,548</u>	<u>691,930</u>	<u>7,482,333</u>
Excess (deficiency) of revenues over expenditures	<u>379,219</u>	<u>524,311</u>	<u>470,958</u>	<u>66,860</u>	<u>1,396,256</u>	<u>499,284</u>	<u>3,336,888</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	1,234,064	-	-	-	-	10,000	1,244,064
Transfers out	-	-	(235,793)	-	(60,101)	(1,063,620)	(1,359,514)
Total other financing sources and uses	<u>1,234,064</u>	<u>-</u>	<u>(235,793)</u>	<u>-</u>	<u>(60,101)</u>	<u>(1,053,620)</u>	<u>(115,450)</u>
Net change in fund balances	1,613,283	524,311	235,165	66,860	1,336,155	(554,336)	3,221,438
Fund balances, July 1	<u>2,477,397</u>	<u>715,857</u>	<u>1,892,318</u>	<u>377,870</u>	<u>385,649</u>	<u>2,371,528</u>	<u>8,220,619</u>
Fund balances, June 30	<u>\$ 4,090,680</u>	<u>\$ 1,240,168</u>	<u>\$ 2,127,483</u>	<u>\$ 444,730</u>	<u>\$ 1,721,804</u>	<u>\$ 1,817,192</u>	<u>\$ 11,442,057</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, 2022**

Net change in fund balances --total governmental funds	\$ 3,221,438
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 (\$1,558,537) exceeded depreciation (\$417,769) in the current period:	1,140,768
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	(5,438)
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.	142,780
Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB Statement No. 68.	502,381
Change in net position of governmental activities	\$ 5,001,929

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

**City of Exeter  
Statement of Net Position  
Proprietary Funds  
June 30, 2022**

	<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	\$ 811,264	\$ 996,302	\$ 84,819	\$ 1,892,385	\$ 450,218
Accounts receivable, net of allowance	305,414	271,616	243,694	820,724	660
Inventories	36,091	-	-	36,091	-
Noncurrent assets:					
Restricted cash and cash equivalents	715,567	88,261	-	803,828	-
Capital assets:					
Nondepreciable	100,376	2,404,191	-	2,504,567	-
Depreciable, net	7,031,211	4,921,928	-	11,953,139	-
<b>Total assets</b>	<b>8,999,923</b>	<b>8,682,298</b>	<b>328,513</b>	<b>18,010,734</b>	<b>450,878</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred bond issue costs/amortization	10,177	-	-	10,177	-
Deferred pensions	217,832	150,545	23,089	391,466	26,804
<b>Total deferred outflow of resources</b>	<b>228,009</b>	<b>150,545</b>	<b>23,089</b>	<b>401,643</b>	<b>26,804</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts and other payables	78,322	83,757	199,701	361,780	44,307
Compensated absences	39,198	26,864	4,805	70,867	-
Accrued Interest	47,658	14,569	-	62,227	-
Noncurrent liabilities:					
Due to depositors	73,165	-	-	73,165	-
Compensated absences	16,322	11,202	1,518	29,042	7,491
Due in one year	285,485	144,000	-	429,485	-
Due in more than one year	5,471,129	3,130,000	-	8,601,129	-
Net pension liability	523,914	362,080	55,533	941,527	64,465
<b>Total liabilities</b>	<b>6,535,193</b>	<b>3,772,472</b>	<b>261,557</b>	<b>10,569,222</b>	<b>116,263</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred pensions	524,814	362,701	55,628	943,143	64,577
	524,814	362,701	55,628	943,143	64,577
<b>NET POSITION</b>					
Net investment in capital assets	1,385,150	4,052,119	-	5,437,269	-
Restricted for impact fees	629,397	88,261	-	717,658	-
Unrestricted	153,378	557,290	34,417	745,085	296,842
<b>Total net position</b>	<b>\$ 2,167,925</b>	<b>\$ 4,697,670</b>	<b>\$ 34,417</b>	<b>\$ 6,900,012</b>	<b>\$ 296,842</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, 2022**

	<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	\$ 2,247,270	\$ 1,740,037	\$ 1,294,700	\$ 5,282,007	\$ -
Connection fees	65,168	3,058	-	68,226	-
Internal Service Charges	-	-	143,169	143,169	1,179,742
Total operating revenues	<u>2,312,438</u>	<u>1,743,095</u>	<u>1,437,869</u>	<u>5,493,402</u>	<u>1,179,742</u>
<b>OPERATING EXPENSES</b>					
Personnel Services	750,514	503,841	83,346	1,337,701	60,873
General and administrative	90,758	72,239	50,746	213,743	977,311
Materials and supplies	876,505	570,419	1,107,785	2,554,709	261
Depreciation/amortization	329,905	179,737	-	509,642	-
Total operating expenses	<u>2,047,682</u>	<u>1,326,236</u>	<u>1,241,877</u>	<u>4,615,795</u>	<u>1,038,445</u>
Operating income (loss)	<u>264,756</u>	<u>416,859</u>	<u>195,992</u>	<u>877,607</u>	<u>141,297</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Grants and reimbursements	-	-	(143,169)	(143,169)	-
Investment earnings	(11,438)	(8,628)	-	(20,066)	(3,217)
Other revenue	3,281	24,362	-	27,643	-
Interest expense	(178,720)	(84,443)	-	(263,163)	-
Total nonoperating revenue (expenses)	<u>(186,877)</u>	<u>(68,709)</u>	<u>(143,169)</u>	<u>(398,755)</u>	<u>(3,217)</u>
Income before transfers	77,879	348,150	52,823	478,852	138,080
Transfers in (out)	<u>63,500</u>	<u>41,300</u>	<u>5,950</u>	<u>110,750</u>	<u>4,700</u>
Change in net position	141,379	389,450	58,773	589,602	142,780
Net position (deficit), July 1	<u>2,026,546</u>	<u>4,308,220</u>	<u>(24,356)</u>	<u>6,310,410</u>	<u>154,062</u>
Net position (deficit), June 30	<u>\$ 2,167,925</u>	<u>\$ 4,697,670</u>	<u>\$ 34,417</u>	<u>\$ 6,900,012</u>	<u>\$ 296,842</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, 2022**

	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	\$ 2,257,117	\$ 1,660,852	\$ 1,366,181	\$ 5,284,150	\$ 1,179,082
Personnel services	(783,762)	(533,476)	(86,752)	(1,403,990)	(69,571)
General administration	(90,758)	(72,239)	(50,746)	(213,743)	(977,311)
Payments to suppliers and contractors	(860,686)	(523,766)	(1,078,807)	(2,463,259)	35,684
Net cash provided (used) by operating activities	<u>521,911</u>	<u>531,371</u>	<u>149,876</u>	<u>1,203,158</u>	<u>167,884</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Local - operating reimbursements	-	-	(143,169)	(143,169)	-
Decrease (increase) in amount due from other funds	-	-	-	-	-
Proceeds from transfers in	63,500	41,300	5,950	110,750	4,700
Net cash provided (used) by noncapital financing	<u>63,500</u>	<u>41,300</u>	<u>(137,219)</u>	<u>(32,419)</u>	<u>4,700</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Interest paid on long-term debt	(201,920)	(85,064)	-	(286,984)	-
Principal paid on bonds/capital lease	(253,965)	(140,000)	-	(393,965)	-
Proceeds from other revenue	3,281	24,362	-	27,643	-
Purchase of capital assets	(54,905)	(20,510)	-	(75,415)	-
Net cash provided (used) by capital and related financing activities	<u>(507,509)</u>	<u>(221,212)</u>	<u>-</u>	<u>(728,721)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment earnings	(11,438)	(8,628)	-	(20,066)	(3,217)
(Increase) decrease in restricted cash	(39,817)	690	-	(39,127)	-
Net cash provided (used) by investing activities	<u>(51,255)</u>	<u>(7,938)</u>	<u>-</u>	<u>(59,193)</u>	<u>(3,217)</u>
Net Increase (decrease) in cash and cash equivalents	<u>26,647</u>	<u>343,521</u>	<u>12,657</u>	<u>382,825</u>	<u>169,367</u>
Balances, July 1	<u>784,617</u>	<u>652,781</u>	<u>72,162</u>	<u>1,509,560</u>	<u>280,851</u>
Balances, June 30	<u>\$ 811,264</u>	<u>\$ 996,302</u>	<u>\$ 84,819</u>	<u>\$ 1,892,385</u>	<u>\$ 450,218</u>

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

Operating income (loss)	\$ 264,756	\$ 416,859	\$ 195,992	\$ 877,607	\$ 141,297
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	329,905	179,737	-	509,642	-
Changes in assets, deferred outflows/inflows and liabilities:					
(Increase) decrease in inventory	(3,769)	-	-	(3,769)	-
(Increase) decrease in receivables	(54,513)	(82,243)	(71,688)	(208,444)	(660)
(Increase) decrease deferred outflows	19,399	13,964	1,913	35,276	3,546
Increase (decrease) in accounts payable	19,588	46,653	28,978	95,219	35,945
Increase (decrease) in due to accrued wages	4,230	3,086	634	7,950	345
Increase (decrease) in deferred inflows	439,354	303,074	46,563	788,991	53,577
Increase (decrease) in due to depositors	(808)	-	-	(808)	-
Increase (decrease) in compensated absences	5,544	3,817	715	10,076	1,399
Increase (decrease) in net pension liability	(501,775)	(353,576)	(53,231)	(908,582)	(67,565)
Net cash provided (used) by operating activities	<u>\$ 521,911</u>	<u>\$ 531,371</u>	<u>\$ 149,876</u>	<u>\$ 1,203,158</u>	<u>\$ 167,884</u>

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



CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

**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.

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.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

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

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 *Measure P Fund* is the government's fund to record the 1 cent transaction and use tax which provides discretionary funds for essential services such as public safety, streets, parks, recreation and other facilities/services.

The City reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

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, 2022

**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, 2022

**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, 2022

**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, 2022

**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, 2022

**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, 2020
Measure Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

**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, 2022

**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				
Public safety - fire	\$ 290,000	\$ 419,477	\$ 129,477	Negotiated contract renewal increase
Public works	437,900	439,918	2,018	Increase in personnel cost
Transportation Fund				
Transfer out	200,000	235,793	35,793	Increase in street program billing
Measure R				
General government	5,000	10,737	5,737	Increase in audit costs
Measure P				
General government	45,000	161,849	116,849	Code enforcement

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 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, 2022

**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	\$ 12,377,537
Restricted - Cash and investments	2,329,351
Total cash and investments	\$ 14,706,888

Cash and investments as of June 30, 2022, consist of the following:

Cash on hand	\$ 1,100
Deposits with financial institutions	1,022,562
Investments	13,683,226
Total cash and investments	\$ 14,706,888

*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 Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Negotiable Certificates of Deposit	5 years	30%	5%
Non-Negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	50%	None
Repurchase Agreements	1 year	None	None
Medium-Term Notes/Corporate Bonds	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

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

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

**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, 2022:

	Fair Value	Observable Inputs (Level 2)
Investments classified by fair value hierarchy		
U.S. Government Securities	\$ 468,203	\$ 468,203
Total investments by fair value hierarchy	<u>468,203</u>	<u>\$ 468,203</u>
Investments not subject to fair value hierarchy		
Local Agency Investment Fund	\$ 11,917,937	
Money Market funds	58,086	
Non-negotiable Certificates of Deposit	<u>1,239,000</u>	
Total investments not subject to fair value hierarchy	<u>13,215,023</u>	
Total investments measured at fair value	<u>\$ 13,683,226</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, 2022

**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	\$ 11,917,937	\$ 11,917,937	\$ -	\$ -	\$ -
Money market funds	58,086	58,086	-	-	-
U.S. Treasury Bonds/Notes	468,203	-	-	468,203	-
Certificates of Deposit	1,239,000	247,000	496,000	496,000	-
	<u>\$ 13,683,226</u>	<u>\$ 12,223,023</u>	<u>\$ 496,000</u>	<u>\$ 964,203</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	\$ 11,917,937	N/A	-	\$ 11,917,937
Money market funds	58,086	AAA/Aa	AAA	-
U.S. Treasury Bonds/Notes	468,203	N/A	AAA,Aaa	-
Certificates of deposit	1,239,000	N/A	-	1,239,000
	<u>\$ 13,683,226</u>			<u>\$ 13,156,937</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, 2022, 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, 2022

**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, 2022 was \$11,917,937.

**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, 2022, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable fund</u>	<u>Amount</u>	<u>Purpose</u>
Housing fund	COVID grant fund	\$ 91,074	Cash flow

Interfund transfers:

<u>Transfer Out:</u>	<u>Transfer In:</u>	<u>Amount</u>	<u>Purpose</u>
Gas tax fund	General fund	\$ 100,000	Costs applied
Transportation fund	General fund	235,793	Costs applied
Business Assistance fund	General fund	633,620	BIP closed
Measure P	General fund	60,101	Costs applied
American Rescue Plan Act	General fund	204,550	First responder management
American Rescue Plan Act	COPS grant fund	10,000	First responder management
American Rescue Plan Act	Water fund	63,500	First responder management
American Rescue Plan Act	Sanitation fund	5,950	First responder management
American Rescue Plan Act	Sewer fund	41,300	First responder management
American Rescue Plan Act	Insurance fund	4,700	First responder management

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

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

**D. Capital assets**

Capital asset activity, for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions & Transfers	Dispositions & Transfers	Balance June 30, 2022
Governmental Activities:				
Capital assets not depreciated				
Construction in progress	\$ 4,481,327	\$ 1,478,471	\$ -	\$ 5,959,798
Land	1,298,149	-	-	1,298,149
Total capital assets not depreciated	<u>5,779,476</u>	<u>1,478,471</u>	<u>-</u>	<u>7,257,947</u>
Capital assets being depreciated				
Buildings & improvements	3,518,590	-	-	3,518,590
Infrastructure	6,479,016	-	-	6,479,016
Equipment/autos	4,094,841	80,066	-	4,174,907
	<u>14,092,447</u>	<u>80,066</u>	<u>-</u>	<u>14,172,513</u>
Less accumulated depreciation	<u>(5,519,584)</u>	<u>(417,769)</u>	<u>-</u>	<u>(5,937,353)</u>
Total capital assets being depreciated:	<u>8,572,863</u>	<u>(337,703)</u>	<u>-</u>	<u>8,235,160</u>
Governmental activities capital assets, net	<u>14,352,339</u>	<u>1,140,768</u>	<u>-</u>	<u>15,493,107</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	75,414	-	13,845,279
Infrastructure	1,396,031	-	-	1,396,031
Equipment/autos	3,657,610	-	-	3,657,610
	<u>18,823,506</u>	<u>75,414</u>	<u>-</u>	<u>18,898,920</u>
Less accumulated depreciation	<u>(6,436,139)</u>	<u>(509,642)</u>	<u>-</u>	<u>(6,945,781)</u>
Business-type activities Total capital assets being depreciated:	<u>12,387,367</u>	<u>(434,228)</u>	<u>-</u>	<u>11,953,139</u>
Business-type activities capital assets, net	<u>14,891,934</u>	<u>(434,228)</u>	<u>-</u>	<u>14,457,706</u>
Entity wide capital assets	<u>\$ 29,244,273</u>	<u>\$ 706,540</u>	<u>\$ -</u>	<u>\$ 29,950,813</u>

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

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

Depreciation

Depreciation expense was charged to governmental activities as follows:

Governmental departments	
General government	\$ 154,661
Parks and recreation	27,278
Public safety - fire	9,215
Public safety - police	81,725
Public works	<u>144,890</u>
Governmental activities	<u>417,769</u>

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

Water Funds	329,905
Sewer Fund	<u>179,737</u>
Total depreciation expense, business-type activities	<u>509,642</u>
Total depreciation, entity wide	<u><u>\$ 927,411</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, 2022, are as follows:

<u>Funds</u>	<u>Amount</u>
Governmental activities:	
Special revenue funds:	
Housing	\$ 6,729,571
Non-Major Governmental Funds	<u>1,042,193</u>
Total Unearned Revenue - Governmental Activities	<u><u>\$ 7,771,764</u></u>

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CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

**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, 2022:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due within one year
<b>Governmental activities</b>					
Compensated Absences	\$ 243,570	\$ 102,800	\$ 104,226	\$ 242,144	\$ 133,816
	<u>\$ 243,570</u>	<u>\$ 102,800</u>	<u>\$ 104,226</u>	<u>\$ 242,144</u>	<u>\$ 133,816</u>
<b>Business-type activities</b>					
Notes Payable	\$ 7,664,000	\$ -	\$ 255,000	\$ 7,409,000	\$ 264,000
Premium on notes	507,905	-	21,163	486,742	21,163
Lease Payable	1,273,837	-	138,965	1,134,872	144,322
Compensated Absences	89,833	23,600	13,524	99,909	70,867
Due to depositors	73,973	11,310	12,118	73,165	73,165
	<u>\$ 9,609,548</u>	<u>\$ 34,910</u>	<u>\$ 440,770</u>	<u>\$ 9,203,688</u>	<u>\$ 573,517</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 \$429,530 at June 30, 2022.

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

Fiscal Year Ending	Water Meter Lease		
	Principal	Interest	Total
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	167,893	17,513	185,406
2028-2029	355,448	15,363	370,811
Totals	<u>\$ 1,134,872</u>	<u>\$ 162,973</u>	<u>\$ 1,297,845</u>

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CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

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

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

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
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	135,000	133,450	268,450
2028-2032	755,000	580,450	1,335,450
2033-2037	925,000	413,050	1,338,050
2038-2042	1,125,000	210,475	1,335,475
2043-2046	700,000	31,950	731,950
Totals	<u>\$ 4,135,000</u>	<u>\$ 1,948,750</u>	<u>\$ 6,083,750</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
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	160,000	69,287	229,287
2028-2032	867,000	279,136	1,146,136
2033-2037	991,000	155,247	1,146,247
2038-2040	657,000	26,553	683,553
Totals	<u>\$ 3,274,000</u>	<u>\$ 848,420</u>	<u>\$ 4,122,420</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 \$2,200,000 in gross revenues to pay \$269,025 in debt service. The Sewer Fund had approximately \$1,700,000 in gross revenues to pay \$229,285 in debt service.



CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

**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, 2022:

Net Assets		
Assets	\$	150,837,823
Liabilities to member cities		(118,663,929)
Net assets, reserved for insurance claims and losses	\$	32,173,894
<b>Changes in Net Assets</b>		
Revenues	\$	58,911,480
Expenses		(47,584,363)
Excess of income over (under) expenses	\$	11,327,117

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, 2022

**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. 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, 2022

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

The Plans' provisions and benefits in effect at June 30, 2022, 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 2022	8.00%	6.25%
Required employer contribution rates for 2022	14.540% + \$213,401	7.590% + \$3,699

  

	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 2022	9.00%	11.50%
Required employer contribution rates for 2022	20.640% + \$202,481	13.130% + \$6,354

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, 2022

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

Employer contributions to the Plan for the fiscal year ended June 30, 2022, were \$740,634. The actual employer payments of \$694,321, made to CalPERS by the City during the measurement period ended June 30, 2021, differed from the City's proportionate share of the employer's contributions of \$1,043,372 by (\$349,051), 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, 2021, using an annual actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021 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, 2020
Measurement Date	June 30, 2021
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, 2020 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, 2022

**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***

There were no changes in assumptions.

***Discount Rate***

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

**Pension Plan Fiduciary Net Position**

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

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

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

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

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

	Increase (decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
Balance at: 6/30/2020 (VD)	\$ 24,058,555	\$ 18,349,081	\$ 5,709,473
Balance at: 6/30/2021 (MD)	25,326,029	22,459,550	2,866,479
Net changes during 2020-21	<u>\$ 1,267,473</u>	<u>\$ 4,110,469</u>	<u>\$ (2,842,996)</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, 2020 and 2021 measurement dates was as follows:

Proportion - June 30, 2020	0.05247%
Proportion - June 30, 2021	<u>0.05300%</u>
Change - increase/(decrease)	<u>0.00053%</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%	Current discount rate	Discount rate +1%
	6.15%	7.15%	8.15%
Plan's Net Pension Liability(Asset)	\$ 6,243,112	\$ 2,866,479	\$ 84,162

**Subsequent Events**

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of .020%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

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

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

**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, 2021 is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (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, 2020), the City's net pension liability for the plan was \$5,709,474. For the measurement period ending June 30, 2021 (the measurement date), the City incurred a pension expense of \$142,044 for the Plan.

CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

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

At June 30, 2022, the City has deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between Expected and Actual Experience	\$ 402,327	\$ -
Changes in assumptions	-	-
Net Differences between Projected and Actual Earnings on Pension Plan Investments	-	2,119,631
Adjustment due to Differences in Proportions	-	-
Changes in employer's proportion	180,287	7,306
Differences between the employer's contributions and the employer's proportionate share of contributions	22,229	347,106
Pension Contributions Subsequent to Measurement Date	<u>740,634</u>	<u>-</u>
Total	<u>\$ 1,345,477</u>	<u>\$ 2,474,043</u>

The amounts above are net of outflows and inflows recognized in the 2020-21 measurement period expense. Contributions subsequent to the measurement date of \$740,634 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:

<u>Fiscal Year Ended June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ (378,088)
2024	(418,453)
2025	(487,855)
2026	(584,803)
2027	-
Thereafter	-
	<u>\$ (1,869,199)</u>

**E. Payable to the Pension Plan**

At June 30, 2022, the City reports a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year then ended.



CITY OF EXETER  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2022

**NOTE 7 - Recent Accounting Pronouncements**

During the current fiscal year, the City adopted the standards of GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring 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.

*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. 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. 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. 99 – Omnibus 2022:* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

*GASB Statement No. 100 – Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62:* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

*GASB Statement No. 101 – Compensated Absences:* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurements guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**NOTE 8 - Subsequent Events**

The date to which events occurring after June 30, 2022, have been evaluated for possible adjustments to the financial statements or disclosures is January 18, 2023, which is the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

# 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, 2022  
**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%
6/30/2021	0.07841%	1,488,814	1,047,234	142.17%	88.180%
<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%
6/30/2021	0.03926%	1,377,665	1,371,833	100.43%	89.178%

\*Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. Addition 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, 2022  
**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%
6/30/2022	343,849	(343,849)	-	1,350,980	25.45%
<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%
6/30/2022	396,785	(396,785)	-	1,354,755	29.29%

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

**Notes to Schedule:**

Change in Benefit Terms: None

Changes in Assumptions: There were no changes in 2021. In 2020, a new amortization policy was effective, reducing the amortization period for gains and losses from 30 years to 20 years, and stopping the ramp up/ramp down on UAL bases and investment gains and losses. 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 SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive(Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,046,500	\$ 1,154,294	\$ 1,240,577	\$ 86,283
Sales taxes	795,100	841,000	1,116,962	275,962
Sales taxes - Prop 172	91,300	100,500	150,565	50,065
Utility users tax	564,500	583,900	697,022	113,122
Transient occupancy tax	108,500	108,500	156,504	48,004
Property transfer tax/Real Property Transfer	24,600	27,700	55,524	27,824
Franchise tax	169,100	189,300	223,861	34,561
Business licenses	58,000	51,400	53,584	2,184
Dog licenses	3,300	4,600	3,100	(1,500)
Other licenses and permits	3,300	6,100	7,495	1,395
Motor vehicle in-lieu tax	1,050,700	1,095,200	1,129,735	34,535
Street Sweeping/Leaf Pickup	60,750	60,750	73,783	13,033
Federal grants(homeland security, traffic safety)	-	-	2,555	2,555
State grants/reimbursements	6,200	8,200	7,888	(312)
Zoning and subdivision fees	8,200	8,200	4,625	(3,575)
Police services	70,000	70,000	73,440	3,440
Recreational activities	51,900	28,500	18,025	(10,475)
Parking fines	3,900	8,100	8,690	590
Vehicle code fines	13,200	13,200	14,016	816
Street sweeping fees	5,900	5,900	-	(5,900)
Other fines	29,800	27,100	21,419	(5,681)
Investment Earnings	2,200	2,200	(33,093)	(35,293)
Rents/concessions	6,800	6,800	34,770	27,970
Other revenues	30,500	35,600	60,038	24,438
Total revenues	<u>4,204,250</u>	<u>4,437,044</u>	<u>5,121,085</u>	<u>684,041</u>
<b>EXPENDITURES</b>				
Current:				
General government	635,650	789,303	773,593	15,710
Parks and recreation	323,700	326,300	224,712	101,588
Public safety - fire	290,000	290,000	419,477	(129,477)
Public safety - police	2,854,900	2,972,300	2,874,632	97,668
Public works	418,700	437,900	439,918	(2,018)
Capital Outlay	55,000	55,000	49,086	5,914
Total expenditures	<u>4,577,950</u>	<u>4,870,803</u>	<u>4,781,418</u>	<u>89,385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(373,700)</u>	<u>(433,759)</u>	<u>339,667</u>	<u>773,426</u>
Transfers in	319,000	564,000	1,234,064	670,064
Total other financing sources (uses)	<u>319,000</u>	<u>564,000</u>	<u>1,234,064</u>	<u>670,064</u>
Net change in fund balance	<u>\$ (54,700)</u>	<u>\$ 130,241</u>	<u>1,573,731</u>	<u>\$ 1,443,490</u>
<b>Fund balance, July 1</b>			<u>2,477,397</u>	
<b>Fund balance, June 30</b>			<u>\$ 4,051,128</u>	

**CITY OF EXETER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP basis) AND ACTUAL - REQUIRED SUPPLEMENTARY INFORMATION**  
**HOUSING FUNDS**  
**For the Fiscal Year Ended June 30, 2022**

	<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	\$ -	\$ -	\$ 99,698	\$ 99,698
Loan payments	110,200	110,200	562,766	452,566
Investment earnings	800	800	(9,613)	(10,413)
Total revenues	<u>111,000</u>	<u>111,000</u>	<u>652,851</u>	<u>541,851</u>
<b>EXPENDITURES</b>				
Current:				
Community and economic development	<u>272,000</u>	<u>272,000</u>	<u>128,540</u>	<u>143,460</u>
Total expenditures	<u>272,000</u>	<u>272,000</u>	<u>128,540</u>	<u>143,460</u>
Net change in fund balances	<u>\$ (161,000)</u>	<u>\$ (161,000)</u>	524,311	<u>\$ 685,311</u>
<b>Fund balance, July 1</b>			<u>715,857</u>	
<b>Fund balance, June 30</b>			<u>\$ 1,240,168</u>	

**CITY OF EXETER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP basis) AND ACTUAL - REQUIRED SUPPLEMENTARY INFORMATION**  
**TRANSPORTATION FUND**  
**For the Fiscal Year Ended June 30, 2022**

	<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	\$ 366,600	\$ 366,600	\$ 631,070	\$ 264,470
Investment earnings	4,000	4,000	(11,694)	(15,694)
Total revenues	<u>370,600</u>	<u>370,600</u>	<u>619,376</u>	<u>248,776</u>
<b>EXPENDITURES</b>				
Current:				
Public works	170,600	170,600	148,418	22,182
Total expenditures	<u>170,600</u>	<u>170,600</u>	<u>148,418</u>	<u>22,182</u>
Excess (deficiency) of revenues over (under) expenditures	<u>200,000</u>	<u>200,000</u>	<u>470,958</u>	<u>270,958</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(200,000)	(200,000)	(235,793)	(35,793)
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(235,793)</u>	<u>(35,793)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	235,165	<u>\$ 235,165</u>
<b>Fund balance, July 1</b>			<u>1,892,318</u>	
<b>Fund balance, June 30</b>			<u>\$ 2,127,483</u>	



**CITY OF EXETER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP basis) AND ACTUAL - REQUIRED SUPPLEMENTARY INFORMATION**  
**MEASURE R FUND**  
**For the Fiscal Year Ended June 30, 2022**

	<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	\$ 2,202,000	\$ 2,202,000	\$ 1,607,078	\$ (594,922)
Investment earnings	2,000	2,000	(1,739)	(3,739)
Total revenues	<u>2,204,000</u>	<u>2,204,000</u>	<u>1,605,339</u>	<u>(598,661)</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,000	5,000	10,737	(5,737)
Capital outlay	<u>2,335,000</u>	<u>2,335,000</u>	<u>1,527,742</u>	<u>807,258</u>
Total expenditures	<u>2,340,000</u>	<u>2,340,000</u>	<u>1,538,479</u>	<u>801,521</u>
Net change in fund balances	<u>\$ (136,000)</u>	<u>\$ (136,000)</u>	66,860	<u>\$ 202,860</u>
<b>Fund balance, July 1</b>			<u>377,870</u>	
<b>Fund balance, June 30</b>			<u>\$ 444,730</u>	

**CITY OF EXETER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP basis) AND ACTUAL - REQUIRED SUPPLEMENTARY INFORMATION**  
**MEASURE P FUND**  
**For the Fiscal Year Ended June 30, 2022**

	<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	\$ -	\$ 851,000	\$ 1,601,756	\$ 750,756
Investment earnings	-	-	(11,952)	(11,952)
Total revenues	<u>-</u>	<u>851,000</u>	<u>1,589,804</u>	<u>738,804</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	45,000	161,849	(116,849)
Capital outlay	-	493,900	31,699	462,201
Total expenditures	<u>-</u>	<u>538,900</u>	<u>193,548</u>	<u>345,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>312,100</u>	<u>1,396,256</u>	<u>1,084,156</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	(226,000)	(60,101)	165,899
Total other financing sources (uses)	<u>-</u>	<u>(226,000)</u>	<u>(60,101)</u>	<u>165,899</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 86,100</u>	<u>1,336,155</u>	<u>\$ 1,250,055</u>
<b>Fund balance, July 1</b>			<u>385,649</u>	
<b>Fund balance, June 30</b>			<u>\$ 1,721,804</u>	

## SUPPLEMENTARY INFORMATION

**City of Exeter  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2022**

	Special Revenue						
	Gas Tax	Storm Drain	Grant Fund	RMRA Fund	CASP Fund	ARPA Fund	COPS Fund
<b>ASSETS</b>							
Cash and cash equivalents	\$ 301,689	\$ 30,031	\$ 112,306	\$ 853,475	\$ 11,559	\$ -	\$ 361,361
Intergovernmental receivables	19,446	-	-	36,032	-	-	1,708
Notes receivables	-	-	120,000	-	-	-	-
Restricted - cash and cash equivalents	-	-	-	-	-	891,903	-
Total assets	<u>\$ 321,135</u>	<u>\$ 30,031</u>	<u>\$ 232,306</u>	<u>\$ 889,507</u>	<u>\$ 11,559</u>	<u>\$ 891,903</u>	<u>\$ 363,069</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts and other payables	\$ 34,852	\$ 27,245	\$ -	\$ 241,136	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	120,000	-	-	891,903	-
Total liabilities	<u>34,852</u>	<u>27,245</u>	<u>120,000</u>	<u>241,136</u>	<u>-</u>	<u>891,903</u>	<u>-</u>
Fund balances:							
Restricted	286,283	-	112,306	648,371	11,559	-	363,069
Committed	-	2,786	-	-	-	-	-
Total fund balances	<u>286,283</u>	<u>2,786</u>	<u>112,306</u>	<u>648,371</u>	<u>11,559</u>	<u>-</u>	<u>363,069</u>
Total liabilities and fund balances	<u>\$ 321,135</u>	<u>\$ 30,031</u>	<u>\$ 232,306</u>	<u>\$ 889,507</u>	<u>\$ 11,559</u>	<u>\$ 891,903</u>	<u>\$ 363,069</u>

**City of Exeter  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2022**

	Police Donations Fund	Landscape & Lighting Fund	BIP Fund	COVID Aid Grant Fund	Impact Fees Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 86,412	\$ 65,117	\$ -	\$ -	\$ 239,781	\$ 2,061,731
Intergovernmental receivables	-	1,557	-	93,903	-	152,646
Notes receivables	-	-	30,290	-	-	150,290
Restricted - cash and cash equivalents	-	-	-	-	-	891,903
<b>Total assets</b>	<b>\$ 86,412</b>	<b>\$ 66,674</b>	<b>\$ 30,290</b>	<b>\$ 93,903</b>	<b>\$ 239,781</b>	<b>\$ 3,256,570</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts and other payables	\$ -	\$ 49	\$ -	\$ 2,829	\$ -	\$ 306,111
Due to other funds	-	-	-	91,074	-	91,074
Unearned revenue	-	-	30,290	-	-	1,042,193
<b>Total liabilities</b>	<b>-</b>	<b>49</b>	<b>30,290</b>	<b>93,903</b>	<b>-</b>	<b>1,439,378</b>
Fund balances:						
Restricted	86,412	66,625	-	-	239,781	1,814,406
Committed	-	-	-	-	-	2,786
<b>Total fund balances</b>	<b>86,412</b>	<b>66,625</b>	<b>-</b>	<b>-</b>	<b>239,781</b>	<b>1,817,192</b>
<b>Total liabilities and fund balances</b>	<b>\$ 86,412</b>	<b>\$ 66,674</b>	<b>\$ 30,290</b>	<b>\$ 93,903</b>	<b>\$ 239,781</b>	<b>\$ 3,256,570</b>

**City of Exeter**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2022**

	Special Revenue						
	Gas Tax	Storm Drain	Grant Fund	RMRA Fund	CASP Fund	ARPA Fund	COPS Fund
<b>REVENUES</b>							
Gas Tax	\$ 261,555	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	218,142	1,260	362,214	161,285
Charges for services	-	1,808	-	-	-	-	-
Investment earnings	(1,835)	(136)	(878)	(6,670)	(91)	(7,166)	-
Total revenues	<u>259,720</u>	<u>1,672</u>	<u>(878)</u>	<u>211,472</u>	<u>1,169</u>	<u>355,048</u>	<u>161,285</u>
<b>EXPENDITURES</b>							
Community and economic development	-	-	29	-	-	-	-
General government	-	-	-	-	-	-	-
Public safety - police	-	-	-	-	-	-	7,375
Public works	175,971	90,504	-	241,136	-	25,048	-
Total expenditures	<u>175,971</u>	<u>90,504</u>	<u>29</u>	<u>241,136</u>	<u>-</u>	<u>25,048</u>	<u>7,375</u>
Excess (deficiency) of revenues over expenditures	<u>83,749</u>	<u>(88,832)</u>	<u>(907)</u>	<u>(29,664)</u>	<u>1,169</u>	<u>330,000</u>	<u>153,910</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	-	10,000
Transfers out	(100,000)	-	-	-	-	(330,000)	-
Total other financing sources and uses	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(330,000)</u>	<u>10,000</u>
Net change in fund balances	(16,251)	(88,832)	(907)	(29,664)	1,169	-	163,910
Fund balances, July 1	<u>302,534</u>	<u>91,618</u>	<u>113,213</u>	<u>678,035</u>	<u>10,390</u>	<u>-</u>	<u>199,159</u>
Fund balances, June 30	<u>\$ 286,283</u>	<u>\$ 2,786</u>	<u>\$ 112,306</u>	<u>\$ 648,371</u>	<u>\$ 11,559</u>	<u>\$ -</u>	<u>\$ 363,069</u>

**City of Exeter**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2022**

	Police Donations Fund	Landscape & Lighting Fund	BIP Fund	COVID Aid Grant Fund	Impact Fees Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>						
Gas Tax	\$ -	\$ 92,213	\$ -	\$ -	\$ -	\$ 353,768
Intergovernmental	6,350	-	-	93,904	-	843,155
Charges for services	-	-	-	-	11,133	12,941
Investment earnings	-	-	-	-	(1,874)	(18,650)
Total revenues	<u>6,350</u>	<u>92,213</u>	<u>-</u>	<u>93,904</u>	<u>9,259</u>	<u>1,191,214</u>
<b>EXPENDITURES</b>						
Community and economic development	-	-	-	93,904	-	93,933
General government	-	53,158	-	-	-	53,158
Public safety - police	4,805	-	-	-	-	12,180
Public works	-	-	-	-	-	532,659
Total expenditures	<u>4,805</u>	<u>53,158</u>	<u>-</u>	<u>93,904</u>	<u>-</u>	<u>691,930</u>
Excess (deficiency) of revenues over expenditures	<u>1,545</u>	<u>39,055</u>	<u>-</u>	<u>-</u>	<u>9,259</u>	<u>499,284</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	10,000
Transfers in(out)	-	-	(633,620)	-	-	(1,063,620)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(633,620)</u>	<u>-</u>	<u>-</u>	<u>(1,053,620)</u>
Net change in fund balances	1,545	39,055	(633,620)	-	9,259	(554,336)
Fund balances, July 1	<u>84,867</u>	<u>27,570</u>	<u>633,620</u>	<u>-</u>	<u>230,522</u>	<u>2,371,528</u>
Fund balances, June 30	<u>\$ 86,412</u>	<u>\$ 66,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,781</u>	<u>\$ 1,817,192</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**

*Independent Auditor's Report*

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*Employee Benefit Plan  
Audit Quality Center*

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

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 18, 2023.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001 that we consider to be a material weakness.

We also noted certain other matters during the audit, these are identified as items 2022-002 and 2022-003 in the accompanying Schedule of Findings and Responses.

### ***Compliance and Other Matters***

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

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our engagement and described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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  
January 18, 2023

## **Material Weakness**

### **Finding 2022-001 Bank reconciliations**

#### *Observation*

During the last two years, we noted that the City had not been preparing bank reconciliations in a timely manner. Verbal warnings were given during those years, but the issue has continued to persist, therefore we are formalizing this finding. Again, during our audit of the City, we noted that bank account reconciliations were not performed in a timely manner during the latter part of the fiscal year. Timely, proper bank reconciliations will help reduce the City's exposure to theft of assets and material errors or misstatements. Most of the problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the City's procedures. Therefore, we recommend the following:

- All bank accounts should be reconciled, reviewed, and approved on a monthly basis.
- Reconciliations should be prepared using the bank balance and the balance per the general ledger.
- A policy for the write-off of old outstanding checks should be initiated.
- Any suspicious reconciling items be promptly investigated and adjusted with adequate explanations.

#### *Recommendation*

We recommend the City adopt the recommendations above which will strengthen this area of internal control.

#### *Management response*

Last two years, the City has faced major staffing challenges from staff turnovers (Finance Director changes and two new Accounting Assistants) in addition to the prolonged public health Covid-19 pandemic. These posed significant obstacles to the already overstretched staffing within the City Finance Department. Specifically, the later part of the fiscal year 2022 reconciliation delay is mainly caused by the assigned personnel, Financial Analyst, covering two desks (utility billing, payroll, and cash reconciliation) for almost six months without any means to relieve the extra workload. During that time, sending out accurate and timely utility bills for 3,400 plus residents became the top priority of the Finance Department in addition to preparing and submitting the biennial budgets.

Furthermore, although the City was given the verbal warning last year, it was during January 2023 that the City found out about the formal audit finding from the reconciliation delay. Due to the existing priorities and another temporary staffing shortage (leave of absence), it will take a few more months to clear the backlog and to get the reconciliation back on track. The City is dedicated to providing excellent financial services including timely and accurate bank reconciliation.

Even through the delays in the reconciliation reports, the bank account (City has one bank account for the operating cash pass through) is being monitored daily by an Accounting Assistant and the Financial Analyst for adequate balances to cover the operating cash, reconcile daily deposits, and monitor any suspicious charges and credits.

Although it's been City's practice to reconcile the balances utilizing the general ledger balances, the ACS reporting issues and delays in adjustment and disbursement data entries created difficulties in following this practice. Finance Director currently is in process of implementing improved reconciliation forms and methods. It is anticipated that these will be accomplished by February 2023 to improve the accuracy and the timelessness of the reconciliation.

As to the policy for the outstanding check clearing, the management agrees with this finding. It is the City management's plan to implement the new processes including a written policy by the end of the current fiscal year to start addressing the outstanding checks dating back to 2018.

## **Other Matters**

### **Finding 2022-002 Voided checks**

#### *Observation*

While conducting the audit on cash disbursement procedures, we noted a few instances of checks that were voided but not defaced or otherwise marked as voided. This practice allows a certain loss of control over the cash disbursement process and the possibility that a voided check might not be voided at all.

#### *Recommendation*

Therefore, we recommend all voided checks be defaced (marked void) with the signature portion of the check removed and the check retained and accounted for in numerical sequence.

#### *Management response*

It was confirmed that the misprinted checks were not being marked void because they didn't look negotiable. The staff has been since told to deface all checks by removing the check signatures including the misprints to safeguard valuable City assets.

### **Finding 2022-003 Investment reports**

#### *Observation*

Per the City's investment policy, "Periodic investment reports will be submitted by the Treasurer to the governing board". During our audit of investments, we noted out of the four (of twelve) treasurer's reports tested, none of them were submitted in a timely manner. Per Government Code §53646, if the treasurer or chief fiscal officer of a local agency elects to submit or if the legislative body mandates the submission of a quarterly investment report to the legislative body pursuant to Section 53646, it must do so within 30 days after the end of the quarter.

#### *Recommendation*

In order to be in compliance with the City's investment policy (and the California Government Code), we recommend the City begin submitting its investment reports on a continuous, timely basis.

*Management response*

This finding is directly related to the first finding (2022-001) because the City utilizes its monthly “Treasury Report” to submit the bank reconciliation and the investment reports.

To further improve the City’s investment process and to address the compliance needs associated with the municipal investment, the City updated the Investment Policy during fiscal year 2022. The last update was in 2013 and the City made a progress by addressing the long overdue update. Due to the current back log in the monthly reconciliation mentioned above, the investment reports will be also delayed if the City is to continue with the current process. Therefore, the Finance Director is in process of implementing separate investment quarterly reporting to be rendered to the City Council. The first quarterly reporting covering through December 31, 2022, will be submitted during February 2023.