



CITY OF SAN JUAN BAUTISTA CITY COUNCIL REPORT

DATE: JANUARY 16, 2024
BY: DON REYNOLDS, CITY MANAGER
DEPARTMENT: CITY MANAGER
TITLE: APPROVE A RESOLUTION ACCEPTING THE CITY'S FISCAL YEAR 22/23 AUDIT

RECOMMENDED ACTION(S):

It is recommended that the City Council Approve the attached Resolution accepting the City's Fiscal Year 22/23 Audit.

BACKGROUND INFORMATION:

The City is required by laws of the State of California to audit the financial statements after the end of each fiscal year. This practice provides complete transparency for the public and is a tool to hold government officials fiscally accountable. If the audit discloses findings of mishandling of the City's finances, or in violation of any of its finance policies, this is where to look for these facts and make changes to correct these errors and discrepancies.

It is the City Manager's duty to present this audit and describe the City's fiscal status. The City Manager is looking for any signals of alarm, and after that, looking at trends. In the past years, the audits have all been found to be "clean." Like an individual will use a tax return, the city uses a clean audit to help leverage debt. Trends are powerful projection tools, that identify where there are deficits, where expenses exceed revenues, and those need to be identified and corrected in future budgets.

When the budget is assembled and presented to the public, nearly a quarter of expenses and revenues have not been received or spent. The term "Year to Date" is used, and then a "Year End Projection" is determined based upon the annual trends. The audit provides annual trends and works as a tool to disclose dangers and risks, as well as opportunities over longer periods of time. The audit then confirms the assumptions and projections made in the budget, six months after the budget is adopted. The Audit from the prior fiscal year is where the new budget is born.

There is a phrase known as "Zero Based" budgeting. This is a practice that occurs from time to time when the incremental adjustments made year to year are working against the actual trends identified. All assumptions are discarded, and the budget practice starts at "0." In February 2020, Citygate and Associates assigned a retired Finance Director to "audit the audit." There were many

recommendations to help improve the systems in place, but the City's finances were proven to be accurately reported, and strong.

DISCUSSION:

The City is presenting to the City Council and the citizens of San Juan Bautista a clean Audit. There are no findings of concern.

Focusing on trends, attached are notes provided by Wendy Cummings, CPA, summarizing and highlighting areas of the audit and comparing them to prior years. In almost every case, the City's fund balances, and net worth are stronger than last year. The City is consistently investing in its infrastructure and paying down debt on time. General Fund revenues decreased \$1,620,575 over expenditures. The decrease is due to the City's planned expenditure for capital improvements. The budget of which anticipated the use of the available general fund for these projects. The Enterprise Funds (Water and Sewer) are healthier than in prior years.

FISCAL IMPACT:

The acceptance of the City's audit allows the budget process to begin.

ATTACHMENTS:

1. Resolution
2. Summary Notes

RESOLUTION NO. 2024-XX

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN JUAN BAUTISTA
ACCEPTING THE SAN JUAN BAUTISTA MUNICIPAL AUDIT FOR FISCAL YEAR
2022-2023**

WHEREAS, the City of San Juan Bautista is required under the laws of the State of California to have their financial statements audited annually; and

WHEREAS, an audit of the City's financial statements was conducted by Independent Auditor Bryant L. Jolley, CPA; and

WHEREAS, the City Council held a meeting on January 16, 2024 where, in accordance with all State and Municipal Code requirements, they reviewed the audit.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of San Juan Bautista accepts the FY 2022-2023 San Juan Bautista Municipal Audit.

PASSED AND APPROVED by the City Council of the City of San Juan Bautista at a regular meeting held on the 16th day of January 2024, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

Scott Freels, Mayor

ATTEST:

Elizabeth Soto, Deputy City Clerk

Page 4 Statement of Net Position

Governmental Activities ~

Assets are lower than prior year by \$182k. The decrease can be attributed to a combination of an increase in fixed assets of \$1,647k for infrastructure improvements, offset by a decrease in cash of \$1,738k to pay for those improvements.

Liabilities are in line with the prior year.

Unrestricted fund balance of \$2,868k lower than prior year by \$1,719k. This decrease is primarily due to the investment in capital which shifts the unrestricted fund balance to the investment in capital assets fund balance.

Enterprise Activities ~

Assets are higher than the prior year by \$668k. This increase is primarily due to a grant receivable for the wastewater project of \$783k.

Liabilities are lower than in the prior year by \$270k. The decrease is primarily due to the paydown of debt and accrued expenses.

The unrestricted fund balance of \$1,628k, is higher than the prior year by \$867k.

Page 5 Statement of Activities

Primary Government (includes enterprise funds) ~

Charges for services and operating grants totaled \$4,611k, combined with taxes, property, and other revenues of \$2,654k, totaling \$7,265k in revenue for the year. This is an increase of \$1,556k over the prior year's total of \$5,709k. This is primarily due to significant grant funds received in the current year.

Expenditures/expenses totaled \$6,512k for the year. These expenditures were higher than the prior year expenditures by \$1,231k, primarily due to capital projects costs in the current year.

The beginning net position for the year was \$14,728k. With the change in net position totaling \$753k, bringing the net position to \$15,481k.

Page 11 Statement of Revenue, Expense – Proprietary Funds (Enterprise)

Enterprise funds brought in \$2,821k of operating revenue which is \$471k higher than the prior year. This increase is due to a combination of higher water usage due to the lack of a drought, and by higher wastewater revenue from annual rate increases.

Enterprise fund operating expenses were \$2,247k, which was \$362k higher than the prior year. This is primarily due to higher personnel, contract costs, and supplies and materials costs in the current year.

Overall, the enterprise funds brought in a decrease in net position of \$75k.

Page 12 Statement of Cash Flows – Proprietary Funds (Enterprise)

Cash flow provided \$1,253k from operating activities for the year, which is better than the prior year by \$167k.

Other cash flow related items, for paydown of debt and capital purchases were a combined decrease in cash of \$1,126k. The use of cash in the prior year for similar activities was \$1,807k.

Page 31 Budgetary Comparison Schedule – General Fund

Combined general fund revenues were over budget by \$324k, primarily in sales taxes and intergovernmental grants. Charges for services were below budget by \$132k. These budgeted line items are primarily used to pay for community development expenditures.

Combined expenditures were under budget by \$1,313k, primarily in the capital projects budgets. Over budget amounts in public works of \$286k was largely attributed to contributed capital for a shared project with the County of San Benito for State Route 156 improvements.

The total of revenue under expenditures for the year were a negative \$1,621k with interfund transfers. Removing the effects of the capital outlay of \$1,894k, the general fund would present a positive \$274k for the year.

The general fund ended this year with a fund balance of \$3,494k, lower than the prior year by \$1,621k. Of this year-end balance \$2,868k is uncommitted and available for use in governmental operations.

CITY OF SAN JUAN BAUTISTA
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2023

**TABLE OF
CONTENTS**

	<u>Page</u>
Required Communications	1 - 3

To the Honorable Mayor and City Council
City of San Juan Bautista, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Juan Bautista for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 21, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies have not changed during 2023. We noted no transactions entered into by City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the City. We evaluated the key factors and assumptions used by management in computing depreciation expense and believe that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for doubtful accounts is based on an evaluation of collectability primarily focused on past due accounts. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 11, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of City of San Juan Bautista and is not intended to be, and should not be, used by anyone other than these specified parties.

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

January 11, 2024

CITY OF SAN JUAN BAUTISTA

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1 – 3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet – Governmental Funds	6
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	7
Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	8
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	9
Statement of Net Position – Proprietary Funds	10
Statement of Revenue, Expense and Changes in Fund Net Position – Proprietary Funds	11
Statement of Cash Flow – Proprietary Funds	12
Notes to the Basic Financial Statements	13 – 30
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	31
Supplemental Only Information	
Combining Balance Sheet – Nonmajor Governmental Funds	32 – 33
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	34 – 35
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 <i>GOVERNMENT AUDITING STANDARDS</i>	36 – 37

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of San Juan Bautista, California

Report on the Audit of the Financial Statements

Opinions

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 (the "City"), California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 January 11, 2024, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City’s internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be 'M. J. ...', is written over a faint, illegible printed name.

January 11, 2024

CITY OF SAN JUAN BAUTISTA

STATEMENT OF NET POSITION JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 3,077,306	\$ 1,479,612	\$ 4,556,918
Restricted cash and investments	-	428,060	428,060
Accounts receivable, net	101,975	278,392	380,367
Due from other governmental agencies	460,247	783,043	1,243,290
Lease receivable	163,926	-	163,926
Internal balances	1,510,184	(1,510,184)	-
Prepaid expense and other assets	2,951	-	2,951
Capital assets (net of allowance for depreciation)	<u>5,812,739</u>	<u>12,855,473</u>	<u>18,668,212</u>
Total assets	<u>11,129,328</u>	<u>14,314,396</u>	<u>25,443,724</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on debt refunding	<u>-</u>	<u>1,325,931</u>	<u>1,325,931</u>
Total deferred outflows of resources	<u>-</u>	<u>1,325,931</u>	<u>1,325,931</u>
LIABILITIES			
Accounts payable and accrued expense	476,017	393,555	869,572
Accrued interest	-	89,934	89,934
Deposits	11,000	164,378	175,378
Line of credit	-	80,462	80,462
Long-term liabilities			
Due within one year	-	310,000	310,000
Due in more than one year	<u>-</u>	<u>9,600,465</u>	<u>9,600,465</u>
Total liabilities	<u>487,017</u>	<u>10,638,794</u>	<u>11,125,811</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred right to use - lease revenue	<u>163,322</u>	<u>-</u>	<u>163,322</u>
Total deferred inflows of resources	<u>163,322</u>	<u>-</u>	<u>163,322</u>
NET POSITION			
Net investment in capital assets	5,812,739	2,945,008	8,757,747
Restricted for capital improvements	902,220	428,060	1,330,280
Restricted for specific projects and programs	896,383	-	896,383
Unrestricted	<u>2,867,647</u>	<u>1,628,465</u>	<u>4,496,112</u>
Total net position	<u>\$ 10,478,989</u>	<u>\$ 5,001,533</u>	<u>\$ 15,480,522</u>

CITY OF SAN JUAN BAUTISTA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Net Revenue/(Expense) and Changes in Net Position						
	Program Revenue				Primary Government		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 845,534	\$ 87,228	\$ 535,581	\$ -	\$ (222,725)	\$ -	\$ (222,725)
Public works	1,446,304	72	108,305	2,852	(1,335,075)	-	(1,335,075)
Parks and recreation	126,259	1,301	-	-	(124,958)	-	(124,958)
Public safety	685,225	3,167	136,229	-	(545,829)	-	(545,829)
Community development	717,866	131,653	-	-	(586,213)	-	(586,213)
Total governmental activities	<u>3,821,188</u>	<u>223,421</u>	<u>780,115</u>	<u>2,852</u>	<u>(2,814,800)</u>	<u>-</u>	<u>(2,814,800)</u>
Business-type activities							
Water	1,227,423	1,290,433	-	-	-	63,010	63,010
Sewer	1,463,405	1,531,017	-	783,043	-	850,655	850,655
Total business-type activities	<u>2,690,828</u>	<u>2,821,450</u>	<u>-</u>	<u>783,043</u>	<u>-</u>	<u>913,665</u>	<u>913,665</u>
Total primary government	<u>\$ 6,512,016</u>	<u>\$ 3,044,871</u>	<u>\$ 780,115</u>	<u>\$ 785,895</u>	<u>(2,814,800)</u>	<u>913,665</u>	<u>(1,901,135)</u>
General Revenues							
Property taxes and assessments					732,755	-	732,755
Sales taxes					1,152,461	-	1,152,461
Lodging taxes					230,619	-	230,619
Franchise taxes					82,264	-	82,264
Business licenses					27,025	-	27,025
Motor vehicle in-lieu					272,325	-	272,325
Interest and rent					145,243	-	145,243
Other					11,399	-	11,399
Transfers					40,553	(40,553)	-
Total general revenue					<u>2,694,644</u>	<u>(40,553)</u>	<u>2,654,091</u>
Change in Net Position					(120,156)	873,112	752,956
Net Position							
Beginning of year					<u>10,599,145</u>	<u>4,128,421</u>	<u>14,727,566</u>
End of year					<u>\$ 10,478,989</u>	<u>\$ 5,001,533</u>	<u>\$ 15,480,522</u>

CITY OF SAN JUAN BAUTISTA

BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2023

	<u>General</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 1,895,458	\$ 1,181,848	\$ 3,077,306
Accounts receivable	101,975	-	101,975
Due from other governmental agencies	379,733	80,514	460,247
Lease receivable	163,926	-	163,926
Due from other funds	75,853	-	75,853
Advance to other funds	1,510,184	-	1,510,184
Prepaid expense and other assets	2,951	-	2,951
Total assets	<u>\$ 4,130,080</u>	<u>\$ 1,262,362</u>	<u>\$ 5,392,442</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities			
Accounts payable and accrued expense	\$ 462,001	\$ 14,016	\$ 476,017
Due to other funds	-	75,853	75,853
Deposits	11,000	-	11,000
Total liabilities	<u>473,001</u>	<u>89,869</u>	<u>562,870</u>
Deferred Inflows of Resources			
Deferred right of use - lease revenue	163,322	-	163,322
Total deferred inflows of resources	<u>163,322</u>	<u>-</u>	<u>163,322</u>
Fund Balance			
Nonspendable			
Advances to other funds	1,510,184	-	1,510,184
Restricted			
Public safety	-	197,532	197,532
Capital improvement projects	-	804,451	804,451
Circulation improvements	-	97,769	97,769
Lighting and landscape maintenance	-	72,741	72,741
Committed			
Buildings	251,950	-	251,950
Vehicles	374,160	-	374,160
Unassigned	1,357,463	-	1,357,463
Total fund balance	<u>3,493,757</u>	<u>1,172,493</u>	<u>4,666,250</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 4,130,080</u>	<u>\$ 1,262,362</u>	<u>\$ 5,392,442</u>

CITY OF SAN JUAN BAUTISTA

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023**

Total governmental fund balances \$ 4,666,250

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds 5,812,739

Net position of governmental activities \$ 10,478,989

CITY OF SAN JUAN BAUTISTA

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	<u>General</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue			
Taxes	\$ 2,323,044	\$ 255,685	\$ 2,578,729
Intergovernmental	535,581	136,229	671,810
Charges for services	91,318	-	91,318
Licenses, permits and impact fees	159,058	2,852	161,910
Fines and forfeitures	3,070	-	3,070
Interest and rent	123,144	-	123,144
Other	8,399	-	8,399
Total revenue	<u>3,243,614</u>	<u>394,766</u>	<u>3,638,380</u>
Expenditures			
Current			
General government	881,499	-	881,499
Public works	827,945	184,993	1,012,938
Parks and recreation	98,245	-	98,245
Public safety	661,293	-	661,293
Community development	919,724	-	919,724
Capital outlay	1,894,483	-	1,894,483
Total expenditures	<u>5,283,189</u>	<u>184,993</u>	<u>5,468,182</u>
Revenue over/(under) expenditures	(2,039,575)	209,773	(1,829,802)
Other Financing Sources/(Uses)			
Lease revenue	22,099	-	22,099
Operating transfers in/(out)	396,901	(356,348)	40,553
Total other financing sources (uses)	<u>419,000</u>	<u>(356,348)</u>	<u>62,652</u>
Change in Fund Balance	(1,620,575)	(146,575)	(1,767,150)
Fund Balance			
Beginning of year	<u>5,114,332</u>	<u>1,319,068</u>	<u>6,433,400</u>
End of year	<u>\$ 3,493,757</u>	<u>\$ 1,172,493</u>	<u>\$ 4,666,250</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, 2023

Net change in fund balance - total governmental funds \$ (1,767,150)

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 (247,489)

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. 1,894,483

Change in net position of governmental activities \$ (120,156)

CITY OF SAN JUAN BAUTISTA

**STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2023**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total Proprietary Funds
ASSETS			
Current assets			
Cash and investments	\$ 1,403,782	\$ 75,830	\$ 1,479,612
Restricted cash and investments	214,030	214,030	428,060
Accounts receivable, net	125,911	152,481	278,392
Due from other government	-	783,043	783,043
Total current assets	<u>1,743,723</u>	<u>1,225,384</u>	<u>2,969,107</u>
Non-current assets			
Property, plant and equipment (net of allowance for depreciation)	<u>6,506,798</u>	<u>6,348,675</u>	<u>12,855,473</u>
Total noncurrent assets	<u>6,506,798</u>	<u>6,348,675</u>	<u>12,855,473</u>
Total assets	<u>8,250,521</u>	<u>7,574,059</u>	<u>15,824,580</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on debt refunding	<u>729,262</u>	<u>596,669</u>	<u>1,325,931</u>
Total deferred outflows of resources	<u>729,262</u>	<u>596,669</u>	<u>1,325,931</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expense	46,364	347,191	393,555
Accrued interest	49,464	40,470	89,934
Advance from other funds	830,601	679,583	1,510,184
Line of credit	-	80,462	80,462
Deposits	164,378	-	164,378
Current portion of long-term debt	<u>170,500</u>	<u>139,500</u>	<u>310,000</u>
Total current liabilities	<u>1,261,307</u>	<u>1,287,206</u>	<u>2,548,513</u>
Noncurrent Liabilities			
Long-term debt	<u>5,280,256</u>	<u>4,320,209</u>	<u>9,600,465</u>
Total liabilities	<u>6,541,563</u>	<u>5,607,415</u>	<u>12,148,978</u>
NET POSITION			
Net investment in capital assets	1,056,042	1,888,966	2,945,008
Restricted for capital improvements	214,030	214,030	428,060
Unrestricted	<u>1,168,148</u>	<u>460,317</u>	<u>1,628,465</u>
Total net position	<u>\$ 2,438,220</u>	<u>\$ 2,563,313</u>	<u>\$ 5,001,533</u>

CITY OF SAN JUAN BAUTISTA

**STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION –
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2023**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total Proprietary Funds
Operating Revenue			
Charges for services	\$ 1,243,402	\$ 1,503,063	\$ 2,746,465
Other fees	47,031	27,954	74,985
Total operating revenue	<u>1,290,433</u>	<u>1,531,017</u>	<u>2,821,450</u>
Operating Expense			
Contractual services and utilities	178,826	500,197	679,023
Personnel	237,209	246,474	483,683
Supplies, materials and repairs	178,968	173,072	352,040
Depreciation expense	388,400	344,009	732,409
Total operating expense	<u>983,403</u>	<u>1,263,752</u>	<u>2,247,155</u>
Operating income/(loss)	<u>307,030</u>	<u>267,265</u>	<u>574,295</u>
Nonoperating Revenue/(Expense)			
Capital contributions	-	783,043	783,043
Interest expense	(244,020)	(199,653)	(443,673)
Total nonoperating revenue/(expense)	<u>(244,020)</u>	<u>583,390</u>	<u>339,370</u>
Net income/(loss) before transfers	63,010	850,655	913,665
Operating Transfers In/(Out)	<u>(22,304)</u>	<u>(18,249)</u>	<u>(40,553)</u>
Change in Net Position	<u>40,706</u>	<u>832,406</u>	<u>873,112</u>
Net Position			
Beginning of year	<u>2,397,514</u>	<u>1,730,907</u>	<u>4,128,421</u>
End of year	<u>\$ 2,438,220</u>	<u>\$ 2,563,313</u>	<u>\$ 5,001,533</u>

CITY OF SAN JUAN BAUTISTA

**STATEMENT OF CASH FLOW – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total Proprietary Funds
Operating Activities			
Receipts from customers and users	\$ 1,290,161	\$ 1,518,084	\$ 2,808,245
Payments for contractual services and utilities	(171,376)	(500,197)	(671,573)
Payments to employees	(237,209)	(246,474)	(483,683)
Payments to suppliers	(178,968)	(220,707)	(399,675)
Net cash provided by operating activities	<u>702,608</u>	<u>550,706</u>	<u>1,253,314</u>
Non-capital Financing Activities			
Payments and transfers (to)/from other funds	<u>(22,304)</u>	<u>(18,249)</u>	<u>(40,553)</u>
Net cash provided by (used in) noncapital financing activities	<u>(22,304)</u>	<u>(18,249)</u>	<u>(40,553)</u>
Capital and Related Financing Activities			
Purchase of property, plant and equipment	-	(436,068)	(436,068)
Proceeds from line of credit	-	80,462	80,462
Payments received from other funds	(14,380)	(25,914)	(40,294)
Bond premium	35,733	29,236	64,969
Principal paid on long-term debt	(169,053)	(138,317)	(307,370)
Interest paid on long-term debt	(245,670)	(201,004)	(446,674)
Net cash provided by (used in) capital and related financing activities	<u>(393,370)</u>	<u>(691,605)</u>	<u>(1,084,975)</u>
Net Increase/(Decrease) in Cash	286,934	(159,148)	127,786
Cash			
Beginning of year	<u>1,330,878</u>	<u>449,008</u>	<u>1,779,886</u>
End of year	<u>\$ 1,617,812</u>	<u>\$ 289,860</u>	<u>\$ 1,907,672</u>
Cash Flows from Operating Activities			
Operating income (loss)	\$ 307,030	\$ 267,265	\$ 574,295
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	388,400	344,009	732,409
(Increase) Decrease in Accounts Receivable, net	(317)	(12,933)	(13,250)
Increase (Decrease) in Accounts Payable, Accrued Liabilities and Deposits	7,495	(47,635)	(40,140)
Net Cash Provided by Operating Activities	<u>\$ 702,608</u>	<u>\$ 550,706</u>	<u>\$ 1,253,314</u>

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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, 2023

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, 2023

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, 2023.

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.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Leases Receivables –The City recognizes a lease receivable and deferred inflow of resources in the financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is amortized over the life of the lease term.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses the interest rate charged by the lessees as the discount rate. When the interest rate charged by the lessees is not provided, the City generally uses the implied rate of return as the discount rate for the leases. When the implied rate of return has not been determined, the City uses its estimated incremental borrowing rate which it has determined is the prime rate at the inception of the lease.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessees.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

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.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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.
- 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.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 4,556,918
Restricted Cash and Investments	<u>428,060</u>
Total Cash and Investments	<u>\$ 4,984,978</u>

Cash and investments as of June 30, 2023, consist of the following:

Cash on hand	\$ 200
Deposits with Financial Institutions	906,421
Local Agency Investment Fund	3,650,297
Held by Fiscal Agent:	
Money Market Mutual Funds	<u>428,060</u>
Total Cash and Investments	<u>\$ 4,984,978</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.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 3 – Cash and Investments (Continued)

Fair Value Measurements (continued)

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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2023</u>
Investments by fair value level:				
Equity Securities:				
LAIF	\$ -	\$ 3,650,297	\$ -	\$ 3,650,297
Total Equity Securities	<u>-</u>	<u>3,650,297</u>	<u>-</u>	<u>3,650,297</u>
Investments carried at amortized cost:				
Bank Deposits and Cash on Hand				906,621
Money Market Mutual Funds				<u>428,060</u>
Total Investments amortized at cost				<u>1,334,681</u>
Total Investments				<u>\$ 4,984,978</u>

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.

CITY OF SAN JUAN BAUTISTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Note 3 – Cash and Investments (Continued)

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

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, 2023, the City had the following investments:

Investment Type	Amount	Maturity Date
Local Agency Investment Fund Held by Fiscal Agent:	\$ 3,650,297	N/A
Money Market Mutual Funds	428,060	N/A
Total	\$ 4,078,357	

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.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk (continued)

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End Not Rated
Local Agency Investment Fund Held by Fiscal Agent:	\$ 3,650,297	N/A	\$ 3,650,297
Money Market Mutual Funds	428,060	N/A	428,060
Total	\$ 4,078,357		\$ 4,078,357

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.

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, 2023, the carrying amount of the City's bank deposits was \$906,421, and the respective bank balances totaled \$964,125, 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).

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 3 – Cash and Investments (Continued)

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.

Note 4 – Lease Receivable

American Cell Tower Lease – The City entered into an agreement to lease out a cell tower from February 26, 2002 through February 25, 2032, 2036 for a beginning monthly payment of \$1,413.87 with a 3% increase annually. Payment is due monthly at .9% interest. At June 30, 2023, the lease receivable balance was \$163,926.

The annual payment receipt schedule for principal and interest on all lease receivable at June 30, 2023 were as follows:

	Principal	Interest	Total
2024	\$ 18,269	\$ 1,400	\$ 19,669
2025	18,434	1,235	19,669
2026	18,600	1,068	19,668
2027	18,769	900	19,669
2028	18,938	731	19,669
2029-2032	70,916	1,203	72,119
	<u>\$ 163,926</u>	<u>\$ 6,537</u>	<u>\$ 170,463</u>

The related deferred inflows of resources on the right of use on lease revenue will be amortized on a straight-line basis over the term of the agreement as follows:

2024	\$ 18,845
2025	18,845
2026	18,845
2027	18,845
2027	18,845
2029-2032	<u>69,097</u>
	<u>\$ 163,322</u>

During the year ended June 30, 2023, the City recognized \$19,669 in lease revenue and related interest income.

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 22,610	\$ -	\$ -	\$ 22,610
Construction in progress	160,954	23,160	-	184,114
Total capital assets, not being depreciated	<u>183,564</u>	<u>23,160</u>	<u>-</u>	<u>206,724</u>
Capital assets, being depreciated				
Buildings and improvements	1,444,442	-	-	1,444,442
Infrastructure	3,830,714	1,841,942	-	5,672,656
Machinery and equipment	831,992	29,381	-	861,373
Total capital assets, being depreciated	<u>6,107,148</u>	<u>1,871,323</u>	<u>-</u>	<u>7,978,471</u>
Less accumulated depreciation for:				
Buildings and improvements	(875,849)	(56,467)	-	(932,316)
Infrastructure	(500,454)	(162,483)	-	(662,937)
Machinery and equipment	(748,664)	(28,539)	-	(777,203)
Total accumulated depreciation	<u>(2,124,967)</u>	<u>(247,489)</u>	<u>-</u>	<u>(2,372,456)</u>
Total capital assets, being depreciated, net	<u>3,982,181</u>	<u>1,623,834</u>	<u>-</u>	<u>5,606,015</u>
Governmental activities capital assets, net	<u>\$ 4,165,745</u>	<u>\$ 1,646,994</u>	<u>\$ -</u>	<u>\$ 5,812,739</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 487,275	\$ -	\$ -	\$ 487,275
Construction in progress	1,050,765	397,611	(146,713)	1,301,663
Total capital assets, not being depreciated	<u>1,538,040</u>	<u>397,611</u>	<u>(146,713)</u>	<u>1,788,938</u>
Capital assets, being depreciated				
Building	323,861	-	-	323,861
Improvements other than buildings	19,735,717	148,607	-	19,884,324
Machinery and equipment	1,157,921	19,270	-	1,177,191
Total capital assets, being depreciated	<u>21,217,499</u>	<u>167,877</u>	<u>-</u>	<u>21,385,376</u>
Less: accumulated depreciation	<u>(9,586,432)</u>	<u>(732,409)</u>	<u>-</u>	<u>(10,318,841)</u>
Total capital assets, being depreciated, net	<u>11,631,067</u>	<u>(564,532)</u>	<u>-</u>	<u>11,066,535</u>
Business-type activities capital assets, net	<u>\$ 13,169,107</u>	<u>\$ (166,921)</u>	<u>\$ (146,713)</u>	<u>\$ 12,855,473</u>

CITY OF SAN JUAN BAUTISTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Note 5 – Capital Assets (Continued)

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

Governmental Functions:

General Government	\$	23,337
Public Works		172,206
Parks and Recreation		28,014
Public Safety		23,932
	\$	<u>247,489</u>

Business-Type Functions:

Water	\$	388,400
Sewer		344,009
	\$	<u>732,409</u>

Note 6 – 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, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>
<u>Business-Type Activities Long Term Debt</u>					
<i>Direct Placement:</i>					
2015 Enterprise Revenue Bonds	\$ 10,060,000	\$ -	\$ 300,000	\$ 9,760,000	\$ 310,000
Plus Unamortized Premium on Bond	<u>157,835</u>	<u>-</u>	<u>7,370</u>	<u>150,465</u>	<u>7,370</u>
Total Business-Type Activities Debt	<u>\$ 10,217,835</u>	<u>\$ -</u>	<u>\$ 307,370</u>	<u>\$ 9,910,465</u>	<u>\$ 317,370</u>
<u>Compensated Absences</u>					
Government Activities	<u>\$ 34,453</u>	<u>\$ 1,853</u>	<u>\$ -</u>	<u>\$ 36,306</u>	

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 6 – Long-Term Debt (Continued)

Long-term debt payable at June 30, 2023 was comprised of the following individual issues:

2015 Enterprise Revenue Bonds – In January 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, 2023. Cash basis debt service paid during the fiscal year ended June 30, 2023 totaled \$665,738. Total water and sewer system net revenues calculated in accordance with the covenants were \$640,966 and net revenue available for debt service was 1.96 times debt service at June 30, 2023.

The annual requirement to amortize the principal and interest on long-term debt at June 30, 2023, were as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 310,000	\$ 351,988	\$ 661,988
2025	325,000	336,113	661,113
2026	345,000	319,363	664,363
2027	365,000	301,613	666,613
2028	375,000	286,863	661,863
2029-2033	2,065,000	1,252,398	3,317,398
2034-2038	2,420,000	891,439	3,311,439
2039-2043	2,915,000	400,594	3,315,594
2044	640,000	12,000	652,000
	<u>\$ 9,760,000</u>	<u>\$ 4,152,371</u>	<u>\$ 13,912,371</u>
Unamortized premiums	<u>150,465</u>		
Net long-term debt	<u>\$ 9,910,465</u>		

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 7 – 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 8 – 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 9 – 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, 2023 are as follows:

	<u>Due From</u>	<u>Due To</u>
Major Governmental Funds:		
General Fund	\$ 75,853	\$ -
Nonmajor Governmental Funds:		
Cops Grant Fund	-	62,661
Gas Tax	-	13,192
	<u>\$ 75,853</u>	<u>\$ 75,853</u>

CITY OF SAN JUAN BAUTISTA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Note 9 – 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, 2023, are as follows:

	<u>Advance To</u>	<u>Advance From</u>
Major Governmental Funds:		
General Fund	\$ 1,510,184	\$ -
Proprietary Funds:		
Water Fund	-	830,601
Sewer Fund	-	679,583
	<u>\$ 1,510,184</u>	<u>\$ 1,510,184</u>

Note 10 – 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, 2023 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 396,901	\$ -
Nonmajor Governmental Funds:		
COPS Grant	-	174,922
Gas Tax Fund	-	174,229
Maintenance Districts Fund	-	1,114
Impact Fees Fund	-	6,083
Proprietary Funds:		
Water Fund	-	22,304
Sewer Fund	-	18,249
	<u>\$ 396,901</u>	<u>\$ 396,901</u>

CITY OF SAN JUAN BAUTISTA

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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 \$729,262 in the Water Fund and \$596,669 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 \$163,322 in deferred inflows related to lease receivable in the General Fund, see Note 4 for more information.

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, 2023:

General Fund:

Current

General government	\$ (189,756)
Public works	\$ (285,852)
Community development	\$ (98,890)

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 January 11, 2023, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023, 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, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 1,673,867	\$ 1,673,867	\$ 2,323,044	\$ 649,177
Intergovernmental	624,606	624,606	535,581	(89,025)
Charges for services	222,991	222,991	91,318	(131,673)
Licenses, permits and impact fees	324,179	324,179	159,058	(165,121)
Fines and forfeitures	7,900	7,900	3,070	(4,830)
Interest and rent	65,703	65,703	123,144	57,441
Total revenue	<u>2,919,246</u>	<u>2,919,246</u>	<u>3,243,614</u>	<u>324,368</u>
Expenditures				
Current				
General government	571,743	691,743	881,499	(189,756)
Public works	422,093	542,093	827,945	(285,852)
Parks and recreation	158,297	158,297	98,245	60,052
Public safety	871,597	726,597	661,293	65,304
Community development	671,289	820,834	919,724	(98,890)
Capital outlay	<u>3,253,989</u>	<u>3,657,444</u>	<u>1,894,483</u>	<u>1,762,961</u>
Total expenditures	<u>5,949,008</u>	<u>6,597,008</u>	<u>5,283,189</u>	<u>1,313,819</u>
Revenue over (under) expenditures	(3,029,762)	(3,677,762)	(2,039,575)	1,638,187
Other Financing Sources				
Lease revenue	22,099	22,099	22,099	-
Transfers in (out) - net	<u>103,104</u>	<u>103,104</u>	<u>396,901</u>	<u>293,797</u>
Net Change in Fund Balance	<u>\$ (2,904,559)</u>	<u>\$ (3,552,559)</u>	(1,620,575)	<u>\$ 1,931,984</u>
Fund Balance				
Beginning of year			<u>5,114,332</u>	
End of year			<u>\$ 3,493,757</u>	

SUPPLEMENTAL ONLY INFORMATION

CITY OF SAN JUAN BAUTISTA

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Special Revenue Funds			
	COPS Grant	Public Parking Fund	Gas Tax Fund	Roads & Restrooms Fund
ASSETS				
Cash and investments	\$ -	17,447.00	\$ 2,095	\$ 153,758
Due from other governmental agencies	62,661	-	13,192	3,264
Total assets	<u>\$ 62,661</u>	<u>\$ 17,447</u>	<u>\$ 15,287</u>	<u>\$ 157,022</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expense	\$ -	\$ -	\$ 2,095	\$ -
Due to other funds	62,661	-	13,192	-
Total liabilities	<u>62,661</u>	<u>-</u>	<u>15,287</u>	<u>-</u>
Fund Balance				
Restricted				
Public safety	-	-	-	-
Capital improvement projects	-	17,447	-	157,022
Circulation improvements	-	-	-	-
Lighting and landscape maintenance	-	-	-	-
Total fund balance	<u>-</u>	<u>17,447</u>	<u>-</u>	<u>157,022</u>
Total liabilities and fund balance	<u>\$ 62,661</u>	<u>\$ 17,447</u>	<u>\$ 15,287</u>	<u>\$ 157,022</u>

CITY OF SAN JUAN BAUTISTA

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023**

	<u>Special Revenue Funds</u>		<u>Non-major Governmental Funds</u>
	<u>Maintenance Districts</u>	<u>Impact Fees</u>	
ASSETS			
Cash and investments	\$ 83,265	\$ 925,283	\$ 1,181,848
Due from other governmental agencies	1,397	-	80,514
Total assets	<u>\$ 84,662</u>	<u>\$ 925,283</u>	<u>\$ 1,262,362</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued expense	\$ 11,921	\$ -	\$ 14,016
Due to other funds	-	-	75,853
Total liabilities	<u>11,921</u>	<u>-</u>	<u>89,869</u>
Fund Balance			
Restricted			
Public safety	-	197,532	197,532
Capital improvement projects	-	629,982	804,451
Circulation improvements	-	97,769	97,769
Lighting and landscape maintenance	72,741	-	72,741
Total fund balance	<u>72,741</u>	<u>925,283</u>	<u>1,172,493</u>
Total liabilities and fund balance	<u>\$ 84,662</u>	<u>\$ 925,283</u>	<u>\$ 1,262,362</u>

CITY OF SAN JUAN BAUTISTA

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	Special Revenue Funds			
	COPS Grant	Public Parking Fund	Gas Tax Fund	Roads & Restrooms Fund
Revenue				
Taxes	\$ -	\$ -	\$ 108,305	\$ 38,444
Intergovernmental	136,229	-	-	-
Licenses, permits and impact fees	-	-	-	-
Total revenue	<u>136,229</u>	<u>-</u>	<u>108,305</u>	<u>38,444</u>
Expenditures				
Current				
Public works	-	-	20,717	-
Total expenditures	<u>-</u>	<u>-</u>	<u>20,717</u>	<u>-</u>
Revenue over (under) expenditures	136,229	-	87,588	38,444
Other financing sources/(uses)				
Operating transfers in/(out)	(174,922)	-	(174,229)	-
	<u>(174,922)</u>	<u>-</u>	<u>(174,229)</u>	<u>-</u>
Change in Fund Balance	(38,693)	-	(86,641)	38,444
Fund Balance				
Beginning of year	38,693	17,447	86,641	118,578
End of year	<u>\$ -</u>	<u>\$ 17,447</u>	<u>\$ -</u>	<u>\$ 157,022</u>

CITY OF SAN JUAN BAUTISTA

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	Special Revenue Funds		Non-major Governmental Funds
	Maintenance Districts	Impact Fees	
Revenue			
Taxes	\$ 108,936	\$ -	\$ 255,685
Intergovernmental	-	-	136,229
Licenses, permits and impact fees	-	2,852	2,852
Total revenue	108,936	2,852	394,766
Expenditures			
Current			
Public works	125,611	38,665	184,993
Total expenditures	125,611	38,665	184,993
Revenue over (under) expenditures	(16,675)	(35,813)	209,773
Other financing sources/(uses)			
Operating transfers in/(out)	(1,114)	(6,083)	(356,348)
	(1,114)	(6,083)	(356,348)
Change in Fund Balance	(17,789)	(41,896)	(146,575)
Fund Balance			
Beginning of year	90,530	967,179	1,319,068
End of year	\$ 72,741	\$ 925,283	\$ 1,172,493

**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 City of San Juan Bautista (the “City”), California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City’s basic financial statements, and have issued our report thereon dated January 11, 2024.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 'Meredith J. [unclear]', written in a cursive style.

January 11, 2024