

CITY OF GONZALES

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Gonzales, 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 the City of Gonzales, California, (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 46 through 48 and the Schedule of the City's Proportionate Share of Net Pension Liability and the Schedule of Contributions pages 49 and 50 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.

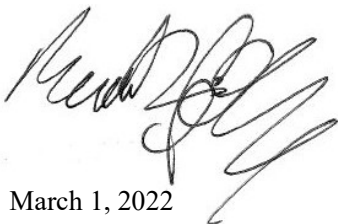
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022 on our consideration of the City of Gonzales's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gonzales's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be 'M. J. [unclear]', written over a faint circular stamp.

March 1, 2022

CITY OF GONZALES

STATEMENT OF NET POSITION JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 5,528,272	\$ 9,444,820	\$ 14,973,092
Accounts receivable, net	-	519,483	519,483
Due from other governments	1,142,411	-	1,142,411
Interest receivable	1,272	9,398	10,670
Notes and loans receivable	1,971,796	-	1,971,796
Other assets - deposits	15,746	-	15,746
Internal balances	(594,000)	594,000	-
Capital assets, net of allowance for depreciation	27,556,496	20,015,390	47,571,886
Total assets	<u>35,621,993</u>	<u>30,583,091</u>	<u>66,205,084</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,118,831</u>	<u>286,219</u>	<u>1,405,050</u>
LIABILITIES			
Accounts payable and accrued expense	237,315	634,860	872,175
Unearned revenues	58,179	-	58,179
Deposits payable	214,223	78,845	293,068
Long-term liabilities			
Due within one year	289,248	525,974	815,222
Due in more than one year	2,621,565	2,962,117	5,583,682
Net pension liability	2,765,770	632,216	3,397,986
Compensated absences	394,364	-	394,364
Total liabilities	<u>6,580,664</u>	<u>4,834,012</u>	<u>11,414,676</u>
DEFERRED INFLOWS OF RESOURCES	<u>235,490</u>	<u>83,697</u>	<u>319,187</u>
NET POSITION			
Net investment in capital assets	24,645,683	16,072,195	40,717,878
Restricted for specific projects and programs	4,574,825	-	4,574,825
Restricted for capital improvements	-	4,601,752	4,601,752
Unrestricted	704,162	5,277,654	5,981,816
Total net position	<u>\$ 29,924,670</u>	<u>\$ 25,951,601</u>	<u>\$ 55,876,271</u>

CITY OF GONZALES

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

Functions/Programs	Expense	Program Revenue			Net Revenue/(Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 1,557,808	\$ -	\$ 532,214	\$ -	\$ (1,025,594)	\$ -	\$ (1,025,594)
Public safety	4,514,033	50,522	983,249	-	(3,480,262)	-	(3,480,262)
Public works	1,649,137	37,088	387,178	224,715	(1,000,156)	-	(1,000,156)
Parks and recreation	1,278,999	54,912	126,447	-	(1,097,640)	-	(1,097,640)
Community development	1,179,831	204,471	143,034	-	(832,326)	-	(832,326)
Debt Service							
Interest and fiscal charges	80,939	-	-	-	(80,939)	-	(80,939)
Total governmental activities	<u>10,260,747</u>	<u>346,993</u>	<u>2,172,122</u>	<u>224,715</u>	<u>(7,516,917)</u>	<u>-</u>	<u>(7,516,917)</u>
Business-type activities							
Water	2,047,206	2,245,787	-	-	-	198,581	198,581
Sewer	1,254,072	1,661,061	-	3,084,995	-	3,491,984	3,491,984
Garbage	1,246,747	1,537,926	-	-	-	291,179	291,179
Solar Energy	160,175	4,312	-	-	-	(155,863)	(155,863)
Electric Power Authority	116,630	-	-	-	-	(116,630)	(116,630)
Total business-type activities	<u>4,824,830</u>	<u>5,449,086</u>	<u>-</u>	<u>3,084,995</u>	<u>-</u>	<u>3,709,251</u>	<u>3,709,251</u>
Total primary government	<u>15,085,577</u>	<u>5,796,079</u>	<u>2,172,122</u>	<u>3,309,710</u>	<u>(7,516,917)</u>	<u>3,709,251</u>	<u>(3,807,666)</u>
General Revenue							
Property taxes					2,822,675	-	2,822,675
Sales taxes					2,399,408	-	2,399,408
Franchise and other taxes					106,921	-	106,921
Utility users tax					233,913	-	233,913
Business licenses					61,119	-	61,119
Investment income					128,503	32,971	161,474
Other					253,103	-	253,103
Loss on disposal of property					4,672	-	4,672
Transfers					280,244	(280,244)	-
Total general revenue and transfers					<u>6,290,558</u>	<u>(247,273)</u>	<u>6,043,285</u>
Change in Net Position					(1,226,359)	3,461,978	2,235,619
Net Position							
Beginning of year					31,151,029	22,489,623	53,640,652
End of year					<u>\$ 29,924,670</u>	<u>\$ 25,951,601</u>	<u>\$ 55,876,271</u>

See accompanying notes.

CITY OF GONZALES

BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2021

	General	Community Development Block Grant	Measure X	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 988,556	\$ 332,127	\$ -	\$ 4,207,589	\$ 5,528,272
Due from other governments	771,881	-	22,897	347,633	1,142,411
Interest receivable	-	177	-	1,095	1,272
Due from other funds	785,619	-	-	-	785,619
Notes and loans receivable	-	1,605,382	-	366,414	1,971,796
Other assets - deposits	15,746	-	-	-	15,746
Total assets	<u>\$ 2,561,802</u>	<u>\$ 1,937,686</u>	<u>\$ 22,897</u>	<u>\$ 4,922,731</u>	<u>\$ 9,445,116</u>
LIABILITIES					
Accounts payable and accrued expense	\$ 192,319	\$ 133	\$ -	\$ 44,863	\$ 237,315
Due to other funds	-	-	-	785,619	785,619
Deposits and other liabilities	214,223	-	-	-	214,223
Unearned revenues	58,179	-	-	-	58,179
Advances from other funds	594,000	-	-	-	594,000
Total liabilities	<u>1,058,721</u>	<u>133</u>	<u>-</u>	<u>830,482</u>	<u>1,889,336</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred loans	-	1,605,382	-	366,414	1,971,796
Total deferred inflows of resources	<u>-</u>	<u>1,605,382</u>	<u>-</u>	<u>366,414</u>	<u>1,971,796</u>
FUND BALANCE					
Restricted					
Lighting, landscape & park maintenance	-	-	-	2,536,902	2,536,902
Low-income housing activities	-	-	-	483,063	483,063
Community development	-	332,171	-	877,782	1,209,953
Street improvements	-	-	22,897	248,440	271,337
Public safety	-	-	-	73,570	73,570
Committed for contingency reserve	1,000,000	-	-	-	1,000,000
Unassigned	503,081	-	-	(493,922)	9,159
Total fund balance	<u>1,503,081</u>	<u>332,171</u>	<u>22,897</u>	<u>3,725,835</u>	<u>5,583,984</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,561,802</u>	<u>\$ 1,937,686</u>	<u>\$ 22,897</u>	<u>\$ 4,922,731</u>	<u>\$ 9,445,116</u>

CITY OF GONZALES

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2021

Total governmental fund balance \$ 5,583,984

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 governmental funds 27,556,496

Governmental long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the governmental funds (2,910,813)

Compensated absences are not due and payable in the current
period and therefore are not reported in the governmental funds (394,364)

Deferred outflows of resources related to net pension liability, represent an
consumption of net position or fund balance that applies to future period(s) and
so will not be recognized as an outflow of resources (expense) until that time 1,118,831

Net pension liability applicable to governmental activities is not due and payable
in the current period and accordingly is not reported in the governmental funds (2,765,770)

Deferred inflows of resources related to net pension liability, represent an
acquisition of net position or fund balance that applies to future period(s) and
so will not be recognized as an inflow of resources (revenue) until that time (235,490)

In governmental funds, receivables which are not considered available are
deferred. Such items are not deferred in the Statement of Net Position 1,971,796

Net position of governmental activities \$ 29,924,670

CITY OF GONZALES

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2021

	General	Community Development Block Grant	Measure X	Other Governmental Funds	Total Governmental Funds
Revenue					
Taxes and assessments	\$ 4,610,804	\$ -	\$ -	\$ 733,712	\$ 5,344,516
Licenses, permits and impact fees	162,984	-	-	302,329	465,313
Intergovernmental	991,759	-	279,520	1,018,728	2,290,007
Charges for services	69,306	-	-	-	69,306
Fines and forfeitures	72,274	-	-	-	72,274
Loan repayments	-	133,994	-	72,826	206,820
Use of money and property	53,634	64,685	-	10,183	128,502
Other	339,567	-	-	40,000	379,567
Total revenue	<u>6,300,328</u>	<u>198,679</u>	<u>279,520</u>	<u>2,177,778</u>	<u>8,956,305</u>
Expenditures					
Current					
General government	1,152,041	-	-	270,452	1,422,493
Public safety	3,841,344	-	-	304,240	4,145,584
Public works	382,327	24,762	-	687,525	1,094,614
Parks and recreation	785,255	-	-	200,151	985,406
Community development	444,644	61,245	-	445,878	951,767
Capital outlay	8,491	-	-	30,000	38,491
Debt Service					
Principal	95,342	-	209,978	-	305,320
Interest and fiscal charges	34,294	-	46,645	-	80,939
Total expenditures	<u>6,743,738</u>	<u>86,007</u>	<u>256,623</u>	<u>1,938,246</u>	<u>9,024,614</u>
Revenue over/(under) expenditures	(443,410)	112,672	22,897	239,532	(68,309)
Other Financing Sources/(Uses)					
Sale of assets	4,672	-	-	-	4,672
Transfers in/(out) - net	315,726	(25,000)	-	(10,482)	280,244
	<u>320,398</u>	<u>(25,000)</u>	<u>-</u>	<u>(10,482)</u>	<u>284,916</u>
Change in Fund Balance	(123,012)	87,672	22,897	229,050	216,607
Fund Balance					
Beginning of year	1,626,093	244,499	-	3,496,784	5,367,376
End of year	<u>\$ 1,503,081</u>	<u>\$ 332,171</u>	<u>\$ 22,897</u>	<u>\$ 3,725,835</u>	<u>\$ 5,583,983</u>

CITY OF GONZALES

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

Net change in fund balance - total governmental funds \$ 216,607

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

Governmental funds report capital outlays as expenditures. However, in
the Statement of Activities the cost of those assets is capitalized and
allocated over their estimated lives and reported as depreciation expense

Capital outlay expenditures are therefore added back to fund balances

38,491

Depreciation expense not reported in governmental funds

(1,264,208)

(1,225,717)

Repayment of long-term debt is an expenditure in governmental funds,
but the repayment reduces long-term liabilities in the statement of
net position

305,320

Pension expenses reported in the Statement of Activities do not require
the use of current financial resources and, therefore, are not reported
as expenditures in the Governmental Funds

(291,411)

Repayment of long-term loans receivable is revenue in governmental
funds, but the repayment reduces long-term assets in the statement
of net position. Issuance of long-term loans receivable produces
the opposite effect

(166,803)

Compensated absence costs in the Statement of Activities does not
require the use of current financial resources and, therefore, is
not reported as expenditures in Governmental Funds

(64,356)

Change in net position of governmental activities

\$ (1,226,360)

CITY OF GONZALES

STATEMENT OF NET POSITION – PROPRIETARY FUNDS JUNE 30, 2021

	Business-Type Activities - Enterprise Funds					Total Proprietary Funds
	Water	Sewer	Garbage	Solar Energy	Nomajor Electric Power Authority	
ASSETS						
Current assets						
Cash and investments	\$ 4,931,090	\$ 4,269,080	\$ -	\$ 47,915	\$ 196,735	\$ 9,444,820
Accounts receivable, net	175,925	126,924	212,322	4,312	-	519,483
Interest receivable	4,733	1,877	2,706	-	82	9,398
Due from other funds	60,357	-	-	-	-	60,357
Total current assets	<u>5,172,105</u>	<u>4,397,881</u>	<u>215,028</u>	<u>52,227</u>	<u>196,817</u>	<u>10,034,058</u>
Non-current assets						
Advances to other funds	594,000	-	-	-	-	594,000
Property, plant and equipment, net of allowance for depreciation	8,109,599	8,913,533	-	2,992,258	-	20,015,390
Total non-current assets	<u>8,703,599</u>	<u>8,913,533</u>	<u>-</u>	<u>2,992,258</u>	<u>-</u>	<u>20,609,390</u>
Total assets	<u>13,875,704</u>	<u>13,311,414</u>	<u>215,028</u>	<u>3,044,485</u>	<u>196,817</u>	<u>30,643,448</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>124,974</u>	<u>123,271</u>	<u>37,974</u>	<u>-</u>	<u>-</u>	<u>286,219</u>
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	141,499	383,380	92,135	-	17,846	634,860
Due to other funds	-	-	60,357	-	-	60,357
Deposits	78,845	-	-	-	-	78,845
Current portion of long-term debt	199,207	-	-	326,767	-	525,974
Total current liabilities	<u>419,551</u>	<u>383,380</u>	<u>152,492</u>	<u>326,767</u>	<u>17,846</u>	<u>1,300,036</u>
Non-current liabilities						
Long-term debt	751,730	-	-	2,210,387	-	2,962,117
Net pension liability	276,049	272,286	83,881	-	-	632,216
Total noncurrent liabilities	<u>1,027,779</u>	<u>272,286</u>	<u>83,881</u>	<u>2,210,387</u>	<u>-</u>	<u>3,594,333</u>
Total liabilities	<u>1,447,330</u>	<u>655,666</u>	<u>236,373</u>	<u>2,537,154</u>	<u>17,846</u>	<u>4,894,369</u>
DEFERRED INFLOWS OF RESOURCES	<u>36,545</u>	<u>36,048</u>	<u>11,104</u>	<u>-</u>	<u>-</u>	<u>83,697</u>
NET POSITION						
Net investment in capital assets	7,158,662	8,913,533	-	-	-	16,072,195
Restricted for capital improvements	1,186,412	3,415,340	-	-	-	4,601,752
Unrestricted/(deficit)	4,171,729	414,098	5,525	507,331	178,971	5,277,654
Total net position	<u>\$ 12,516,803</u>	<u>\$ 12,742,971</u>	<u>\$ 5,525</u>	<u>\$ 507,331</u>	<u>\$ 178,971</u>	<u>\$ 25,951,601</u>

See accompanying notes.

CITY OF GONZALES

**STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION –
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2021**

	Business-Type Activities - Enterprise Funds					
	Water	Sewer	Garbage	Solar Energy	Nonmajor Electric Power Authority	Total Proprietary Funds
Operating Revenue						
Charges for services	\$ 2,245,787	\$ 1,661,061	\$ 1,537,926	\$ 4,312	\$ -	\$ 5,449,086
Total operating income	<u>2,245,787</u>	<u>1,661,061</u>	<u>1,537,926</u>	<u>4,312</u>	<u>-</u>	<u>5,449,086</u>
Operating Expense						
Contractual services and utilities	1,324,531	605,672	1,115,952	14,929	116,629	3,177,713
Personnel	322,773	322,938	115,818	-	-	761,529
Supplies and materials	120,945	166,228	14,977	18,478	-	320,628
Depreciation	242,246	159,234	-	47,381	-	448,861
Total operating expense	<u>2,010,495</u>	<u>1,254,072</u>	<u>1,246,747</u>	<u>80,788</u>	<u>116,629</u>	<u>4,708,731</u>
Operating income/(loss)	<u>235,292</u>	<u>406,989</u>	<u>291,179</u>	<u>(76,476)</u>	<u>(116,629)</u>	<u>740,355</u>
Nonoperating Revenue/(Expense)						
Development impact fees	-	3,084,995	-	-	-	3,084,995
Interest income	15,801	16,579	-	28	563	32,971
Interest expense	(36,711)	-	-	(79,388)	-	(116,099)
Total nonoperating revenue/(expense)	<u>(20,910)</u>	<u>3,101,574</u>	<u>-</u>	<u>(79,360)</u>	<u>563</u>	<u>3,001,867</u>
Net income/(loss) before transfers	214,382	3,508,563	291,179	(155,836)	(116,066)	3,742,222
Operating Transfers In/(Out)	<u>(387,590)</u>	<u>(285,860)</u>	<u>(298,647)</u>	<u>461,853</u>	<u>230,000</u>	<u>(280,244)</u>
Change in Net Position	<u>(173,208)</u>	<u>3,222,703</u>	<u>(7,468)</u>	<u>306,017</u>	<u>113,934</u>	<u>3,461,978</u>
Net Position						
Beginning of year	12,690,011	9,520,268	12,993	201,314	65,037	22,489,623
End of year	<u>\$ 12,516,803</u>	<u>\$ 12,742,971</u>	<u>\$ 5,525</u>	<u>\$ 507,331</u>	<u>\$ 178,971</u>	<u>\$ 25,951,601</u>

CITY OF GONZALES

STATEMENT OF CASH FLOW - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Funds					Total Business-Type Funds
	Water	Sewer	Garbage	Solar Energy	Nonmajor Electric Power Authority	
Operating Activities						
Receipts from customers and users	\$ 2,329,682	\$ 1,733,913	\$ 1,488,866	\$ -	\$ -	\$ 5,552,461
Payments for contractual services and utilities	(1,226,931)	(376,683)	(1,124,543)	(14,929)	(133,797)	(2,876,883)
Payments to employees	(298,195)	(298,695)	(108,350)	-	-	(705,240)
Payment to suppliers	(120,945)	(166,228)	(14,977)	(18,478)	-	(320,628)
Net cash provided by (used in) operating activities	683,611	892,307	240,996	(33,407)	(133,797)	1,649,710
Non-capital Financial Activities						
Payments (to)/from developers	-	3,084,995	-	-	-	3,084,995
Transfers (to)/from other funds	(447,947)	(285,860)	(238,290)	461,853	230,000	(280,244)
Net cash provided by (used in) noncapital financing activities	(447,947)	2,799,135	(238,290)	461,853	230,000	2,804,751
Capital and Related Financing Activities						
Purchase of property, plant and equipment	-	(1,508,493)	-	-	-	(1,508,493)
Principal paid on long-term debt	(192,698)	-	-	(302,888)	-	(495,586)
Interest paid on long-term debt	(36,711)	-	-	(79,388)	-	(116,099)
Net cash provided by (used in) capital and related financing activities	(229,409)	(1,508,493)	-	(382,276)	-	(2,120,178)
Investing Activities						
Interest received	16,645	-	(2,706)	40	481	14,460
Payments received on notes	-	17,895	-	-	-	17,895
Net cash provided by (used in) investing activities	16,645	17,895	(2,706)	40	481	32,355
Net Increase (Decrease) in Cash	22,900	2,200,844	-	46,210	96,684	2,366,638
Cash						
Beginning of year	4,908,190	2,068,236	-	1,705	100,051	7,078,182
End of year	\$ 4,931,090	\$ 4,269,080	\$ -	\$ 47,915	\$ 196,735	\$ 9,444,820

CITY OF GONZALES

STATEMENT OF CASH FLOW - PROPRIETARY FUNDS (CONTINUED) YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Funds					Total Business-Type Funds
	Water	Sewer	Garbage	Solar Energy	Nonmajor Electric Power Authority	
Cash Flows from Operating Activities						
Operating income (loss)	\$ 235,292	\$ 406,989	\$ 291,179	\$ (76,476)	\$ (116,629)	\$ 740,355
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	242,246	159,234	-	47,381	-	448,861
(Increase) Decrease in Accounts Receivable	80,438	72,852	(49,060)	(4,312)	-	99,918
(Increase) Decrease in Deferred Outflows of Resources	20,642	20,360	6,272	-	-	47,274
Increase (Decrease) in Accounts Payable and Accrued Liabilities	97,600	228,989	(8,591)	-	(17,168)	300,830
Increase (Decrease) in Deposits	3,457	-	-	-	-	3,457
Increase (Decrease) in Net Pension Liability	30,188	29,777	9,173	-	-	69,138
Increase (Decrease) in Deferred Inflows of Resources	(26,252)	(25,894)	(7,977)	-	-	(60,123)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 683,611</u>	<u>\$ 892,307</u>	<u>\$ 240,996</u>	<u>\$ (33,407)</u>	<u>\$ (133,797)</u>	<u>\$ 1,649,710</u>

CITY OF GONZALES

STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUNDS JUNE 30, 2021

	<u>Successor Agency</u>
Assets	
Current assets	
Cash and investments	\$ 142,000
Restricted cash and investments	<u>1,597,668</u>
Total current assets	<u>1,739,668</u>
Noncurrent assets	
Notes receivable	354,777
Property, plant and equipment, net of allowance for depreciation	<u>461,051</u>
Total noncurrent assets	<u>815,828</u>
Total assets	<u>2,555,496</u>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	276
Interest payable	113,287
Bonds - current portion	<u>919,879</u>
Total current liabilities	<u>1,033,442</u>
Noncurrent liabilities	
Bonds - long term portion	<u>10,889,565</u>
Total noncurrent liabilities	<u>10,889,565</u>
Total liabilities	<u>11,923,007</u>
Net Position	
Held in trust for other governments	<u>\$ (9,367,511)</u>

CITY OF GONZALES

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND JUNE 30, 2021

	<u>Successor Agency</u>
Additions	
Property taxes	\$ 1,274,983
Interest and unrealized loss	<u>22,385</u>
Total additions	<u>1,297,368</u>
Deductions	
Administrative expenses	195,191
Interest and fiscal expenses	<u>726,696</u>
Total deductions	<u>921,887</u>
Change In Net Position	<u>375,481</u>
Net Position	
Beginning of year	<u>(9,742,992)</u>
End of year	<u>\$ (9,367,511)</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The City of Gonzales (the City) is a municipal corporation, operating as a general law city, and governed by a city council of five members. As required by accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB), these financial statements present the City of Gonzales (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

The Gonzales Public Financing Authority (the Authority) is governed by the City Council of the City of Gonzales. Although, it is legally separate from the City, the Authority is reported as if it were part of the primary government because the City Council is the governing board and is able to impose its will on the Authority and management has the same operational responsibility for the Authority as it does for the rest of the City. The activity of the Authority is included as separate funds in the special revenue fund and debt service fund types. Separate financial statements are not issued by the Authority.

Basis of Presentation

The City has conformed to the pronouncements of the GASB, which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments.

Government-Wide Financial Statements

The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information of all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the City are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category - *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as non-major funds.

Governmental Fund Financial Statements Funds

Major funds are defined as funds that have assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type (governmental and enterprise funds, respectively) total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The following types of governmental funds are used:

General Fund

The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources (other than debt service and capital projects) that are restricted or committed to expenditures for specified purposes.

Debt Service Funds

Debt service funds are used to account for and report the financial resources that are restricted, committed or assigned for the payment of long-term debt principal, interest, and related costs.

The City reported the following major governmental funds in the accompanying financial statements:

- *General Fund* – This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.
- *Community Development Block Grant Fund* – This fund accounts for Federal Grant monies restricted for specific community programs, which includes the activity related to loans provided to homeowners and businesses and the repayment of these loans.
- *Measure X Fund* – The fund is used to account for the City's Transportation Safety and Investment Plan activities.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Balance Classifications

The City's fund balance policy establishes the procedures for reporting unrestricted fund balance (comprised of Committed, Assigned, and Unassigned categories) within the City's governmental funds: General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds.

Definitions

Fund balance is the difference between the assets and liabilities reported in the City's governmental funds. There are generally limitations on the purpose for which all or a portion of the resources of a governmental fund may be used. The force behind these limitations can vary significantly, depending upon their source. Consequently, the fund balance reported in the annual financial statements is categorized into five components whereby each component identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The five components of fund balance are as follows:

- **Nonspendable:** Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.
- **Restricted:** Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** Resources that are constrained to specific purposes by a formal action of the City Council such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the City Council. Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- **Assigned:** Resources that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by the City Council or to an official which the City Council has delegated this authority.
- **Unassigned:** Within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Within all other governmental funds, the negative residual resources in excess of what can be properly classified as nonspendable, restricted, or committed.

Policy

1. Unless necessary by other requirements and circumstances, when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.
2. The City's Fund Balance policy delegates to the Finance Director the authority to assign unrestricted fund balance amounts where the City's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Change in Net Position, and a Statement of Cash Flows.

Proprietary fund types are accounted for using the “economic resources” measurement focus and accrual basis of accounting. This means that all assets and liabilities (whether current or non-current) associated with the activity are included on the Statement of Net Position. Their reported fund equity presents total net position. The operating statement of the proprietary funds presents increases (revenues) and decreases (expenses) in total net position. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the costs of sales and services, the costs of employee benefits, maintenance of capital assets, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reported the following major proprietary (enterprise) funds:

- *Water Fund* - This fund accounts for the activities for providing water service to the residents of the City.
- *Sewer Fund* - This fund accounts for the activities of providing sewer service to the residents of the City.
- *Garbage Fund* - This fund accounts for the activities of providing garbage service to the residents of the City.
- *Solar Energy Fund* – This fund accounts for the activities, the debt and the resources generated from the installation of solar energy panels.

Fiduciary Fund Financial Statements

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. The City maintains the Private Purpose Trust Fund for the Successor Agency of the former Redevelopment Agency.

Basis of Accounting

The government-wide, proprietary funds and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures/expenses. The City's policy is to first apply restricted net position to such programs, followed by unrestricted net position.

Financial Statement Amounts

Cash and Cash Equivalents – The City maintains a pooled cash and investment program. Therefore, for purposes of the statement of cash flows, the City considers the entire pooled cash and investment balance to be cash and cash equivalents.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund and certificates of deposit. Investments are recorded at amortized cost or fair value. Fair value is based upon quoted market prices.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools its cash and investments of all funds with the City's pool, except for assets held by fiscal agents. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

Accounts Receivable – Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. The Proprietary Funds include a year end accrual for services through the end of the fiscal year which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectibles.

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Property Valuations - are established by the Assessor of the County of Monterey for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100 percent of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies - are limited to 1 percent of assessed value which results in a tax rate of \$1 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates - are attached annually on January 1st, proceeding the fiscal year for which the taxes are levied. The fiscal year begins July 1st and ends June 30th of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: The first installment is due on November 1st of the fiscal year and is delinquent, if not paid, by December 10th; and the second installment is due on March 1st of the fiscal year and is delinquent, if not paid, by April 10th. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent, if not paid, by August 31st of the fiscal year. Significant penalties are imposed by the County for late payments.

Advances To/From Other Funds – This classification represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

Capital Assets – Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold are met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and with an estimated useful life of at least two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Improvements	20 - 40
Equipment	5 - 15
Infrastructure	20 - 70

Compensated Absences – The City has adopted policies on sick leave and vacation leave. Sick leave is accrued at the rate of eight hours per month by all employees. A portion of the accumulated sick leave will be paid to retiring or resigning employees with a minimum of fifteen years of service. All other employees who terminate employment will receive no compensation for accumulated sick leave.

Employees are only allowed to carry forward one year worth of vacation hours as of January 1 of each year. Vacation is accrued for employees as follows:

<u>Years of Service</u>	<u>Monthly Accrual</u>	<u>Annually</u>
0 to 2	6-2/3 hours	Two weeks
3 to 9	10 hours	Three weeks
10 to 15	11-2/3 hours	Three weeks and 2-1/2 days
15+	13-1/3 hours	Four weeks

Upon termination of employment and, after completion of at least six months of service with the City, the accrued vacation leave shall be paid to the terminated employee.

Unearned Revenue – Unearned revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records unearned revenue related to uncollected outstanding performing loans and intergovernmental revenues received but not earned (qualifying expenditures not yet incurred).

Deferred Compensation Plan – City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only upon termination, retirement, death, or in an emergency as defined by the Plan. The assets of the Plan are not included within the City's financial statements.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Pension Plan – All full-time City employees are members of the State of California Public Employees’ Retirement System. The City’s policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System’s actuary.

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

Long-Term Obligations – In the Government-Wide Financial Statements and in the 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. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the 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.

In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. Governmental Fund types recognize bond premiums and discounts 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position – The government-wide and business-type activities financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the City not restricted for any project or other purpose.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 2 – Stewardship, Compliance and Accountability

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the Gonzales Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during June of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

Note 3 – Cash and Investments

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 14,973,092
Private Purpose Trust:	
Cash and Investments	142,000
Restricted cash and investments	<u>1,597,668</u>
Total Cash and Investments	<u>\$ 16,712,760</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

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

Cash on hand	\$ 364
Deposits with Financial Institutions	1,163,069
Local Agency Investment Fund	4,362,911
Certificates of Deposit	10,954
Money Market Accounts	9,577,794
Cash Held by Fiscal Agent	<u>1,597,668</u>
Total Cash and Investments	<u>\$ 16,712,760</u>

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

LAIF is valued based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (Level 2 input).

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

The City had the following recurring fair value measurements as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2021 Balance</u>
Investments by fair value level:				
Equity Securities:				
CDS	\$ 10,954	\$ -	\$ -	\$ 10,954
LAIF	<u>-</u>	<u>4,362,911</u>	<u>-</u>	<u>4,362,911</u>
Total Equity Securities	<u>10,954</u>	<u>4,362,911</u>	<u>-</u>	<u>4,373,865</u>
Cash equivalents carried at amortized cost:				
Deposits				1,163,433
Money Market Mutual Funds				9,577,794
Cash Held by Fiscal Agent				<u>1,597,668</u>
Total cash and equivalents amortized at cost				<u>12,338,895</u>
Total Investments				<u>\$ 16,712,760</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	270 days	40%	30%
Commercial Paper	180 days	15%	10%
Time Certificates of Deposit	3 years	25%	None
Negotiable Certificates of Deposit	3 years	30%	None
Repurchase Agreements	1 year	20%	None
Medium-Term Notes	5 years	30%	15%
Mutual Funds	5 years	20%	10%
Money Market Mutual Funds	5 years	15%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
County Investment Pool	N/A	None	None

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the 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.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – 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.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Fair Value	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund	\$ 4,362,911	\$ 4,362,911	\$ -	\$ -	\$ -
Certificates of deposit	10,954	10,954	-	-	-
Money Market Accounts	9,577,794	9,577,794	-	-	-
Cash Held by Bond Trustee	<u>1,597,668</u>	<u>1,597,668</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 15,549,327</u>	<u>\$ 15,549,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

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, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type:

<u>Investment Type</u>		<u>Minimum Rating</u>	<u>Unrated</u>	<u>Aaa</u>
Local Agency Investment Fund	\$ 4,362,911	N/A	\$ 4,362,911	\$ -
Certificates of deposit	10,954	N/A	10,954	-
Money Market Accounts	9,577,794	N/A	9,577,794	-
Cash Held by Bond Trustee	<u>1,597,668</u>	N/A	<u>1,597,668</u>	-
Total	<u>\$ 15,549,327</u>		<u>\$ 15,549,327</u>	<u>\$ -</u>

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 were no investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools, that represent 5% or more of total City-wide investments as of June 30, 2021.

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

At June 30, 2021, the balances held in bank accounts were (comprised of deposits, CD's and money market accounts) collateralized by the pledging financial institution, but not in the City's name. At June 30, 2021, total cash held in bank was \$11,441,112 of which \$11,191,112 was in excess of federal depository insurance limits.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

Note 4 – Notes Receivable and Deferred Loans Receivable

Loans as of fiscal year ended June 30, 2021 were as follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Governmental Funds				
Local Business Promissory Notes	\$ 79,844	\$ -	\$ (12,880)	\$ 66,964
Developer Loans	110,046	-	-	110,046
Rehabilitation Loans	<u>1,948,708</u>	<u>63,602</u>	<u>(217,524)</u>	<u>1,794,786</u>
	<u>\$ 2,138,598</u>	<u>\$ 63,602</u>	<u>\$ (230,404)</u>	<u>\$ 1,971,796</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 4 – Notes Receivable and Deferred Loans Receivable (Continued)

Local Business Promissory Notes

Date of Note	Original Principal	Interest Rate	Maturity Date	Collateral	Balance as of June 30, 2021
April 1, 2011	200,000	2%	October 1, 2024	Security Agreement	\$ 66,964
					<u>\$ 66,964</u>

Developer Loans

Date of Note	Original Principal	Interest Rate	Maturity Date	Collateral	Balance as of June 30, 2021
February 19, 2008	\$ 836,120	4%	January 1, 2028	Deed of Trust	<u>\$ 110,046</u>

Rehabilitation Loans

Date of Note	Original Principal	Interest Rate	Maturity Date	Collateral	Balance as of June 30, 2021
May 24, 2006	\$ 132,400	2%	May 24, 2036	Deed of Trust	\$ 132,400
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	17,500	2%	May 24, 2036	Deed of Trust	17,500
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
November 18, 2008	111,184	3%	November 18, 2038	Deed of Trust	125,803
December 23, 2008	97,346	3%	December 23, 2038	Deed of Trust	97,346
May 12, 2004	43,500	3%	March 12, 2024	Deed of Trust	19,690
March 5, 2009	16,000	0%	March 5, 2024	Deed of Trust	13,226
April 8, 2008	23,802	0%	April 8, 2023	Deed of Trust	15,513
July 8, 2008	57,440	0%	July 8, 2023	Deed of Trust	7,500
July 22, 2008	48,643	0%	July 22, 2023	Deed of Trust	36,943
February 19, 2008	170,000	4%	February 19, 2028	Deed of Trust	90,491
June 17, 2010	22,450	0%	June 17, 2025	Deed of Trust	6,041
May 1, 2012	105,000	3%	May 1, 2022	Security Agreement	28,688
April 11, 2014	91,511	3%	April 11, 2024	Security Agreement	23,585
April 18, 2014	59,486	0%	April 18, 2044	Deed of Trust	60,089

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 4 – Notes Receivable and Deferred Loans Receivable (Continued)

Rehabilitation Loans (Continued)

Date of Note	Original Principal	Interest Rate	Maturity Date	Collateral	Balance as of June 30, 2021
April 19, 2020	10,000	1%	N/A	N/A	10,000
April 18, 2020	10,000	1%	N/A	N/A	10,000
April 17, 2020	10,000	1%	N/A	N/A	10,000
April 10, 2020	10,000	1%	N/A	N/A	10,000
April 17, 2020	10,000	1%	N/A	N/A	10,000
April 22, 2020	10,000	1%	N/A	N/A	10,000
April 24, 2020	10,000	1%	N/A	N/A	10,000
April 24, 2020	10,000	1%	N/A	N/A	10,000
April 15, 2020	10,000	1%	N/A	N/A	10,000
April 15, 2020	10,000	1%	N/A	N/A	10,000
August 25, 2014	38,531	0%	August 25, 2044	Deed of Trust	38,531
October 21, 2014	89,715	0%	October 21, 2044	Deed of Trust	89,715
June 8, 2017	104,777	3%	June 8, 2027	Security Agreement	92,222
April 20, 2020	10,000	1%	N/A	N/A	10,000
April 14, 2020	10,000	1%	N/A	N/A	10,000
April 20, 2020	10,000	1%	N/A	N/A	10,000
April 19, 2020	10,000	1%	N/A	N/A	10,000
April 15, 2020	10,000	1%	N/A	N/A	10,000
April 16, 2020	10,000	1%	N/A	N/A	10,000
April 14, 2020	10,000	1%	N/A	N/A	10,000
April 17, 2020	10,000	1%	N/A	N/A	10,000
April 21, 2020	10,000	1%	N/A	N/A	10,000
April 21, 2020	10,000	1%	N/A	N/A	10,000
July 24, 2019	70,000	2%	July 24, 2031	Security Agreement	68,427
January 10, 2020	87,955	2%	January 10, 2032	Security Agreement	84,149
September 30, 2015	175,000	2%	September 30, 2030	Security Agreement	126,425
January 11, 2018	70,000	2%	January 11, 2018	Security Agreement	61,002
January 25, 2021	10,000	2%	December 25, 2033	Security Agreement/Lien	9,500
					\$ 1,794,786

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 5 – Capital Assets – Capital asset activities for the year ended June 30, 2021 were as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 7,707,583	\$ -	\$ -	\$ 7,707,583
Total capital assets, not being depreciated	<u>7,707,583</u>	<u>-</u>	<u>-</u>	<u>7,707,583</u>
Capital assets, being depreciated				
Buildings and improvements	10,555,334	8,491	-	10,563,825
Infrastructure	36,520,519	-	-	36,520,519
Machinery and equipment	2,780,139	30,000	-	2,810,139
Total capital assets, being depreciated	<u>49,855,992</u>	<u>38,491</u>	<u>-</u>	<u>49,894,483</u>
Less accumulated depreciation for				
Buildings and improvements	(2,752,120)	(260,153)	-	(3,012,273)
Infrastructure	(23,626,494)	(869,726)	-	(24,496,220)
Machinery and equipment	(2,402,748)	(134,329)	-	(2,537,077)
Total accumulated depreciation	<u>(28,781,362)</u>	<u>(1,264,208)</u>	<u>-</u>	<u>(30,045,570)</u>
Total capital assets, being depreciated, net	<u>21,074,630</u>	<u>(1,225,717)</u>	<u>-</u>	<u>19,848,913</u>
Governmental activities capital assets, net	<u>\$ 28,782,213</u>	<u>\$ (1,225,717)</u>	<u>\$ -</u>	<u>\$ 27,556,496</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,871,203	\$ -	\$ (1,266,396)	\$ 604,807
Construction in progress	-	1,001,728	1,266,396	2,268,124
Total capital assets, not being depreciated	<u>1,871,203</u>	<u>1,001,728</u>	<u>-</u>	<u>2,872,931</u>
Capital assets, being depreciated				
Buildings and improvements	46,939	-	-	46,939
Infrastructure	24,422,183	-	-	24,422,183
Machinery and equipment	1,610,540	506,765	-	2,117,305
Total capital assets, being depreciated	<u>26,079,662</u>	<u>506,765</u>	<u>-</u>	<u>26,586,427</u>
Less: accumulated depreciation	<u>(8,995,107)</u>	<u>(448,861)</u>	<u>-</u>	<u>(9,443,968)</u>
Total capital assets, being depreciated, net	<u>17,084,555</u>	<u>57,904</u>	<u>-</u>	<u>17,142,459</u>
Business-type activities capital assets, net	<u>\$ 18,955,758</u>	<u>\$ 1,059,632</u>	<u>\$ -</u>	<u>\$ 20,015,390</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 5 – Capital Assets (Continued)

Depreciation expense was charged to the following functions in the Statement of Activities:

Government Activities:

General Government	\$	33,994
Public Safety		178,303
Public Works		529,473
Parks and Recreation		273,344
Community Development		249,094
	\$	<u>1,264,208</u>

Business-Type Functions:

Water	\$	242,246
Sewer		159,234
Solar		47,381
	\$	<u>448,861</u>

Note 6 – Interfund Receivables, Payables and Transfers

Due From/To Other Funds

Current interfund balances and other short-term borrowings between funds were attributed to negative cash balances and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2021.

	Due From	Due To
General Fund	\$ 785,619	\$ -
Water Fund	60,357	-
Garbage Fund	-	60,357
Infrastructure Improvement Fund	-	471,180
Gas Tax Fund	-	4,082
Supplemental Local Law Enforcement	-	2,040
CDBG Urban County Grant Fund	-	9,130
SB1 Road Fund	-	28,735
American Rescue Plan	-	270,452
	<u>\$ 845,976</u>	<u>\$ 845,976</u>

Advances

During fiscal year 2009-2010 the City of Gonzales formalized an advance agreement between the City's General Fund and the Water Fund for the amount of \$594,000. The amount is payable by the General Fund to the Water Fund over a period of 20 years at an interest rate of 1 percent payable in annual payments of \$33,057. During the fiscal year 2020-2021, the General Fund did not make any payments.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 6 – Interfund Receivables, Payables and Transfers (Continued)

Interfund Transfers

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds' that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due. In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 315,726	\$ -
CDBG Block Grant	-	(25,000)
Proprietary Funds:		
Water	-	(387,590)
Sewer	-	(285,860)
Garbage	-	(298,647)
Solar Energy	461,853	-
Electric	230,000	-
Nonmajor Governmental Funds:		
Gas Tax Fund	157,689	-
Supplemental Local Law Enforcement Fund	-	(221,018)
Public Safety Fund	294,287	-
California Breeze Maintenance District Fund	-	(19,000)
Canyon Creek Park Maintenance District Fund	-	(15,000)
Housing Successor	-	(10,000)
SB1 Road Fund	-	(157,689)
Cipriani Estates Park & Maintenance District Fund	-	(10,000)
Gonzales Industrial Park Landscape & Maintenance Fund	-	(10,000)
CDBG Urban County Grant Fund	-	(14,805)
Shopping Center Fund	-	(4,946)
	<u>\$ 1,459,555</u>	<u>\$ (1,459,555)</u>

The following describe the significant transfers made during the year:

- The Supplemental Local Law Enforcement Fund transferred \$221,018 to the Public Safety Fund in order to finance various programs.
- Various nonmajor funds transferred \$315,726 to the General Fund, principally as reimbursements to the General Fund for various costs including administrative costs.
- Various nonmajor funds transferred \$157,689 to the Gas Tax Fund for various street related projects accounted for in the Gas Tax Fund.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 7 – Long-Term Debt

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

Long-term debt payable at June 30, 2021 was comprised of the following individual issues:

	Balance July 1, 2020	Additions	Retirements/ Restatement	Balance June 30, 2021	Current Portion
<u>Governmental Activities Long Term Debt</u>					
Capital Leases					
Pool Site Lease	\$ 1,214,915	\$ -	\$ (95,342)	\$ 1,119,573	\$ 98,108
Note Payable					
Measure X Loan	2,001,218	-	(209,978)	1,791,240	191,140
Total Governmental Activities Debt	<u>\$ 3,216,133</u>	<u>\$ -</u>	<u>\$ (305,320)</u>	<u>\$ 2,910,813</u>	<u>\$ 289,248</u>
<u>Business-Type Activities Long Term Debt</u>					
Note Payable					
2005 Water Tank & Sewer Expansion Refinance	\$ 1,143,635	\$ -	\$ (192,698)	\$ 950,937	\$ 199,207
Capital Leases					
Solar Panel Energy Lease	1,504,865	-	(198,108)	1,306,757	218,947
Solar Panel Energy Lease	1,335,177	-	(104,780)	1,230,397	107,820
Total Business-Type Activities Debt	<u>\$ 3,983,677</u>	<u>\$ -</u>	<u>\$ (495,586)</u>	<u>\$ 3,488,091</u>	<u>\$ 525,974</u>
<u>Compensated Absences</u>					
Governmental Activities	<u>\$ 330,009</u>	<u>\$ 64,355</u>	<u>\$ -</u>	<u>\$ 394,364</u>	
<u>Net Pension Liability</u>					
Governmental Activities	<u>\$ 2,421,150</u>	<u>\$ 344,620</u>	<u>\$ -</u>	<u>\$ 2,765,770</u>	
Business-type Activities	<u>\$ 563,078</u>	<u>\$ 69,138</u>	<u>\$ -</u>	<u>\$ 632,216</u>	

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 7 – Long-Term Debt (Continued)

Pool Site Lease – On March 1, 2016, the City entered into an agreement with the Gonzales Public Financing Authority to lease the pool site for \$1,575,000 at 2.88% interest rate. Lease terminates on February 1, 2031.

Measure X Loan – On August 23, 2017, the City entered into a project loan agreement for the street rehabilitation. The amount financed was \$2,500,000 at 2.5% and monthly payments are determined by the lender.

2005 Water Tank & Sewer Expansion Refinance – On November 1, 2005 the Gonzales Public Financing Authority entered into a funding agreement with a financial institution to provide \$3,131,500 for the Sewer Expansion and Water Tank Projects (the Project). The Note accrues interest at a rate of 4.55 percent. Principal and interest payments are due semi-annually on June 30th and December 30th.

The Financing Authority simultaneously entered into an installment sale agreement with the City of Gonzales where the Authority sells the Project to the City and the City purchases the Project from the Authority. The installment sale agreement accrues interest at the rate of 4.55 percent (the same rate as the Note) and the City is required to make semi-annual installment payments to the Authority in the same amounts due under the Note. The Authority has assigned the right to receive these installment payments to the Note holder.

In June of 2012, the above note was refinanced. The amount financed was \$2,475,000 at the interest rate of 3.35 percent and payable in semi-annual installments on December 29th and June 29th of each year beginning on December 29, 2012.

Solar Panel Energy Lease – In February of 2012, the City entered into a lease purchase agreement for the purchase of Solar Panels. The amount financed was \$2,697,589 and is payable over a 14 year term with lease payments commencing in October of 2012.

Solar Panel Energy Lease – In March of 2016, the City entered into a lease purchase agreement for the purchase of Solar Panels. The amount financed was \$1,679,189 and is payable over a 15 year term with lease payments commencing in August of 2016.

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2021 were as follows:

Years ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 289,248	\$ 76,323	\$ 525,974	\$ 116,207
2023	296,873	68,699	558,151	96,615
2024	304,699	60,873	592,217	75,727
2025	312,733	52,839	628,283	53,462
2026	320,979	44,592	1,044,001	80,039
2027-2031	1,386,282	94,189	139,465	3,020
	<u>\$ 2,910,813</u>	<u>\$ 397,515</u>	<u>\$ 3,488,091</u>	<u>\$ 425,069</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 8 – Fund Balance

Fund Balance and Retained Earnings Deficits – The following is a summary of deficit fund balances and retained earnings as of June 30, 2021:

Nonmajor Funds	
Infrastructure Improvements Fund	\$ (481,556)
Gas Tax Fund	(1,531)
Public Safety Special Revenue Fund	(1,705)
CDBG Urban County Grant Fund	(9,130)
	<u>\$ (493,922)</u>

This deficit is expected to be relieved from future revenues or transfers from other funds.

Note 9 – Operating Lease – Rooftops for Solar Panels

On March 2012, the City entered into a lease agreement with a Winery, for the rental of their rooftops in connection with the solar panels purchased by the City. The lease rental payments are equal to \$5,000 annually for the first ten years and \$10,000 for the sixteenth year, with a three percent annual escalator applied to each subsequent year of the agreement which terminates on December 31, 2042.

Note 10 – Deferred Outflows/Inflows of Resources

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item to report in this category:

- The City has \$1,405,050 in pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in Note 13.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items to report in this category:

- The City has \$319,187 in pension related items that qualify to be reported in deferred inflows of resources. The pension related deferred inflows of resources are described in Note 13.

Unavailable revenues arise only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The City has \$1,971,796 in notes and loans receivable reported as deferred inflows of resources reported for unavailable revenues. Of this amount \$1,605,382, \$110,046, \$66,964, and \$189,404 is reported in the Community Block Grant Fund, Infrastructure Improvements Fund, AQMD Fund, and Housing Successor Fund, respectively See Note 4 for details.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 11 – Risk Management

The City provides for workers' compensation and liability through a self-funded joint powers agency, Monterey Bay Area Self Insurance Authorities. Joint Powers Agreement (JPA) accounts are not separately maintained for each participant.

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the Monterey Bay Area Self Insurance Authority (MBASIA). MBASIA is composed of 10 California public entities and is organized under a joint powers agreement pursuant to California Government Code 6500 et seq. The purpose of MBASIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage.

General Liability: The City is self-insured for the first \$10,000 of each liability claims. Claims above \$10,000 up to \$499,000 are paid by MBASIA. Claims above \$499,000 up to \$20 million are covered by insurance purchased by MBASIA.

Workers' Compensation: The City does not retain a self-insured portion of workers' compensation claims. Annual premiums for coverage up to statutory levels are paid to MBASIA based on the level of claims activity. A third party claims administrator is contracted by MBASIA to manage claims activity.

Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded insured coverage. There have been no significant reductions in insured liability coverage from coverage in the prior year. Audited financial statements for MBASIA can be obtained from their management at 100 Pine Street, 11th Floor, San Francisco, CA 94111.

Note 12 – Commitments and Contingencies

General

The City participates in a number of Federal and State assisted grant programs which are subject to financial and compliance audits. Audits for these programs and the respective findings are to be determined at a future date, and the City expects the amount, if any, of the expenditures which may be disallowed by the granting agency to be immaterial.

The City is a defendant in various lawsuits and claims. The City attorney anticipates that actual or potential claims against the City, not covered by insurance, would not materially affect the financial position of the City.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 13 – Pension Plan

Plan Description – The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS 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. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy – Active plan members in the Plan are required to contribute 7% of their covered salary for both miscellaneous and public safety members. The City contributes 3.5% of the employees required share of 7%. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2021 was 8.794%, 14.810%, 7.732%, and 11.114% for the miscellaneous, safety, PEPRAs miscellaneous, and PEPRAs safety, respectively. The contribution requirements of plan members are established by State statute and the employer contribution is established and may be amended by PERS.

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
	Prior to	Prior to
	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Hire Date		
Benefit Formula	2.0% at 60; maximum 2%	2.0% at 55; maximum 2%
	COLA	COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	60	55
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7.00%	7.00%
Required Employer Contribution Rates	8.794%	14.810%
	<u>PEPRA</u>	<u>PEPRA Safety</u>
	<u>Miscellaneous</u>	<u>Police and Fire</u>
	On or after	On or after
	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Hire Date		
Benefit Formula	2.0% at 62; maximum 2%	2.0% at 57; maximum 2%
	COLA	COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	62	57
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	6.25%	9.50%
Required Employer Contribution Rates	7.732%	11.114%

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 13 – Pension Plan (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all employers be determined on an annual basis by the actuary and shall be effective on July 1 following the notice of change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, the contributions recognized as part of the pension expense is as follows:

Contributions – employer	\$ 569,900
Contributions – employee	\$ 246,961

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

As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Total Net Pension Liability – Miscellaneous	\$ 1,769,575
Total Net Pension Liability – Safety	\$ 1,628,411

General Information about the Pension Plan

The City’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2020, 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, 2019 rolled forward to June 30, 2020 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 City’s proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion – June 30, 2020	0.03936%	.02256%
Proportion – June 30, 2021	<u>0.04195%</u>	<u>.02444%</u>
Change – Increase/(Decrease)	0.00260%	.00188%

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 13 – Pension Plan (Continued)

For the year ended June 30, 2021, the City recognized pension expense of \$917,602. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 569,900	\$ -
Change in employer's proportion	529,723	(117,806)
Changes of assumptions	-	(18,045)
Difference between employer's contributions and proportionate share of contributions	-	(183,336)
Differences between projected and actual investment earnings	87,961	-
Differences between expected and actual experience	<u>217,466</u>	<u>-</u>
Total	<u>\$ 1,405,050</u>	<u>\$ (319,187)</u>

The \$569,900 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2022	\$ 136,280
2023	249,433
2024	87,302
2025	<u>42,946</u>
Total	<u>\$ 515,961</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 13 – Pension Plan (Continued)

Actuarial Methods and Assumptions – The collective total pension liability for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership ¹ Date for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

¹The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 valuation was based on the results of an December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015), including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website.

Change of assumptions – None.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 13 – Pension Plan (Continued)

Discount rate – The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected rate of returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class can be found in CalPERS’ Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020.

The table below reflects long-term expected real rates 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. The geometric rates of return are net of administrative expenses.

Asset Class ¹	New Strategic Allocation	Real Return Years 1-10 ²	Real Return Years 11+ ³
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Infrastructure and Forestland	0%	0.00%	0.00%
Liquidity	1%	0.00%	-0.92%
Total	100%		

¹ In the System’s CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

² An expected inflation of 2% used for this period

³ An expected inflation of 2.9% used for this period

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 13 – Pension Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the City’s proportionate share of the net pension liability for each Plan, calculating using the discount rate of 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 (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Miscellaneous	\$ 2,930,303	\$ 1,769,575	\$ 810,502
Safety	\$ 2,775,055	\$ 1,628,411	\$ 687,481

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issue CalPERS financial reports.

Note 14 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through March 1, 2022, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GONZALES

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes and assessments	\$ 3,920,800	\$ 4,193,552	\$ 4,610,804	\$ 417,252
Licenses, permits and impact fees	292,100	195,552	162,984	(32,568)
Intergovernmental	248,500	552,298	991,759	439,461
Charges for services	42,000	20,806	69,306	48,500
Fines and forfeitures	53,000	55,538	72,274	16,736
Use of money and property	55,000	55,000	53,634	(1,366)
Other	405,450	500,950	339,567	(161,383)
Total revenue	<u>5,016,850</u>	<u>5,573,696</u>	<u>6,300,328</u>	<u>726,632</u>
Expenditures				
Current				
General government	633,928	722,761	1,152,041	(429,280)
Public safety	3,643,050	3,530,678	3,841,344	(310,666)
Public works	183,950	227,632	382,327	(154,695)
Parks and recreation	649,295	685,699	785,255	(99,556)
Community development	335,183	564,564	444,644	119,920
Debt service				
Principal	95,342	95,342	95,342	-
Interest and fiscal charges	34,308	34,308	34,294	14
Total expenditures	<u>5,575,056</u>	<u>5,860,984</u>	<u>6,743,738</u>	<u>(882,754)</u>
Revenue over (under) expenditures	(558,206)	(287,288)	(443,410)	(156,122)
Other Financing Sources				
Sale of assets	-	-	4,672	4,672
Transfers in (out) - net	87,200	131,667	315,726	184,059
Net Change in Fund Balance	<u>\$ (471,006)</u>	<u>\$ (155,621)</u>	(123,012)	<u>\$ 32,609</u>
Fund Balance				
Beginning of year			<u>1,626,093</u>	
End of year			<u>\$ 1,503,081</u>	

CITY OF GONZALES

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenue				
Loan repayments	\$ 115,000	\$ 85,000	\$ 133,994	\$ 48,994
Use of money and property	15,000	15,000	64,685	49,685
Total revenue	<u>130,000</u>	<u>100,000</u>	<u>198,679</u>	<u>98,679</u>
Expenditures				
Public works	120,000	120,000	24,762	95,238
Community development	<u>271,000</u>	<u>71,000</u>	<u>61,245</u>	<u>9,755</u>
Total expenditures	<u>391,000</u>	<u>191,000</u>	<u>86,007</u>	<u>104,993</u>
Revenue over expenditures	(261,000)	(91,000)	112,672	203,672
Other Financing Sources/(Uses)				
Transfers in/(out) - net	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Change in Fund Balance	<u>\$ (286,000)</u>	<u>\$ (116,000)</u>	87,672	<u>\$ 203,672</u>
Fund Balance				
Beginning of year			<u>244,499</u>	
End of year			<u>\$ 332,171</u>	

CITY OF GONZALES

BUDGETARY COMPARISON SCHEDULE

MEASURE X FUND

YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes and assessments	\$ 233,147	233,147	\$ 279,520	\$ 46,373
Total revenue	<u>233,147</u>	<u>233,147</u>	<u>279,520</u>	<u>46,373</u>
Expenditures				
Debt service				
Principal	186,517	186,517	209,978	(23,461)
Interest	46,630	80,938	46,645	34,293
Total expenditures	<u>233,147</u>	<u>267,455</u>	<u>256,623</u>	<u>10,832</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ (34,308)</u>	22,897	<u>\$ 57,205</u>
Fund Balance				
Beginning of year			<u>-</u>	
End of year			<u>\$ 22,897</u>	

CITY OF GONZALES

SCHEDULE OF THE CITY'S NET PROPORTIONATE SHARE OF NET PENSION LIABILITY LAST 10 YEARS* YEAR ENDED JUNE 30, 2021

Miscellaneous							
	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered - employee payroll	Proportionate share of the net pension liability as a percentage of covered-employee payroll		Plan's fiduciary net position	Plan's fiduciary net position as a percentage of the Total Pension Liability
2015	0.05204%	\$ 1,286,053	\$ 1,112,163	115.64%		\$ 4,587,216	78.100%
2016	0.03955%	\$ 1,084,895	\$ 982,675	110.40%		\$ 5,044,102	82.298%
2017	0.03916%	\$ 1,360,265	\$ 947,145	143.62%		\$ 4,725,496	77.648%
2018	0.03895%	\$ 1,535,641	\$ 1,378,772	111.38%		\$ 5,518,046	78.229%
2019	0.01890%	\$ 712,326	\$ 1,366,906	52.11%		\$ 4,468,191	86.250%
2020	0.03936%	\$ 1,576,056	\$ 1,678,041	93.92%		\$ 6,694,872	80.945%
2021	0.04195%	\$ 1,769,575	\$ 1,820,163	97.22%		\$ 6,952,747	79.712%
Safety							
2015	0.02316%	\$ 868,678	\$ 992,049	87.56%		\$ 3,422,038	79.750%
2016	0.01684%	\$ 693,833	\$ 1,039,081	66.77%		\$ 3,797,755	84.550%
2017	0.02010%	\$ 1,040,872	\$ 1,098,540	94.75%		\$ 4,298,623	84.550%
2018	-0.02090%	\$ 1,248,529	\$ 1,181,291	105.69%		\$ 4,968,043	79.916%
2019	0.02135%	\$ 1,252,487	\$ 1,297,002	96.57%		\$ 5,511,384	81.483%
2020	0.02256%	\$ 1,408,172	\$ 1,395,445	100.91%		\$ 6,011,305	81.021%
2021	0.02444%	\$ 1,628,411	\$ 1,509,649	107.87%		\$ 6,814,985	80.714%

*Fiscal year 2014-15 was the first year of implementation, therefore only seven years are shown.

Changes of Assumptions: None

CITY OF GONZALES

SCHEDULE OF CONTRIBUTIONS LAST 10 YEARS* YEAR ENDED JUNE 30, 2021

		Miscellaneous					
	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll		
2015	\$ 160,656	\$ (160,656)	\$ -	\$ 1,112,163	14.45%		
2016	\$ 137,778	\$ (137,778)	\$ -	\$ 982,675	14.02%		
2017	\$ 185,525	\$ (185,525)	\$ -	\$ 947,145	19.59%		
2018	\$ 231,233	\$ (231,233)	\$ -	\$ 1,378,772	16.77%		
2019	\$ 149,308	\$ (149,308)	\$ -	\$ 1,366,906	10.92%		
2020	\$ 189,303	\$ (189,303)	\$ -	\$ 1,678,041	8.90%		
2021	\$ 232,321	\$ (232,321)	\$ -	\$ 1,820,163	10.40%		

		Safety					
	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll		
2015	\$ 161,844	\$ (161,844)	\$ -	\$ 992,049	16.31%		
2016	\$ 152,643	\$ (152,643)	\$ -	\$ 1,039,081	14.69%		
2017	\$ 159,930	\$ (159,930)	\$ -	\$ 1,098,540	14.56%		
2018	\$ 185,473	\$ (185,473)	\$ -	\$ 1,181,291	15.70%		
2019	\$ 193,362	\$ (193,362)	\$ -	\$ 1,297,002	14.91%		
2020	\$ 235,139	\$ (235,139)	\$ -	\$ 1,395,445	16.85%		
2021	\$ 274,368	\$ (274,368)	\$ -	\$ 1,509,649	18.17%		

*Fiscal year 2014-15 was the first year of implementation, therefore only six years are shown.

SUPPLEMENTAL ONLY INFORMATION

CITY OF GONZALES

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2021

	Special Revenue							
	Infrastructure Improvements	Gas Tax	Supplemental Local Law Enforcement	Public Safety	Ag Industrial Park Federal Grant	AQMD	Housing Successor	California Breeze Maintenance District
ASSETS								
Cash and investments	\$ -	\$ -	\$ -	\$ 807	\$ 4,900	\$ 35,245	\$ 447,818	\$ 125,720
Accounts receivable				-				
Due from other governments	-	17,625	29,655	1,166	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	112
Notes and loans receivable	110,046	-	-	-	-	66,964	189,404	-
Total assets	<u>\$ 110,046</u>	<u>\$ 17,625</u>	<u>\$ 29,655</u>	<u>\$ 1,973</u>	<u>\$ 4,900</u>	<u>\$ 102,209</u>	<u>\$ 637,222</u>	<u>\$ 125,832</u>
LIABILITIES								
Accounts payable and accrued expense	10,376	15,074	-	3,678	-	-	-	2,178
Due to other funds	471,180	4,082	2,040	-	-	-	-	-
Total liabilities	<u>481,556</u>	<u>19,156</u>	<u>2,040</u>	<u>3,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,178</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues	110,046	-	-	-	-	66,964	189,404	-
Total deferred inflows of resources	<u>110,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,964</u>	<u>189,404</u>	<u>-</u>
FUND BALANCE								
Restricted								
Lighting, landscape & park maintenance	-	-	-	-	-	-	-	123,654
Low-income housing activities	-	-	-	-	-	35,245	447,818	-
Community development	-	-	-	-	4,900	-	-	-
Street improvements	-	-	-	-	-	-	-	-
Public safety	-	-	27,615	-	-	-	-	-
Unassigned	(481,556)	(1,531)	-	(1,705)	-	-	-	-
Total fund balance	<u>(481,556)</u>	<u>(1,531)</u>	<u>27,615</u>	<u>(1,705)</u>	<u>4,900</u>	<u>35,245</u>	<u>447,818</u>	<u>123,654</u>
Total liabilities, deferred inflows								

CITY OF GONZALES

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED) JUNE 30, 2021

	Special Revenue						
	Cipriani Estates Park & Maintenance District	Gonzales Industrial Park Landscape & Maintenance	Intersection Improvements Impact Fees	Police Impact Fees	Park Impact Fees	Fire Impact Fees	Circulation System Impact Fees
ASSETS							
Cash and investments	\$ 668,546	\$ 296,273	\$ 385,389	\$ 33,024	\$ 1,999	\$ 14,463	\$ 252,550
Due from other governments	-	-	-	-	-	-	-
Interest receivable	287	60	54	-	-	-	-
Notes and loans receivable	-	-	-	-	-	-	-
Total assets	<u>\$ 668,833</u>	<u>\$ 296,333</u>	<u>\$ 385,443</u>	<u>\$ 33,024</u>	<u>\$ 1,999</u>	<u>\$ 14,463</u>	<u>\$ 252,550</u>
LIABILITIES							
Accounts payable and accrued expense	1,037	652	-	-	-	1,532	4,110
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>1,037</u>	<u>652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,532</u>	<u>4,110</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE							
Restricted							
Lighting, landscape & park maintenance	667,796	295,681	-	-	-	-	-
Low-income housing activities	-	-	-	-	-	-	-
Community development	-	-	385,443	-	1,999	-	-
Street improvements	-	-	-	-	-	-	248,440
Public safety	-	-	-	33,024	-	12,931	-
Unassigned	-	-	-	-	-	-	-
Total fund balance	<u>667,796</u>	<u>295,681</u>	<u>385,443</u>	<u>33,024</u>	<u>1,999</u>	<u>12,931</u>	<u>248,440</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 668,833</u>	<u>\$ 296,333</u>	<u>\$ 385,443</u>	<u>\$ 33,024</u>	<u>\$ 1,999</u>	<u>\$ 14,463</u>	<u>\$ 252,550</u>

See accompanying notes.

CITY OF GONZALES

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2021

	Special Revenue							Debt Service		Total Non-major Governmental Funds
	Storm Drainage Facility Impact Fees	Public Facilities Impact Fees	Public Uses Mitigation Fees	Sphere of Influence Impact Fees	General Plan Impact Fees	SB1 Road	CDBG Urban County Grant	American Rescue Plan	Shopping Center	
	ASSETS									
Cash and investments	\$ 38,823	\$ 102,150	\$ 8,658	\$ 259,603	\$ 81,381	\$ -	\$ -	\$ -	\$ -	\$ 4,207,589
Due from other governments	-	-	-	-	-	28,735	-	270,452	-	347,633
Interest receivable	-	42	9	86	1	-	-	-	-	1,095
Notes and loans receivable	-	-	-	-	-	-	-	-	-	366,414
Total assets	<u>\$ 38,823</u>	<u>\$ 102,192</u>	<u>\$ 8,667</u>	<u>\$ 259,689</u>	<u>\$ 81,382</u>	<u>\$ 28,735</u>	<u>\$ -</u>	<u>\$ 270,452</u>	<u>\$ -</u>	<u>\$ 4,922,731</u>
LIABILITIES										
Accounts payable and accrued expense	\$ 1,532	\$ 2,249	\$ 1,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,863
Due to other funds	-	-	-	-	-	28,735	9,130	270,452	-	785,619
Total liabilities	<u>1,532</u>	<u>2,249</u>	<u>1,532</u>	<u>-</u>	<u>-</u>	<u>28,735</u>	<u>9,130</u>	<u>270,452</u>	<u>-</u>	<u>830,482</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenues	-	-	-	-	-	-	-	-	-	366,414
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,414</u>
FUND BALANCE										
Restricted										
Lighting, landscape & park maintenance	-	-	-	-	-	-	-	-	-	2,536,902
Low-income housing activities	-	-	-	-	-	-	-	-	-	483,063
Community development	37,291	99,943	7,135	259,689	81,382	-	-	-	-	877,782
Street improvements	-	-	-	-	-	-	-	-	-	248,440
Public safety	-	-	-	-	-	-	-	-	-	73,570
Unassigned	-	-	-	-	-	-	(9,130)	-	-	(493,922)
Total fund balance	<u>37,291</u>	<u>99,943</u>	<u>7,135</u>	<u>259,689</u>	<u>81,382</u>	<u>-</u>	<u>(9,130)</u>	<u>-</u>	<u>-</u>	<u>3,725,835</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 38,823</u>	<u>\$ 102,192</u>	<u>\$ 8,667</u>	<u>\$ 259,689</u>	<u>\$ 81,382</u>	<u>\$ 28,735</u>	<u>\$ -</u>	<u>\$ 270,452</u>	<u>\$ -</u>	<u>\$ 4,922,731</u>

CITY OF GONZALES

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

NON-MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2021

	Special Revenue							
	Infrastructure Improvements	Gas Tax	Supplemental Local Law Enforcement	Public Safety	Ag Industrial Park Federal Grant	AQMD	Housing Successor	California Breeze Maintenance District
Revenue								
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,153
Licenses, permits and impact fees	-	-	-	5,077	-	-	-	-
Intergovernmental	-	384,993	220,996	-	-	-	-	-
Use of money and property	-	-	22	-	-	1,378	63	812
Loan repayments	-	-	-	-	-	12,881	59,945	-
Other revenue	-	-	-	-	-	-	-	-
Total revenue	-	384,993	221,018	5,077	-	14,259	60,008	144,965
Expenditures								
Public safety	-	-	-	299,364	-	-	-	-
Public works	95,689	544,213	-	-	-	10,000	-	-
Parks and recreation	-	-	-	-	-	-	-	130,768
Community development	-	-	-	-	-	-	3,750	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	95,689	544,213	-	299,364	-	10,000	3,750	130,768
Revenue over (under) expenditures	(95,689)	(159,220)	221,018	(294,287)	-	4,259	56,258	14,197
Other financing sources/(uses)								
Operating transfers in/(out) - net	-	157,689	(221,018)	294,287	-	-	(10,000)	(19,000)
	-	157,689	(221,018)	294,287	-	-	(10,000)	(19,000)
Change in Fund Balance	(95,689)	(1,531)	-	-	-	4,259	46,258	(4,803)
Fund Balance								
Beginning of year	(385,867)	-	27,615	(1,705)	4,900	30,986	401,560	128,457
End of year	\$ (481,556)	\$ (1,531)	\$ 27,615	\$ (1,705)	\$ 4,900	\$ 35,245	\$ 447,818	\$ 123,654

See accompanying notes.

CITY OF GONZALES

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2021

	Special Revenue						
	Cipriani Estates Park & Maintenance District	Gonzales Industrial Park Landscape & Maintenance	Intersection Improvements Impact Fees	Police Impact Fees	Park Impact Fees	Fire Impact Fees	Circulation System Impact Fees
Revenue							
Taxes and assessments	\$ 87,275	\$ 110,837	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and impact fees	-	-	-	6,057	-	20,192	154,548
Intergovernmental	-	-	-	-	-	-	-
Use of money and property	2,177	496	575	-	-	4	113
Loan repayments	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
Total revenue	<u>89,452</u>	<u>111,333</u>	<u>575</u>	<u>6,057</u>	<u>-</u>	<u>20,196</u>	<u>154,661</u>
Expenditures							
Public safety	-	-	-	-	-	4,876	-
Public works	7,827	29,796	-	-	-	-	-
Parks and recreation	9,675	-	-	-	-	-	-
Community development	-	-	-	-	-	-	110,707
Capital outlay	-	-	-	-	-	30,000	-
Total expenditures	<u>17,502</u>	<u>29,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,876</u>	<u>110,707</u>
Revenue over (under) expenditures	71,950	81,537	575	6,057	-	(14,680)	43,954
Other financing sources/(uses)							
Operating transfers in/(out) - net	(10,000)	(10,000)	-	-	-	-	-
	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	61,950	71,537	575	6,057	-	(14,680)	43,954
Fund Balance							
Beginning of year	605,846	224,144	384,868	26,967	1,999	27,611	204,486
End of year	<u>\$ 667,796</u>	<u>\$ 295,681</u>	<u>\$ 385,443</u>	<u>\$ 33,024</u>	<u>\$ 1,999</u>	<u>\$ 12,931</u>	<u>\$ 248,440</u>

See accompanying notes.

CITY OF GONZALES

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED) YEAR ENDED JUNE 30, 2021

	Special Revenue							Debt Service		Total Non-major Governmental Funds
	Storm Drainage Facility Impact Fees	Public Facilities Impact Fees	Public Uses Mitigation Fees	Sphere of Influence Impact Fees	General Plan Impact Fees	SB1 Road	CDBG Urban County Grant	American Rescue Plan	Shopping Center	
Revenue										
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157,689	\$ -	\$ -	\$ 4,946	\$ 733,712
Licenses, permits and impact fees	31,802	38,365	-	46,288	-	-	-	-	-	302,329
Intergovernmental	-	-	-	142,287	-	-	-	270,452	-	1,018,728
Use of money and property	-	302	67	702	24	-	-	-	-	10,183
Loan repayments	-	-	-	-	-	-	-	-	-	72,826
Other revenue	-	-	-	40,000	-	-	-	-	-	40,000
Total revenue	<u>31,802</u>	<u>38,667</u>	<u>67</u>	<u>229,277</u>	<u>24</u>	<u>157,689</u>	<u>-</u>	<u>270,452</u>	<u>4,946</u>	<u>2,177,778</u>
Expenditures										
General government	-	-	-	-	-	-	-	270,452	-	270,452
Public safety	-	-	-	-	-	-	-	-	-	304,240
Public works	-	-	-	-	-	-	-	-	-	687,525
Parks and recreation	-	-	-	-	-	-	-	-	-	200,151
Community development	15,668	6,794	6,016	302,943	-	-	-	-	-	445,878
Capital outlay	-	-	-	-	-	-	-	-	-	30,000
Total expenditures	<u>15,668</u>	<u>6,794</u>	<u>6,016</u>	<u>302,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,452</u>	<u>-</u>	<u>1,938,246</u>
Revenue over (under) expenditures	16,134	31,873	(5,949)	(73,666)	24	157,689	-	-	4,946	239,532
Other financing sources/(uses)										
Operating transfers in/(out) - net	-	-	-	-	-	(157,689)	(14,805)	-	(4,946)	(10,482)
	-	-	-	-	-	(157,689)	(14,805)	-	(4,946)	(10,482)
Change in Fund Balance	16,134	31,873	(5,949)	(73,666)	24	-	(14,805)	-	-	229,050
Fund Balance										
Beginning of year	21,157	68,070	13,084	333,355	81,358	-	5,675	-	-	3,496,784
End of year	<u>\$ 37,291</u>	<u>\$ 99,943</u>	<u>\$ 7,135</u>	<u>\$ 259,689</u>	<u>\$ 81,382</u>	<u>\$ -</u>	<u>\$ (9,130)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,725,835</u>

**INDEPENDENT AUDITOR’S 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 Mayor and City Council
City of Gonzales, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gonzales, California, (the “City”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City’s basic financial statements, and have issued our report thereon dated March 1, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

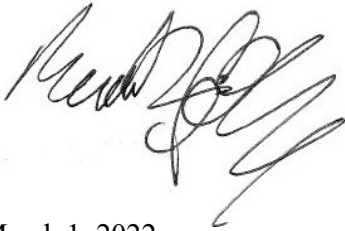
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be 'M. J. [unclear]', written in a cursive style.

March 1, 2022