

**CITY OF GONZALES
GONZALES, CALIFORNIA**

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2009**

CITY OF GONZALES
TABLE OF CONTENTS
JUNE 30, 2009

FINANCIAL SECTION	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	16
Reconciliation of the Governmental Funds - Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Net Change in Fund Balances - Total Governmental Funds with the Statement of Activities	21
Proprietary Funds:	
Statement of Net Assets	22
Statement of Revenues, Expenses, and Change in Net Assets	24
Statement of Cash Flows	25
Fiduciary Funds:	
Statement of Fiduciary Net Assets	27
Notes to Basic Financial Statements	28
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund	56
Community Development Block Grant Fund	57
RDA Low/Moderate Income Housing Fund	58
RDA Special Revenue Fund	59
Note to the Required Supplementary Information	60

CITY OF GONZALES
TABLE OF CONTENTS

JUNE 30, 2009

OTHER SUPPLEMENTARY INFORMATION

Non-major Governmental Funds:

Combining Balance Sheet	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	66

Agency Fund:

Statement of Changes in Fiduciary Net Assets	72
--	----



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Gonzales
Gonzales, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gonzales, California (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gonzales, California as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10, it is not anticipated that sufficient moneys will be available from pledged tax revenues to pay the entire principal of the 2006 subordinate Tax Allocation Notes at their maturity on August 1, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2010, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 56 through 60, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vavrinch, Train, Day & Co., LLP

Rancho Cucamonga, California
February 19, 2010

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL STATEMENTS JUNE 30, 2009

In accordance with Statement No. 34 of the Governmental Accounting Standards Board, the following informational discussion and analysis is provided by Management for both the valuation of all total assets, to include capital and other assets for the City of Gonzales, as well as a narrative overview and analysis of the financial activity for the City for the fiscal year ended June 30, 2009.

Financial Highlights

- The assets of the City of Gonzales exceed its liabilities, at the close of the fiscal year ended June 30, 2009, by \$45,739,145 (*net assets*). Of this amount, \$11,547,756 is *unrestricted net asset*.
- The City's total net assets decreased by \$4,625.
- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$14,112,324, a decrease of \$1,041,091 in comparison with the prior year.
- As of June 30, 2009, the fund balance for the General Fund was \$1,251,837. Of this amount the unreserved fund balance is \$738,032 or 18 percent of the total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Gonzales is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation, and streets and roads.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL STATEMENTS JUNE 30, 2009

The government-wide financial statements include not only the City of Gonzales itself (known as the *primary government*), but also a legally separate Redevelopment Agency of the City of Gonzales. Financial information for this *component unit* has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Gonzales, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Gonzales maintains 37 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Development Block Grant Fund, and the Redevelopment Agency Low/Moderate Income Housing Fund, Special Agency Revenue Fund, Debt Service Fund, and Capital Projects Fund, and the Water/Sewer JPA Debt Service Fund all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds are provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16-21 of this report.

Proprietary funds. The City of Gonzales maintains three separate *proprietary funds*. These funds account for the water, sewer, and garbage activities of the City of Gonzales.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Each proprietary fund is considered major and is presented individually in the fund financial statements.

The Proprietary funds financial statements can be found on pages 22-26 of this report.

CITY OF GONZALES

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
JUNE 30, 2009**

Fiduciary funds. Fiduciary funds, which consist solely of trust and agency funds, are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the *government-wide financial statements* because the resources of the fund are *not* available to support the City’s own programs. As the City’s only fiduciary fund, the Agency Fund is custodial in nature and, therefore, the accounting used does not involve the measurement of the results of operations. The basic fiduciary fund financial statement can be found on page 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-55 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including budgetary comparison schedules for the General Fund and Major Special Revenue Funds. Required supplementary information can be found on pages 56-60 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining statements can be found on pages 61-71 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Assets reports all financial and capital resources for the City. The City presents the statement in a format that displays assets less liabilities equal net assets/(deficit). Over a long-term period, the increases and decreases in net assets may serve as a useful indicator of any improvements or deteriorations in the City's financial position.

As of June 30, 2009, the City's assets exceeded liabilities by \$45,739,145.

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Current and other assets	\$ 18,249,088	\$ 19,266,541	\$ 4,394,978	\$ 4,262,124	\$ 22,644,066	\$ 23,528,665
Capital assets	32,003,807	32,282,449	13,570,845	13,561,276	45,574,652	45,843,725
Total assets	50,252,895	51,548,990	17,965,823	17,823,400	68,218,718	69,372,390
Current and other liabilities	1,041,881	1,872,183	236,688	606,111	1,278,569	2,478,294
Long-term liabilities	18,435,511	18,384,832	2,765,493	2,765,494	21,201,004	21,150,326
Total liabilities	19,477,392	20,257,015	3,002,181	3,371,605	22,479,573	23,628,620
Invested in capital assets, net of related debt	14,321,817	20,829,900	10,805,352	10,685,265	25,127,169	31,515,165
Restricted	9,064,220	8,063,060	-	-	9,064,220	8,063,060
Unrestricted	7,389,466	2,399,015	4,158,290	3,766,530	11,547,756	6,165,545
Total net assets	\$ 30,775,503	\$ 31,291,975	\$ 14,963,642	\$ 14,451,795	\$ 45,739,145	\$ 45,743,770

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS

JUNE 30, 2009

As of June 30, 2009, the City reported positive balances in all three categories of net assets for the City as a whole, as well as for each of its separate activities. In comparison to the June 30, 2008 balance of \$45,743,770, net assets decreased by (\$4,625).

The largest portion of the City's net assets at \$25,127,169 (55 percent) reflects its investment in capital assets (i.e.; infrastructure, land, buildings, improvements other than buildings, vehicles, and equipment); less any related debt used to acquire those assets still outstanding. The City utilizes these capital assets to provide services to citizens. These assets are therefore not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be utilized to liquidate these liabilities.

Governmental Activities - Governmental Activities decreased the City's net assets by \$516,472. This was the result of a weaker economy, a reduced rate of return on investments.

Business-type Activities - Business type Activities increased the City's net assets by \$511,847. This was the result of net increases for both the City's Water and Wastewater Utility operations.

CITY OF GONZALES

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
JUNE 30, 2009**

The following table presents condensed financial activity for the years ended:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Program revenues:						
Charges for services	\$ 262,310	\$ 403,180	\$ 2,978,130	\$ 2,954,459	\$ 3,240,440	\$ 3,357,639
Operating contributions and grants	2,860,315	1,933,997	-	-	2,860,315	1,933,997
Capital contributions and grants	339,573	1,390,767	-	-	339,573	1,390,767
General revenues:						
Property taxes	2,724,956	2,867,569	-	-	2,724,956	2,867,569
Other taxes	810,068	766,179	-	-	810,068	766,179
Other	891,428	715,721	83,768	203,482	975,196	919,203
Total revenues	<u>7,888,650</u>	<u>8,077,413</u>	<u>3,061,898</u>	<u>3,157,941</u>	<u>10,950,548</u>	<u>11,235,354</u>
Expenses:						
General government	1,492,336	1,669,828	-	-	1,492,336	1,492,562
Public safety	2,908,761	2,663,532	-	-	2,908,761	2,223,201
Public works	613,722	717,214	-	-	613,722	499,868
Park and recreation	1,616,896	1,189,912	-	-	1,616,896	1,479,057
Community development	204,512	-	-	-	204,512	-
Streets and roads	880,709	1,381,957	-	-	880,709	712,388
Interest on long-term debt	858,499	915,002	-	-	858,499	965,165
Water	-	-	1,015,994	801,414	1,015,994	801,414
Sewer	-	-	591,653	568,541	591,653	568,541
Garbage	-	-	772,091	745,640	772,091	745,640
Total expenses	<u>8,575,435</u>	<u>8,537,445</u>	<u>2,379,738</u>	<u>2,115,595</u>	<u>10,955,173</u>	<u>9,487,836</u>
Excess before Transfers	(686,785)	(460,032)	682,160	1,042,346	(4,625)	1,747,518
Transfers	170,313	320,000	(170,313)	(320,000)	-	-
Change in net assets	<u>(516,472)</u>	<u>(140,032)</u>	<u>511,847</u>	<u>722,346</u>	<u>(4,625)</u>	<u>1,747,518</u>
Net assets - Beginning	31,291,975	31,432,008	14,451,795	13,894,564	45,743,770	42,176,849
Net assets - Ending	<u>\$ 30,775,503</u>	<u>\$ 31,291,976</u>	<u>\$ 14,963,642</u>	<u>\$ 14,003,308</u>	<u>\$ 45,739,145</u>	<u>\$ 45,435,316</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City of Gonzales utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

CITY OF GONZALES

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
JUNE 30, 2009**

GOVERNMENTAL FUNDS

General Fund

The fund balance for the fiscal year ended June 30, 2009 is \$1,251,837. The net change in fund balance is a decrease in the amount of \$11,379. This number includes revenues of \$3,134,678, expenditures of \$3,952,920, and transfers and capital leases of \$806,863. The Fund Balance of the General Fund's balance has averaged \$1.2 million since fiscal year 2006. This trend is reflected in the following summary:

	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>
Total Revenues	<u>\$ 2,608,262</u>	<u>\$ 3,411,836</u>	<u>\$ 2,799,151</u>	<u>\$ 3,134,678</u>
Total Expenditures	<u>3,122,439</u>	<u>3,576,313</u>	<u>3,466,843</u>	<u>3,952,920</u>
Other Financial Sources (Uses)	<u>274,680</u>	<u>607,180</u>	<u>485,100</u>	<u>806,863</u>
Excess of revenues and other financing sources over (under) expenditures and other financing sources	(239,497)	442,703	(182,592)	(11,379)
Fund Balance - July 1	<u>1,242,602</u>	<u>1,003,105</u>	<u>1,445,808</u>	<u>1,263,216</u>
Fund Balance - June 30	<u>\$ 1,003,105</u>	<u>\$ 1,445,808</u>	<u>\$ 1,263,216</u>	<u>\$ 1,251,837</u>

From an administrative standpoint, it has been a goal to maintain the fund balance at a minimum of \$1 million, which for the period since 2006 has been over 25 percent of the General Fund. While this goal has not been without its challenges to meet, the City continuously strives to improve efficiencies, reduce and/or control expenditures and enhance revenues. For example, a recent revenue enhancement was the conclusion of successful negotiations with the Salinas Valley Solid Waste Authority that among other things resulted in a host fee being paid to the City of \$150,000 annually set to increase to \$250,000 within a couple of years. In addition, the City recently consolidated Police and Fire Services into a Public Safety to increase efficiencies and over time control administrative overhead costs.

Community Development Block Grant

The unreserved fund balance for the fiscal year ended June 30, 2009 is \$57,950, a decrease of \$(46,682) from the previous year. The activities projected under this fund during the next fiscal year includes both the construction of curbs, gutters, sidewalks, landscaping, and striping along Alta Major between 10th and 8th Street, as well as engineering and planning costs associated with the City's future community center project.

Gonzales Redevelopment Agency Low/Moderate Income Housing Fund

The unreserved fund balance for fiscal year ended June 30, 2009 is \$2,756,920, an increase of \$75,943 from the previous year. The activities under this fund during the next fiscal year include a housing rehabilitation program, a first time home buyer program and potential acquisition of additional low-moderate housing.

CITY OF GONZALES

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
JUNE 30, 2009**

Gonzales Redevelopment Agency Special Revenue Fund

The unreserved fund balance for fiscal year ended June 30 2009 is \$(248,273), which remained consistent with the previous year. The activities under this fund during the fiscal year include a housing rehabilitation program, a first time home buyer program.

Gonzales Redevelopment Agency Debt Service Fund

The City's Redevelopment Agency remains healthy, and, with the issuance of Redevelopment Agency Tax Allocation Refunding Bonds on October 16, 2003, is fully capable of addressing all current debt. The Agency has a remaining total debt service obligation in the amount of \$17,830,000. This obligation will be fulfilled at the end of 2034.

Further analysis of the Gonzales Redevelopment Agency, is reported under a separate cover available at City Hall.

Water/Sewer JPA Debt Service Fund

Fund Balance of the Water/Sewer JPA Debt Service Fund decreased by \$(323,792) from \$1,244,465 at the beginning of the fiscal year to \$920,673 at June 30, 2009.

Gonzales Redevelopment Agency Capital Projects Fund

Fund Balance of the Gonzales Redevelopment Agency Capital Projects Fund decreased by \$(347,587) from \$4,312,496 at the beginning of the fiscal year to \$3,964,909 at June 30, 2009. The major reason for the decrease is the beginning of the new police station construction project.

Other Governmental Funds

The unreserved fund balance of non-major governmental funds for the fiscal year ended June 30, 2009, is \$2,997,423. The net change in fund balances is a decrease in the amount of \$(304,624). This number includes revenues of \$2,634,068, expenditures of \$2,589,062, and other financing sources (uses) of \$(349,630).

The City's Parks and Benefit Assessment Districts are utilized for the maintenance and upkeep of the California Breeze and Canyon Creek development projects. During the fiscal year, residual funds for the two Park Benefit Assessment Districts were utilized to fund program employees needed for special projects associated with each of these districts. This trend will be concluded during the next fiscal year, resulting in the normal projects identified under the annual Engineer's reports.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL STATEMENTS JUNE 30, 2009

PROPRIETARY FUNDS

The City's Proprietary Funds provide the same type of information found in the government-wide financial statements.

At the end of the fiscal year, the unrestricted net assets were \$3,065,294 for the City's Water Utility Fund, \$1,054,353 for the City's Sewer Utility Fund, and \$38,643 for the City's Garbage Enterprise Fund. For the same period, cash and cash equivalents were \$2,648,890 for the City's Water Utility Fund, \$982,853 for the City's Sewer Utility Fund, and \$27,391 for the City's Garbage Enterprise Fund.

The City has \$2,765,493 in outstanding long-term debt for capital improvements made under the Water and Sewer Utility Funds. These obligations will be fulfilled in 2026.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund revenues exceeded the final budget amount by \$127,615. Expenditures were less than the budget by \$228,282. The final budgeted revenues and appropriations increased by \$296,861 and \$271,766 during the fiscal year. The increases were attributed to an increase in taxes and assessments revenues and increased general government expenditures.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital assets. The City's investment in capital assets for its governmental activities and business-type activities as of June 30, 2009, amounts to \$32,003,807 and \$13,570,845 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, park improvements, vehicles, computer equipment, and furniture and other equipment. During the current fiscal year, the City's net decrease in capital assets was \$(269,073).

City of Gonzales Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Land	\$ 9,458,487	\$ 9,458,487	\$ 604,807	\$ 604,807	\$ 10,063,294	\$ 10,063,294
Structures and improvements	4,730,156	4,631,817	309,826	46,939	5,039,982	4,678,756
Equipment and vehicles	511,162	328,830	8,626,172	8,900,813	9,137,334	9,229,643
Infrastructure	14,255,053	14,866,844	-	-	14,255,053	14,866,844
Construction in progress	3,048,949	2,996,471	4,030,040	4,008,717	7,078,989	7,005,188
Total	<u>\$ 32,003,807</u>	<u>\$ 32,282,449</u>	<u>\$ 13,570,845</u>	<u>\$ 13,561,276</u>	<u>\$ 45,574,652</u>	<u>\$ 45,843,725</u>

Additional information on the City's capital assets can be found in Note 5 on pages 43 and 44 of this report.

CITY OF GONZALES

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
JUNE 30, 2009**

DESCRIPTION OF CAPITAL PROJECT ACTIVITIES

The City initiated the following projects during this fiscal year:

- The start of construction of the new Joint Use Gymnasium; and
- The selection of a contractor for the construction of the new police station to begin in the next fiscal year; and
- The completion of construction of the Canyon Creek Park.

Each of these projects incorporated additions to the City's Capital Assets, in accordance with the primary networks identified above. As identified under Note 5 of this audit, the City had a decrease of \$(278,642) in total capital assets for Governmental Activities for a total of \$32,003,807 for the period ended June 30, 2009, and addition of \$9,569 in total capital assets for Business-type Activities for a total of \$13,570,845 for the period ended June 30, 2009.

Long-term debt. At the end of the current fiscal year, the City of Gonzales had total governmental activities debt outstanding of \$18,435,511. Of this amount, \$17,660,000 is a liability of the Redevelopment Agency. Business-type activities debt outstanding amounted to \$2,765,493.

City of Gonzales Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenue bonds payable	\$ -	\$ 65,000	\$ -	\$ -	\$ -	\$ 65,000
Improvement bonds payable	-	61,000	-	-	-	61,000
Tax allocation bonds/notes payable	17,668,743	17,768,743	-	-	17,668,743	17,768,743
Loan payable	578,842	563,842	-	-	578,842	563,842
Capital lease payable	68,940	-	-	-	68,940	-
Employee compensated absence	174,679	154,247	-	-	174,679	154,247
Note payable	-	-	2,765,493	2,876,011	2,765,493	2,876,011
Total	\$ 18,491,204	\$ 18,612,832	\$ 2,765,493	\$ 2,876,011	\$ 21,256,697	\$ 21,488,843

The City’s total debt decreased by \$283,739 during the current fiscal year.

Additional information on the City’s long-term debt can be found in Notes 7 - 12 on pages 46-50 of this report.

Economic Factors and Next Year’s Budgets and Rates

- Local property values declined slightly for FY 2008-2009 as a result property taxes revenue remained unaffected by the downturn in the economy. However, for FY 2009-2010 property tax revenues are believed to be more stable and the City’s Approved Budget was very conservative and accounted for a slight downturn.
- State budget issues continue to be a concern for the City. The City will closely monitor activities related to the State’s budget and the effects it may have on the City.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS

JUNE 30, 2009

Requests for Information

This financial report is designed to provide a general overview of the financial position of the City of Gonzales for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Gonzales, 147 Fourth Street, Gonzales, California 93926.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF GONZALES

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 14,074,425	\$ 3,659,134	\$ 17,733,559
Restricted cash and investments	1,039,352		1,039,352
Accounts receivable	279,889	348,422	628,311
Interest receivable	22,063	13,801	35,864
Notes and loans receivable	2,520,804		2,520,804
Other assets	15,745		15,745
Internal balances	(340,000)	340,000	
Deferred charges - net of accumulated amortization	636,810	33,621	670,431
Capital assets:			
Nondepreciable:			
Land	9,458,487	604,807	10,063,294
Construction in progress	3,048,949	4,030,040	7,078,989
Depreciable, net of accumulated depreciation:			
Structures and improvements	4,730,156	46,939	4,777,095
Equipment and vehicles	511,162	8,889,059	9,400,221
Infrastructure	14,255,053		14,255,053
Total Assets	50,252,895	17,965,823	68,218,718
LIABILITIES			
Accounts payable	525,567	180,599	706,166
Accrued wages	25,379		25,379
Accrued interest payable	219,071		219,071
Deposits payable	271,864	56,089	327,953
Noncurrent liabilities:			
Due within one year	202,927	115,604	318,531
Due in more than one year	18,232,584	2,649,889	20,882,473
Total Liabilities	19,477,392	3,002,181	22,479,573
NET ASSETS			
Invested in capital assets, net of related debt	14,321,817	10,805,352	25,127,169
Restricted:			
Restricted for parks and recreation	363,244		363,244
Restricted for community development and housing	2,814,870		2,814,870
Restricted for public works	2,852,913		2,852,913
Restricted for streets and roads	622,308		622,308
Restricted for debt service	2,410,885		2,410,885
Unrestricted	7,389,466	4,158,290	11,547,756
Total Net Assets	\$ 30,775,503	\$ 14,963,642	\$ 45,739,145

See accompanying notes to the financial statements.

CITY OF GONZALES

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 1,492,336	\$ 10,758	\$ 708,074	
Public safety	2,908,761	53,776	207,110	\$ 249,653
Parks and recreation	613,722	149,749	445,889	23,362
Public works	1,616,896	48,027	185,110	63,373
Streets and roads	880,709		1,314,132	3,185
Community development	204,512			
Interest on long-term debt	858,499			
Total Governmental Activities	<u>8,575,435</u>	<u>262,310</u>	<u>2,860,315</u>	<u>339,573</u>
Business-Type Activities:				
Water	1,015,994	1,308,837		
Sewer	591,653	727,877		
Garbage	772,091	941,416		
Total Business-Type Activities	<u>2,379,738</u>	<u>2,978,130</u>		
Total Government	<u>\$ 10,955,173</u>	<u>\$ 3,240,440</u>	<u>\$ 2,860,315</u>	<u>\$ 339,573</u>

General Revenues:

Taxes:

 Secured and unsecured property taxes

 Sales and use taxes

 Transient lodging tax

 Franchise taxes

 Utility users tax

 Business license tax

 Other taxes

 Motor vehicle in lieu fees

Investment income

Other

Transfers

 Total General Revenues and Transfers

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

See accompanying notes to the financial statements.

Net Revenue (Expense) and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (773,504)		\$ (773,504)
(2,398,222)		(2,398,222)
5,278		5,278
(1,320,386)		(1,320,386)
436,608		436,608
(204,512)		(204,512)
(858,499)		(858,499)
<u>(5,113,237)</u>		<u>(5,113,237)</u>
	\$ 292,843	292,843
	136,224	136,224
	<u>169,325</u>	<u>169,325</u>
	598,392	598,392
<u>(5,113,237)</u>	<u>598,392</u>	<u>(4,514,845)</u>
2,724,956		2,724,956
384,460		384,460
2,333		2,333
65,731		65,731
243,991		243,991
59,901		59,901
23,384		23,384
30,268		30,268
273,456	83,768	357,224
617,972		617,972
170,313	(170,313)	
<u>4,596,765</u>	<u>(86,545)</u>	<u>4,510,220</u>
(516,472)	511,847	(4,625)
<u>31,291,975</u>	<u>14,451,795</u>	<u>45,743,770</u>
<u>\$ 30,775,503</u>	<u>\$ 14,963,642</u>	<u>\$ 45,739,145</u>

FUND FINANCIAL STATEMENTS

CITY OF GONZALES

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009**

	Special Revenue Funds			
	General Fund	Community Development Block Grant Fund	Redevelopment Agency Low/Moderate Income Housing Fund	Redevelopment Agency Special Revenue Fund
ASSETS				
Cash and investments	\$ 1,742,871	\$ 65,170	\$ 2,747,451	
Restricted cash and investments				
Accounts receivable	86,589	500		
Interest receivable	3,241		9,968	
Notes receivable		940,894	209,551	\$ 254,483
Due from other funds	321,776			
Other current assets	15,745			
Total Assets	<u>\$ 2,170,222</u>	<u>\$ 1,006,564</u>	<u>\$ 2,966,970</u>	<u>\$ 254,483</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 187,730	\$ 7,720	\$ 499	\$ 9,165
Accrued wages	25,379			
Due to other funds				238,108
Deposits payable	270,864			1,000
Deferred revenue	94,412	940,894	209,551	254,483
Advances from other funds	340,000			
Total Liabilities	<u>918,385</u>	<u>948,614</u>	<u>210,050</u>	<u>502,756</u>
FUND BALANCES				
Reserved for debt service				
Reserved for deficit fund balances	513,805			
Reserved for due from other funds				
Unreserved, reported in:				
General fund	738,032			
Special revenue funds		57,950	2,756,920	(248,273)
Capital projects fund				
Debt service funds				
Total Fund Balances	<u>1,251,837</u>	<u>57,950</u>	<u>2,756,920</u>	<u>(248,273)</u>
Total Liabilities and Fund Balances	<u>\$ 2,170,222</u>	<u>\$ 1,006,564</u>	<u>\$ 2,966,970</u>	<u>\$ 254,483</u>

See accompanying notes to the financial statements.

<u>Debt Service Fund</u>				
<u>Redevelopment Agency Debt Service Fund</u>	<u>Water/Sewer JPA Debt Service Fund</u>	<u>Redevelopment Agency Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ 1,030,606	\$ 939,320	\$ 4,136,924	\$ 3,412,083	\$ 14,074,425
1,039,352				1,039,352
			192,800	279,889
5	2,945	2,258	3,646	22,063
	869,557	219,560	26,759	2,520,804
238,109				559,885
				15,745
<u>\$ 2,308,072</u>	<u>\$ 1,811,822</u>	<u>\$ 4,358,742</u>	<u>\$ 3,635,288</u>	<u>\$ 18,512,163</u>
	\$ 21,592	\$ 174,273	\$ 124,588	\$ 525,567
				25,379
			321,777	559,885
				271,864
	869,557	219,560	88,687	2,677,144
				340,000
	<u>891,149</u>	<u>393,833</u>	<u>535,052</u>	<u>4,399,839</u>
\$ 2,069,963			102,813	2,172,776
				513,805
238,109				238,109
				738,032
			3,011,189	5,577,786
	920,673	3,964,909		4,885,582
			(13,766)	(13,766)
<u>2,308,072</u>	<u>920,673</u>	<u>3,964,909</u>	<u>3,100,236</u>	<u>14,112,324</u>
<u>\$ 2,308,072</u>	<u>\$ 1,811,822</u>	<u>\$ 4,358,742</u>	<u>\$ 3,635,288</u>	<u>\$ 18,512,163</u>

CITY OF GONZALES

**RECONCILIATION OF THE GOVERNMENTAL FUNDS -
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

FUND BALANCES - GOVERNMENTAL FUNDS		\$ 14,112,324
<p>Amounts reported for Governmental Activities in the Statement of Net Assets differ from those reported in the Governmental Funds Balance Sheet because of the following:</p>		
<p>Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the Governmental Funds Balance Sheet.</p>		
Capital assets	\$ 48,068,948	
Less: accumulated depreciation	<u>(16,065,141)</u>	32,003,807
<p>Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in governmental funds.</p>		
Deferred charges	931,290	
Less: accumulated amortization	<u>(294,480)</u>	636,810
<p>Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.</p>		
		(219,071)
<p>The liabilities below are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.</p>		
Loan payable	(578,842)	
Capital leases payable	(64,840)	
Compensated absences	(174,679)	
Tax allocation bonds (net of unamortized bond issuance discount of \$42,850)	<u>(17,617,150)</u>	(18,435,511)
<p>In governmental funds, receivables which are not considered available are deferred. This revenue is not deferred in the Statement of Net Assets.</p>		
		<u>2,677,144</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 30,775,503</u></u>

See accompanying notes to the financial statements.

CITY OF GONZALES

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009**

	General Fund	Special Revenue Funds		
		Community Development Block Grant Fund	Redevelopment Agency Low/Moderate Income Housing Fund	Redevelopment Agency Special Revenue Fund
REVENUES				
Taxes and assessments	\$ 2,050,756		\$ 291,558	
Licenses, permits, and impact fees	42,182			
Fines and penalties	25,830			
Use of money and property	101,315	\$ 477	53,502	\$ 18,281
Intergovernmental revenues	75,372	373,810		
Charges for services	293,210			
Other revenues	546,013	9,202	5,548	
Total Revenues	<u>3,134,678</u>	<u>383,489</u>	<u>350,608</u>	<u>18,281</u>
EXPENDITURES				
Current:				
General government	921,879	1,338		325,248
Public safety	2,506,363			
Public works	72,467	403,053		
Parks and recreation	305,022			
Community development			53,526	
Streets and roads				
Capital outlay	124,208	5,780	57,536	
Debt service:				
Principal	20,055			
Interest	2,926			
Total Expenditures	<u>3,952,920</u>	<u>410,171</u>	<u>111,062</u>	<u>325,248</u>
Excess (Deficiency) Revenues Over (Under) Expenditures	<u>(818,242)</u>	<u>(26,682)</u>	<u>239,546</u>	<u>(306,967)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	714,943			406,967
Transfers out		(20,000)	(163,603)	(100,000)
Capital Leases	91,920			
Total Other Financing Sources (Uses)	<u>806,863</u>	<u>(20,000)</u>	<u>(163,603)</u>	<u>306,967</u>
Net Change in Fund Balances	(11,379)	(46,682)	75,943	
Fund Balance - July 1, 2008	1,263,216	104,632	2,680,977	(248,273)
Fund Balance - June 30, 2009	<u>\$ 1,251,837</u>	<u>\$ 57,950</u>	<u>\$ 2,756,920</u>	<u>\$ (248,273)</u>

See accompanying notes to the financial statements.

Debt Service Fund				
Redevelopment Agency Debt Service Fund	Water/Sewer JPA Debt Service Fund	Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Totals
\$ 1,166,231			\$ 1,247,612	\$ 4,756,157
			341,991	384,173
				25,830
8,225	\$ 23,326	\$ 95,272	41,871	342,269
			857,154	1,306,336
				293,210
	2,498	3,790	145,440	712,491
<u>1,174,456</u>	<u>25,824</u>	<u>99,062</u>	<u>2,634,068</u>	<u>7,820,466</u>
	149,129		507,931	1,905,525
			288,179	2,794,542
			26,721	502,241
			198,842	503,864
22,947		143,271		219,744
		202,950	677,759	880,709
	200,487	25,428	759,314	1,172,753
170,000			126,000	316,055
821,115			4,316	828,357
<u>1,014,062</u>	<u>349,616</u>	<u>371,649</u>	<u>2,589,062</u>	<u>9,123,790</u>
<u>160,394</u>	<u>(323,792)</u>	<u>(272,587)</u>	<u>45,006</u>	<u>(1,303,324)</u>
163,603			424,214	1,709,727
(406,967)		(75,000)	(773,844)	(1,539,414)
				91,920
<u>(243,364)</u>		<u>(75,000)</u>	<u>(349,630)</u>	<u>262,233</u>
(82,970)	(323,792)	(347,587)	(304,624)	(1,041,091)
<u>2,391,042</u>	<u>1,244,465</u>	<u>4,312,496</u>	<u>3,404,860</u>	<u>15,153,415</u>
<u>\$ 2,308,072</u>	<u>\$ 920,673</u>	<u>\$ 3,964,909</u>	<u>\$ 3,100,236</u>	<u>\$ 14,112,324</u>

CITY OF GONZALES

**RECONCILIATION OF THE NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

NET CHANGE IN FUND BALANCES		\$ (1,041,091)
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>Repayment of long-term receivables are treated as revenue in governmental funds, but the repayment reduces long-term receivables in the Statement of Net Assets. Issuance of long-term receivables are treated as expenditures in governmental funds, but the issuance increases long-term receivables in the Statement of Net Assets.</p>		
Net activity of issuance and repayment of loans		611,897
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated lives and reported as depreciation expense.</p>		
Cost of assets capitalized	\$ 988,291	
Depreciation expense not reported in governmental funds	<u>(1,266,933)</u>	(278,642)
<p>Proceeds from the issuance of debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but are deferred and amortized throughout the period during which the related debt is outstanding in the government-wide statements. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.</p>		
Repayment of debt principal	316,055	
Bond issuance discount	(18,407)	
Amortization of costs of issuance	<u>(80,424)</u>	217,224
<p>Revenues earned but not available are deferred in the fund financial statements. The revenue is not deferred in the Statement of Activities.</p>		
		91,202
<p>Interest accrues on the Cal HFA Loan throughout the life of the loan and is paid in a lump sum upon maturity. This amount represents the amount accrued during fiscal year 2008-09.</p>		
		(15,000)
<p>The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and, therefore are not reported as revenue or expenditure in governmental funds (net change):</p>		
Interest payable	3,265	
Compensated absences	(20,432)	
Capital leases, net	<u>(84,895)</u>	<u>(102,062)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ (516,472)</u>

See accompanying notes to the financial statements.

CITY OF GONZALES

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
ASSETS				
Current Assets:				
Cash and investments	\$ 2,648,890	\$ 982,853	\$ 27,391	\$ 3,659,134
Accounts receivable - net	142,236	89,835	116,351	348,422
Interest receivable	10,128	3,523	150	13,801
Advances to other funds	340,000			340,000
Total Current Assets	<u>3,141,254</u>	<u>1,076,211</u>	<u>143,892</u>	<u>4,361,357</u>
Capital Assets:				
Nondepreciable				
Land	19,247	585,560		604,807
Construction in progress	2,188,954	1,841,086		4,030,040
Depreciable:				
Structure and improvements	23,470	23,469		46,939
Equipment and vehicles	8,658,237	5,602,538		14,260,775
Less: Accumulated depreciation	(2,931,561)	(2,440,155)		(5,371,716)
Total Capital Assets	<u>7,958,347</u>	<u>5,612,498</u>		<u>13,570,845</u>
Other Assets				
Deferred bond costs, net	21,246	12,375		33,621
Total Assets	<u>\$ 11,120,847</u>	<u>\$ 6,701,084</u>	<u>\$ 143,892</u>	<u>\$ 17,965,823</u>

See accompanying notes to the financial statements.

CITY OF GONZALES

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2009**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 41,117	\$ 34,233	\$ 105,249	\$ 180,599
Customer deposits	56,089			56,089
Current portion of noncurrent liabilities	115,604			115,604
Total Current Liabilities	<u>212,810</u>	<u>34,233</u>	<u>105,249</u>	<u>352,292</u>
Noncurrent Liabilities				
Note payable	2,649,889			2,649,889
Total Liabilities	<u>2,862,699</u>	<u>34,233</u>	<u>105,249</u>	<u>3,002,181</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,192,854	5,612,498		10,805,352
Unrestricted	3,065,294	1,054,353	38,643	4,158,290
Total Net Assets	<u>\$ 8,258,148</u>	<u>\$ 6,666,851</u>	<u>\$ 38,643</u>	<u>\$ 14,963,642</u>

See accompanying notes to the financial statements.

CITY OF GONZALES

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
OPERATING REVENUES				
Charges for services	\$ 1,291,793	\$ 717,568	\$ 925,583	\$ 2,934,944
Late charges	15,769	10,309	15,833	41,911
Other revenues	1,275			1,275
Total Operating Revenues	1,308,837	727,877	941,416	2,978,130
OPERATING EXPENSES				
Salaries and benefits	195,586	195,024	83,356	473,966
Administrative charges	57,671	46,319	5,307	109,297
Contractual services	245,591	115,093	683,173	1,043,857
Fuel and oil	6,037	3,507		9,544
Operating supplies	17,882	14,103	255	32,240
Travel, conference and training	2,735	2,111		4,846
Utilities	162,197	69,826		232,023
Depreciation and amortization	198,679	145,670		344,349
Total Operating Expense	886,378	591,653	772,091	2,250,122
Operating Income	422,459	136,224	169,325	728,008
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	62,548	20,027	1,193	83,768
Interest expense	(129,616)			(129,616)
Total Nonoperating Revenues (Expenses)	(67,068)	20,027	1,193	(45,848)
Income Before Transfers	355,391	156,251	170,518	682,160
TRANSFERS IN	60,515			60,515
TRANSFERS OUT		(60,515)	(170,313)	(230,828)
Total Transfers	60,515	(60,515)	(170,313)	(170,313)
Change in Net Assets	415,906	95,736	205	511,847
Net Assets - July 1, 2008	7,842,242	6,571,115	38,438	14,451,795
Net Assets - June 30, 2009	\$ 8,258,148	\$ 6,666,851	\$ 38,643	\$ 14,963,642

See accompanying notes to the financial statements.

CITY OF GONZALES

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,333,661	\$ 725,913	\$ 924,897	\$ 2,984,471
Payments to suppliers	(746,245)	(268,689)	(681,144)	(1,696,078)
Payments to employees	(195,586)	(195,024)	(83,356)	(473,966)
Net Cash Provided by Operating Activities	391,830	262,200	160,397	814,427
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid on long-term debt	(121,858)			(121,858)
Principal paid on long-term debt	(110,518)	750		(109,768)
Purchase of fixed assets	(295,742)	(58,176)		(353,918)
Net Cash Provided (Used) by Capital and Related Financing Activities	(528,118)	(57,426)		(585,544)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	60,515			60,515
Transfers out		(60,515)	(170,313)	(230,828)
Advances to other funds	(340,000)			(340,000)
Net Cash (Used by) Noncapital Financing Activities	(279,485)	(60,515)	(170,313)	(510,313)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	78,136	22,795	1,720	102,651
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(337,637)	167,054	(8,196)	(178,779)
CASH AND CASH EQUIVALENTS, Beginning of Year	2,986,527	815,799	35,587	3,837,913
CASH AND CASH EQUIVALENTS, End of Year	\$ 2,648,890	\$ 982,853	\$ 27,391	\$ 3,659,134

See accompanying notes to the financial statements.

CITY OF GONZALES

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 422,459	\$ 136,224	\$ 169,325	\$ 728,008
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Depreciation and amortization	198,679	145,670		344,349
(Increase) Decrease in Operating Assets:				
Accounts receivable	19,459	(1,964)	(16,519)	976
Increase (Decrease) in Operating Liabilities:				
Accounts payable	(254,132)	(17,730)	7,591	(264,271)
Customer deposits	5,365			5,365
Net Cash Provided by Operating Activities	<u>\$ 391,830</u>	<u>\$ 262,200</u>	<u>\$ 160,397</u>	<u>\$ 814,427</u>

See accompanying notes to the financial statements.

CITY OF GONZALES

**FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009**

ASSETS	<u>Agency Fund</u>
Cash and investments	\$ 253,552
Interest receivable	<u>442</u>
Total Assets	<u><u>\$ 253,994</u></u>
LIABILITIES	
Due to other agencies	<u>\$ 253,994</u>
Total Liabilities	<u><u>\$ 253,994</u></u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

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

Individual Component Unit Disclosures

Blended Component Units

The Gonzales Public Financing Authority (the Authority) is governed by the City Council of the City of Gonzales. Although, it is legally separate from the City, the Authority is reported as if it were part of the primary government because the City Council is the governing board and is able to impose its will on the Authority. The activity of the Authority is included as separate funds in the special revenue fund type and debt service fund type.

The Redevelopment Agency of the City of Gonzales (the Agency) is governed by the City Council of the City of Gonzales, acting as the Board of Directors of the Agency. Although it is legally separate from the City, the Agency is reported as if it were part of the primary government because the City Council is the governing board, and is able to impose its will on the Agency. The Agency is reported as separate funds in the special revenue fund type, capital projects fund type, and the debt service fund type.

Basis of Presentation

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

Government-wide Statements

The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational need of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

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

Governmental Fund Financial Statements Funds

GASB Statement No. 34 defines major funds and requires that the City's major governmental funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

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

The following types of governmental funds are used:

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, or major capital projects) that are legally restricted to expenditures for specified purposes.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Capital Projects Fund

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

- *General Fund* – This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.
- *Community Development Block Grant Fund* – This fund accounts for the activity related to loans to and collections from homeowners and businesses.
- *Redevelopment Agency Low/Moderate Income Housing Fund* – This fund is used account for housing set-aside money required under redevelopment laws of the State of California.
- *Redevelopment Agency Special Revenue Fund* – This fund is used to account for the balance of property tax allocations and related expenditures made on behalf of the Redevelopment Agency.
- *Redevelopment Agency Capital Projects Fund* – This fund is used to account for the accumulation of resources for, and the payment of, capital outlay and related costs in the Redevelopment Agency.
- *Redevelopment Agency Debt Service Fund* – This fund is used to account for the accumulation of resources for, and the repayment of notes, interest, and related costs in the Redevelopment Agency.
- *Water/Sewer JPA Fund* – This fund is used to hold and track impact funds that have been initiated and committed to City infrastructure improvement projects.

Proprietary Fund Financial Statements

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

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

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. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the costs of sales and services, the costs of employee benefits, maintenance of capital assets, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

- *Water Fund* - This fund accounts for the activities for providing water service to the residents of the City.
- *Sewer Fund* - This fund accounts for the activities of providing sewer service to the residents of the City.
- *Garbage Fund* - This fund accounts for the activities of providing garbage service to the residents of the City.

Fiduciary Fund Financial Statements

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. The City maintains one fiduciary fund for the River Road Assessment District.

Basis of Accounting

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

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both government-wide and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

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

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

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

Compensated Absences

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

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

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

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

Deferred Compensation Plan

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Cash and Cash Equivalents

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

Property Taxes

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

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

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

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

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

Tax Levy Apportionments - due to the nature of the City-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees - the State of California FY 1990-1991 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The City's policy is to capitalize all capital assets with costs exceeding \$5,000 and with useful lives exceeding two years.

With the implementation of GASB Statement No. 34, the City has recorded all its public domain (infrastructure) capital assets placed in service, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the cost of the capital asset is divided by its expected useful life in years and the result is charged to expense each year until the capital asset is fully depreciated. The City has assigned the useful lives listed below to capital assets.

Buildings	40	Years
Improvements	20 to 40	Years
Equipment	5 to 15	Years
Streets	20	Years
Parks	40	Years
Curb and Gutter	20	Years
Storm Drains	70	Years
Signs and Streetlights	50	Years

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, require management to make 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 expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

New Pronouncements

Effective in the Current Year:

GASB Statement No. 49 – In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement did not have a material impact on the City's financial statements.

GASB Statement No. 55 – In March 2009, the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objectives of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The City has implemented this statement during the current fiscal year.

GASB Statement No. 56 – In March 2009, the GASB issued Statement No. 56, *Codifications of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The City has implemented this statement during the fiscal year.

Effective in the Future Periods:

GASB Statement No. 45 – In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The City has not determined its effect on the financial statements.

GASB Statement No. 53 – In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how state and local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments – in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009, with earlier application encouraged. The City has not determined its effect on the financial statements.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

Effective in the Future Periods, (Continued):

GASB Statement No. 54 – In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement is not effective until June 30, 2011. The City has not determined its effect on the financial statements.

GASB Statement No. 57 – In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agency Employers and Agent Multiple-Employer Plans*. The objective of this statement is to address issues related to the use of alternative measurement method and the frequency and timing of measurements by employers that participate in agency multiple employers other postemployment benefit plans. The statement is effective for periods beginning after June 15, 2011. The City has not determined its effect on the financial statements.

GASB Statement No. 58 – In December 2009, the GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditor by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The statement is effective for periods beginning after June 15, 2009. This statement is not expected to have a material impact on the financial statements of the City.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The City is required by its municipal code to adopt an annual budget on or before June 30, which is the end of its fiscal year, for the ensuing fiscal year. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during each fiscal year. The City Administrator is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the City are subject to annual review by the City Council.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the City.

As required by GASB Statement No. 34, budgetary comparison schedules are presented for the General Fund and major Special Revenue Funds.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, (CONTINUED)

Deficit Fund Balances

The following funds had deficit fund balances at June 30, 2009, as follows:

<u>Major Funds</u>	<u>Deficit Fund Balance</u>
Redevelopment Agency Special Revenue Fund	\$ 248,273
<u>Non-major Funds</u>	
Special Revenue Funds:	
Supplemental Local Law Enforcement Fund	38,192
Public Safety Fund	130,977
Recreation Services Fund	49,461
CDBG: 7th and 10th Street Project Fund	33,136
Debt Service Funds:	
Shopping Center Fund	9,408
Sewer Assessment Fund	4,358
	<u>265,532</u>
Subtotal Non-major Funds	265,532
Total Deficit Fund Balances	<u>\$ 513,805</u>

The fund balance deficits for each fund are the result of incurring costs in advance of receiving revenue. The City expects to fund the deficits through future revenues and/or transfers to the funds.

At June 30, 2009, the General Fund has reserved \$513,805 for deficit fund balances.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments at June 30, 2009, consisted of the following:

Demand Deposits:	
Deposits	<u>\$ 1,678,306</u>
Investments:	
Local Agency Investment Fund	9,659,608
Cash in County Treasurer	30,069
Certificates of Deposit	6,619,128
Total Investments	<u>16,308,805</u>
Investments Held with Fiscal Agent:	
Investment Agreements	<u>1,039,352</u>
Total Investments Held with Fiscal Agent	<u>1,039,352</u>
Total Cash and Investments	<u>\$ 19,026,463</u>

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 - CASH AND INVESTMENTS, (CONTINUED)

Cash and investments are reported in the basic financial statements as follows:

Governmental Funds:	
Cash and Investments	\$ 14,074,425
Restricted Cash and Investments	1,039,352
Proprietary Funds	
Cash and Investments	3,659,134
Fiduciary Fund	
Cash and Investments	253,552
Total Cash and Investments	<u>\$ 19,026,463</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. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City’s investment policy.

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

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 - CASH AND INVESTMENTS, (CONTINUED)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk.

Authorized Investment Type	Maximum Maturity
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Banker's Acceptances	365 days
Commercial Paper	None
Negotiable Certificates of Deposit	None
Investment Agreements	None
Repurchase Agreements	30 days
Money Market Mutual Funds	N/A
Local Agency Investment Fund (LAIF)	N/A

Disclosures Regarding Compliance with the City’s Investment Policy

The City’s investment policy restricts investments in Time Certificates of Deposit to a maximum percentage of the portfolio of 25%. As of June 30, 2009, the City’s certificates of deposit in the amount of \$6,619,128 and 35% of the portfolio exceeded the investment policy maximum.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

Investment Type	Fair Value	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Local Agency Investment Fund	\$ 9,659,608	\$ 9,659,608			
Cash in County Treasurer	30,069	30,069			
Certificates of Deposit Held by Bond Trustee:	6,619,128	6,619,128			
Investment Agreements	1,039,352		\$ 441,623		\$ 597,729
Total	<u>\$ 17,348,157</u>	<u>\$ 16,308,805</u>	<u>\$ 441,623</u>	<u>\$ -</u>	<u>\$ 597,729</u>

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 - CASH AND INVESTMENTS, (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the actual rating as of yearend for each investment type:

Investment Type	Minimum Rating	Unrated
Local Agency Investment Fund	N/A	\$ 9,659,608
Cash in County Treasurer	N/A	30,069
Certificates of Deposit	N/A	6,619,128
Held by Bond Trustee:		
Investment Agreements	N/A	1,039,352
Total		\$ 17,348,157

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. Investments in any one issuer that represent 5 percent or more of total Agency’s investments are as follows:

Issuer	Investment Type	Reported Amount
Transamerica	Investment Agreement	\$ 1,039,352

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. The City’s deposits in the amount of \$1,405,920 at June 30, 2009, exceeded the FDIC insurance limits and were collateralized with securities held by the pledging financial institution but not in the City’s name.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

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

As of June 30, 2009, the City's investments in the State Treasurer's investment pool (LAIF) were \$9,659,608. The total amounts invested by all public agencies in LAIF at June 30, 2009 were \$50,892,735,137. Of these amounts, as of June 30, 2009, 86.77 percent is invested in non-derivative financial products, and 13.23 percent is invested in structured notes and asset-backed securities. The District relied upon information provided by the State Treasurer in estimating the District's fair value position of its holdings in LAIF.

Investment in Monterey County Investment Pool

The City is a voluntary participant in the Monterey County Investment Pool that is regulated by the California Government Code and by the County's investment policy whose objectives include safety, liquidity, yield, and public trust. 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 reports received by the City from the County of Monterey. The fair value of the City's position in the County's Investment Pool is the same as the value of the pool shares. The balance available for withdrawal is based on the accounting records maintained by the County of Monterey.

The Monterey County Investment Pool is a governmental investment pool managed and directed by the County of Monterey Treasurer-Tax Collector Division and is not registered with the Securities and Exchange Commission. A Treasury Oversight Committee nominated by the County Treasurer and confirmed by the County's of Monterey Board of Supervisors provides oversight through periodic review. A separate financial report for Monterey County is prepared by the Auditor-Controller Division. Copies of the report can be obtained from the County's Auditor-Controller located at 168 West Alisal St., 3rd Floor, Salinas, California 93901 or by navigating their website at <http://www.co.monterey.ca.us/auditor>.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4 - NOTES RECEIVABLE AND DEFERRED LOANS RECEIVABLE

Loans as of the fiscal year ended June 30, 2009 were as follows:

Rehabilitation Loans

<u>Date of Note</u>	<u>Original Principal</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Collateral</u>	<u>Balance as of June 30, 2009</u>
July 10, 2001	\$ 17,440	0%	No specified maturity	Deed of Trust	\$ 11,414
May 24, 2006	132,400	2%	May 24, 2036	Deed of Trust	132,400
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	17,500	2%	May 24, 2036	Deed of Trust	17,500
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
May 24, 2006	50,000	2%	May 24, 2036	Deed of Trust	50,000
December 21, 2001	45,800	0%	No specified maturity	Deed of Trust	45,489
September 11, 2008	125,561	3%	September 11, 2038	Deed of Trust	125,561
November 18, 2008	111,184	3%	November 18, 2038	Deed of Trust	111,184
December 23, 2008	97,346	3%	December 23, 2038	Deed of Trust	97,346
May 12, 2004	43,500	3%	March 12, 2009	Deed of Trust	31,158
February 20, 2008	21,000	1%	February 20, 2023	Deed of Trust	19,851
February 27, 2008	13,612	0%	February 27, 2023	Deed of Trust	12,656
March 5, 2009	16,000	0%	March 5, 2024	Deed of Trust	16,000
April 8, 2008	23,802	0%	April 8, 2023	Deed of Trust	23,802
July 8, 2008	57,440	0%	July 8, 2023	Deed of Trust	57,440
July 22, 2008	48,643	0%	July 22, 2023	Deed of Trust	48,643
				Total	\$ 1,150,444

Equipment and Building Improvements

<u>Date of Note</u>	<u>Original Principal</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Collateral</u>	<u>Balance as of June 30, 2009</u>
February 19, 2008	\$ 255,974	3%	January 1, 2023	Security Agreement	\$ 254,490
September 1, 2008	222,000	2%	January 23, 2028	Deed of Trust	219,554
February 1, 2009	35,000	3%	February 1, 2014	Security Agreement	33,455
				Total	\$ 507,499

Developer

<u>Date of Note</u>	<u>Original Principal</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Collateral</u>	<u>Balance as of June 30, 2009</u>
February 19, 2008	\$ 836,102	4%	January 1, 2028	Deed of Trust	\$ 836,102

Additionally, \$26,759 in long term receivables represent monies loaned to a small business in connection with the business assistance program. The total of all notes outstanding at June 30, 2009 were \$2,520,804. Loans with maturity dates not available indicate loans that are expected to be repaid upon the sale of property.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Governmental Activities				
Nondepreciable Capital Assets:				
Land	\$ 9,458,487			\$ 9,458,487
Construction in progress	2,996,471	\$ 52,478		3,048,949
Total Nondepreciable Capital Assets	12,454,958	52,478		12,507,436
Depreciable Capital Assets:				
Structures and improvements	5,176,795	224,116		5,400,911
Equipment and vehicles	1,395,289	282,307		1,677,596
Infrastructure	28,053,615	429,390		28,483,005
Total Depreciable Capital Assets	34,625,699	935,813		35,561,512
Less: accumulated depreciation for:				
Structures and improvements	(544,978)	(125,777)		(670,755)
Equipment and vehicles	(1,066,459)	(99,975)		(1,166,434)
Infrastructure	(13,186,771)	(1,041,181)		(14,227,952)
Total Accumulated Depreciation	(14,798,208)	(1,266,933)		(16,065,141)
Net Depreciable Capital Assets	19,827,491	(331,120)		19,496,371
Net Capital Assets	\$ 32,282,449	\$ (278,642)	\$ -	\$ 32,003,807

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Business-type Activities				
Nondepreciable Capital Assets:				
Land	\$ 604,807			\$ 604,807
Construction in progress	4,008,717	\$ 21,323		4,030,040
Total Nondepreciable Capital Assets	<u>4,613,524</u>	<u>21,323</u>		<u>4,634,847</u>
Depreciable Capital Assets:				
Structures and improvements	46,939	285,376		332,315
Equipment and vehicles	13,937,045	38,711		13,975,756
Total Depreciable Capital Assets	<u>13,983,984</u>	<u>324,087</u>		<u>14,308,071</u>
Less accumulated depreciation for:				
Structures and improvements	(21,551)	(938)		(22,489)
Equipment and vehicles	(5,014,681)	(334,903)		(5,349,584)
Total accumulated depreciation	<u>(5,036,232)</u>	<u>(335,841)</u>		<u>(5,372,073)</u>
Net Depreciable Capital Assets	<u>8,947,752</u>	<u>(11,754)</u>		<u>8,935,998</u>
Net Capital Assets	<u>\$ 13,561,276</u>	<u>\$ 9,569</u>	<u>\$ -</u>	<u>\$ 13,570,845</u>

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program was as follows:

Governmental Activities	
General government	\$ 33,528
Parks and recreation	109,858
Public works	1,029,760
Public safety	93,787
Total Depreciation Expense-Governmental Activities	<u>\$ 1,266,933</u>
Business-type Activities	
Water	\$ 190,921
Sewer	144,920
Total Depreciation Expense-Business-type Activities	<u>\$ 335,841</u>

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due From/To Other Funds

Current interfund balances were attributed to negative cash balances and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2009.

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental	\$ 321,777
RDA Debt Service Fund	RDA Special Revenue Fund	238,108
		\$ 559,885

Advances

Advances at June 30, 2009 represent a loan to the General Fund by the Water Fund to cover increases in Worker's Compensation costs. Management asserts that the loan will be repaid to the Water Fund in future periods.

Receivable Fund	Payable Fund	Amount
Water Fund	General Fund	\$ 340,000

Interfund Transfers

Transfers From	Transfers To	Amount
CDBG	General Fund	\$ 20,000
RDA Capital Projects Fund	General Fund	75,000
Non-major Governmental Funds	General Fund	349,630
	Non-major Governmental Funds	424,214
	Subtotal Non-major Governmental Funds	773,844
RDA Special Revenue Fund	General Fund	100,000
RDA Low/Mod Housing Fund	RDA Debt Service Fund	163,603
RDA Debt Service Fund	RDA Special Revenue Fund	406,967
	Subtotal Governmental Funds	1,539,414

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS, (CONTINUED)

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Sewer Fund	Water Fund	\$ 60,515
Garbage Fund	General Fund	170,313
	Total	<u>\$ 1,770,242</u>

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use restricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments may become due.

NOTE 7 - REVENUE BONDS

Finance Authority Revenue Bonds

On June 29, 1995, the Gonzales Public Finance Authority Issued bonds for the purchase of \$1,195,000 refunding bonds issued by the City of Gonzales. Interest range from 6.4 percent to 6.8 percent and is payable semi-annually on September 2nd and March 2nd of each year. The revenue bonds were paid off by the City during the 2008-2009 fiscal year.

NOTE 8 - SPECIAL ASSESSMENT IMPROVEMENT BONDS

1995 Bridge Refunding Improvement Bonds

On June 29, 1995, the City issued \$298,000 of bonds for the refunding of the Johnson Canyon-Fanoie Road Improvement Project Bonds. These bonds were purchased by the City of Gonzales Public Financing Authority. Interest ranges from 6.6 percent to 7.0 percent and is payable to the Authority semi-annually on September 2 and March 2 of each year. The improvement bonds were paid off by the City during the 2008-2009 fiscal year.

Special Assessment District Debt With No City Commitment

The Gonzales River Road Assessment District has issued debt to finance infrastructure improvements and facilities within its boundary. The City is the collecting agent for the debt issued by the District, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not included in the long-term debt of the City. The outstanding balance as of June 30, 2009, is \$390,000.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9 - CAPITAL LEASES

Police Vehicle Leases

The City entered into a lease purchase agreement with First Capital Equipment Leasing Corporation for the purchase of three police vehicles. The term of the lease began on July 30, 2008 and terminates on July 30, 2011. The lease accrued at a rate of 3.35 percent. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

<u>Fiscal Year Ending</u>	
2010	\$ 30,640
2011	30,640
2012	7,660
Total minimum lease payments	<u>\$ 68,940</u>
Less: amount representing interest	<u>(4,100)</u>
Present value of minimal lease payments	<u>\$ 64,840</u>

NOTE 10 - TAX ALLOCATION BONDS AND NOTES

2003 Tax Allocation Refunding Bonds

On October 30, 2003, the Redevelopment Agency of the City of Gonzales adopted a Resolution authorizing the sale of \$8,575,000 aggregated principal amount of Gonzales Redevelopment Project 2003 Tax Allocation Refunding Bonds at a variable interest rate of 2.0 percent to 5.5 percent for the purpose of refinancing the 2000, and 2002 Tax Allocation Notes and financing redevelopment projects within the Redevelopment Agency of the City of Gonzales. Principal payments are due annually starting December 1, 2005 with the interest payable semi-annually on December 1 and June 1. The bonds mature on June 1, 2034. The bonds outstanding at June 30, 2009, were \$8,120,000.

The Bonds are secured by a pledge, security interest in, and first and exclusive lien on all tax revenues of the Redevelopment Agency of the City of Gonzales and the monies in the funds and accounts established pursuant to the Bonds Indenture of Trust. The payment of note principal and interest is also covered by financial guaranty insurance policy. Refer to Note 18 for further discussion on pledged revenues.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 10 - TAX ALLOCATION BONDS AND NOTES, (CONTINUED)

The scheduled annual minimum debt service requirements at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	2003 Tax Allocation Refunding Bonds		
	Principal	Interest	Total
2010	\$ 175,000	\$ 422,729	\$ 597,729
2011	180,000	417,041	597,041
2012	185,000	410,516	595,516
2013	195,000	401,266	596,266
2014	205,000	391,029	596,029
2015-2019	1,185,000	1,787,607	2,972,607
2020-2024	1,505,000	1,469,895	2,974,895
2025-2029	1,950,000	1,028,426	2,978,426
2030-2034	2,540,000	434,225	2,974,225
	<u>\$ 8,120,000</u>	<u>\$ 6,762,734</u>	<u>\$ 14,882,734</u>

2006 Subordinate Tax Allocation Notes

On May 1, 2006, the Redevelopment Agency of the City of Gonzales adopted a Resolution authorizing the sale of \$9,540,000 aggregated principal amount of Gonzales Redevelopment Project Area No. One Subordinate Tax Allocation Notes Series 2006 at an interest rate of 4.625 percent for the purpose of financing redevelopment projects within the Redevelopment Agency of the City of Gonzales. The notes mature on August 1, 2011, with interest payable annually. The notes outstanding at June 30, 2009, were \$9,540,000.

The Bonds are secured by a pledge, security interest in, and subordinate lien on all tax revenues of the Redevelopment Agency and the monies in the funds and accounts established pursuant to the Indenture of Trust. The notes are secured on a subordinate basis with the Agency's 2003 Tax Allocation Refunding Bonds. Refer to Note 18 for further discussion of pledged revenues.

As stated in the official statement dated May 10, 2006, it is not anticipated that sufficient moneys will be available from pledged tax revenues to pay all of the principal of the notes at their maturity on August 1, 2011 and it is intended that the notes will be refunded on or prior to August 1, 2011.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 10 - TAX ALLOCATION BONDS AND NOTES, (CONTINUED)

Fiscal Year Ending June 30,	2006 Subordinate Tax Allocation Notes		
	Principal	Interest	Total
2010		\$ 441,225	\$ 441,225
2011		441,225	441,225
2012	\$ 9,540,000	220,612	9,760,612
	<u>\$ 9,540,000</u>	<u>\$ 1,103,062</u>	<u>\$ 10,643,062</u>

Deferred charges (issuance costs) related to both the 2003 and 2006 bonds of \$931,290 are being amortized over the life of the bonds on a straight-line basis. The remaining balance at June 30, 2009, was \$636,810 and is included in the Statement of Net Assets. Amortization for the 2008-2009 fiscal year amounted to \$80,424.

NOTE 11 - LOAN AND NOTE PAYABLE

Loan Payable

On October 15, 2003, the City entered into an agreement with the California Housing Finance Agency for a loan in the amount of \$500,000. The purpose of the loan is to assist in the development of Canyon Creek, a 36-unit apartment complex. The interest rate is 3.0 percent annually and is due with the principal in one lump sum of \$650,000 ten years from the effective date of the agreement on December 10, 2013. At June 30, 2009, the outstanding loan balance was \$500,000 with accumulated interest of \$78,842.

Note Payable

On November 1, 2005 the Gonzales Public Financing Authority entered into a funding agreement with a financial institution to provide \$3,131,500 for the Sewer Expansion and Water Tank Projects (the Project). The Note accrues interest at a rate of 4.55 percent. Principal and interest payments are due semi-annually. The balance outstanding at June 30, 2009 was \$2,765,493.

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

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 11 - LOAN AND NOTE PAYABLE, (CONTINUED)

Remaining principal and interest payments due under the Note are as follows:

Fiscal Year Ending June 30,	1995 Water Tank and Sewer Expansion		
	Principal	Interest	Total
2010	\$ 115,604	\$ 124,530	\$ 240,134
2011	120,924	119,210	240,134
2012	126,488	113,645	240,133
2013	132,308	107,824	240,132
2014	138,397	101,736	240,133
2015-2019	793,584	407,082	1,200,666
2019-2024	993,776	206,894	1,200,670
2025-2026	344,412	15,788	360,200
	<u>\$ 2,765,493</u>	<u>\$ 1,196,709</u>	<u>\$ 3,962,202</u>

NOTE 12 - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One year
Governmental Activities:					
Bonds Payable:					
Finance Authority Revenue Bonds	\$ 65,000		\$ (65,000)		
1995 Bridge Refunding Improvement Bonds	61,000		(61,000)		
2003 Tax Allocation Refunding Bonds	8,290,000		(170,000)	\$ 8,120,000	\$ 175,000
2006 Tax Allocation Bonds	9,540,000			9,540,000	
Less: Bond Issuance Discount	(61,257)		18,407	(42,850)	
Loan Payable					
CalHFA loan	563,842	\$ 15,000		578,842	
Capital Leases					
Police Vehicles Lease		84,895	(20,055)	64,840	27,927
Compensated Absences	154,247	20,432		174,679	
Governmental activity long-term liabilities	<u>\$ 18,612,832</u>	<u>\$ 120,327</u>	<u>\$ (297,648)</u>	<u>\$ 18,435,511</u>	<u>\$ 202,927</u>
Business-type Activities:					
Note Payable:					
2005 Water Tank & Sewer Expansion	\$ 2,876,011		\$ (110,518)	\$ 2,765,493	\$ 115,604
Business-type activity Long-term liabilities	<u>\$ 2,876,011</u>	<u>\$ -</u>	<u>\$ (110,518)</u>	<u>\$ 2,765,493</u>	<u>\$ 115,604</u>

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 13 - RISK MANAGEMENT

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

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

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

MBAIF Insurance Programs

General Liability: The City is self-insured for the first \$10,000 of each liability claims. Claims above \$10,000 up to \$490,000 are paid by MBAIF. Claims above \$490,000 up to \$19.5 million are covered by insurance purchased by MBAIF.

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

Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded insured coverage. There have been no significant reductions in insured liability coverage from coverage in the prior year.

Summary financial information on the Fund for the fiscal year ended June 30, 2008 (most recent information available), is as follows:

Total Assets	\$ 14,373,266
Total Liabilities	<u>21,203,633</u>
Net Assets	<u><u>\$ (6,830,367)</u></u>
Total Revenues	\$ 4,656,515
Total Expenses	<u>6,183,313</u>
Change in Net Assets	<u><u>\$ (1,526,798)</u></u>

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 14 - DEFINED BENEFIT PENSION PLAN

Plan Description

The City's defined benefit pension plan, the California Public Employees' Retirement System, provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), a cost-sharing employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law.

The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members in the City's defined pension plan are required to contribute 7 percent of their annual covered salary for miscellaneous employees and 7 percent of their annual covered salary for safety employees. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2008-2009 was 12.626 percent for miscellaneous members and 14.420 percent for safety members. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2008-2009, the City's annual pension cost was \$439,881.

Three-Year Trend Information for the City

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/2007	\$ 335,433	100%	0
6/30/2008	371,405	100%	0
6/30/2009	439,881	100%	0

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 15 - DEFERRED REVENUES

The deferred revenues in the fund financial statements represent assets that are not available within the City's period of availability. The deferred revenues balance of the City of Gonzales as of June 30, 2009 consisted of \$94,412 due to the triple flip receivable not being available, \$2,520,804 due to loans receivable, and \$61,928 due from the County of Monterey. The total deferred revenues balance as of June 30, 2009 was \$2,677,144.

NOTE 16 - CONTINGENCIES AND COMMITMENTS

There are certain legal actions pending against the City which management considers incident to normal operations, some of which seek substantial monetary damages. In the opinion of management, after consultation with counsel, the ultimate resolution of such actions is not expected to have a significant effect on the financial position or the results of operations of the City.

The City has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

The City is party to an agreement under which it must pay a sum of money to a resident for the remainder of the resident's life. The payment increases by 4 percent annually. As of June 30, 2009, the monthly payment was \$4,996. During fiscal year 2008-2009, the City paid the resident a total of \$59,952.

The City is a member of the Monterey Bay Area Insurance Fund, (see Note 13). The Fund has deficit net assets of \$6,830,367 as of June 30, 2008 (most recent information available).

As discussed in Note 10, in relation to the 2006 Subordinate Tax Allocation Notes, it is not anticipated that sufficient moneys will be available from pledged tax revenues to pay all of the principal of the notes at their maturity on August 1, 2011 and it is intended that the notes will be refunded on or prior to August 1, 2011.

NOTE 17 - NET ASSETS AND FUND BALANCES

Net Assets

Net Assets are the excess of all the City's assets over all its liabilities, for the government-wide financial statements, proprietary funds, and fiduciary fund. Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets, which are determined only at the government-wide level and are described below.

Invested in capital assets, net of related debt describes the portion of net assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 17 - NET ASSETS AND FUND BALANCES, (CONTINUED)

Restricted describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes. Unrestricted describes the portion of net assets which is not restricted as to use.

Fund Balances, Reserves, and Designations

The fund balances of the fund statements represent the net current assets of each fund in the fund financial statements. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

Reserves

Portions of fund balance have been reserved for specific purposes as follows:

Debt service - Funds which legally may only be used for debt service.

Deficit fund balances – Funds which are reserved for other funds with deficit fund balances.

NOTE 18 – PLEDGED REVENUES

The City has pledged tax increment revenues to repay the 2003 Tax Allocation Refunding Bonds (TABs) and the 2006 Subordinated Tax Allocation Notes (Notes). The aggregate principal amounts outstanding at June 30, 2009 were \$8,120,000 and \$9,540,000. For additional information on the indebtedness, refer to Note 10.

The City has pledged tax increment revenues allocated to the Agency for the repayment of the TABs and Notes until the respective maturity dates. The term of commitment and comparison of the pledged revenues during the period to the principal and interest was as follows:

Debt Issue	Term of Commitment	Principal and Interest	Pledged Revenues
2003 Tax Allocation Refunding Bonds	December 1, 2033	\$ 594,364	
2006 Subordinated Tax Allocation Notes	August 1, 2011	411,224	
		\$ 1,005,588	\$ 1,566,401

As more fully described in Notes 10 and 16, as stated in the official statement dated May 10, 2006, it is not anticipated that sufficient moneys will be available from pledged tax revenues to pay all of the principal of the 2006 Subordinated Tax Allocation Notes (Notes) at their maturity on August 1, 2011 and it is intended that the notes will be refunded on or prior to August 1, 2011.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 19 – SUBSEQUENT EVENTS

In July 2009, the California State Legislature passed a series of bills affecting counties, cities, redevelopment agencies and special districts. This legislation authorized the State of California to borrow from or defer revenues to local governments for fiscal year 2009-2010. The revenues affected include:

- Property Taxes – County auditors are directed to reduce 2009-2010 property tax allocations by an amount equal to 8 percent, except in limited circumstances.
- Redevelopment Agency Property Taxes – \$1.7 billion in redevelopment revenues will be shifted to the Supplemental Educational Revenue Augmentation Fund in 2009-2010, thereby benefiting the State General Fund. An additional \$350 million is shifted in 2010-2011. For 2009-2010, the 20 percent set-aside to the low and moderate income housing fund is suspended. Suspended amounts must be repaid by June 30, 2015. For agencies that do not comply with allocating its full share of the shift, the low and moderating income set-aside is permanently increased by 5 percent.

The borrowing and deferrals by the State are expected to materially affect the local government's cash flows subsequent to year-end. In order to mitigate for the loss of and replace this revenue, the City participated in the Property Tax 1A Securitization Program that was authorized by the State and managed and sold by California Communities.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GONZALES

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes and assessments	\$ 1,977,547	\$ 1,992,206	\$ 2,050,756	\$ 58,550
Licenses, permits, and impact fees	92,575	56,430	42,182	(14,248)
Fines and penalties	13,500	16,000	25,830	9,830
Use of money and property	104,000	91,377	101,315	9,938
Intergovernmental	82,000	62,000	75,372	13,372
Charges for services	256,580	258,871	293,210	34,339
Other revenues	184,000	530,179	546,013	15,834
Total Revenues	2,710,202	3,007,063	3,134,678	127,615
EXPENDITURES				
Current:				
General government	892,222	1,092,225	921,879	170,346
Public safety	2,553,776	2,602,555	2,506,363	96,192
Public works	94,855	97,567	72,467	25,100
Parks and recreation	310,602	322,170	305,022	17,148
Capital outlay	35,000	43,704	124,208	(80,504)
Debt Service:				
Principal			20,055	(20,055)
Interest			2,926	(2,926)
Total Expenditures	3,886,455	4,158,221	3,952,920	205,301
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,176,253)	(1,151,158)	(818,242)	332,916
OTHER FINANCING SOURCES (USES)				
Transfers in	853,180	1,101,630	714,943	(386,687)
Capital Leases			91,920	91,920
Total Other Financing Sources (Uses)	853,180	1,101,630	806,863	(294,767)
Net Change in Fund Balance	(323,073)	(49,528)	(11,379)	38,149
Fund Balance - July 1, 2008	1,263,216	1,263,216	1,263,216	
Fund Balance - June 30, 2009	\$ 940,143	\$ 1,213,688	\$ 1,251,837	\$ 38,149

See accompanying notes to required supplementary information.

CITY OF GONZALES

**COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Use of money and property	\$ 300	\$ 300	\$ 477	\$ 177
Intergovernmental	535,000	560,000	373,810	(186,190)
Other revenues			9,202	9,202
Total Revenues	<u>535,300</u>	<u>569,503</u>	<u>383,489</u>	<u>(186,014)</u>
EXPENDITURES				
Current:				
General government	11,500	1,800	1,338	462
Public works	546,400	568,962	403,053	165,909
Capital outlay		5,781	5,780	(1)
Total Expenditures	<u>557,900</u>	<u>576,543</u>	<u>410,171</u>	<u>166,370</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(22,600)</u>	<u>(7,040)</u>	<u>(26,682)</u>	<u>(19,644)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	
Net Change in Fund Balance	(42,600)	(27,040)	(46,682)	(19,644)
Fund Balance - July 1, 2008	<u>104,632</u>	<u>104,632</u>	<u>104,632</u>	
Fund Balance - June 30, 2009	<u>\$ 62,032</u>	<u>\$ 77,592</u>	<u>\$ 57,950</u>	<u>\$ (19,644)</u>

See accompanying notes to required supplementary information.

CITY OF GONZALES

**RDA LOW/MODERATE INCOME HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes and assessments	\$ 300,200	\$ 299,057	\$ 291,558	\$ (7,499)
Use of money and property	100,000	30,000	53,502	23,502
Other revenues		3,200	5,548	2,348
Total Revenues	400,200	332,257	350,608	18,351
EXPENDITURES				
Current				
General government	97,500	59,494	53,526	5,968
Capital outlay	465,000	465,000	57,536	407,464
Total Expenditures	562,500	524,494	111,062	413,432
Excess (Deficiency) of Revenues Over (Under) Expenditures	(162,300)	(192,237)	239,546	431,783
OTHER FINANCING SOURCES (USES)				
Transfers out			(163,603)	(163,603)
Total Other Financing Sources (Uses)			(163,603)	(163,603)
Net Change in Fund Balance	(162,300)	(192,237)	75,943	268,180
Fund Balance - July 1, 2008	2,680,977	2,680,977	2,680,977	
Fund Balance - June 30, 2009	\$ 2,518,677	\$ 2,488,740	\$ 2,756,920	\$ 268,180

See accompanying notes to required supplementary information.

CITY OF GONZALES

**RDA SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 22,200	\$ 15,050	\$ 18,281	\$ 3,231
EXPENDITURES				
Current				
Community development	249,676	340,990	325,248	15,742
Total Expenditures	249,676	340,990	325,248	15,742
Excess of Revenues Over (Under) Expenditures	(227,476)	(325,940)	(306,967)	18,973
OTHER FINANCING SOURCES				
Transfers out			(100,000)	(100,000)
Transfers in	567,476	607,667	406,967	(200,700)
Total Other Financing Sources	567,476	607,667	306,967	(300,700)
Net Change in Fund Balance	340,000	281,727		(281,727)
Fund Balance, July 1, 2008	(248,273)	(248,273)	(248,273)	
Fund Balance, June 30, 2009	\$ 91,727	\$ 33,454	\$ (248,273)	\$ (281,727)

See accompanying notes to required supplementary information.

CITY OF GONZALES

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009**

***NOTE 1 – SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL***

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

OTHER SUPPLEMENTARY INFORMATION

CITY OF GONZALES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	Special Revenue Funds					
	Signalization Fund	Supplemental Local Law Enforcement Fund	California Breeze Maintenance District Fund	Public Safety Fund	Police Impact Fund	Park Impact Fund
ASSETS						
Cash and investments	\$ 413,099		\$ 226,098		\$ 30,667	\$ 320,942
Accounts receivable		\$ 49,829				
Interest receivable	192		548			480
Notes and loans receivable						
Total Assets	<u>\$ 413,291</u>	<u>\$ 49,829</u>	<u>\$ 226,646</u>	<u>\$ -</u>	<u>\$ 30,667</u>	<u>\$ 321,422</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable			\$ 5,607	\$ 4,766		
Due to other funds		\$ 88,021		126,211		
Deferred revenue						
Total Liabilities		<u>88,021</u>	<u>5,607</u>	<u>130,977</u>		
FUND BALANCES						
Reserved:						
Debt service						
Unreserved, reported in:						
Special revenue funds	\$ 413,291	(38,192)	221,039	(130,977)	\$ 30,667	\$ 321,422
Debt service						
Total Fund Balances	<u>413,291</u>	<u>(38,192)</u>	<u>221,039</u>	<u>(130,977)</u>	<u>30,667</u>	<u>321,422</u>
Total Liabilities and Fund Balances	<u>\$ 413,291</u>	<u>\$ 49,829</u>	<u>\$ 226,646</u>	<u>\$ -</u>	<u>\$ 30,667</u>	<u>\$ 321,422</u>

Special Revenue Funds

Fire Impact Fund	Gas Tax Fund	Gas Tax 2105 Fund	State Congestion Relief Program Fund	Public Financing Authority Fund	General Plan Impact Fund	Canyon Creek Park Maintenance Fund	Recreation Services Fund
\$ 71,704	\$ 1,233 27,005	\$ 107,253 3,679	\$ 58,309		\$ 17,258 45,453	\$ 407,614 669	
<u>\$ 71,704</u>	<u>\$ 28,238</u>	<u>\$ 110,932</u>	<u>\$ 58,309</u>	<u>\$ -</u>	<u>\$ 62,711</u>	<u>\$ 408,283</u>	<u>\$ -</u>
	\$ 8,844	\$ 9,756			\$ 48,956	\$ 13,383	\$ 49,461
	<u>8,844</u>	<u>9,756</u>			<u>48,956</u>	<u>13,383</u>	<u>49,461</u>
\$ 71,704	19,394	101,176	\$ 58,309		13,755	394,900	(49,461)
<u>71,704</u>	<u>19,394</u>	<u>101,176</u>	<u>58,309</u>		<u>13,755</u>	<u>394,900</u>	<u>(49,461)</u>
<u>\$ 71,704</u>	<u>\$ 28,238</u>	<u>\$ 110,932</u>	<u>\$ 58,309</u>	<u>\$ -</u>	<u>\$ 62,711</u>	<u>\$ 408,283</u>	<u>\$ -</u>

CITY OF GONZALES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, (CONTINUED)
JUNE 30, 2009**

	Special Revenue Funds					
	Cal Trans Federal Grant Fund	Circulation System Impact Fund	Cipriani Estates Park Maintenance	Cipriani Estates Maintenance	Gonzales Industrial Park Landscape Maintenance	Gonzales Industrial Park Benefit Assessment
ASSETS						
Cash and investments	\$ 1,310	\$ 116,836	\$ 134,808	\$ 154,752	\$ 88,706	\$ 74,549
Accounts receivable						
Interest receivable			381	449	204	193
Notes and loans receivable						
Total Assets	<u>\$ 1,310</u>	<u>\$ 116,836</u>	<u>\$ 135,189</u>	<u>\$ 155,201</u>	<u>\$ 88,910</u>	<u>\$ 74,742</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable		\$ 3,147	\$ 668	\$ 1,499	\$ 1,157	\$ 1,388
Due to other funds						
Deferred revenue						
Total Liabilities		<u>3,147</u>	<u>668</u>	<u>1,499</u>	<u>1,157</u>	<u>1,388</u>
FUND BALANCES						
Reserved:						
Debt service						
Unreserved, reported in:						
Special revenue funds	\$ 1,310	113,689	134,521	153,702	87,753	73,354
Debt service						
Total Fund Balances	<u>1,310</u>	<u>113,689</u>	<u>134,521</u>	<u>153,702</u>	<u>87,753</u>	<u>73,354</u>
Total Liabilities and Fund Balances	<u>\$ 1,310</u>	<u>\$ 116,836</u>	<u>\$ 135,189</u>	<u>\$ 155,201</u>	<u>\$ 88,910</u>	<u>\$ 74,742</u>

Special Revenue Funds

Storm Drainage Facility Impact Fund	Transportation Enhancement Act Program Fund	Sewer Impact Fund	Water Impact Fund	State Proposition 1B Fund	Ag. Industrial Park Federal Grant	TDA Fund	CDBG: 7th and 10th Street Project
\$ 174,192	\$ 67,779	\$ 105,388	\$ 636,433	\$ 28,828	\$ 41,662	\$ 30,069 66,834	
	151				160		
		808	25,951				
<u>\$ 174,192</u>	<u>\$ 67,930</u>	<u>\$ 106,196</u>	<u>\$ 662,384</u>	<u>\$ 28,828</u>	<u>\$ 41,822</u>	<u>\$ 96,903</u>	<u>\$ -</u>
		\$ 812	\$ 812			\$ 23,793 11,182	\$ 33,136
		808	25,951			61,928	
		1,620	26,763			96,903	33,136
\$ 174,192	\$ 67,930	104,576	635,621	\$ 28,828	\$ 41,822		(33,136)
<u>174,192</u>	<u>67,930</u>	<u>104,576</u>	<u>635,621</u>	<u>28,828</u>	<u>41,822</u>		<u>(33,136)</u>
<u>\$ 174,192</u>	<u>\$ 67,930</u>	<u>\$ 106,196</u>	<u>\$ 662,384</u>	<u>\$ 28,828</u>	<u>\$ 41,822</u>	<u>\$ 96,903</u>	<u>\$ -</u>

CITY OF GONZALES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, (CONTINUED)
JUNE 30, 2009**

	Debt Service Funds				
	Shopping Center Fund	Bridge Fund	Sewer Assessment Fund	Public Financing Authority Fund	Totals
ASSETS					
Cash and investments		\$ 102,594			\$ 3,412,083
Accounts receivable					192,800
Interest receivable		219			3,646
Notes and loans receivable					26,759
Total Assets	\$ -	\$ 102,813	\$ -	\$ -	\$ 3,635,288
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable					\$ 124,588
Due to other funds	\$ 9,408		\$ 4,358		321,777
Deferred revenue					88,687
Total Liabilities	9,408		4,358		535,052
FUND BALANCES					
Reserved:					
Debt service		\$ 102,813			102,813
Unreserved, reported in:					
Special revenue funds					3,011,189
Debt service	(9,408)		(4,358)		(13,766)
Total Fund Balances	(9,408)	102,813	(4,358)		3,100,236
Total Liabilities and Fund Balances	\$ -	\$ 102,813	\$ -	\$ -	\$ 3,635,288

CITY OF GONZALES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009**

	Special Revenue Funds				
	Signalization Fund	Supplemental Local Law Enforcement Fund	California Breeze Maintenance District Fund	Public Safety Fund	Police Impact Fund
REVENUES					
Taxes and assessments			\$ 146,807		
License, permits, and impact fees				\$ 4,669	
Use of money and property	\$ 1,999	\$ 31	3,293		\$ 60
Intergovernmental revenues		142,026			
Other revenues					
Total Revenues	1,999	142,057	150,100	4,669	60
EXPENDITURES					
Current:					
General government					
Public safety				288,179	
Public works					
Parks and recreation			84,993		
Streets and roads					
Capital outlay					
Debt service:					
Principal					
Interest					
Total Expenditures			84,993	288,179	
Excess (Deficiencies) of Revenues Over (Under) Expenditures	1,999	142,057	65,107	(283,510)	60
OTHER FINANCING SOURCES (USES)					
Transfers in				200,000	
Transfers out		(200,000)	(32,610)		
Total Other Financing Sources (Uses)		(200,000)	(32,610)	200,000	
Net Change in Fund Balances	1,999	(57,943)	32,497	(83,510)	60
Fund Balances - July 1, 2008	411,292	19,751	188,542	(47,467)	30,607
Fund Balances - June 30, 2009	\$ 413,291	\$ (38,192)	\$ 221,039	\$ (130,977)	\$ 30,667

Special Revenue Funds

Park Impact Fund	Fire Impact Fund	Gas Tax Fund	Gas Tax 2105 Fund	State Congestion Relief Program Fund	Public Financing Authority Fund	General Plan Impact Fund	Canyon Creek Park Maintenance Fund
		\$ 654,785	\$ 47,337			\$ 324,585	\$ 198,193
\$ 4,408	\$ 2,323						
4,912	271		493	\$ 15	\$ 2,121		4,995
	246,999	18,187		56,744			
<u>9,320</u>	<u>249,593</u>	<u>672,972</u>	<u>47,830</u>	<u>56,759</u>	<u>2,121</u>	<u>324,585</u>	<u>203,188</u>
	22,554					209,045	
43,094							69,355
5,395	282,307	314,319	35,550	6,469			
<u>48,489</u>	<u>304,861</u>	<u>314,319</u>	<u>35,550</u>	<u>6,469</u>		<u>209,045</u>	<u>69,355</u>
<u>(39,169)</u>	<u>(55,268)</u>	<u>358,653</u>	<u>12,280</u>	<u>50,290</u>	<u>2,121</u>	<u>115,540</u>	<u>133,833</u>
		65,060					
		(250,000)			(63,121)	(58,450)	(41,898)
		(184,940)			(63,121)	(58,450)	(41,898)
<u>(39,169)</u>	<u>(55,268)</u>	<u>173,713</u>	<u>12,280</u>	<u>50,290</u>	<u>(61,000)</u>	<u>57,090</u>	<u>91,935</u>
<u>360,591</u>	<u>126,972</u>	<u>(154,319)</u>	<u>88,896</u>	<u>8,019</u>	<u>61,000</u>	<u>(43,335)</u>	<u>302,965</u>
<u>\$ 321,422</u>	<u>\$ 71,704</u>	<u>\$ 19,394</u>	<u>\$ 101,176</u>	<u>\$ 58,309</u>	<u>\$ -</u>	<u>\$ 13,755</u>	<u>\$ 394,900</u>

CITY OF GONZALES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES, (CONTINUED)
YEAR ENDED JUNE 30, 2009**

	Special Revenue Funds				
	Recreation Services Fund	CalTrans Federal Grant Fund	Circulation System Impact Fund	Cipriani Estates Park Maintenance	Cipriani Estates Maintenance
REVENUES					
Taxes and assessments				\$ 31,497	\$ 45,382
License, permits, and impact fees					
Use of money and property			\$ 259	2,195	2,597
Intergovernmental revenues					
Other revenues	\$ 45,934				
Total Revenues	45,934		259	33,692	47,979
EXPENDITURES					
Current:					
General government					
Public safety					
Public works					
Parks and recreation			1,569	1,418	8,410
Streets and roads					
Capital outlay					
Debt service:					
Principal					
Interest					
Total Expenditures			1,569	1,418	8,410
Excess (Deficiencies) of Revenues Over (Under) Expenditures	45,934		(1,310)	32,274	39,569
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out				(5,000)	(13,066)
Total Other Financing Sources (Uses)				(5,000)	(13,066)
Net Change in Fund Balances				(5,000)	(13,066)
Fund Balances - July 1, 2008	45,934		(1,310)	27,274	26,503
Fund Balances - June 30, 2009	(95,395)	\$ 1,310	114,999	107,247	127,199
	\$ (49,461)	\$ 1,310	\$ 113,689	\$ 134,521	\$ 153,702

Special Revenue Funds							
Gonzales Industrial Park Landscape Maintenance	Gonzales Industrial Park Benefit Assessment	Storm Drainage Facility Impact Fund	Transportation Enhancement Act Program Fund	Sewer Impact Fund	Water Impact Fund	State Proposition 1B Fund	Ag. Industrial Park Federal Grant
\$ 57,762	\$ 22,237						
1,147	1,080	\$ 1,118	\$ 1,316	\$ 4,822 272	\$ 1,184 4,706	\$ 3,185	\$ 4,362
				75	2,421		19,000
58,909	23,317	1,118	1,316	5,169	8,311	3,185	23,362
							275,032
8,273	2,314	1,569		1,580	1,588		1,400
10,000						27,445 343,390	19,000
18,273	2,314	1,569		1,580	1,588	370,835	295,432
40,636	21,003	(451)	1,316	3,589	6,723	(367,650)	(272,070)
(4,666)	(9,000)						
(4,666)	(9,000)						
35,970	12,003	(451)	1,316	3,589	6,723	(367,650)	(272,070)
51,783	61,351	174,643	66,614	100,987	628,898	396,478	313,892
\$ 87,753	\$ 73,354	\$ 174,192	\$ 67,930	\$ 104,576	\$ 635,621	\$ 28,828	\$ 41,822

CITY OF GONZALES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES, (CONTINUED)
YEAR ENDED JUNE 30, 2009**

	Special Revenue Funds		Debt Service Funds	
	TDA Fund	CDBG: 7th and 10th Street Project	Shopping Center Fund	Bridge Fund
REVENUES				
Taxes and assessments			\$ 7,197	\$ 36,415
License, permits, and impact fees				
Use of money and property		\$ 145		782
Intergovernmental revenues	\$ 393,198			
Other revenues		78,010		
Total Revenues	393,198	78,155	7,197	37,197
EXPENDITURES				
Current:				
General government			650	650
Public safety				
Public works				
Parks and recreation				
Streets and roads	293,976			
Capital outlay	99,222			
Debt service:				
Principal				61,000
Interest				2,121
Total Expenditures	393,198		650	63,771
Excess (Deficiencies) of Revenues Over (Under) Expenditures		78,155	6,547	(26,574)
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				96,033
Total Other Financing Sources (Uses)				96,033
Net Change in Fund Balances				96,033
Fund Balances - July 1, 2008		78,155	6,547	69,459
Fund Balances - June 30, 2009		(111,291)	(15,955)	33,354
	\$ -	\$ (33,136)	\$ (9,408)	\$ 102,813

Debt Service Funds

Sewer Assessment Fund	Public Financing Authority Fund	Totals
		\$ 1,247,612
		341,991
	\$ 517	41,871
		857,154
		145,440
	517	2,634,068
		507,931
		288,179
		26,721
		198,842
		677,759
		759,314
	65,000	126,000
	2,195	4,316
	67,195	2,589,062
		45,006
	(66,678)	45,006
	63,121	424,214
	(96,033)	(773,844)
	(32,912)	(349,630)
	(99,590)	(304,624)
\$ (4,358)	99,590	3,404,860
\$ (4,358)	\$ -	\$ 3,100,236

CITY OF GONZALES

**AGENCY FUND
STATEMENT OF CHANGES IN
FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2009**

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
ASSETS				
Cash and investments	\$ 201,574	\$ 51,978		\$ 253,552
Interest receivable	423	19		442
Total Assets	<u>\$ 201,997</u>	<u>\$ 51,997</u>	<u>\$ -</u>	<u>\$ 253,994</u>
LIABILITIES				
Due to other agencies	\$ 201,997	\$ 51,997		\$ 253,994
Total Liabilities	<u>\$ 201,997</u>	<u>\$ 51,997</u>	<u>\$ -</u>	<u>\$ 253,994</u>