

**CITY OF GUSTINE
GUSTINE, CALIFORNIA**

**BASIC
FINANCIAL STATEMENTS**

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Honorable Members
of the City Council
City of Gustine
Gustine, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gustine, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Gustine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to City of Gustine's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Gustine's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and, where applicable, cash flows of City of Gustine, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gustine's basic financial statements. The supplementary information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information 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, 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 information is fairly stated, in all material respects in relation to the 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 May 20, 2020, on our consideration of City of Gustine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Gustine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

R. J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
May 20, 2020

City of Gustine
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2019

The following discussion provides readers of City of Gustine's (the City's) financial statements a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. Please read this document in conjunction with the accompanying Basic Financial Statements.

FISCAL YEAR 2019 FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year 2019 include the following:

Entity-wide:

- The City's total assets were \$26,555,632 as of June 30, 2019. Of this total, \$13,762,021 were Governmental assets and \$12,793,611 were Business-type assets.
- Entity-wide Governmental revenues include program revenues of \$1,063,089 and general revenues and transfers of \$2,725,802, for a total of \$3,828,682.
- Entity-wide Governmental expenses were \$3,633,413.
- Entity-wide Business-type program revenues, transfers, other revenue and interest revenue were \$3,294,155 while Business-type expenses were \$3,253,337.

Fund Level:

- Governmental Fund balances increased \$630,160 in fiscal year 2019.
- Governmental Fund revenues increased \$478,462 in fiscal year 2019.
- Governmental Fund expenditures increased \$510,704 in fiscal year 2019.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is divided into two parts:

- 1) Management's Discussion and Analysis (MD&A);
- 2) The Basic Financial Statements, which include the Entity-wide and the Fund Financial Statements, along with the Notes to these financial statements.

The Basic Financial Statements

The Basic Financial Statements comprise the Entity-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

The Entity-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the City's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the City's activities are grouped into Governmental Activities and Business-type Activities, as explained below. The amounts in the Statement of Net Position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities for the City as a whole.

City of Gustine
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

The Fund Financial Statements report the City's operations in more detail than the Entity-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major Funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The Entity-wide Financial Statements

Entity-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

The Statement of Net Position and the Statement of Activities present information about the following:

- Governmental Activities – All of the City's basic services are considered to be governmental activities. These services are supported by general City revenues such as taxes and by specific program revenues such as user fees and charges.
- Business-type Activities – The City's enterprise activities of water and wastewater are reported in this area. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by Governmental Accounting Standards Board (GASB) Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major Funds. Major Funds present the major activities of the City for the year, and may change from year-to-year as a result of changes in the pattern of the City's activities.

In the City's case, there are two major governmental funds: the General Fund and the Utility Tax Fund.

The City's Enterprise Funds are reported as Major Funds.

Fund Financial Statements include governmental and proprietary funds as discussed below.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Proprietary Funds Financial Statements are prepared on the full accrual basis, as in the past, and include all of their assets and liabilities, current and long-term.

Comparisons of Budget and Actual financial information are presented only for the General Fund, as required by GASB Statement 34.

City of Gustine
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net position and changes in net position of the City as a whole. Tables 1 and 2 focus on the City's Governmental Statement of Net Position and Statement of Activities, while Tables 3 and 4 focus on the City's Business-type Statement of Net Position and Statement of Activities.

Governmental Activities

Table 1
Governmental Net Position at June 30

	<u>Governmental Activities 2019</u>	<u>Governmental Activities 2018</u>
Current and other assets	\$ 4,870,349	\$ 4,218,261
Capital assets, net of accumulated depreciation	<u>8,891,672</u>	<u>9,220,025</u>
Total assets	<u>13,762,021</u>	<u>13,438,286</u>
Deferred outflows	<u>663,550</u>	<u>815,342</u>
Current liabilities	324,736	158,722
Long-term debt outstanding	<u>2,789,202</u>	<u>2,987,497</u>
Total liabilities	<u>3,113,938</u>	<u>3,146,219</u>
Deferred inflows	<u>90,573</u>	<u>41,827</u>
Net position:		
Invested in capital assets, net of related debt	8,603,005	9,220,025
Restricted	4,277,645	3,908,096
Unrestricted	<u>(1,659,590)</u>	<u>(2,062,539)</u>
Total net position	<u>\$ 11,221,060</u>	<u>\$ 11,065,582</u>

The City's governmental net position amounted to \$11,221,060 as of June 30, 2019, a change of \$155,478 from 2018. This difference is the Change in Net Position reflected in the Governmental Activities column of the Statement of Activities shown in Table 2.

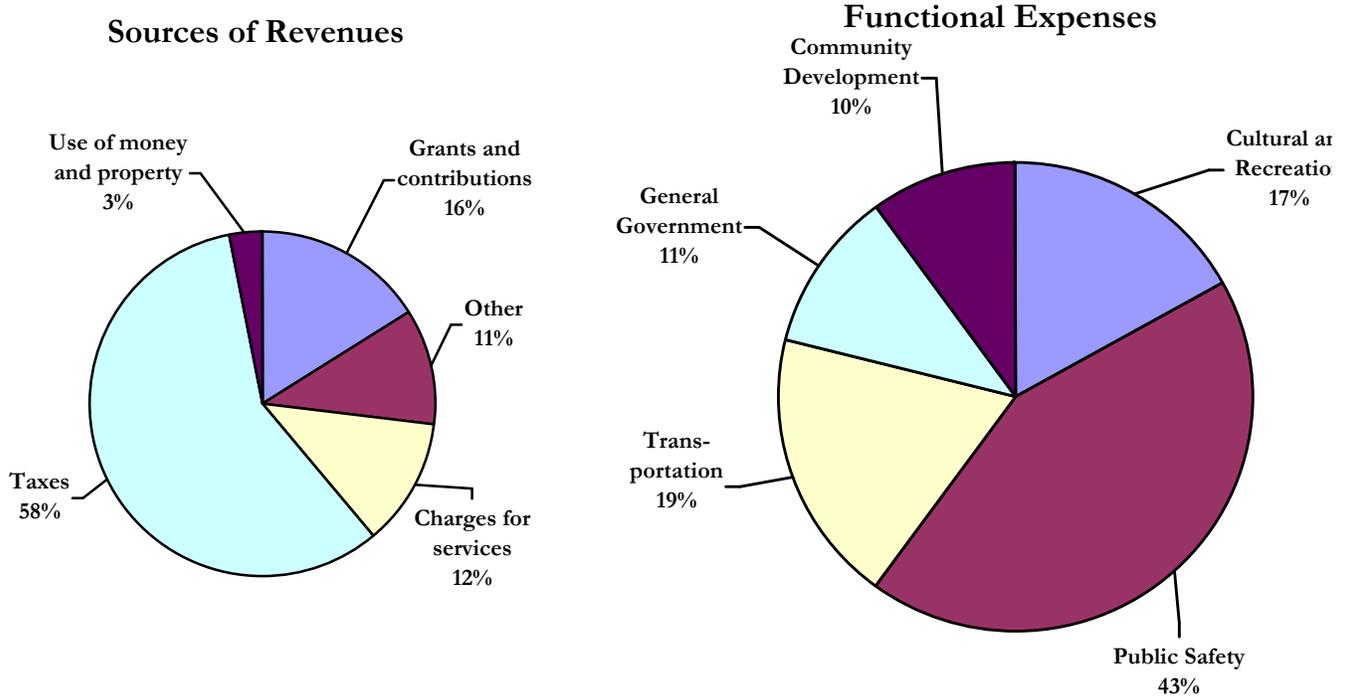
The City's governmental net position as of June 30, 2019 comprised the following:

- Cash and investments of \$4,755,477 in the city treasury. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 4A of the financial statements.
- Other assets comprise current receivables of \$114,872.
- Capital assets of \$8,891,672, net of depreciation charges, which includes all the City's capital assets used in governmental activities.
- Current liabilities, including accounts payable, claims and other amounts due currently, totaling \$327,736.

City of Gustine
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Fiscal Year Ended June 30, 2019

- Net position invested in capital assets, net of related debt, of \$8,603,005, representing the City's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Restricted net position totaling \$4,277,645, which may be used only to construct specified capital projects, for debt service, or for community development projects. The restrictions on these funds were placed there by outsiders and cannot be changed by the City.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City had (\$1,659,590) of unrestricted net position as of June 30, 2019.

GOVERNMENTAL ACTIVITIES



The Functional Expenses Chart includes only current year expenses; it does not include capital outlays, which are now added to the City's capital assets. As the Chart shows, general government is \$380,816, or 11%, of total government expenses, transportation is \$701,639 or 19%, Public Safety is \$1,574,743, or 43%, Cultural and Recreation Services is \$612,896, or 17%, and Community Development is \$352,415 or 10%.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

City of Gustine
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

Table 2
Changes in Governmental Net Position

	Governmental Activities 2019	Governmental Activities 2018
<u>Expenses</u>	<u>2019</u>	<u>2018</u>
General government	\$ 380,816	\$ 304,244
Public safety	1,574,743	1,508,233
Transportation	701,639	578,169
Community development	352,415	103,564
Culture and recreation	612,896	590,776
Interest expense	<u>10,904</u>	<u>11,070</u>
Total expenses	<u>3,633,413</u>	<u>3,096,056</u>
 <u>Revenues</u>		
Program revenues:		
Charges for services	465,927	532,970
Operating grants and contributions	-	783,889
Capital grants and contributions	<u>597,162</u>	<u>10,024</u>
Total program revenues	<u>1,063,089</u>	<u>1,326,883</u>
 General revenues:		
Taxes	2,227,078	1,953,159
Other revenues	386,553	-
Interest income	<u>112,171</u>	<u>30,386</u>
Total general revenues	<u>2,725,802</u>	<u>1,983,545</u>
Total revenues	<u>3,788,891</u>	<u>3,310,428</u>
 Change in net position	 <u>\$ 155,478</u>	 <u>\$ 214,372</u>

As the Sources of Revenue Chart and Table 2 above show, \$1,063,089, or 28%, of the City's fiscal year 2019 governmental revenue, came from program revenues and \$2,725,802, or 72%, came from general revenues such as taxes and interest and transfers.

Program revenues were composed of charges for services of \$465,927, which include permit revenues, fees and charges used to fund expenses incurred in providing services; and \$597,162 of grants and contributions which include streets, roads, housing, fire and police grants.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Business-type Activities

The Statement of Net Position and Statement of Activities present a summary of the City's Business-type Activities that are composed of the City's enterprise funds.

City of Gustine
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

Table 3
Business-type Net Position at June 30

	Business-type 2019	Business-type 2018
Current assets	\$ 4,316,381	\$ 4,073,900
Capital assets, net of accumulated depreciation	8,477,230	8,873,737
Total assets	12,793,611	12,947,637
Deferred outflows	126,390	149,254
Current liabilities	178,163	53,695
Long-term debt outstanding	2,679,810	3,095,780
Total liabilities	2,857,973	3,149,475
Deferred inflows	17,252	18,280
Net position:		
Invested in capital assets	6,273,712	6,412,269
Unrestricted	3,771,064	3,516,867
Total net position	\$ 10,044,776	\$ 9,929,136

The net position of business-type activities increased by \$115,640 in fiscal year 2019.

Table 4
Changes in Business-Type Net Position

	Business-Type Activities 2019	Business-Type Activities 2018
<u>Expenses</u>		
Water	\$ 1,279,123	\$ 943,678
Sewer	1,172,411	1,227,579
Refuse	516,752	459,292
Storm Drain	45,294	50,186
Airport	239,757	230,143
Total expenses	3,253,337	2,910,878
<u>Revenues</u>		
Program revenues:		
Grants and contributions	-	27,585
Charges for services	3,294,155	3,161,333
Total program revenues	3,294,155	3,188,918
General revenues:		
Interest income	74,822	45,228
Total general revenues	74,822	45,228
Total revenues	3,368,977	3,234,146
Change in net position	\$ 115,640	\$ 323,268

City of Gustine
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

Analyses of Major Funds

Governmental Funds

General Fund

General Fund revenues increased \$240,261 this fiscal year. Actual revenues were higher than budgeted amounts.

General Fund expenditures increased \$227,091 from the prior year. Expenditures were greater than budgeted amounts.

As of June 30, 2019, the General Fund's fund balance totaled \$1,378,771. The unassigned portion of fund balance represents available liquid resources.

Utility Tax Fund

This fund accounts for Community Development projects and Cultural and Recreational Events by governmental taxes. In fiscal year 2019, the fund received \$253,902 in taxes.

Other Governmental Funds

These funds are not presented separately in the basic financial statements.

Proprietary Funds

Water Fund - Revenues decreased \$22,542 in fiscal year 2019, and expenses increased \$335,445.

Sewer Fund - Operating revenues increased \$101,751. Expenses decreased \$55,168.

Refuse Fund - Revenues increased \$28,919 in fiscal year 2019, and expenses increased \$57,460.

Storm Drain Fund - Revenues are very consistent. Revenues decreased \$220 in fiscal year 2019, while expenses decreased \$4,892.

Airport Fund - Revenues increased \$26,560 in fiscal year 2019, and expenses increased \$9,614.

GENERAL FUND BUDGETARY HIGHLIGHTS

It is the City's policy to amend the budget at year end to match the actual amounts. The amendments are approved by the City Council. The original budget was not modified during the fiscal year ended June 30, 2019.

CAPITAL ASSETS

GASB Statement 34 requires the City to record all its capital assets including infrastructure, which was not recorded in prior years. Infrastructure includes roads, bridges, signals and similar assets used by the entire population.

In fiscal year 2019, the City reported the cost of all its infrastructure assets and computed the amount of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal year 2019 the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 5 below:

City of Gustine
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

Table 5
Capital Assets at Year-end

	<u>Balance at</u> <u>June 30, 2019</u>	<u>Balance at</u> <u>June 30, 2018</u>
<u>Governmental Activities</u>		
Land (not depreciated)	\$ 71,310	\$ 71,310
Buildings	2,844,605	2,844,605
Road network	20,000,000	20,000,000
Equipment	1,236,421	1,236,421
Less: accumulated depreciation	<u>(15,260,664)</u>	<u>(14,932,311)</u>
Governmental activity capital assets, net	<u>\$ 8,891,672</u>	<u>\$ 9,220,025</u>
<u>Business-type Activities</u>		
Land (not depreciated)	\$ 2,933,628	\$ 2,933,628
Plant and improvement	12,839,763	12,839,763
Machinery and Equipment	2,313,258	2,313,258
Less: accumulated depreciation	<u>(9,609,419)</u>	<u>(9,212,912)</u>
Business-type activity capital assets, net	<u>\$ 8,477,230</u>	<u>\$ 8,873,737</u>

Detail on capital assets and current year additions can be found in Note 4D.

The City depreciates all its capital assets over their estimated useful lives, as required by GASB Statement 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in Note 4D to the financial statements.

DEBT ADMINISTRATION

The City made all scheduled repayments of existing debt. Each of the City's debt issues are discussed in detail in Note 4E to the financial statements.

As of June 30, 2019, the City's debt comprised:

Table 6
Outstanding Debt

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Governmental Activity Debt:</u>		
Certificates of participation	\$ 288,667	\$ 293,000
Compensated absences	75,586	75,586
Net pension liability	<u>2,550,411</u>	<u>2,550,411</u>
Total	<u>\$ 2,914,664</u>	<u>\$ 2,918,997</u>
<u>Business-type Activity Debt:</u>		
Loans/notes payable	\$ 402,364	\$ 1,141,468
Certificates of participation	1,801,153	1,320,000
Compensated absences	95,931	95,931
Net pension liability	<u>480,250</u>	<u>480,250</u>
Total	<u>\$ 2,779,698</u>	<u>\$ 3,037,649</u>

City of Gustine
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the City's finances. Questions about this report should be directed to the City of Gustine, at 352 Fifth Street, Gustine, CA 95322.

City of Gustine
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 4,755,477	\$ 3,913,258	\$ 8,668,735
Receivables	114,872	403,123	517,995
Capital assets, not being depreciated:			
Land	71,310	2,933,628	3,004,938
Capital assets (net of accumulated depreciation):			
Buildings and improvements	267,759	5,336,561	5,604,320
Machinery and equipment	86,003	207,041	293,044
Road network	8,466,600	-	8,466,600
Total assets	<u>13,762,021</u>	<u>12,793,611</u>	<u>26,555,632</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	663,550	126,390	789,940
Total deferred outflows of resources	<u>663,550</u>	<u>126,390</u>	<u>789,940</u>
LIABILITIES			
Accounts payable	249,150	82,230	331,380
Due to other governments	-	-	-
Unearned revenue	-	-	-
Compensated absences	75,586	95,933	171,519
Noncurrent liabilities:			
Due within one year	4,333	270,256	274,589
Due in more than one year	284,334	1,933,262	2,217,596
Aggregate net pension liability	2,500,535	476,292	2,976,827
Total liabilities	<u>3,113,938</u>	<u>2,857,973</u>	<u>5,971,911</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	90,573	17,252	107,825
Total deferred inflows of resources	<u>90,573</u>	<u>17,252</u>	<u>107,825</u>
NET POSITION			
Net investment in capital assets	8,603,005	6,273,712	14,876,717
Restricted for:			
Capital projects	2,850,301	-	2,850,301
Debt service:			
Community development	1,227,714	-	1,227,714
Public safety	199,630	-	199,630
Unrestricted (deficit)	(1,659,590)	3,771,064	2,111,474
Total net position	<u>\$ 11,221,060</u>	<u>\$ 10,044,776</u>	<u>\$ 21,265,836</u>

The accompanying notes are an integral part of these financial statements.

City of Gustine
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
General government	\$ 380,816	\$ -	\$ -	\$ -	\$ (380,816)	\$ -	\$ (380,816)
Public safety	1,574,743	16,123	-	-	(1,558,620)	-	(1,558,620)
Transportation	701,639	160,917	-	597,162	56,440	-	56,440
Community development	352,415	3,938	-	-	(348,477)	-	(348,477)
Cultural and recreation	612,896	284,949	-	-	(327,947)	-	(327,947)
Interest and other charges	10,904	-	-	-	(10,904)	-	(10,904)
Total governmental activities	<u>3,633,413</u>	<u>465,927</u>	<u>-</u>	<u>597,162</u>	<u>(2,570,324)</u>	<u>-</u>	<u>(2,570,324)</u>
Business-type activities:							
Water	1,279,123	1,025,136	-	-	-	(253,987)	(253,987)
Sewer	1,172,411	1,501,122	-	-	-	328,711	328,711
Refuse	516,752	517,987	-	-	-	1,235	1,235
Storm Drain	45,294	41,771	-	-	-	(3,523)	(3,523)
Airport	239,757	208,139	-	-	-	(31,618)	(31,618)
Total business-type activities	<u>3,253,337</u>	<u>3,294,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,818</u>	<u>40,818</u>
Total primary government	<u>\$ 6,886,750</u>	<u>\$ 3,760,082</u>	<u>\$ -</u>	<u>\$ 597,162</u>	<u>(2,570,324)</u>	<u>40,818</u>	<u>(2,529,506)</u>
General revenues:							
Property taxes					682,908	-	682,908
Utility user taxes					239,099	-	239,099
Sales taxes					645,826	-	645,826
Business licenses/Franchise fee					582,202	-	582,202
Other taxes					77,043	-	77,043
Grants & contributions not restricted to specific programs					166,984	-	166,984
Unrestricted investment earnings					112,171	74,822	186,993
Other revenue					219,569	-	219,569
Total general revenues and transfers					<u>2,725,802</u>	<u>74,822</u>	<u>2,800,624</u>
Changes in net position					155,478	115,640	271,118
Net position-beginning					<u>11,065,582</u>	<u>9,929,136</u>	<u>20,994,718</u>
Net position-ending					<u>\$ 11,221,060</u>	<u>\$ 10,044,776</u>	<u>\$ 21,265,836</u>

The accompanying notes are an integral part of these financial statements.

City of Gustine
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	Major Funds		Non-major	Total
	General	Utility Tax	Governmental Funds	Governmental Funds
ASSETS				
Cash and investments	\$ 1,467,438	\$ 661,175	\$ 2,626,864	\$ 4,755,477
Receivables	106,728	8,144	-	114,872
Total assets	\$ 1,574,166	\$ 669,319	\$ 2,626,864	\$ 4,870,349
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 28,707	\$ -	\$ 53,755	\$ 82,462
Deposit and other liabilities	166,688	-	-	166,688
Total liabilities	195,395	-	53,755	249,150
Fund balances:				
Restricted for:				
Capital projects	467,035	-	2,383,266	2,850,301
Community development	335,468	669,319	222,927	1,227,714
Debt service	-	-	-	-
Law enforcement	199,630	-	-	199,630
Assigned for:				
Emergencies	80,400	-	-	80,400
Unassigned, reported in:				
General fund	296,238	-	(33,084)	263,154
Total fund balances	1,378,771	669,319	2,573,109	4,621,199
Total liabilities and fund balances	\$ 1,574,166	\$ 669,319	\$ 2,626,864	\$ 4,870,349
	-	-	-	-

Reconciliation of the Governmental Fund Balances to the Governmental Activities Net Position

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	8,891,672
Long-term liabilities, including certificates of participation, accrued compensated absences, and pensions, are not due and payable in the current period and therefore are not reported in the funds.	(2,291,811)
Net Position of Governmental Activities	\$ 11,221,060

The accompanying notes are an integral part of these financial statements.

City of Gustine
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	<u>Major Funds</u>		Non-Major Governmental Funds	Total Governmental Funds
	<u>General</u>	Utility <u>Tax</u>		
REVENUES				
Property taxes	\$ 591,636	\$ -	\$ 91,272	\$ 682,908
Sales taxes	645,826	-	-	645,826
Business licenses/Franchise fee	412,257	-	-	412,257
Other taxes	77,043	239,099	-	316,142
Licenses and permits	166,321	-	3,624	169,945
Fines and forfeitures	16,123	-	-	16,123
Use of money and property	63,361	9,531	39,279	112,171
From other agencies	166,984	-	597,162	764,146
Charges for services	284,949	3,938	160,917	449,804
Other revenue	162,210	1,334	56,025	219,569
Total revenue	<u>2,586,710</u>	<u>253,902</u>	<u>948,279</u>	<u>3,788,891</u>
EXPENDITURES				
Current:				
General government	229,783	-	371	230,154
Public Safety	1,574,175	-	568	1,574,743
Transportation	-	-	373,286	373,286
Community development	138,249	-	214,166	352,415
Cultural and recreation	535,251	76,720	925	612,896
Debt service:				
Principal	-	-	4,333	4,333
Interest	-	-	10,904	10,904
Capital outlays	-	-	-	-
Total expenditures	<u>2,477,458</u>	<u>76,720</u>	<u>604,553</u>	<u>3,158,731</u>
Excess (deficiency) of revenues over (under) expenditures	<u>109,252</u>	<u>177,182</u>	<u>343,726</u>	<u>630,160</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	206,170	-	-	206,170
Transfers out	-	(206,170)	-	(206,170)
Total other financing sources (uses)	<u>206,170</u>	<u>(206,170)</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	315,422	(28,988)	343,726	630,160
Fund balances-beginning	<u>1,063,349</u>	<u>698,307</u>	<u>2,229,383</u>	<u>3,991,039</u>
Fund balances-ending	<u>\$ 1,378,771</u>	<u>\$ 669,319</u>	<u>\$ 2,573,109</u>	<u>\$ 4,621,199</u>

The accompanying notes are an integral part of these financial statements.

City of Gustine
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$ 630,160
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(328,353)
The net effect of donations and miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to increase net position.	
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, including accrued compensated absences and pension expenses.	(150,662)
Governmental funds report debt principal payments as expenditures. However, in the statement of activities principal payments are reported as a reduction of long-term debt.	<u>4,333</u>
Change in net position of governmental activities	<u>\$ 155,478</u>

The accompanying notes are an integral part of these financial statements.

City of Gustine
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Enterprise Funds					Total
	Water	Sewer	Refuse	Storm Drain	Airport	
ASSETS						
Current assets:						
Cash and investments	\$ 199,395	\$ 3,569,489	\$ 37,393	\$ 81,805	\$ 25,176	\$ 3,913,258
Receivables	150,830	154,854	76,141	5,438	15,860	403,123
Total current assets	<u>350,225</u>	<u>3,724,343</u>	<u>113,534</u>	<u>87,243</u>	<u>41,036</u>	<u>4,316,381</u>
Noncurrent assets:						
Capital assets:						
Land	-	2,912,778	-	-	20,850	2,933,628
Buildings and improvements	3,762,629	7,536,552	2,540	-	1,538,042	12,839,763
Machinery and equipment	265,352	1,997,989	-	-	49,917	2,313,258
Less accumulated depreciation	<u>(2,095,551)</u>	<u>(6,792,647)</u>	<u>(127)</u>	<u>-</u>	<u>(721,094)</u>	<u>(9,609,419)</u>
Total capital assets (net of accumulated depreciation)	<u>1,932,430</u>	<u>5,654,672</u>	<u>2,413</u>	<u>-</u>	<u>887,715</u>	<u>8,477,230</u>
Total noncurrent assets	<u>1,932,430</u>	<u>5,654,672</u>	<u>2,413</u>	<u>-</u>	<u>887,715</u>	<u>8,477,230</u>
Total assets	<u>2,282,655</u>	<u>9,379,015</u>	<u>115,947</u>	<u>87,243</u>	<u>928,751</u>	<u>12,793,611</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension related deferred outflows	39,497	86,893	-	-	-	126,390
Total deferred outflows of resources	<u>39,497</u>	<u>86,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,390</u>
LIABILITIES						
Current liabilities:						
Accounts payable	-	-	-	-	-	-
Accrued compensated absences	41,313	42,101	2,921	2,481	7,117	95,933
Deposits and other liabilities	82,230	-	-	-	-	82,230
Loans/notes payable-current	130,467	117,122	-	-	-	247,589
Certificates of participation payable-current	<u>18,334</u>	<u>4,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,667</u>
Total current liabilities	<u>272,344</u>	<u>163,556</u>	<u>2,921</u>	<u>2,481</u>	<u>7,117</u>	<u>448,419</u>
Noncurrent liabilities:						
Loans/notes payable	111,128	547,467	-	-	-	658,595
Certificates of participation payable	990,333	284,334	-	-	-	1,274,667
Net pension liability	<u>148,841</u>	<u>327,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>476,292</u>
Total noncurrent liabilities	<u>1,250,302</u>	<u>1,159,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,409,554</u>
Total liabilities	<u>1,522,646</u>	<u>1,322,808</u>	<u>2,921</u>	<u>2,481</u>	<u>7,117</u>	<u>2,857,973</u>
DEFERRED INFLOWS OF RESOURCES						
Pension related deferred inflows	5,391	11,861	-	-	-	17,252
Total deferred inflows of resources	<u>5,391</u>	<u>11,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,252</u>
NET POSITION						
Net investment in capital assets	682,168	4,701,416	2,413	-	887,715	6,273,712
Unrestricted (deficit)	<u>111,947</u>	<u>3,429,823</u>	<u>110,613</u>	<u>84,762</u>	<u>33,919</u>	<u>3,771,064</u>
Total net position	<u>\$ 794,115</u>	<u>\$ 8,131,239</u>	<u>\$ 113,026</u>	<u>\$ 84,762</u>	<u>\$ 921,634</u>	<u>\$ 10,044,776</u>

The accompanying notes are an integral part of these financial statements.

City of Gustine
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Business-Type Activities-Enterprise Funds					Totals
	Water	Sewer	Refuse	Storm Drain	Airport	
Operating Revenues						
Charges for services	\$ 1,025,136	\$ 1,482,558	\$ 517,987	\$ 41,771	\$ 144,499	\$ 3,211,951
From other agencies	-	-	-	-	23,269	23,269
Other revenues	-	18,564	-	-	40,371	58,935
Total operating revenues	<u>1,025,136</u>	<u>1,501,122</u>	<u>517,987</u>	<u>41,771</u>	<u>208,139</u>	<u>3,294,155</u>
Operating Expenses						
Salaries and benefits	450,737	360,500	36,552	18,722	36,362	902,873
Services, materials and supplies	639,643	567,876	480,200	26,572	144,193	1,858,484
Depreciation/amortization	140,384	196,921	-	-	59,202	396,507
Total operating expenses	<u>1,230,764</u>	<u>1,125,297</u>	<u>516,752</u>	<u>45,294</u>	<u>239,757</u>	<u>3,157,864</u>
Operating income (loss)	<u>(205,628)</u>	<u>375,825</u>	<u>1,235</u>	<u>(3,523)</u>	<u>(31,618)</u>	<u>136,291</u>
Nonoperating revenues (expenses):						
Interest income	7,924	64,817	539	1,179	363	74,822
Interest expense	(48,359)	(47,114)	-	-	-	(95,473)
Total Nonoperating revenue (expense)	<u>(40,435)</u>	<u>17,703</u>	<u>539</u>	<u>1,179</u>	<u>363</u>	<u>(20,651)</u>
Income before contributions and transfers	<u>(246,063)</u>	<u>393,528</u>	<u>1,774</u>	<u>(2,344)</u>	<u>(31,255)</u>	<u>115,640</u>
Capital contributions						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Change in Net Position	<u>(246,063)</u>	<u>393,528</u>	<u>1,774</u>	<u>(2,344)</u>	<u>(31,255)</u>	<u>115,640</u>
Net position, beginning	<u>1,040,178</u>	<u>7,737,711</u>	<u>111,252</u>	<u>87,106</u>	<u>952,889</u>	<u>9,929,136</u>
Net position, ending	<u>\$ 794,115</u>	<u>\$ 8,131,239</u>	<u>\$ 113,026</u>	<u>\$ 84,762</u>	<u>\$ 921,634</u>	<u>\$ 10,044,776</u>

The accompanying notes are an integral part of these financial statements.

City of Gustine
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Business-Type Activities-Enterprise Funds					Totals
	Water	Sewer	Refuse	Storm Drain	Airport	
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,063,745	\$ 1,500,344	\$ 530,126	\$ 42,486	\$ 196,502	\$ 3,333,203
Payments to suppliers	(633,480)	(596,250)	(486,746)	(26,707)	(144,897)	(1,888,080)
Payments to employees	(433,870)	(359,489)	(36,552)	(18,720)	(36,362)	(884,993)
Net cash provided/(used) by operating activities	(3,605)	544,605	6,828	(2,941)	15,243	560,130
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-
Net cash provided/(used) by noncapital financing activities	-	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal paid on loans, bonds and capital leases	(141,736)	(116,214)	-	-	-	(257,950)
Interest paid on loans, bonds and capital leases	(48,359)	(47,114)	-	-	-	(95,473)
Total nonoperating revenue (expense)	(190,095)	(163,328)	-	-	-	(353,423)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends on investments	7,924	64,817	539	1,179	363	74,822
Net cash provided by investing activities	7,924	64,817	539	1,179	363	74,822
Net increase/(decrease) in cash and cash equivalents	(185,776)	446,094	7,367	(1,762)	15,606	281,529
Cash and cash equivalents-beginning of year	385,171	3,123,395	30,026	83,567	9,570	3,631,729
Cash and cash equivalents-end of year	\$ 199,395	\$ 3,569,489	\$ 37,393	\$ 81,805	\$ 25,176	\$ 3,913,258
Reconciliation of operating income to net cash provided/(used) by operating activities:						
Operating income/(loss)	\$ (205,628)	\$ 375,825	\$ 1,235	\$ (3,523)	\$ (31,618)	\$ 136,291
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation/amortization expense	140,384	196,921	-	-	59,202	396,507
(Increase)/decrease in accounts receivable	38,609	(778)	12,139	715	(11,637)	39,048
(Increase)/decrease in deferred outflows - pension	2,324	20,540	-	-	-	22,864
Increase/(decrease) in accounts payable	(17,936)	(28,374)	(6,546)	(135)	(704)	(53,695)
Increase/(decrease) in accrued compensated absences	-	-	-	2	-	2
Increase/(decrease) in deposits	24,099	-	-	-	-	24,099
Increase/(decrease) in net pension liability	14,274	(18,232)	-	-	-	(3,958)
Increase/(decrease) in deferred inflows - pension	269	(1,297)	-	-	-	(1,028)
Total adjustments	202,023	168,780	5,593	582	46,861	423,839
Net cash provided/(used) by operating activities	\$ (3,605)	\$ 544,605	\$ 6,828	\$ (2,941)	\$ 15,243	\$ 560,130

Noncash investing, capital, and financing activities:

During the year there were no noncash activities.

The accompanying notes are an integral part of these financial statements.

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Gustine, California is a municipal corporation, operating as a general law city of the State of California and as such can exercise the powers specified by the constitution and laws of the State of California. The City is governed by an elected five-member City Council under the administration of an appointed City Manager. The City provides a full range of municipal services including police, fire, water, wastewater, storm drainage, solid waste, construction and maintenance of streets, planning and zoning, code enforcement, parks, recreation programs, and cultural activities.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effects of interfund activity have 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 of a 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 and proprietary funds. 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

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the statement of net position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources - This amount represents outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources - This amount represents inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

The government-wide financial statements are reported using the “economic resources” measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Fiduciary fund financial statements are reported using the accrual basis of accounting but do not have a measurement focus since agency funds and private-purpose funds are the only fiduciary funds the City reports. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirement 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

General Fund - 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.

Utility Tax Fund - used to account for the collection of utility user taxes.

The City reported the following major proprietary funds:

Water Fund - used to account for the operation and maintenance of the City’s water treatment and distribution system. Revenues are primarily user charges. Rates are set periodically by the City Council.

Sewer Fund - used to account for the operation and maintenance of the City’s wastewater treatment plant and collection facilities.

Refuse Fund - used to account for residential and commercial garbage collection and disposal.

Airport Fund - used to account for all airport grants as well as maintenance of the airport hangars.

Storm Drain Fund - used to account for the operation related to the city’s storm drain activities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The exception to this general rule is payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (concluded)

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 the proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, refuse, airport and storm drain enterprise funds are charges to customers for sales and services. The water and sewer enterprise fund recognize as operating revenue the fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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 government's policy to use restricted resources first, then unrestricted resources as they are needed

D. Assets, Liabilities, and Net Position or Equity

Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. This pool utilizes investments authorized by the Government Code and is further defined by the City's investment policy that is reviewed annually by the City Council.

Highly liquid market investments with maturities of 1 year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for the securities for which market quotations are readily available.

Authorized investments include deposits in the State of California administered Local Agency Investment Fund, insured certificates of deposits, collateralized certificates of deposits, commercial paper, bankers acceptances, medium term notes, money market mutual funds and securities backed by the U.S. Government. All investments are stated at fair value.

Interest income earned as a result of pooling is distributed to the appropriate funds based on month end cash balances in each fund. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

For purposes of the statement of cash flows, the City considers short term and highly liquid investments (including restricted assets) to be cash and cash equivalents.

The City invests its excess cash principally in U.S. Government Securities, U.S. Treasuries and the State of California Local Agency Investment Fund (LAIF). Investments in the LAIF are available for withdrawal on demand.

The City is also required to deposit funds with fiscal agents under the provisions of Revenue Bonds, Contracts and/or Lease Agreements. These funds are invested by the fiscal agent in instruments generally more restrictive than the City's investment policy.

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

Receivables

Billed but unpaid services provided to individuals or non-governmental entities are recorded as “receivables.” Services provided to other governmental entities are recorded as “due from other governments.” The City’s utility enterprise funds include an estimated amount for services rendered but not yet billed as of June 30, 2019, determined by prorating the July 2019 bi-monthly billing.

The City has not experienced any material write-off of receivables; and therefore, an “allowance for bad debts” is not included on the City’s balance sheets or statements of net position.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roadways), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000, and an estimated useful life of at least three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized

Donated assets include developer donated land as well as the improvements on the land including streets, curbs and gutters, sidewalks, street lighting and landscaping.

Property, plant and equipment of the primary government is depreciated over the estimated useful lives using the straight-line method, half-year convention. Estimated useful lives are as follows:

Distribution Systems	50 years
Roadways	50 years
Buildings	20-40 years
Vehicles	5-20 years
Other Equipment	3-10 years

Compensated Absences

The liability for vested leave (vacation, compensated time off, holiday) earned but not used in governmental funds is expensed and established as a liability and is reported in the government-wide statement of net position in the governmental activities column. Vested leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue. No liability is recorded for non-vesting leave such as sick leave.

Long-Term Liabilities

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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts not withheld from the actual debt proceeds received are reported as debt service expenditures. Discounts withheld from the debt proceeds are reported as other financing uses.

Pensions

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 plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

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. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Fund Balances

In the fund financial statements, governmental funds report components of fund balance based on constraints on the specific purposes for which amounts can be spent. "Nonspendable" fund balance is not in a spendable form or has a requirement to maintain intact. "Restricted" fund balance has externally enforceable limitations on its use such as restrictions from outside parties such as creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. "Committed" fund balance is constrained by limits imposed by the government's highest level of decision-making and can only be removed or modified by a formal action by that authority. "Assigned" fund balance is limited by City Council, the City Manager or the designated department head as delegated by City Council. "Unassigned" fund balance is the residual net resources. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

D. Assets, Liabilities, and Net Position or Equity (concluded)

The City will spend the funds restricted for their purpose within those funds first followed by assigned funds for their intended purposes prior to spending any unassigned funds.

The Utility Users Tax fund is the City's only major special revenue fund. This fund accounts for the collection of revenues from the utility users tax and the use of those funds.

Net Position

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

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

Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted - This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain 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. One element of that reconciliation explains that "capital assets are not current financial resources and therefore are not reported in the funds." The details of this \$8,891,672 difference are as follows:

Capital assets	\$ 24,152,336
Less accumulated depreciation	<u>(15,260,664)</u>
Net adjustment to increase fund balance – total governmental funds	
to arrive at <i>net position-governmental activities</i>	<u>\$ 8,891,672</u>

One element of that reconciliation explains that "long-term liabilities, including notes/loans payable and pension related amounts are not due and payable in the current period and therefore are not reported in the funds." The details of this \$2,291,811 difference are as follows:

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
 (concluded)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (concluded)

Accrued compensated absences	\$	75,586
Notes/loans payable		288,667
Pension related amounts:		
Net pension liability-governmental activities	\$	2,500,535
Deferred inflows of resources		90,573
Deferred outflows of resources		<u>(663,550)</u>
Net pension related amounts		1,927,558
Net adjustment to reduce fund balance-total governmental funds to arrive at <i>net position-governmental activities</i>		<u>1,927,558</u>
	\$	<u>2,291,811</u>

B. Explanation of Certain Differences Between the Governmental Fund 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 the government-wide statement of activities. One element of that reconciliation explains “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

The details of this \$(312,058) difference are as follows:

Capital asset additions	\$	-
Depreciation expense		<u>(328,353)</u>
Net adjustment to decrease <i>net changes in fund balance-total governmental funds</i> to arrive at <i>changes in net position-governmental activities</i>		<u>\$ (328,353)</u>

Other elements of that reconciliation state that “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.” The details of the \$(140,304) and \$4,333 differences are as follows:

Accrued compensated absences	\$	-
Pension expense		<u>(150,662)</u>
Net adjustment to increase <i>net changes in fund balance-total governmental funds</i> to arrive at <i>changes in net position-governmental activities</i>		<u>\$ (150,662)</u>
Principal payment on bonds payable	\$	<u>4,333</u>
Net adjustment to increase <i>net changes in fund balance-total governmental funds</i> to arrive at <i>changes in net position-governmental activities</i>		<u>\$ 4,333</u>

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

Development of the draft City budget is a collaborative process between the department heads of all departments of the City, the Finance Director and the City Manager. Each spring, each department head meets individually with the City Manager and Finance Director to review and update needs for routine expenditures and forecast new or one-time expenses to include in the upcoming fiscal budget. The City Manager and Finance Director work to forecast revenue based upon past performance and known circumstances in the community and the economy, as well as any projections available from the state or federal government.

The appropriated budget includes the funds the City Manager anticipates spending from in the coming fiscal year. The City Manager does not normally include in the budget document any funds where activity is not expected. The City Manager takes unexpected expenditures that arise after approval of the budget, or in funds not in the budget, to the Council for approval at its meetings throughout the fiscal year. The City Manager may make transfers of appropriations between departments and accounts within a specific fund within the budgeted totals for the fund.

The City Manager has the ultimate decision on what goes into the budget presented to the Council for approval.

The Council reviews the draft budget document as early as practical in the spring, normally during a regularly scheduled meeting. The Council must approve a budget prior to July 1 each year. When crucial information vital to the budget is not available to a quality that staff deems reliable enough to cover the entire fiscal year, the Council then approves a preliminary budget that staff operates under until the Council approves the revised and updated budget at a later meeting. Expenditures exceeded budgeted amounts in the General Fund by \$421,731.

B. Deficit Fund Equity

At June 30, 2019, deficit unrestricted net assets was reported for governmental activities in the amount of \$(1,619,799). The deficit is result of GASB 68 implementation for reporting net pension liabilities in the government-wide financial statement.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

LAIF	<u>\$ 6,069,184</u>
Subtotal investments	6,069,184
Cash on hand	192
Cash with banks	<u>2,599,359</u>
Total cash and investments	<u>\$ 8,668,735</u>

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Investments (continued)

Cash and investments as of June 30, 2019 consist of the following:

Cash and investments in City Treasury	\$ 8,668,735
Restricted cash and investments	-
Total cash and investments	\$ 8,668,735

Investments Authorized by the California Government Code. The table below identifies the investment types that are authorized for public funds of the City by the California Government Code. The table also identifies certain provisions of the California Government Code 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In one issuer</u>	<u>Minimum Rating</u>
Local Agency Investment Fund (LAIF)	N/A	None	None	None
Local agency bonds	5 years	None	None	None
U.S. Treasury obligations	5 years	None	None	None
U.S. agency obligations	5 years	None	None	None
Repurchase agreements	1 year	None	None	None
Reverse repurchase and securities lending agreements	92 days	20% of base value	None	None
Mutual funds	N/A	20%	10%	Aaa
Money market mutual funds	N/A	20%	10%	Aaa
Collateralized bank deposits	5 years	None	None	None
Mortgage pass-through securities	5 years	20%	None	AA
Bankers acceptance	180 days	40%	30%	None
Commercial paper	270 days	25%	10%	A1/P1
Negotiable certificates of deposit	5 years	30%	None	None
Medium term bank notes / corp bonds	5 years	30%	None	A
Time deposits	5 years	None	None	None
Joint Powers Authority Pool	N/A	None	None	None
County pooled investment	N/A	None	None	None

Investments Authorized by Debt Agreements. Investment 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. 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In one issuer</u>	<u>Minimum Rating</u>
Local Agency Investment Fund Qualified	N/A	None	None	None
Mutual Funds	N/A	None	None	None
Money Market Accounts	N/A	None	None	None
U.S. Treasury obligations	5 years	None	None	None
U.S. agency obligations	5 years	None	None	None

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Investments (continued)

Disclosures Relating 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. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided in the table below that shows the distribution of the City's investment by maturity.

Investment Type	Amount	Weighted Average Maturity (in years)
Local Agency Investment Fund (LAIF)	\$ 6,069,184	N/A
Total	\$ 6,069,184	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations. The City's investments (including investments held by bond trustees) do not include any investments that are highly sensitive to interest rate fluctuations to a greater degree than already indicated in the information provided above.

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 California Government Code or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Rating	Minimum Rating Required	Ratings as of Year End			
			Amount	AAA	AA	A
LAIF		N/A	\$ 0	\$ 0	\$ 0	\$ 6,069,184
Total			\$ 0	\$ 0	\$ 0	\$ 6,069,184

Concentration of Credit Risk. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There was no investment in any one issuer (other than mutual funds, and external investment pools) that represents 5% or more of total City investments.

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 broker or dealer to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party.

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Investments (concluded)

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 provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool. The City's investments with Local Agency Investment Fund (LAIF) at June 30, 2019 included a portion of the pooled funds invested in Structured Notes and Assets-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities. the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2019, the City had \$6,069,184 invested in LAIF, which had invested 1.89% of the pool investment funds in Structured Notes and Asset-Backed Securities and 0.78% of pool investment funds in Short-term Asset-Backed Commercial Paper.

The fair value of the City's position in the LAIF pool is the same as the value of the pool shares.

The Pooled Money Investment Board provides oversight to the State Treasurer's pooled investment program. The purpose of the board is to design and administer an effective cash management and investment program, using all monies flowing through the State Treasurer's Office bank accounts and keeping all available funds invested in a manner consistent with the goals of safety, liquidity, and yield. The Pooled Money Investment Board is comprised of the State Treasurer as chair, the State Controller, and the Director of Finance. The investment program is not registered with the Securities and Exchange Commission as an investment company.

The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program generally is based on quoted market prices. The value of the deposits in the State Treasurer's pooled investment program, including the Local Agency Investment Fund, is equal to the dollars deposited in the program.

Certain funds have elected to participate in the pooled investment program even though they have the authority to make their own investments. Others may be required by legislation to participate in the program; as a result, the deposits of these funds or accounts may be considered involuntary. However, these funds or accounts are part of the State's reporting entity. The remaining participation in the pool, the Local Agency Investment Fund, is voluntary.

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

B. Property Taxes

Secured property taxes become a lien on the property as of January 1 and are levied in two equal installments - the first due November 1 and delinquent on December 11, and the second due February 1 and delinquent April 11. Property taxes on unsecured property are due on the lien date of March 1 and become delinquent on September 1. The County of Merced is responsible for the assessment, collection and apportionment for all jurisdictions within the County, including the City of Gustine.

C. Interfund Receivables, Payables and Transfers

Interfund balances for the purpose of the government-wide financial statements have been eliminated.

The composition of interfund balances in the fund level statements as of June 30, 2019, is as follows:

Transfers In	Transfers Out	Purpose	Amount
General Fund	Special Revenue Fund	Program Support	\$ 206,170
		Total transfers	\$ 206,170

D. Capital Assets

Summary of change in capital assets for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Government Funds:				
Land (not depreciated)	\$ 71,310	-	-	\$ 71,310
Buildings	2,844,605	-	-	2,844,605
Road network	20,000,000	-	-	20,000,000
Equipment	1,236,421	-	-	1,236,421
Subtotal	24,152,336	\$ -	\$ -	24,152,336
Less: accumulated depreciation	(14,932,311)			(15,260,664)
Net book value	\$ 9,220,025			\$ 8,891,672
	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Enterprise Funds:				
Land (not depreciated)	\$ 2,933,628	-	-	\$ 2,933,628
Plant and improvement	12,839,763	-	-	12,839,763
Machinery and Equipment	2,313,258	-	-	2,313,258
Subtotal	18,086,649	\$ -	\$ -	18,086,649
Less: accumulated depreciation	(9,212,912)			(9,609,419)
Net book value	\$ 8,873,737			\$ 8,477,230

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets (concluded)

Depreciation/amortization expense was charged to functions as follows:

Governmental activities depreciation expense:		
Transportation	\$	328,353
Total governmental activities depreciation expense	\$	<u>328,353</u>
Business-type activities depreciation expense:		
Water	\$	140,384
Sewer		196,921
Airport		<u>59,202</u>
Total business-type activities depreciation expense	\$	<u>96,507</u>

E. Long-term Debt

Summary of change in long-term debt for the year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>
Government Activities:					
Certificates of participation	\$ 293,000	\$ -	\$ 4,333	\$ 288,667	\$ 4,333
Compensated absences	75,586	-	-	75,586	-
Net pension liability	<u>2,550,411</u>	<u>-</u>	<u>49,876</u>	<u>2,500,535</u>	<u>-</u>
Total	<u>\$ 2,918,997</u>	<u>\$ -</u>	<u>\$ 54,209</u>	<u>\$ 2,864,788</u>	<u>\$ 4,333</u>
	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>
Business-type Activities:					
Loans/notes payable	\$ 1,141,468	\$ -	\$ 739,104	\$ 402,364	\$ 180,108
Certificates of participation	1,320,000	481,153	-	1,801,153	90,147
Compensated absences	95,931	-	-	95,931	-
Net pension liability	<u>480,250</u>	<u>-</u>	<u>3,958</u>	<u>476,292</u>	<u>-</u>
Total	<u>\$ 3,037,649</u>	<u>\$ 481,153</u>	<u>\$ 743,062</u>	<u>\$ 2,775,740</u>	<u>\$ 270,255</u>

Governmental activities long-term debt

2011 COP - City Hall Project

On November 1, 2011, the City agreed to issue certificates of participation in the amount of \$950,000. The proceeds from this issue were used to finance a portion of the cost of construction and remodeling associated with the city hall project. The certificates are being repaid one-third each by Water Enterprise, Sewer Enterprise and the General Fund. The certificates have an interest rate of 3.75% and the final payment is scheduled for November 1, 2051. The governmental activity's balance outstanding as of June 30, 2019 was \$293,000.

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. Long-term Debt (continued)

The annual debt service requirements for the government activities share of city hall project certificates of participation payable outstanding at June 30, 2019, are as follows:

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 14,000	\$ 32,213	\$ 46,213
2021	14,000	31,688	45,688
2022	15,000	31,144	46,144
2023	15,000	30,581	45,581
2024	16,000	30,000	46,000
2025	16,000	29,400	45,400
2026	17,000	28,781	45,781
2027	18,000	28,125	46,125
2028	18,000	27,450	45,450
2029	19,000	26,756	45,756
2030	20,000	26,025	46,025
2031	20,000	25,275	45,275
2032	21,000	24,506	45,506
2033	22,000	23,700	45,700
2034	23,000	22,856	45,856
2035	24,000	21,975	45,975
2036	25,000	21,056	46,056
2037	26,000	20,100	46,100
2038	27,000	19,106	46,106
2039	28,000	18,075	46,075
2040	29,000	17,006	46,006
2041	30,000	15,900	45,900
2042	31,000	14,756	45,756
2043	32,000	13,575	45,575
2044	33,000	12,356	45,356
2045	34,000	11,100	45,100
2046	36,000	9,787	45,787
2047	37,000	8,419	45,419
2048	38,000	7,013	45,013
2049	40,000	5,550	45,550
2050	41,000	4,031	45,031
2051	43,000	2,456	45,456
2052	44,000	825	44,825
Net long-term portion	<u>\$ 866,000</u>	<u>\$ 641,586</u>	<u>\$ 1,507,586</u>

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. Long-term Debt

Business-type activities long-term debt

Notes/loans payable

1999 State Water Resource Control Board (SWRCB) - Sewer system improvements

In September 1999, the City entered into a loan agreement with the State Water Resource Control Board to borrow \$802,463. The proceeds were used to finance improvements to the City's municipal sewer system. The loan has an interest rate of 2.20% and the final payment is scheduled for January 29, 2020.

The annual debt service requirements for the SWRCB loan payable outstanding at June 30, 2019, are as follows:

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 41,474	\$ 912	\$ 42,386
Total	<u>\$ 41,474</u>	<u>\$ 912</u>	<u>\$ 42,386</u>

2004 Water System Note Payable

In March 2004 the City entered into an infrastructure loan agreement with City National Bank in the amount of \$1,368,300. The proceeds from this issue were used to refund a prior note payable that was used to finance water infrastructure improvements. The note has an interest rate of 4.95% and the final payment is scheduled for June 16, 2020.

The annual debt service requirements for the water system note payable outstanding at June 30, 2019, are as follows:

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 122,300	\$ 4,559	\$ 126,859
Total	<u>\$ 122,300</u>	<u>\$ 4,559</u>	<u>\$ 126,859</u>

2006 Sewer System Note Payable

On September 20, 2006, the City entered into a loan agreement with Citizens Business Bank in the amount of \$1,154,500. The proceeds from this issue were used to refund a prior note payable that was used to finance sewer system improvements. The note has an interest rate of 4.95% and the final payment is scheduled for October 17, 2025. The annual debt service requirements for the business-type activity's share of city hall project certificates of participation payable outstanding at June 30, 2019, are as follows:

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 67,481	\$ 24,114	\$ 91,595
2021	70,862	20,733	91,595
2022	74,414	17,181	91,595
2023	78,143	13,452	91,595
2024	82,058	9,536	91,594
2025	86,171	5,424	91,595
2026	44,691	1,106	45,797
Total	<u>\$ 503,820</u>	<u>\$ 91,546</u>	<u>\$ 595,366</u>

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. Long-term Debt (continued)

2010 Vierra Loan Payable

In February 2010 the City entered into a note payable in the amount of \$350,000. The proceeds from the note were used to purchase property for the water and sewer enterprises. The note payable has an interest rate of 6.25% and the final payment is scheduled for January 2030. The note is being repaid with monthly payments of \$2,558.

The annual debt service requirements for the note payable outstanding at June 30, 2019, are as follows:

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 16,334	\$ 14,365	\$ 30,699
2021	17,384	13,315	30,699
2022	18,502	12,197	30,699
2023	19,692	11,007	30,699
2024	20,959	9,740	30,699
2025	22,307	8,392	30,699
2026	23,742	6,957	30,699
2027	25,269	5,430	30,699
2028	26,895	3,804	30,699
2029	28,624	2,074	30,698
2030	<u>18,882</u>	<u>367</u>	<u>19,249</u>
Total	<u>\$ 238,590</u>	<u>\$ 87,648</u>	<u>\$ 326,238</u>

2012 USDA Certificates of Participation - Water System Improvements

On June 1, 2012, the City agreed to issue certificates of participation in the amount of \$800,000. The proceeds from this issue were used to finance improvements to the City's municipal water system. The certificates have an interest rate of 2.75% and the final payment is scheduled for July 1, 2052. The balance outstanding as of June 30, 2019 was \$734,000.

The annual debt service requirements for the water system improvement certificates of participation payable outstanding at June 30, 2019, are as follows:

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4 - DETAILED NOTES ON ALL FUNDS (concluded)

E. Long-term Debt (concluded)

<u>Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 14,000	\$ 19,607	\$ 33,607
2021	14,000	19,223	33,223
2022	15,000	18,824	33,824
2023	15,000	18,411	33,411
2024	15,000	17,999	32,999
2025	15,000	17,586	32,586
2026	16,000	17,160	33,160
2027	16,000	16,720	32,720
2028	16,000	16,280	32,280
2029	17,000	15,826	32,826
2030	17,000	15,359	32,359
2031	17,000	14,891	31,891
2032	18,000	14,410	32,410
2033	18,000	13,915	31,915
2034	18,000	13,420	31,420
2035	19,000	12,911	31,911
2036	19,000	12,389	31,389
2037	19,000	11,866	30,866
2038	20,000	11,330	31,330
2039	20,000	10,780	30,780
2040	21,000	10,216	31,216
2041	21,000	9,639	30,639
2042	22,000	9,048	31,048
2043	22,000	8,443	30,443
2044	27,000	7,679	34,679
2045	28,000	7,013	35,013
2046	28,000	6,243	34,243
2047	29,000	5,459	34,459
2048	29,000	4,661	33,661
2049	30,000	3,850	33,850
2050	30,000	3,025	33,025
2051	31,000	2,186	33,186
2052	32,000	1,320	33,320
2053	32,000	440	32,440
Total	<u>\$ 720,000</u>	<u>\$ 388,129</u>	<u>\$ 1,108,129</u>

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 - PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2016 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic miscellaneous member becomes eligible for Service Retirement upon attainment of age 55 with at least 5 years of credited service. PEPPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. A classic safety member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service. PEPPRA safety members become eligible for service retirement upon attainment of age 57 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay. Retirement benefits for classic miscellaneous employees are calculated as 2.5% of the average final 36 months compensation. Retirement benefits for PEPPRA miscellaneous employees are calculated as 2.0% of the average final 36 months compensation. Retirement benefits for classic safety employees are calculated as 3.0% of the average final 36 months compensation. Retirement benefits for PEPPRA safety employees are calculated as 2.7% of the average final 36 months compensation.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees. The City provides industrial disability retirement benefit to safety employees. The industrial disability retirement benefit is a monthly allowance equal to 50 percent of final compensation.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 5 - PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Employees Covered by Benefit Terms

At June 30, 2019 the following employees were covered by the benefit terms:

	Plans		Safety (PEPRA)
	Miscellaneous	Safety	
Active employees	15	8	2
Transferred and terminated employees	18	13	0
Retired Employees and Beneficiaries	18	25	0
Total	51	46	2

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. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change as plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

Also on August 31, 2012 the California Legislature passed AB 340, the Public Employees' Pension Reform Act of 2013 (PEPRA). As part of this reform, "new members" hired starting January 1, 2013 will have to pay their required employee contribution. Since their benefit level is much lower than the "classic members" their contribution rate is also lower. PEPRA defines "new member" as an employee hired on or after January 1, 2013 who falls into one of the following:

1. Has no prior membership in any California public retirement system,
2. Has prior membership with another California public retirement system that has no reciprocity with CalPERS; or
3. Has an established membership with CalPERS prior January 1, 2013 and is re-hired by a different CalPERS employer after a break in service of greater than six months.

For the measurement date year ended June 30, 2019, the plan's contribution and the proportionate share of aggregate employer contributions of the cost-sharing plan made for each plan was as follows:

	Total
Contributions - employer	\$341,654

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the City reported net pension liabilities for its proportionate share for each plan as follows:

	Total
Proportionate share of net pension liability	\$2,976,827

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 - PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

The City's net pension liability for each plan is measured as the proportionate share of the net pension liability.

The net pension liability of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2017). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2019). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (fiscal year 2017).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The City's proportionate share of the net pension liability for each plan as of June 30, 2018 was as follows:

Proportion June 30, 2018	<u>All Plans</u> 0.03089%
--------------------------	------------------------------

For the measurement year ended June 30, 2018, the City recognized pension expense credit of (\$510,197). At June 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 5 - PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 341,654	\$ -
Differences between actual and expected experience	74,842	5,999
Changes in assumptions	312,917	58,693
Change in employer proportion	23,739	29,611
Net difference between projected and actual earnings	17,758	-
Differences between actual contributions and proportionate share of contributions	19,030	13,522
Total	\$ 789,940	\$ 107,825

The \$341,654 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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

Year Ended June 30

2020	\$ 289,432
2021	167,604
2022	(93,242)
2023	(23,332)
Thereafter	-

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2017 and the June 30, 2018 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal in accordance with the requirement of GASB Statement 68.
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.00% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. Mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2%

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 5 - PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>Asset Class</u>	<u>Allocation</u>
Global Equity	51.0%
Global Fixed Income	20.0%
Inflation Sensitive	6.0%
Private Equity	10.0%
Real Estate	12.0%
Liquidity	<u>1.0%</u>
Total	<u><u>100.00%</u></u>

The discount rate used to measure the total pension liability was 7.15% for the plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 Section.

The long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. The difference was deemed immaterial to the Public Agency Cost Sharing Multiple-Employer Defined Benefit Pension Plan.

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 5 - PUBLIC EMPLOYEES RETIREMENT SYSTEM (concluded)

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

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

All Plan's Net Pension Liability /(Asset)		
Discount Rate – 1%	Current Discount Rate	Discount Rate + 1%
(6.15%)	(7.15%)	(8.15%)
\$ 4,493,442	\$ 2,976,827	\$ 1,729,939

Pension Plan Fiduciary Net Position

Detailed information about the Plans' fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 4 - OTHER INFORMATION

A. Self-Insurance

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each worker's compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$10,000 and workers' compensation losses under \$10,000. The CSJVRMA participates in an excess pool, which provides generally liability coverage from \$1,000,000 to \$10,000,000. The CSJVRMA participates in an excess pool, which provides Worker's Compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-four (54) cities in San Joaquin Valley, California. It was established under provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The annual financial report may be obtained from the consortium's executive office at 6371 Auburn Blvd., Citrus Heights, California 95621.

B. Contingent liabilities

The City participates in a number of federal, state and local grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs for earlier years and the year ended June 30, 2019 have not been completed in all cases; accordingly, final determination of the City's compliance with applicable grant requirements may be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City believes any such claims would be immaterial to the City's financial position at June 30, 2019. Receipt of these grant revenues is not assured in the future.

City of Gustine
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 - SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, have declared a state of emergency and issued shelter-in-place orders in response to the outbreak. Since all City staff are considered “essential”, the immediate impact to the City’s operations includes new restrictions on employees’ work location, dividing the operations and maintenance staff into two separate and isolated teams and planning heightened sanitation awareness requirements on office staff. It is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

REQUIRED SUPPLEMENTARY INFORMATION

City of Gustine
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance over/(under) budget
REVENUES				
Property taxes	\$ 565,157	\$ 565,157	\$ 591,636	\$ 26,479
Sales taxes	602,232	602,232	645,826	43,594
Business licenses/franchise fee	390,000	390,000	412,257	22,257
Other taxes	84,000	84,000	77,043	(6,957)
Licenses and permits	145,475	145,475	166,321	20,846
Fines and forfeitures	9,000	9,000	16,123	7,123
Use of money and property	34,482	34,482	63,361	28,879
From other agencies	126,000	126,000	166,984	40,984
Charges for services	23,860	23,860	284,949	261,089
Other revenue	53,098	53,098	162,210	109,112
Total revenue	<u>2,033,304</u>	<u>2,033,304</u>	<u>2,586,710</u>	<u>553,406</u>
EXPENDITURES				
General government	245,440	245,440	229,783	15,657
Public safety	1,637,155	1,637,155	1,574,175	62,980
Community development	57,939	57,939	138,249	(80,310)
Cultural and recreation	115,193	115,193	535,251	(420,058)
Total expenditures	<u>2,055,727</u>	<u>2,055,727</u>	<u>2,477,458</u>	<u>(421,731)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,423)</u>	<u>(22,423)</u>	<u>109,252</u>	<u>131,675</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	44,795	-	206,170	206,170
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>44,795</u>	<u>-</u>	<u>206,170</u>	<u>206,170</u>
Net changes in fund balances	22,372	(22,423)	315,422	337,845
Fund balances-beginning	<u>1,063,349</u>	<u>1,063,349</u>	<u>1,063,349</u>	<u>-</u>
Fund balances-ending	<u>\$ 1,085,721</u>	<u>\$ 1,040,926</u>	<u>\$ 1,378,771</u>	<u>\$ 337,845</u>

City of Gustine
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
UTILITY TAX FUND
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance over/(under) budget
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Business licenses/franchise fee	-	-	-	-
Other taxes	251,221	251,221	239,099	(12,122)
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	9,531	9,531
From other agencies	-	-	-	-
Charges for services	5,000	5,000	3,938	(1,062)
Other revenue	2,300	2,300	1,334	(966)
Total revenue	<u>258,521</u>	<u>258,521</u>	<u>253,902</u>	<u>(4,619)</u>
EXPENDITURES				
General government	-	-	-	-
Public Safety	-	-	-	-
Community development	-	-	-	-
Cultural and recreation	-	-	76,720	(76,720)
Total expenditures	<u>-</u>	<u>-</u>	<u>76,720</u>	<u>(76,720)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>258,521</u>	<u>258,521</u>	<u>177,182</u>	<u>(81,339)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	32,000	-	-	-
Transfers out	-	-	(206,170)	(206,170)
Total other financing sources (uses)	<u>32,000</u>	<u>-</u>	<u>(206,170)</u>	<u>(206,170)</u>
Net changes in fund balances	<u>290,521</u>	<u>258,521</u>	<u>(28,988)</u>	<u>(287,509)</u>
Fund balances-beginning	<u>698,307</u>	<u>698,307</u>	<u>698,307</u>	<u>-</u>
Fund balances-ending	<u>\$ 988,828</u>	<u>\$ 956,828</u>	<u>\$ 669,319</u>	<u>\$ (287,509)</u>

City of Gustine
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)
 June 30, 2019
 Last ten fiscal years*

<u>Fiscal Year End</u>	<u>2019</u>	<u>2018</u>
<u>Measurement Date, June 30</u>	<u>2018</u>	<u>2017</u>
Proportion of the net pension liability	0.03089%	0.03056%
Proportion share of the net pension liability	\$ 2,976,827	\$ 3,030,661
Covered - employee payroll *	\$ 815,433	\$ 1,054,690
Proportionate share of the net pension liability as percentage of covered-employee payroll	365.06%	287.35%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.31%

Notes to Schedule:

Fiscal year 2015 was the 1st year of implementation.

Changes of Assumptions: There were no changes of assumptions.

*For the year ending on the measurement date.

City of Gustine
SCHEDULE OF CONTRIBUTIONS
 June 30, 2019

<u>Fiscal Year End</u>	2019	2018
Contractually required contribution (actuarially determined)	\$ 341,654	\$ 308,533
Contributions in relation to the actuarially determined contributions	(341,654)	(308,533)
Contribution deficiency (excess)	\$ -	\$ -
 Covered - employee payroll*	 \$ 1,175,247	 \$ 815,433
 Contributions as a percentage of covered-employee payroll	 29.07%	 37.84%

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool.

Changes of Assumptions: There were no changes of assumptions.

Fiscal year 2015 was the 1st year of implementation.

*For the year ending on the measurement date.

OTHER SUPPLEMENTARY INFORMATION

City of Gustine
COMBINING BALANCE SHEETS
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Total Non-Major		Total
	Special	Debt	Other
	Revenue Funds	Service Funds	Governmental Funds
ASSETS			
Cash and investments	\$ 2,626,864	\$ -	\$ 2,626,864
Cash with agents-restricted	-	-	-
Receivables	-	-	-
Due from other governments	-	-	-
Due from other funds	33,084	-	33,084
Total assets	\$ 2,659,948	\$ -	\$ 2,659,948
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 53,755	\$ -	\$ 53,755
Due to other governments	-	33,084	33,084
Due to other funds	-	-	-
Deposit and other liabilities	-	-	-
Unearned revenue	-	-	-
Total liabilities	53,755	33,084	86,839
 Fund balances:			
Nonspendable:			
Assets held for resale	-	-	-
Long-term receivables	-	-	-
Restricted for:			
Capital projects	2,383,266	-	2,383,266
Community development	222,927	-	222,927
Debt service	-	-	-
Law enforcement	-	-	-
Assigned for:			
Services, material and supplies	-	-	-
Capital	-	-	-
Emergencies	-	-	-
Unassigned, reported in:			
General fund	-	(33,084)	(33,084)
Total fund balances	2,606,193	(33,084)	2,573,109
Total liabilities and fund balances	\$ 2,659,948	\$ -	\$ 2,659,948

City of Gustine
OTHER NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

	<u>Total Non-Major</u>		Total
	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Other Governmental Funds</u>
REVENUES			
Property taxes	\$ 91,272	\$ -	\$ 91,272
Sales taxes	-	-	-
Business licenses/franchise fee	-	-	-
Other taxes	-	-	-
Licenses and permits	3,624	-	3,624
Fines and forfeitures	-	-	-
Use of money and property	39,279	-	39,279
From other agencies	597,162	-	597,162
Charges for services	160,917	-	160,917
Other revenue	56,025	-	56,025
Total revenue	<u>948,279</u>	<u>-</u>	<u>948,279</u>
EXPENDITURES			
Current:			
General government	371	-	371
Public safety	568	-	568
Transportation	373,286	-	373,286
Community development	214,166	-	214,166
Cultural and recreation	925	-	925
Debt service			
Principal	-	4,333	4,333
Interest	-	10,904	10,904
Capital outlays	-	-	-
Total expenditures	<u>589,316</u>	<u>15,237</u>	<u>604,553</u>
Excess (deficiency) of revenues over (under) expenditures	<u>358,963</u>	<u>(15,237)</u>	<u>343,726</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>358,963</u>	<u>(15,237)</u>	<u>343,726</u>
Fund balances-beginning	<u>2,247,230</u>	<u>(17,847)</u>	<u>2,229,383</u>
Fund balances-ending	<u>\$ 2,606,193</u>	<u>\$ (33,084)</u>	<u>\$ 2,573,109</u>

City of Gustine
COMBINING BALANCE SHEETS
SPECIAL REVENUE FUNDS
 June 30, 2019

	CDBG	Gas Tax Sidewalk Maintenance	Re-development Housing	Borrelli Asmt District	Southport Asmt District	Separate Impact Fees	Measure V	Total Non-Major SRF
ASSETS								
Cash and investments	\$ 223,018	\$ 867,617	\$ (91)	\$ (63,603)	\$ 24,586	\$ 1,148,690	\$ 459,731	\$ 2,659,948
Cash with agents-restricted	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Total assets	<u>\$ 223,018</u>	<u>\$ 867,617</u>	<u>\$ (91)</u>	<u>\$ (63,603)</u>	<u>\$ 24,586</u>	<u>\$ 1,148,690</u>	<u>\$ 459,731</u>	<u>\$ 2,659,948</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,755	\$ 53,755
Due to other governments	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Deposit and other liabilities	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,755</u>	<u>53,755</u>
Fund balances:								
Nonspendable:								
Assets held for resale	-	-	-	-	-	-	-	-
Long-term receivables	-	-	-	-	-	-	-	-
Restricted for:								
Capital projects	-	867,617	-	(63,603)	24,586	1,148,690	405,976	2,383,266
Community development	223,018	-	(91)	-	-	-	-	222,927
Debt service	-	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-	-
Assigned for:								
Services, material and supplies	-	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-	-
Emergencies	-	-	-	-	-	-	-	-
Unassigned, reported in:								
General Fund	-	-	-	-	-	-	-	-
Total fund balances	<u>223,018</u>	<u>867,617</u>	<u>(91)</u>	<u>(63,603)</u>	<u>24,586</u>	<u>1,148,690</u>	<u>405,976</u>	<u>2,606,193</u>
Total liabilities and fund balances	<u>\$ 223,018</u>	<u>\$ 867,617</u>	<u>\$ (91)</u>	<u>\$ (63,603)</u>	<u>\$ 24,586</u>	<u>\$ 1,148,690</u>	<u>\$ 459,731</u>	<u>\$ 2,659,948</u>

City of Gustine
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2019

	CDBG	Gas Tax Transportation Sidewalk Maintenance	Redevelopment Housing	Borrelli Asmt District	Southport Asmt District	Separate Impact Fees	Measure V	Total Non-Major Special Revenue
REVENUES								
Property taxes	\$ -	\$ -	\$ 91,272	\$ -	\$ -	\$ -	\$ -	\$ 91,272
Sales taxes	-	-	-	-	-	-	-	-
Business licenses/franchise fee	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	3,624	-	-	-	-	-	3,624
Fines and forfeitures	-	-	-	-	-	-	-	-
Use of money and property	3,215	12,506	-	-	357	16,573	6,628	39,279
From other agencies	-	362,955	-	-	-	-	234,207	597,162
Charges for services	-	-	-	14,207	3,877	142,833	-	160,917
Other revenue	56,025	-	-	-	-	-	-	56,025
Total revenue	59,240	379,085	91,272	14,207	4,234	159,406	240,835	948,279
EXPENDITURES								
Current:								
General government	-	-	-	-	-	371	-	371
Public Safety	-	-	-	-	-	568	-	568
Transportation	-	241,861	-	30,812	275	14,071	86,267	373,286
Community development	214,166	-	-	-	-	-	-	214,166
Cultural and recreation	-	-	-	-	-	925	-	925
Capital outlays	-	-	-	-	-	-	-	-
Total expenditures	214,166	241,861	-	30,812	275	15,935	86,267	589,316
Excess (deficiency) of revenues over (under) expenditures	(154,926)	137,224	91,272	(16,605)	3,959	143,471	154,568	358,963
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net changes in fund balances	(154,926)	137,224	91,272	(16,605)	3,959	143,471	154,568	358,963
Fund balances-beginning	377,944	730,393	(91,363)	(46,998)	20,627	1,005,219	251,408	2,247,230
Fund balances-ending	\$ 223,018	\$ 867,617	\$ (91)	\$ (63,603)	\$ 24,586	\$ 1,148,690	\$ 405,976	\$ 2,606,193

OTHER REPORTS

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

To the Honorable Members
of the City Council
City of Gustine
Gustine, California

We have audited the basic financial statements of City of Gustine as of and for the year ended June 30, 2019, and have issued our report thereon dated May 20, 2020. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Gustine's internal control over financial reporting as a basis for designing our auditing procedures, for the purpose of expressing our opinion on City of Gustine's financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Gustine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Gustine's internal control over financial reporting.

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

Compliance and Other Matters

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

To the Honorable Members of the City Council
City of Gustine - Page 2

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 City of Gustine's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gustine's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
May 20, 2020

CITY OF GUSTINE

**CITY COUNCIL
&
MANAGEMENT REPORT**

**For the Year Ended
JUNE 30, 2019**

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Members
of the City Council
City of Gustine
Gustine, California

In planning and performing our audit of the basic financial statements of City of Gustine for the fiscal year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of City of Gustine's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider material weaknesses, as defined above.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist City of Gustine in implementing the recommendations.

This report is intended solely for the information and use of management and City Council of City of Gustine and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank City of Gustine's staff for its cooperation during our audit.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
May 20, 2020

To the Honorable Members
of the City Council
City of Gustine
Gustine, California

We have audited the basic financial statements of City of Gustine for the year ended June 30, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 14, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of City of Gustine. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Gustine are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by City of Gustine during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole. The most sensitive estimate(s) affecting the basic financial statements were:

- Accrual and disclosure of compensated absences;
- Capital asset lives and depreciation expense;
- Actuarial assumptions for pension plan disclosure;
- Accrual and disclosure of leases;
- Fair value of investments and financial instruments.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements (Audit Adjustments)

Professional standards require us to accumulate all known and likely misstatements (audit adjustments) identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The 10 audit adjustment detected as a result of audit procedures and corrected by management were material to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors’ report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 20, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to City of Gustine’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Gustine’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule for the General Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This report is intended solely for the information and use of management and City Council of City of Gustine and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

City of Gustine
CITY COUNCIL & MANAGEMENT REPORT
For the Year Ended June 30, 2019

Current Year Observations

1) Bank Reconciliation Approval

Observation:

During the course of our audit of City of Gustine (the City), we noted that the preparer and reviewer of the reconciliation and related statements was not documented.

Recommendation:

We recommend the reviewer and preparer of the monthly bank reconciliations and related statements initial the reconciliation and related statements to document the internal control process.

2) Xpress Utility Bill Pay Account

Observation:

During the course of our audit we noted the Xpress Utility Bill Pay Account was not reconciled to the general ledger on a monthly basis.

Recommendation:

We recommend the reviewer and preparer of the monthly Xpress Utility Bill Pay account statement ensure this is reconciled to the City's general ledger on a monthly basis.

3) Utility Customer Accounts Receivable Ledger

Observation:

During the course of our audit we noted the Utility Customer Accounts Receivable Ledger was not reconciled to the general ledger on a monthly basis.

Recommendation:

We recommend the reviewer and preparer of the monthly Utility Customer Accounts Receivable Ledger ensure this is reconciled to the City's general ledger on a monthly basis.

Prior Year Observations

1) Check Signing and Finance Department Oversight

Observation:

During the course of our audit we noted that certain employees in the finance department can print signed checks. We also noted the Finance Director is not present in the City offices every day and staff performing critical accounting and finance functions will not be properly supervised on days when the Finance Director is not onsite. This increases the risk of errors and fraud.

City of Gustine
CITY COUNCIL & MANAGEMENT REPORT
For the Year Ended June 30, 2019

Recommendation:

We recommended the City consider changing their accounting software so one employee can not print a signed check without another employee entering an approval code. We also recommended the City appoint another department to supervise the accounting and finance staff when the Finance Director is not present.

Status:

This recommendation has not been implemented.

2) Fund 60 Water UB Overpayment

Observation:

During the course of our audit we noted the City's fund 60 utility billing overpayment account has not been reconciled to the supporting documents.

Recommendation:

We recommended the City consider reconciling the utility overpayment account to related supporting documents.

Status:

This recommendation has not been implemented.

3) Vendor Invoice Approval

Observation:

During the course of our audit we noted that on certain vendor invoices, related department head approval was not documented.

Recommendation:

We recommended department head approval of vendor invoices be documented by signing or initialing the vendor invoice.

Status:

This recommendation has not been implemented.

4) Payroll Tax Return Reconciliation

Observation:

During the course of our audit we noted the City does not reconcile salary and tax amounts on the quarterly payroll tax returns to the general ledger.

Recommendation:

We recommended the City reconcile salary and tax amounts on the quarterly payroll tax returns to the general ledger on a quarterly basis.

City of Gustine
CITY COUNCIL & MANAGEMENT REPORT
For the Year Ended June 30, 2019

Status:

This recommendation has not been implemented.

5) City Pool Cash Receipts and Concession Inventory

Observation:

During the course of the audit we noted that the City pool daily receipts summary sheet does not document the pool manager's review. We also noted there are no formal perpetual inventory records for pool and special events concession items.

Recommendation:

We recommended the City have the pool manager document their review of the daily receipts by signing the daily summary sheet. We also recommended the City consider manually tracking daily purchases and sales of concession items and have the pool and special events managers document their review of the inventory sheets by signing the sheet.

Status:

This recommendation has not been implemented.

6) Electronic Payments

Observation:

During the course of our audit we noted the City's electronic payments are not formally approved.

Recommendation:

We recommended the City consider creating an approval sheet that is signed off by two check signers prior to payment for all electronic or ACH payments. Also an ACH disbursement list should be added to the warrant list to be approved at each City Council meeting.

Status:

This recommendation has not been implemented.