

CITY OF SAN JUAN BAUTISTA

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 San Juan Bautista, 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 San Juan Bautista, 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 San Juan Bautista, 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 29 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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2021, on our consideration of the City of San Juan Bautista'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 San Juan Bautista's internal control over financial reporting and compliance.

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

December 11, 2021

CITY OF SAN JUAN BAUTISTA

STATEMENT OF NET POSITION JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 3,832,979	\$ 1,416,909	\$ 5,249,888
Restricted cash and investments	-	1,075,257	1,075,257
Accounts receivable, net	34,461	258,402	292,863
Due from other governmental agencies	1,038,202	-	1,038,202
Internal balances	1,624,504	(1,624,504)	-
Prepaid expense and other assets	6,492	-	6,492
Capital assets (net of allowance for depreciation)	3,965,284	12,999,442	16,964,726
Total assets	<u>10,501,922</u>	<u>14,125,506</u>	<u>24,627,428</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on debt refunding	-	1,455,869	1,455,869
Total deferred outflows of resources	<u>-</u>	<u>1,455,869</u>	<u>1,455,869</u>
LIABILITIES			
Accounts payable and accrued expense	405,842	519,283	925,125
Accrued settlement	-	88,000	88,000
Accrued interest	-	95,783	95,783
Deposits	-	164,407	164,407
Long-term liabilities			
Due within one year	-	285,000	285,000
Due in more than one year	-	10,225,205	10,225,205
Total liabilities	<u>405,842</u>	<u>11,377,678</u>	<u>11,783,520</u>
NET POSITION			
Net investment in capital assets	3,965,284	2,489,237	6,454,521
Restricted for capital improvements	1,068,636	1,075,257	2,143,893
Restricted for specific projects and programs	830,547	-	830,547
Unrestricted	4,231,613	639,203	4,870,816
Total net position	<u>\$ 10,096,080</u>	<u>\$ 4,203,697</u>	<u>\$ 14,299,777</u>

CITY OF SAN JUAN BAUTISTA

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenue				Net Revenue/(Expense) and Changes in Net Position		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 456,330	\$ -	\$ 637,425	\$ -	\$ 181,095	\$ -	\$ 181,095
Public works	528,020	-	95,111	500,932	68,023	-	68,023
Parks and recreation	71,316	639	1,000	-	(69,677)	-	(69,677)
Public safety	874,369	2,270	202,950	-	(669,149)	-	(669,149)
Community development	681,639	138,172	-	-	(543,467)	-	(543,467)
Total governmental activities	<u>2,611,674</u>	<u>141,081</u>	<u>936,486</u>	<u>500,932</u>	<u>(1,033,175)</u>	<u>-</u>	<u>(1,033,175)</u>
Business-type activities							
Water	1,480,858	1,406,447	-	-	-	(74,411)	(74,411)
Sewer	1,282,809	1,113,047	-	-	-	(169,762)	(169,762)
Total business-type activities	<u>2,763,667</u>	<u>2,519,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(244,173)</u>	<u>(244,173)</u>
Total primary government	<u>\$ 5,375,341</u>	<u>\$ 2,660,575</u>	<u>\$ 936,486</u>	<u>\$ 500,932</u>	<u>(1,033,175)</u>	<u>(244,173)</u>	<u>(1,277,348)</u>
General Revenues							
Property taxes and assessments					718,026	-	718,026
Sales taxes					661,537	-	661,537
Lodging taxes					139,972	-	139,972
Franchise taxes					117,822	-	117,822
Business licenses					33,584	-	33,584
Motor vehicle in-lieu					244,452	-	244,452
Interest and rent					105,202	2,729	107,931
Other					17,308	-	17,308
Transfers					331,185	(331,185)	-
Total general revenue					<u>2,369,088</u>	<u>(328,456)</u>	<u>2,040,632</u>
Change in Net Position					1,335,913	(572,629)	763,284
Net Position							
Beginning of year					8,760,167	4,776,326	13,536,493
End of year					<u>\$ 10,096,080</u>	<u>\$ 4,203,697</u>	<u>\$ 14,299,777</u>

See accompanying notes.

CITY OF SAN JUAN BAUTISTA

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 2,427,129	\$ 1,405,850	\$ 3,832,979
Accounts receivable	34,461	-	34,461
Due from other governmental agencies	977,496	60,706	1,038,202
Due from other funds	7,649	-	7,649
Advance to other funds	1,624,504	-	1,624,504
Prepaid expense and other assets	6,492	-	6,492
Total assets	<u>\$ 5,077,731</u>	<u>\$ 1,466,556</u>	<u>\$ 6,544,287</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities			
Accounts payable and accrued expense	\$ 401,822	\$ 4,020	\$ 405,842
Due to other funds	-	7,649	7,649
Total liabilities	<u>401,822</u>	<u>11,669</u>	<u>413,491</u>
Deferred Inflows of Resources			
Unavailable revenues	<u>62,423</u>	<u>12,488</u>	<u>74,911</u>
Total deferred inflows of resources	<u>62,423</u>	<u>12,488</u>	<u>74,911</u>
Fund Balance			
Nonspendable			
Advances to other funds	1,624,504	-	1,624,504
Prepaid	6,492	-	6,492
Restricted			
Public safety	-	255,521	255,521
Capital improvement projects	-	977,058	977,058
Circulation improvements	-	91,578	91,578
Lighting and landscape maintenance	-	119,916	119,916
Committed			
Buildings	200,950	-	200,950
Vehicles	254,160	-	254,160
Unassigned	<u>2,527,380</u>	<u>(1,674)</u>	<u>2,525,706</u>
Total fund balance	<u>4,613,486</u>	<u>1,442,399</u>	<u>6,055,885</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,077,731</u>	<u>\$ 1,466,556</u>	<u>\$ 6,544,287</u>

See accompanying notes.

CITY OF SAN JUAN BAUTISTA

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

Total governmental fund balances	\$ 6,055,885
Amounts reported for governmental activities in the statement of net position are different because:	
Certain revenues are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	74,911
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>3,965,284</u>
Net position of governmental activities	<u>\$ 10,096,080</u>

CITY OF SAN JUAN BAUTISTA

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

	<u>General</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue			
Taxes	\$ 1,577,602	\$ 111,474	\$ 1,689,076
Intergovernmental	681,758	254,728	936,486
Charges for services	33,879	-	33,879
Licenses, permits and impact fees	256,228	145,240	401,468
Fines and forfeitures	2,380	-	2,380
Interest and rent	105,202	-	105,202
Other	17,308	-	17,308
Total revenue	<u>2,674,357</u>	<u>511,442</u>	<u>3,185,799</u>
Expenditures			
Current			
General government	446,811	-	446,811
Public works	326,721	103,789	430,510
Parks and recreation	50,062	-	50,062
Public safety	850,648	8,333	858,981
Community development	681,639	-	681,639
Capital outlay	1,289,512	-	1,289,512
Total expenditures	<u>3,645,393</u>	<u>112,122</u>	<u>3,757,515</u>
Revenue over/(under) expenditures	(971,036)	399,320	(571,716)
Other Financing Sources/(Uses)			
Operating transfers in/(out)	878,091	(546,906)	331,185
Total other financing sources (uses)	<u>878,091</u>	<u>(546,906)</u>	<u>331,185</u>
Change in Fund Balance	(92,945)	(147,586)	(240,531)
Fund Balance			
Beginning of year	4,706,431	1,589,985	6,296,416
End of year	<u>\$ 4,613,486</u>	<u>\$ 1,442,399</u>	<u>\$ 6,055,885</u>

CITY OF SAN JUAN BAUTISTA

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 \$ (240,531)

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

Depreciation expense on capital assets is reported in the Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds (143,671)

Certain revenues in Governmental Funds are deferred because they are not collected within the prescribed time period after fiscal year end. Those revenues are recognized on the accrual basis in the Statement of Net Assets 74,911

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay in the current period. 1,645,204

Change in net position of governmental activities \$ 1,335,913

CITY OF SAN JUAN BAUTISTA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2021

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total Proprietary Funds
ASSETS			
Current assets			
Cash and investments	\$ 663,383	\$ 753,526	\$ 1,416,909
Restricted cash and investments	703,517	371,740	1,075,257
Accounts receivable, net	134,326	124,076	258,402
Total current assets	<u>1,501,226</u>	<u>1,249,342</u>	<u>2,750,568</u>
Non-current assets			
Property, plant and equipment (net of allowance for depreciation)	<u>7,203,579</u>	<u>5,795,863</u>	<u>12,999,442</u>
Total noncurrent assets	<u>7,203,579</u>	<u>5,795,863</u>	<u>12,999,442</u>
Total assets	<u>8,704,805</u>	<u>7,045,205</u>	<u>15,750,010</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on debt refunding	<u>800,728</u>	<u>655,141</u>	<u>1,455,869</u>
Total deferred outflows of resources	<u>800,728</u>	<u>655,141</u>	<u>1,455,869</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expense	34,114	485,169	519,283
Accrued settlement	88,000	-	88,000
Accrued interest	52,681	43,102	95,783
Advance from other funds	893,477	731,027	1,624,504
Deposits	164,407	-	164,407
Current portion of long-term debt	<u>156,750</u>	<u>128,250</u>	<u>285,000</u>
Total current liabilities	<u>1,389,429</u>	<u>1,387,548</u>	<u>2,776,977</u>
Noncurrent Liabilities			
Long-term debt	<u>5,623,863</u>	<u>4,601,342</u>	<u>10,225,205</u>
Total liabilities	<u>7,013,292</u>	<u>5,988,890</u>	<u>13,002,182</u>
NET POSITION			
Net investment in capital assets	1,422,966	1,066,271	2,489,237
Restricted for capital improvements	703,517	371,740	1,075,257
Unrestricted	365,758	273,445	639,203
Total net position	<u>\$ 2,492,241</u>	<u>\$ 1,711,456</u>	<u>\$ 4,203,697</u>

CITY OF SAN JUAN BAUTISTA

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

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total Proprietary Funds
Operating Revenue			
Charges for services	\$ 1,402,857	\$ 1,113,047	\$ 2,515,904
Other fees	3,590	-	3,590
Total operating revenue	<u>1,406,447</u>	<u>1,113,047</u>	<u>2,519,494</u>
Operating Expense			
Contractual services and utilities	286,592	485,034	771,626
Personnel	189,792	171,102	360,894
Supplies, materials and repairs	71,325	92,194	163,519
Depreciation expense	362,296	323,507	685,803
Total operating expense	<u>910,005</u>	<u>1,071,837</u>	<u>1,981,842</u>
Operating income/(loss)	<u>496,442</u>	<u>41,210</u>	<u>537,652</u>
Nonoperating Revenue/(Expense)			
Interest income	1,386	1,343	2,729
Interest expense	(257,853)	(210,972)	(468,825)
Settlement expense	(313,000)	-	(313,000)
Total nonoperating revenue/(expense)	<u>(569,467)</u>	<u>(209,629)</u>	<u>(779,096)</u>
Net income/(loss) before transfers	(73,025)	(168,419)	(241,444)
Operating Transfers In/(Out)	<u>(155,993)</u>	<u>(175,192)</u>	<u>(331,185)</u>
Change in Net Position	<u>(229,018)</u>	<u>(343,611)</u>	<u>(572,629)</u>
Net Position			
Beginning of year	<u>2,721,259</u>	<u>2,055,067</u>	<u>4,776,326</u>
End of year	<u>\$ 2,492,241</u>	<u>\$ 1,711,456</u>	<u>\$ 4,203,697</u>

CITY OF SAN JUAN BAUTISTA

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

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total Proprietary Funds</u>
Operating Activities			
Receipts from customers and users	\$ 1,397,962	\$ 1,103,964	\$ 2,501,926
Payments for contractual services and utilities	(395,794)	(485,034)	(880,828)
Payments to employees	(189,792)	(171,102)	(360,894)
Payments to suppliers	(71,325)	(166,620)	(237,945)
Net cash provided by operating activities	<u>741,051</u>	<u>281,208</u>	<u>1,022,259</u>
Non-capital Financing Activities			
Repayment of short-term note settlement	(225,000)	-	(225,000)
Payments and transfers (to)/from other funds	(155,993)	(175,192)	(331,185)
Net cash provided by (used in) noncapital financing activities	<u>(380,993)</u>	<u>(175,192)</u>	<u>(556,185)</u>
Capital and Related Financing Activities			
Purchase of property, plant and equipment	(84,164)	(274,528)	(358,692)
Payments received from other funds	(30,743)	(25,153)	(55,896)
Bond premium	35,733	29,236	64,969
Principal paid on long-term debt	(155,303)	(127,067)	(282,370)
Interest paid on long-term debt	(259,293)	(212,150)	(471,443)
Net cash provided by (used in) capital and related financing activities	<u>(493,770)</u>	<u>(609,662)</u>	<u>(1,103,432)</u>
Investing Activities			
Interest received	1,386	1,343	2,729
Net cash provided by investing activities	<u>1,386</u>	<u>1,343</u>	<u>2,729</u>
Net Decrease in Cash	(132,326)	(502,303)	(634,629)
Cash			
Beginning of year	<u>1,499,226</u>	<u>1,627,569</u>	<u>3,126,795</u>
End of year	<u>\$ 1,366,900</u>	<u>\$ 1,125,266</u>	<u>\$ 2,492,166</u>
Cash Flows from Operating Activities			
Operating income (loss)	\$ 496,442	\$ 41,210	\$ 537,652
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	362,296	323,507	685,803
(Increase) Decrease in Accounts Receivable, net	(25,379)	(9,083)	(34,462)
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Deposits	(92,308)	(74,426)	(166,734)
Net Cash Provided by Operating Activities	<u>\$ 741,051</u>	<u>\$ 281,208</u>	<u>\$ 1,022,259</u>

See accompanying notes.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of San Juan Bautista (the City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City of San Juan Bautista, State of California (the "City"), was incorporated in 1869. The City operates under a Council-Manager form of government. The City's major operations include public safety; highways and streets; sewer and water; parks and recreation; building inspection; public improvements; planning and zoning; and general administrative services.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements – The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities and Changes in Net Position) report information of all of the nonfiduciary activities of the primary government. For the most part, 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 inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities and Changes in Net Position 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.

Net Position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Financial Statements – The Governmental Fund Financial Statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

The City reports the following major enterprise funds:

Water Fund – The Water Fund accounts for the operation and maintenance of the City’s water treatment and water transmission and distribution systems.

Sewer Fund – The Sewer Fund accounts for the operation and maintenance of the City’s sewer system.

Basis of Accounting

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the 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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales 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. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

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. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

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. Revenues and expenses not meeting this definition are reported as non-operating.

Financial Statement Amounts

Cash and Investments – Cash and investments represent the City's cash bank accounts including but not limited to certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month end cash balances in each fund.

Accounts Receivable – Billed but unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable. An allowance for doubtful accounts is provided to account for potentially uncollectible amounts.

San Benito County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is March 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual. The County adopted the alternative method of secured property tax apportionment available under the Revenue and Taxation Code of the State (also known as the "Teeter Plan") whereby secured property taxes were distributed to participating taxing on the basis of the tax levy, including any uncollected amounts at fiscal year-end. The County, as administrator, benefits from future collections of penalties and interest on delinquent taxes. Taxes receivable are recorded as of the date levied. The County is still using the Teeter Plan as of June 30, 2021.

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

Interfund Receivables/Payables – Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

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

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

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 columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. 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.

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 are 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, structures and improvements	40
Infrastructure	40
Equipment	5 - 10

Deferred Outflow/Inflows of Resources – In addition to assets, liabilities and net position, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences – It is the City's policy to permit all employees to accumulate earned but unused vacation and compensatory time benefits. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements.

Sick leave can be accumulated, but vesting is limited and will not be paid upon termination. For this reason, the City does not accrue any costs relating to sick leave.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Long-Term Obligations – In the Government-Wide Financial Statements, and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type Statement of Net Position. 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts 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.

Non-Current Governmental Assets/Liabilities – GASB Statement No. 34 eliminates the presentation of account groups but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Position.

Net Position – The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position are categorized as invested capital assets (net of related debt), 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 or 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.

Fund Balance – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, long-term portion of loans receivable, nonfinancial assets held for resale and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.
- Assigned fund balance are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

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 apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

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 SAN JUAN BAUTISTA

NOTES TO THE BASIC 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 San Juan Bautista 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	\$ 5,249,888
Restricted Cash and Investments	<u>1,075,257</u>
Total Cash and Investments	<u>\$ 6,325,145</u>

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

Cash on hand	\$ 200
Deposits with Financial Institutions	1,314,483
Statewide Community Infrastructure Program	1,016,891
Local Agency Investment Fund	3,578,077
Held by Fiscal Agent:	
Money Market Mutual Funds	<u>415,494</u>
Total Cash and Investments	<u>\$ 6,325,145</u>

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

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).

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</u>
Investments by fair value level:				
Equity Securities:				
LAIF	\$ -	\$ 3,578,077	\$ -	\$ 3,578,077
Total Equity Securities	<u>-</u>	<u>3,578,077</u>	<u>-</u>	<u>3,578,077</u>
Investments carried at amortized cost:				
Bank Deposits and Cash on Hand				1,314,683
Statewide Community Infrastructure Program				1,016,891
Money Market Mutual Funds				<u>415,494</u>
Total Investments amortized at cost				<u>2,747,068</u>
Total Investments				<u>\$ 6,325,145</u>

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC 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. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	None	None	None
Banker's Acceptances	180 days	None	20%	10% or \$5 million
Commercial Paper	180 days	A	15%	10%
Negotiable Certificates of Deposit	2 years	None	30%	None
Medium-Term Notes	5 years	AA	20%	10%
Money Market Mutual Funds	N/A	AAA	20%	10%
Repurchase Agreements	1 year	None	None	None
Time Deposits	2 years	None	10%	None
County Pooled Investment Funds	N/A	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$40 million	None

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC 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. As of June 30, 2021, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity Date</u>
Local Agency Investment Fund Held by Fiscal Agent:	\$ 3,578,077	N/A
Money Market Mutual Funds	<u>415,494</u>	N/A
Total	<u>\$ 3,993,571</u>	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the 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>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End Not Rated</u>
Local Agency Investment Fund Held by Fiscal Agent:	\$ 3,578,077	N/A	\$ 3,578,077
Money Market Mutual Funds	<u>415,494</u>	N/A	<u>415,494</u>
Total	<u>\$ 3,993,571</u>		<u>\$ 3,993,571</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. At times, the City's bank accounts may exceed federally insured limits. The City has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

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. As of June 30, 2021, the carrying amount of the City's bank deposits was \$1,314,483, and the respective bank balances totaled \$1,399,102, of the total bank balance. Of the bank balances, only \$250,000 is insured through the Federal Depository Insurance Company. The remaining balance is to be collateralized by the bank.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 4 – Capital Assets

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

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2021</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 22,610	\$ -	\$ -	\$ 22,610
Construction in progress	879,673	157,560	(879,673)	157,560
Total capital assets, not being depreciated	<u>902,283</u>	<u>157,560</u>	<u>(879,673)</u>	<u>180,170</u>
Capital assets, being depreciated				
Buildings and improvements	1,339,733	33,501	-	1,373,234
Infrastructure	1,236,121	2,331,121	-	3,567,242
Machinery and equipment	1,053,857	2,695	-	1,056,552
Total capital assets, being depreciated	<u>3,629,711</u>	<u>2,367,317</u>	<u>-</u>	<u>5,997,028</u>
Less accumulated depreciation for:				
Buildings and improvements	(805,677)	(42,340)	-	(848,017)
Infrastructure	(348,449)	(75,284)	-	(423,733)
Machinery and equipment	(914,117)	(26,047)	-	(940,164)
Total accumulated depreciation	<u>(2,068,243)</u>	<u>(143,671)</u>	<u>-</u>	<u>(2,211,914)</u>
Total capital assets, being depreciated, net	<u>1,561,468</u>	<u>2,223,646</u>	<u>-</u>	<u>3,785,114</u>
Governmental activities capital assets, net	<u>\$ 2,463,751</u>	<u>\$ 2,381,206</u>	<u>\$ (879,673)</u>	<u>\$ 3,965,284</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 487,275	\$ -	\$ -	\$ 487,275
Construction in progress	172,496	167,211	-	339,707
Total capital assets, not being depreciated	<u>659,771</u>	<u>167,211</u>	<u>-</u>	<u>826,982</u>
Capital assets, being depreciated				
Building	323,861	-	-	323,861
Improvements other than buildings	19,559,752	100,119	-	19,659,871
Machinery and equipment	1,011,012	91,362	-	1,102,374
Total capital assets, being depreciated	<u>20,894,625</u>	<u>191,481</u>	<u>-</u>	<u>21,086,106</u>
Less: accumulated depreciation	<u>(8,227,843)</u>	<u>(685,803)</u>	<u>-</u>	<u>(8,913,646)</u>
Total capital assets, being depreciated, net	<u>12,666,782</u>	<u>(494,322)</u>	<u>-</u>	<u>12,172,460</u>
Business-type activities capital assets, net	<u>\$ 13,326,553</u>	<u>\$ (327,111)</u>	<u>\$ -</u>	<u>\$ 12,999,442</u>

CITY OF SAN JUAN BAUTISTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 4 – Capital Assets (Continued)

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

Governmental Functions:

General Government	\$	9,519
Public Works		97,510
Parks and Recreation		21,254
Public Safety		15,388
	<u>\$</u>	<u>143,671</u>

Business-Type Functions:

Water	\$	362,296
Sewer		323,507
	<u>\$</u>	<u>685,803</u>

Note 5 – 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.

In governmental fund types, debt discounts and issuance costs are recognized in the current period. Debt discounts and issuance costs incurred in proprietary funds are deferred and amortized over the term of the debt using the bonds-outstanding method, which approximates the effective interest method. The City’s debt transactions are summarized below and discussed in detail thereafter:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>
<u>Business-Type Activities Long Term Debt</u>					
2015 Enterprise Revenue Bonds	\$ 10,620,000	\$ -	\$ 275,000	\$ 10,345,000	\$ 285,000
Plus Unamortized Premium on Bond	<u>172,575</u>	<u>-</u>	<u>7,370</u>	<u>165,205</u>	<u>7,370</u>
Total Business-Type Activities Debt	<u>\$ 10,792,575</u>	<u>\$ -</u>	<u>\$ 282,370</u>	<u>\$ 10,510,205</u>	<u>\$ 292,370</u>
<u>Compensated Absences</u>					
Government Activities	<u>\$ 27,901</u>	<u>\$ 11,266</u>	<u>\$ -</u>	<u>\$ 39,167</u>	

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 5 – Long-Term Debt (Continued)

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

2015 Enterprise Revenue Bonds – In December 2015, the City issued Series 2015 Enterprise Revenue Bonds for the principal amount of \$11,640,000. The issuance was to refund the outstanding principal balance of the 2008 Water and Sewer COP and the Pavex Note payable described above. In addition, the proceeds of the sale of the bond were used to provide funding to improve the City’s water system as well as paying the costs of issuance. The reacquisition price exceeded the net carrying amount of the old debt by \$1,819,135. The City refunded the above debts to reduce its total debt service over 28 years by \$4,125,856 and to obtain an economic gain (difference between the present values of debt service payments on the old and new debt) of \$1,947,479. The bonds bear interest ranging from 3.0% to 5.0% and are payable semi-annually commencing April 2016 through October 2043. Debt service is secured by a pledge of net revenues of the City’s Water and Sewer Systems. The City covenants that it shall prescribe, revise and collect such charges for the services and facilities of the water and sewer systems which shall produce revenues sufficient in each fiscal year to provide gross revenues which are sufficient to pay all water and sewer operation and maintenance costs and all bond installment payments and produce net water and sewer revenues equal to at least 1.25 times debt service coming due and payable during such fiscal year. The City is in compliance with those covenants as of June 30, 2021. Cash basis debt service paid during the fiscal year ended June 30, 2021 totaled \$663,638. Total water and sewer system net revenues calculated in accordance with the covenants were \$910,455 and net revenue available for debt service was 1.37 times debt service at June 30, 2021.

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

Years ending June 30,	<u>Principal</u>	<u>Interest</u>
2022	\$ 285,000	\$ 377,438
2023	300,000	365,738
2024	310,000	351,988
2025	325,000	336,113
2026	345,000	319,363
2027-2031	1,945,000	1,378,455
2032-2036	2,255,000	1,048,327
2037-2041	2,715,000	611,718
2042-2044	1,865,000	106,407
	<u>\$ 10,345,000</u>	<u>\$ 4,895,547</u>
Unamortized premiums	<u>165,205</u>	
Net long-term debt	<u>\$ 10,510,205</u>	

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 6 – Deferred Compensation Plan

On October 1, 1999, the City established a deferred compensation plan for its employees which provides them an opportunity to save for retirement. The plan meets the requirements of Internal Revenue Code Section 457. Under the plan, employees make tax deferred contributions up to the limits established by the Internal Revenue Service. The contributions made to the plan may be withdrawn only upon retirement separation from service, death or unforeseeable emergency. Employees are 100% vested in their contributions from the first date of participation. The plan provides for varying matching contributions.

The plan is administered by the City. The participants are offered a choice of investment options and make their own investment decisions. The City has fiduciary obligation for due care in the administration of the plan, but is not responsible for the investments or performance results of the investment products offered under the plan, therefore, the City is not required to report these funds on the City's financial statements.

Note 7 – Risk Management

The City of San Juan Bautista is insured under the Public Agency Risk Sharing Authority of California (PARSAC) liability program. Protection is afforded for "bodily injury, property damage, personal injury and public officials' errors and omissions, subject to certain limitations".

Limit of protection – \$995,000 ultimate net loss as the result of any occurrence because of bodily injury, property damage, personal injury or public officials' errors and omissions or any combination thereof in excess of the retained limit.

Retained limit – \$5,000 ultimate net loss as the result of any occurrence because of bodily injury, property damage, personal injury or public officials' errors and omissions or any combination thereof.

Complete audited financial statements for PARSAC can be obtained from PARSAC's office at 1525 Response Road, Suite One, Sacramento, CA 95815.

Note 8 – Due From/Due to Other Funds and Advance To/Advance From Other Funds

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has cash, and carry an interest rate equal to the rate earned on pooled cash. Individual fund interfund receivables and payables balances as of June 30, 2021 are as follows:

	<u>Due From</u>	<u>Due To</u>
Major Governmental Funds:		
General Fund	\$ 7,649	\$ -
Nonmajor Governmental Funds:		
Cops Grant Fund	-	3,954
Gas Tax	-	3,695
	<u>\$ 7,649</u>	<u>\$ 7,649</u>

CITY OF SAN JUAN BAUTISTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 8 – Due From/Due to Other Funds and Advance To/Advance From Other Funds (continued)

In August 2016 the City formalized an advance agreement between the City’s General Fund and the Water and Sewer Funds for the amount of \$1,895,844. The amount is payable by the Water and Sewer Funds to the General Fund over a period of 29 years at an interest rate of 1.5 percent payable in annual payments of \$81,102.

Advances from and to balances as of June 30, 2021, are as follows:

	<u>Advance To</u>	<u>Advance From</u>
Major Governmental Funds:		
General Fund	\$ 1,624,504	\$ -
Proprietary Funds:		
Water Fund	-	893,477
Sewer Fund	-	731,027
	<u>\$ 1,624,504</u>	<u>\$ 1,624,504</u>

Note 9 – Interfund Transfers

With the City Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund. Transfers within fund types have been eliminated with the government-wide financial statements. Transfers in and out for the year ended June 30, 2021 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 878,091	\$ -
Nonmajor Governmental Funds:		
COPS Grant	-	151,284
Gas Tax Fund	-	79,841
Affordable Housing	4,225	-
Maintenance Districts Fund	-	14,456
Impact Fees Fund	-	305,550
Proprietary Funds:		
Water Fund	-	155,993
Sewer Fund	-	175,192
	<u>\$ 882,316</u>	<u>\$ 882,316</u>

Note 10 – Deficit Fund Balance

The Gas Tax Fund has a deficit fund balance of \$1,674, which will be mitigated by future revenues.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 11 – Deferred Outflows/Inflows of Resources

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 reports deferred outflows of \$800,728 in the Water Fund and \$655,141 in the Sewer Fund for deferred charges from debt retirement relate to the defeasance costs of the City's 2008 Water and Sewer Certificates of Participation. The balance is being amortized over a twenty-eight-year period.

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 reports \$62,423 and \$12,488 in deferred inflows related to unavailable revenues in the General Fund and Roads & Restrooms Fund, respectively.

Note 12 – Stewardship, Compliance and Accountability

Excess of expenditures over appropriations – The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2021:

General Fund:

Current

Parks and recreation	\$ (1,975)
Public safety	\$ (161,144)
Community development	\$ (52,360)

The excess expenditures were covered by excess revenues during the fiscal year.

Note 13 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through December 11, 2021, 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 SAN JUAN BAUTISTA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive/ (Negative)</u>
Revenue				
Taxes	\$ 1,161,554	\$ 1,161,554	\$ 1,577,602	\$ 416,048
Intergovernmental	2,780,348	2,780,348	681,758	(2,098,590)
Charges for services	125,129	125,129	33,879	(91,250)
Licenses, permits and impact fees	714,954	714,954	256,228	(458,726)
Fines and forfeitures	-	-	2,380	2,380
Interest and rent	186,100	186,100	105,202	(80,898)
Other	618,515	618,515	17,308	(601,207)
Total revenue	<u>5,586,600</u>	<u>5,586,600</u>	<u>2,674,357</u>	<u>(2,912,243)</u>
Expenditures				
Current				
General government	533,975	533,975	446,811	87,164
Public works	611,650	611,650	326,721	284,929
Parks and recreation	48,087	48,087	50,062	(1,975)
Public safety	689,504	689,504	850,648	(161,144)
Community development	629,279	629,279	681,639	(52,360)
Capital outlay	<u>3,304,971</u>	<u>3,304,971</u>	<u>1,289,512</u>	<u>2,015,459</u>
Total expenditures	<u>5,817,466</u>	<u>5,817,466</u>	<u>3,645,393</u>	<u>2,172,073</u>
Revenue over (under) expenditures	(230,866)	(230,866)	(971,036)	(740,170)
Other Financing Sources				
Transfers in (out) - net	<u>235,281</u>	<u>235,281</u>	<u>878,091</u>	<u>642,810</u>
Net Change in Fund Balance	<u>\$ 4,415</u>	<u>\$ 4,415</u>	(92,945)	<u>\$ (97,360)</u>
Fund Balance				
Beginning of year			<u>4,706,431</u>	
End of year			<u>\$ 4,613,486</u>	

SUPPLEMENTAL ONLY INFORMATION

CITY OF SAN JUAN BAUTISTA

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

	Special Revenue Funds			
	COPS Grant	Affordable Housing	Public Parking Fund	Gas Tax Fund
ASSETS				
Cash and investments	\$ -	\$ -	\$ 17,447	\$ -
Due from other governmental agencies	42,647	-	-	3,817
Total assets	<u>\$ 42,647</u>	<u>\$ -</u>	<u>\$ 17,447</u>	<u>\$ 3,817</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expense	\$ -	\$ -	\$ -	\$ 1,796
Due to other funds	3,954	-	-	3,695
Total liabilities	<u>3,954</u>	<u>-</u>	<u>-</u>	<u>5,491</u>
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance				
Restricted				
Public safety	38,693	-	-	-
Capital improvement projects	-	-	17,447	-
Circulation improvements	-	-	-	-
Lighting and landscape maintenance	-	-	-	-
Unassigned	-	-	-	(1,674)
Total fund balance	<u>38,693</u>	<u>-</u>	<u>17,447</u>	<u>(1,674)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 42,647</u>	<u>\$ -</u>	<u>\$ 17,447</u>	<u>\$ 3,817</u>

CITY OF SAN JUAN BAUTISTA

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

	<u>Special Revenue Funds</u>			<u>Non-major Governmental Funds</u>
	<u>Roads & Restrooms Fund</u>	<u>Maintenance Districts</u>	<u>Impact Fees</u>	
ASSETS				
Cash and investments	\$ 183,775	\$ 120,386	\$ 1,084,242	\$ 1,405,850
Due from other governmental agencies	12,488	1,754	-	60,706
Total assets	<u>\$ 196,263</u>	<u>\$ 122,140</u>	<u>\$ 1,084,242</u>	<u>\$ 1,466,556</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expense	\$ -	\$ 2,224	\$ -	\$ 4,020
Due to other funds	-	-	-	7,649
Total liabilities	<u>-</u>	<u>2,224</u>	<u>-</u>	<u>11,669</u>
Deferred Inflows of Resources				
Unavailable revenues	12,488	-	-	12,488
Total deferred inflows of resources	<u>12,488</u>	<u>-</u>	<u>-</u>	<u>12,488</u>
Fund Balance				
Restricted				
Public safety	-	-	216,828	255,521
Capital improvement projects	183,775	-	775,836	977,058
Circulation improvements	-	-	91,578	91,578
Lighting and landscape maintenance	-	119,916	-	119,916
Unassigned	-	-	-	(1,674)
Total fund balance	<u>183,775</u>	<u>119,916</u>	<u>1,084,242</u>	<u>1,442,399</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 196,263</u>	<u>\$ 122,140</u>	<u>\$ 1,084,242</u>	<u>\$ 1,466,556</u>

CITY OF SAN JUAN BAUTISTA

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

	Special Revenue Funds			
	COPS Grant	Affordable Housing	Public Parking Fund	Gas Tax Fund
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	159,617	-	-	95,111
Licenses, permits and impact fees	-	-	-	-
Total revenue	<u>159,617</u>	<u>-</u>	<u>-</u>	<u>95,111</u>
Expenditures				
Current				
Public works	-	-	-	16,944
Public safety	8,333	-	-	-
Total expenditures	<u>8,333</u>	<u>-</u>	<u>-</u>	<u>16,944</u>
Revenue over (under) expenditures	151,284	-	-	78,167
Other financing sources/(uses)				
Operating transfers in/(out)	(151,284)	4,225	-	(79,841)
	<u>(151,284)</u>	<u>4,225</u>	<u>-</u>	<u>(79,841)</u>
Change in Fund Balance	-	4,225	-	(1,674)
Fund Balance				
Beginning of year	38,693	(4,225)	17,447	-
End of year	<u>\$ 38,693</u>	<u>\$ -</u>	<u>\$ 17,447</u>	<u>\$ (1,674)</u>

CITY OF SAN JUAN BAUTISTA

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

	Special Revenue Funds				Non-major Governmental Funds
	Roads & Restrooms Fund	Maintenance Districts	Landscaping Assessment District	Impact Fees	
Revenue					
Taxes	\$ 10,846	\$ 100,628	\$ -	\$ -	\$ 111,474
Intergovernmental	-	-	-	-	254,728
Licenses, permits and impact fees	-	-	-	145,240	145,240
Total revenue	<u>10,846</u>	<u>100,628</u>	<u>-</u>	<u>145,240</u>	<u>511,442</u>
Expenditures					
Current					
Public works	707	86,138	-	-	103,789
Public safety	-	-	-	-	8,333
Total expenditures	<u>707</u>	<u>86,138</u>	<u>-</u>	<u>-</u>	<u>112,122</u>
Revenue over (under) expenditures	10,139	14,490	-	145,240	399,320
Other financing sources/(uses)					
Operating transfers in/(out)	-	(14,456)	-	(305,550)	(546,906)
	<u>-</u>	<u>(14,456)</u>	<u>-</u>	<u>(305,550)</u>	<u>(546,906)</u>
Change in Fund Balance	10,139	34	-	(160,310)	(147,586)
Fund Balance					
Beginning of year	<u>173,636</u>	<u>119,882</u>	<u>-</u>	<u>1,244,552</u>	<u>1,589,985</u>
End of year	<u>\$ 183,775</u>	<u>\$ 119,916</u>	<u>\$ -</u>	<u>\$ 1,084,242</u>	<u>\$ 1,442,399</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 San Juan Bautista, 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 San Juan Bautista, 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 December 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 'Neddy' followed by a stylized flourish.

December 11, 2021