

**CITY OF GONZALES  
GONZALES, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2010**

**CITY OF GONZALES**  
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**JUNE 30, 2010**

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## 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 the City of Gonzales, California (City), as of and for the year ended June 30, 2010, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2010, 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 Notes 9 and 15, 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 December 27, 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 11 and 57 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.

A handwritten signature in black ink that reads "Vavrinch, Train, Daz, Co., LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 27, 2010

## CITY OF GONZALES

### MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL STATEMENTS JUNE 30, 2010

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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, 2010.

#### Financial Highlights

- The assets of the City of Gonzales exceed its liabilities, at the close of the fiscal year ended June 30, 2010, by \$44,098,892 (*net assets*). Of this amount, \$7,161,567 is *unrestricted net asset*.
- The City's total net assets decreased by \$1,741,915.
- As of June 30, 2010, the City's governmental funds reported combined ending fund balances of \$8,895,136, a decrease of \$5,318,850 in comparison with the prior year.
- As of June 30, 2010, the fund balance for the General Fund was \$1,061,777. Of this amount the unreserved fund balance is \$(106,118) or 3 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.

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 12-14 of this report.

# CITY OF GONZALES

## MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL STATEMENTS JUNE 30, 2010

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**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 Infrastructure Improvement 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 15-20 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 21-25 of this report.

**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 26 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 27-56 of this report.

**CITY OF GONZALES**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FINANCIAL STATEMENTS  
JUNE 30, 2010**

**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 57-60 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 61-72 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, 2010, the City's assets exceeded liabilities by \$44,098,892.

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Current and other assets	\$ 13,430,071	\$ 18,249,088	\$ 4,774,600	\$ 4,394,978	\$ 18,204,671	\$ 22,644,066
Capital assets	34,845,650	32,003,807	13,663,933	13,570,845	48,509,583	45,574,652
Total assets	<u>48,275,721</u>	<u>50,252,895</u>	<u>18,438,533</u>	<u>17,965,823</u>	<u>66,714,254</u>	<u>68,218,718</u>
Current and other liabilities	1,599,198	1,041,881	399,386	236,688	1,998,584	1,278,569
Long-term liabilities	18,087,812	18,435,511	2,528,966	2,765,493	20,616,778	21,201,004
Total liabilities	<u>19,687,010</u>	<u>19,477,392</u>	<u>2,928,352</u>	<u>3,002,181</u>	<u>22,615,362</u>	<u>22,479,573</u>
Invested in capital assets, net of related debt	17,294,920	14,321,817	11,014,043	10,805,352	28,308,963	25,127,169
Restricted	8,628,362	9,064,220	-	-	8,628,362	9,064,220
Unrestricted	2,665,429	7,389,466	4,496,138	4,158,290	7,161,567	11,547,756
Total net assets	<u>\$ 28,588,711</u>	<u>\$ 30,775,503</u>	<u>\$ 15,510,181</u>	<u>\$ 14,963,642</u>	<u>\$ 44,098,892</u>	<u>\$ 45,739,145</u>

As of June 30, 2010, 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, 2009 balance of \$45,739,145, net assets decreased by \$(1,741,915), after the prior period adjustment of \$101,662.

The largest portion of the City's net assets at \$28,308,963 (64 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.



**CITY OF GONZALES**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FINANCIAL STATEMENTS  
JUNE 30, 2010**

**Governmental Activities** - Governmental Activities decreased the City's net assets by \$2,288,454. 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 \$546,539. This was the result of net increases for both the City's Water and Wastewater Utility operations.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Program revenues:						
Charges for services	\$ 272,133	\$ 262,310	\$ 2,978,628	\$ 2,978,130	\$ 3,250,761	\$ 3,240,440
Operating contributions and grants	1,876,576	2,860,315	-	-	1,876,576	2,860,315
Capital contributions and grants	553,391	339,573	-	-	553,391	339,573
General revenues:						
Property taxes	2,386,752	2,724,956	-	-	2,386,752	2,724,956
Other taxes	713,114	810,068	-	-	713,114	810,068
Other	524,525	891,428	25,124	83,768	549,649	975,196
Total revenues	<u>6,326,491</u>	<u>7,888,650</u>	<u>3,003,752</u>	<u>3,061,898</u>	<u>9,330,243</u>	<u>10,950,548</u>
Expenses:						
General government	1,622,726	1,492,336	-	-	1,622,726	1,492,336
Public safety	2,706,459	2,908,761	-	-	2,706,459	2,908,761
Public works	600,980	613,722	-	-	600,980	613,722
Park and recreation	1,102,589	1,616,896	-	-	1,102,589	1,616,896
Community development	535,300	204,512	-	-	535,300	204,512
Streets and roads	1,272,567	880,709	-	-	1,272,567	880,709
Interest on long-term debt	972,424	858,499	-	-	972,424	858,499
Water	-	-	875,386	1,015,994	875,386	1,015,994
Sewer	-	-	602,222	591,653	602,222	591,653
Garbage	-	-	781,505	772,091	781,505	772,091
Total expenses	<u>8,813,045</u>	<u>8,575,435</u>	<u>2,259,113</u>	<u>2,379,738</u>	<u>11,072,158</u>	<u>10,955,173</u>
Excess before Transfers	(2,486,554)	(686,785)	744,639	682,160	(1,741,915)	(4,625)
Transfers	198,100	170,313	(198,100)	(170,313)	-	-
Change in net assets	<u>(2,288,454)</u>	<u>(516,472)</u>	<u>546,539</u>	<u>511,847</u>	<u>(1,741,915)</u>	<u>(4,625)</u>
Net assets - Beginning (restated)	30,877,165	31,291,975	14,963,642	14,451,795	45,840,807	45,743,770
Net assets - Ending	<u>\$ 28,588,711</u>	<u>\$ 30,775,503</u>	<u>\$ 15,510,181</u>	<u>\$ 14,963,642</u>	<u>\$ 44,098,892</u>	<u>\$ 45,739,145</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, 2010**

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**GOVERNMENTAL FUNDS**

**General Fund**

The fund balance for the fiscal year ended June 30, 2010 is \$1,061,777. The net change in fund balance is a decrease in the amount of \$190,060. This number includes revenues of \$2,947,692, expenditures of \$3,565,282, and transfers and capital leases of \$427,530. 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 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>
Total Revenues	\$ 3,411,836	\$ 2,799,151	\$ 3,134,678	\$ 2,947,692
Total Expenditures	3,576,313	3,466,843	3,952,920	3,565,282
Other Financial Sources (Uses)	607,180	485,100	806,863	427,530
Excess of revenues and other financing sources over (under) expenditures and other financing sources	442,703	(182,592)	(11,379)	(190,060)
Fund Balance - July 1	1,003,105	1,445,808	1,263,216	1,251,837
Fund Balance - June 30	<u>\$ 1,445,808</u>	<u>\$ 1,263,216</u>	<u>\$ 1,251,837</u>	<u>\$ 1,061,777</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 few years ago the City negotiated an Agreement with the Salinas Valley Solid Waste Authority which among other things is now generating revenue to the City General fund of \$250,000 annually. In addition, the City consolidated Police and Fire Services into a Public Safety Department and In Fiscal Year 2009-2010 adopted a 3-Year Budget Alignment Plan.

**Community Development Block Grant**

The unreserved fund balance for the fiscal year ended June 30, 2010 is \$95,703, an increase of \$37,753 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, 2010 is \$2,518,971, a decrease of \$(237,949) from the previous year. The activities under this fund during the next fiscal are minimal as a result of the uncertainty created by the State Budget and the refunding of the 2006 Tax Anticipation Note.

**CITY OF GONZALES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**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 \$17,485,000.

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

**Infrastructure Improvement Fund**

Fund Balance of the Infrastructure Improvement Fund decreased by \$(172,134) from \$920,673 at the beginning of the fiscal year to \$748,539 at June 30, 2010.

**Gonzales Redevelopment Agency Capital Projects Fund**

Fund Balance of the Gonzales Redevelopment Agency Capital Projects Fund decreased by \$(4,440,327) from \$3,964,909 at the beginning of the fiscal year to \$(475,418) at June 30, 2010. The major reason for the decrease is the completion of the new police station and joint use gymnasium.

**Other Governmental Funds**

The unreserved fund balance of non-major governmental funds for the fiscal year ended June 30, 2010, is \$2,966,498. The net change in fund balances is an increase in the amount of \$186,251. This number includes revenues of \$2,074,858, expenditures of \$2,000,565, and other financing sources (uses) of \$258,569.

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.

**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 \$3,506,497 for the City's Water Utility Fund, \$948,632 for the City's Sewer Utility Fund, and \$41,009 for the City's Garbage Enterprise Fund. For the same period, cash and cash equivalents were \$2,868,423 for the City's Water Utility Fund, \$918,556 for the City's Sewer Utility Fund, and \$30,471 for the City's Garbage Enterprise Fund.

The City has \$2,528,966 in outstanding long-term debt for capital improvements made under the Water and Sewer Utility Funds.

**CITY OF GONZALES**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FINANCIAL STATEMENTS  
JUNE 30, 2010**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund revenues exceeded the final budget amount by \$202,192. Expenditures were less than the budget by \$250,258. The final budgeted revenues and appropriations increased by \$90,975 and \$154,120 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, 2010, amounts to \$34,845,650 and \$13,663,933 (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 increase in capital assets was \$2,934,931.

**City of Gonzales Capital Assets  
(Net of Accumulated Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Land	\$ 9,504,487	\$ 9,458,487	\$ 604,807	\$ 604,807	\$ 10,109,294	\$ 10,063,294
Structures and improvements	4,780,328	4,730,156	23,512	309,826	4,803,840	5,039,982
Equipment and vehicles	430,195	511,162	800,831	8,626,172	1,231,026	9,137,334
Infrastructure	16,448,623	14,255,053	12,147,969	-	28,596,592	14,255,053
Construction in progress	3,682,017	3,048,949	86,814	4,030,040	3,768,831	7,078,989
Total	<u>\$ 34,845,650</u>	<u>\$ 32,003,807</u>	<u>\$ 13,663,933</u>	<u>\$ 13,570,845</u>	<u>\$ 48,509,583</u>	<u>\$ 45,574,652</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, 2010**

**DESCRIPTION OF CAPITAL PROJECT ACTIVITIES**

The City initiated the following projects during this fiscal year:

- A new Join Use Gymnasium with the Gonzales Unified School District; and
- A new 10,000 square foot police station

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 an increase of \$2,841,843 in total capital assets for Governmental Activities for a total of \$34,845,650 for the period ended June 30, 2010, and addition of \$93,088 in total capital assets for Business-type Activities for a total of \$13,663,933 for the period ended June 30, 2010.

**Long-term debt.** At the end of the current fiscal year, the City of Gonzales had total governmental activities debt outstanding of \$18,350,155. Of this amount, \$17,485,000 is a liability of the Redevelopment Agency. Business-type activities debt outstanding amounted to \$2,649,890.

**City of Gonzales Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2010	June 30, 2009
Revenue bonds payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Improvement bonds payable	-	-	-	-	-	-
Tax allocation bonds/notes payable	17,485,000	17,668,743	-	-	17,485,000	17,668,743
Loan payable	593,842	578,842	-	-	593,842	578,842
Capital lease payable	90,173	68,940	-	-	90,173	68,940
Employee compensated absence	181,140	174,679	-	-	181,140	174,679
Note payable	-	-	2,649,890	2,765,493	2,649,890	2,765,493
<b>Total</b>	<b>\$ 18,350,155</b>	<b>\$ 18,491,204</b>	<b>\$ 2,649,890</b>	<b>\$ 2,765,493</b>	<b>\$ 21,000,045</b>	<b>\$ 21,256,697</b>

The City’s total debt decreased by \$256,652 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 2009-2010 as a result property taxes decreased. However, for FY 2010-2011, even though property tax revenues are more stable, the City’s Approved Budget remained very conservative and accounted for a slight downturn in revenues.
- 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, 2010**

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**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, 2010**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 9,397,287	\$ 3,817,450	\$ 13,214,737
Restricted cash and investments	1,039,766		1,039,766
Accounts receivable	167,397	325,705	493,102
Interest receivable	14,058	5,324	19,382
Notes and loans receivable	2,833,411		2,833,411
Other assets	15,746		15,746
Internal balances	(594,000)	594,000	
Deferred charges - net of accumulated amortization	556,406	32,121	588,527
Capital assets:			
Nondepreciable:			
Land	9,504,487	604,807	10,109,294
Construction in progress	3,682,017	86,814	3,768,831
Depreciable, net of accumulated depreciation:			
Structures and improvements	4,780,328	23,512	4,803,840
Equipment and vehicles	430,195	800,831	1,231,026
Infrastructure	16,448,623	12,147,969	28,596,592
<b>Total Assets</b>	<u>48,275,721</u>	<u>18,438,533</u>	<u>66,714,254</u>
<b>LIABILITIES</b>			
Accounts payable	813,280	216,055	1,029,335
Accrued wages	40,438	4,223	44,661
Accrued interest payable	216,180		216,180
Deposits payable	267,457	58,184	325,641
Deferred revenue	23,943		23,943
Noncurrent liabilities:			
Due within one year	237,900	120,924	358,824
Due in more than one year	18,087,812	2,528,966	20,616,778
<b>Total Liabilities</b>	<u>19,687,010</u>	<u>2,928,352</u>	<u>22,615,362</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	17,294,920	11,014,043	28,308,963
Restricted:			
Restricted for parks and recreation	314,321		314,321
Restricted for community development and housing	2,614,674		2,614,674
Restricted for public safety	3,545		3,545
Restricted for public works	3,118,848		3,118,848
Restricted for streets and roads	777,401		777,401
Restricted for debt service	1,799,573		1,799,573
Unrestricted	2,665,429	4,496,138	7,161,567
<b>Total Net Assets</b>	<u>\$ 28,588,711</u>	<u>\$ 15,510,181</u>	<u>\$ 44,098,892</u>

See accompanying notes to the financial statements.

**CITY OF GONZALES**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 1,622,726	\$ 17,933	\$ 304,368	
Public safety	2,706,459	67,065	223,880	\$ 22,294
Parks and recreation	600,980	112,457	451,163	30,256
Public works	1,102,589	74,678	154,985	218,368
Streets and roads	1,272,567		742,180	172,798
Community development	535,300			109,675
Interest on long-term debt	972,424			
Total Governmental Activities	<u>8,813,045</u>	<u>272,133</u>	<u>1,876,576</u>	<u>553,391</u>
Business-Type Activities:				
Water	875,386	1,295,486		
Sewer	602,222	761,442		
Garbage	781,505	921,700		
Total Business-Type Activities	<u>2,259,113</u>	<u>2,978,628</u>		
Total Government	<u>\$ 11,072,158</u>	<u>\$ 3,250,761</u>	<u>\$ 1,876,576</u>	<u>\$ 553,391</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, as restated

Net Assets, End of Year

See accompanying notes to the financial statements.

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Net Revenue (Expense) and Change in Net Assets

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Governmental Activities	Business-Type Activities	Total
\$ (1,300,425)		\$ (1,300,425)
(2,393,220)		(2,393,220)
(7,104)		(7,104)
(654,558)		(654,558)
(357,589)		(357,589)
(425,625)		(425,625)
(972,424)		(972,424)
(6,110,945)		(6,110,945)
	\$ 420,100	420,100
	159,220	159,220
	140,195	140,195
	719,515	719,515
(6,110,945)	719,515	(5,391,430)
2,386,752		2,386,752
293,688		293,688
1,451		1,451
59,996		59,996
262,128		262,128
57,191		57,191
11,949		11,949
26,711		26,711
272,079	25,124	297,203
252,446		252,446
198,100	(198,100)	
3,822,491	(172,976)	3,649,515
(2,288,454)	546,539	(1,741,915)
30,877,165	14,963,642	45,840,807
\$ 28,588,711	\$ 15,510,181	\$ 44,098,892

# **FUND FINANCIAL STATEMENTS**

**CITY OF GONZALES**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2010**

	General Fund	Special Revenue Funds		Debt Service Fund
		Block Grant Fund	Community Development	Agency Redevelopment
			Low/Moderate Income Housing Fund	Agency Debt Service Fund
<b>ASSETS</b>				
Cash and investments	\$ 1,132,960	\$ 109,398	\$ 327,929	\$ 1,036,323
Restricted cash and investments				1,039,766
Accounts receivable	93,574			
Interest receivable	448		455	10,814
Notes receivable		975,194	448,969	
Due from other funds	944,952		2,573,232	
Advances to other funds				233,340
Other current assets	15,746			
Total Assets	<u>\$ 2,187,680</u>	<u>\$ 1,084,592</u>	<u>\$ 3,350,585</u>	<u>\$ 2,320,243</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 234,514	\$ 13,695	\$ 3,395	
Accrued wages	30,932			
Due to other funds			379,250	\$ 661,166
Deposits payable	266,457			
Deferred revenue		975,194	448,969	
Advances from other funds	594,000			
Total Liabilities	<u>1,125,903</u>	<u>988,889</u>	<u>831,614</u>	<u>661,166</u>
<b>FUND BALANCES</b>				
Reserved for debt service				1,425,737
Reserved for deficit fund balances	1,167,895			
Reserved for advances to other funds				233,340
Reserved for maintenance				
Unreserved, reported in:				
General fund	(106,118)			
Special revenue funds		95,703	2,518,971	
Capital projects fund				
Debt service funds				
Total Fund Balances	<u>1,061,777</u>	<u>95,703</u>	<u>2,518,971</u>	<u>1,659,077</u>
Total Liabilities and Fund Balances	<u>\$ 2,187,680</u>	<u>\$ 1,084,592</u>	<u>\$ 3,350,585</u>	<u>\$ 2,320,243</u>

See accompanying notes to the financial statements.

Debt Service Fund

Infrastructure Improvement Fund	Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Totals
\$ 801,579	\$ 1,949,148	\$ 4,039,950	\$ 9,397,287
			1,039,766
1,995	325	71,503	167,397
973		1,368	14,058
864,045	209,556	335,647	2,833,411
	379,250		3,897,434
			233,340
			15,746
<u>\$ 1,668,592</u>	<u>\$ 2,538,279</u>	<u>\$ 4,448,468</u>	<u>\$ 17,598,439</u>
\$ 56,008	\$ 422,933	\$ 82,735	\$ 813,280
		9,506	40,438
	2,381,208	475,810	3,897,434
		1,000	267,457
864,045	209,556	359,590	2,857,354
		233,340	827,340
<u>920,053</u>	<u>3,013,697</u>	<u>1,161,981</u>	<u>8,703,303</u>
		140,496	1,566,233
			1,167,895
			233,340
		179,493	179,493
			(106,118)
		2,973,068	5,587,742
748,539	(475,418)		273,121
		(6,570)	(6,570)
<u>748,539</u>	<u>(475,418)</u>	<u>3,286,487</u>	<u>8,895,136</u>
<u>\$ 1,668,592</u>	<u>\$ 2,538,279</u>	<u>\$ 4,448,468</u>	<u>\$ 17,598,439</u>

**CITY OF GONZALES**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS -  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010**

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FUND BALANCES - GOVERNMENTAL FUNDS		\$ 8,895,136
<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	\$ 52,505,865	
Less: accumulated depreciation	<u>(17,660,215)</u>	34,845,650
<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>(374,884)</u>	556,406
<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>		
		(216,180)
<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	(593,842)	
Capital leases payable	(90,173)	
Compensated absences	(181,140)	
Tax allocation bonds (net of unamortized bond issuance discount of \$24,443)	<u>(17,460,557)</u>	(18,325,712)
<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>2,833,411</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 28,588,711</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, 2010**

	Special Revenue Funds		
	General Fund	Community Development Block Grant Fund	Redevelopment Agency Low/Moderate Income Housing Fund
<b>REVENUES</b>			
Taxes and assessments	\$ 2,032,424		\$ 229,215
Licenses, permits, and impact fees	56,250		
Fines and penalties	27,789		
Use of money and property	103,487	\$ 1,874	11,453
Intergovernmental revenues	105,301	162,865	
Charges for services	327,027		
Contributions			
Other revenues	295,414	10,553	6,173
Total Revenues	<u>2,947,692</u>	<u>175,292</u>	<u>246,841</u>
<b>EXPENDITURES</b>			
Current:			
General government	862,074	71,870	
Public safety	2,282,497		
Public works	48,193	52,419	
Parks and recreation	311,876		
Community development			269,105
Streets and roads			
Capital outlay	60,642		8,032
Debt service:			
Principal			
Interest			
Total Expenditures	<u>3,565,282</u>	<u>124,289</u>	<u>277,137</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(617,590)</u>	<u>51,003</u>	<u>(30,296)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	427,530		
Transfers out		(13,250)	(207,653)
Proceeds from lease			
Total Other Financing Sources (Uses)	<u>427,530</u>	<u>(13,250)</u>	<u>(207,653)</u>
Net Change in Fund Balances	(190,060)	37,753	(237,949)
Fund Balance - July 1, 2009, as restated	<u>1,251,837</u>	<u>57,950</u>	<u>2,756,920</u>
Fund Balance - June 30, 2010	<u>\$ 1,061,777</u>	<u>\$ 95,703</u>	<u>\$ 2,518,971</u>

See accompanying notes to the financial statements.



Debt Service Fund				
Redevelopment Agency Debt Service Fund	Infrastructure Improvement Fund	Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Totals
\$ 916,861			\$ 904,658	\$ 4,083,158
			440,088	496,338
				27,789
91,296	\$ 10,984	\$ 37,002	96,886	352,982
			592,033	860,199
				327,027
			30,000	30,000
	41,234	10,328	11,193	374,895
1,008,157	52,218	47,330	2,074,858	6,552,388
	171,236		521,333	1,626,513
			323,509	2,606,006
			92,972	193,584
			211,449	523,325
514,774		52		783,931
		752,677	519,890	1,272,567
	53,116	3,659,928	301,165	4,082,883
175,000			29,853	204,853
861,110			394	861,504
1,550,884	224,352	4,412,657	2,000,565	12,155,166
(542,727)	(172,134)	(4,365,327)	74,293	(5,602,778)
207,653			607,718	1,242,901
(313,921)		(75,000)	(434,977)	(1,044,801)
			85,828	85,828
(106,268)		(75,000)	258,569	283,928
(648,995)	(172,134)	(4,440,327)	332,862	(5,318,850)
2,308,072	920,673	3,964,909	2,953,625	14,213,986
\$ 1,659,077	\$ 748,539	\$ (475,418)	\$ 3,286,487	\$ 8,895,136

**CITY OF GONZALES**

**RECONCILIATION OF THE NET CHANGE IN FUND BALANCES -  
 TOTAL GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2010**

NET CHANGE IN FUND BALANCES		\$ (5,318,850)
<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		156,267
<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	\$ 4,436,917	
Depreciation expense not reported in governmental funds	<u>(1,595,074)</u>	2,841,843
<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	175,000	
Bond issuance discount	(18,407)	
Amortization of costs of issuance	<u>(80,404)</u>	76,189
<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	2,891	
Compensated absences	(6,461)	
Proceeds from lease	(85,828)	
Lease repayments	<u>60,495</u>	<u>(28,903)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ (2,288,454)</u></u>

See accompanying notes to the financial statements.

**CITY OF GONZALES**

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 2,868,423	\$ 918,556	\$ 30,471	\$ 3,817,450
Accounts receivable - net	137,063	78,143	110,499	325,705
Interest receivable	3,875	1,388	61	5,324
Total Current Assets	<u>3,009,361</u>	<u>998,087</u>	<u>141,031</u>	<u>4,148,479</u>
Capital Assets:				
Nondepreciable				
Land	19,247	585,560		604,807
Construction in progress	86,814			86,814
Depreciable:				
Structure and improvements	23,469	23,470		46,939
Equipment and vehicles	1,216,974	317,255		1,534,229
Infrastructure	9,638,932	7,451,888		17,090,820
Less: Accumulated depreciation	<u>(3,115,045)</u>	<u>(2,584,631)</u>		<u>(5,699,676)</u>
Total Capital Assets	<u>7,870,391</u>	<u>5,793,542</u>		<u>13,663,933</u>
Other Assets				
Advances to other funds	594,000			594,000
Deferred bond costs, net	20,496	11,625		32,121
Total Other Assets	<u>614,496</u>	<u>11,625</u>		<u>626,121</u>
Total Assets	<u>\$ 11,494,248</u>	<u>\$ 6,803,254</u>	<u>\$ 141,031</u>	<u>\$ 18,438,533</u>

See accompanying notes to the financial statements.

**CITY OF GONZALES**

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS (CONTINUED)  
JUNE 30, 2010**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 57,477	\$ 59,381	\$ 99,197	\$ 216,055
Accrued wages	1,699	1,699	825	4,223
Customer deposits	58,184			58,184
Current portion of noncurrent liabilities	120,924			120,924
Total Current Liabilities	<u>238,284</u>	<u>61,080</u>	<u>100,022</u>	<u>399,386</u>
Noncurrent Liabilities				
Note payable	2,528,966			2,528,966
Total Liabilities	<u>2,767,250</u>	<u>61,080</u>	<u>100,022</u>	<u>2,928,352</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	5,220,501	5,793,542		11,014,043
Unrestricted	3,506,497	948,632	41,009	4,496,138
Total Net Assets	<u>\$ 8,726,998</u>	<u>\$ 6,742,174</u>	<u>\$ 41,009</u>	<u>\$ 15,510,181</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, 2010**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,284,637	\$ 751,001	\$ 906,084	\$ 2,941,722
Late charges	10,849	10,441	15,616	36,906
Total Operating Revenues	<u>1,295,486</u>	<u>761,442</u>	<u>921,700</u>	<u>2,978,628</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	181,969	181,337	82,385	445,691
Administrative charges	63,059	77,353	331	140,743
Contractual services	147,954	98,096	694,599	940,649
Fuel and oil	5,203	3,088		8,291
Operating supplies	21,241	33,395	3,988	58,624
Special department supplies			202	202
Travel, conference and training	932	1,876		2,808
Utilities	140,997	68,620		209,617
Depreciation and amortization	189,501	138,457		327,958
Total Operating Expense	<u>750,856</u>	<u>602,222</u>	<u>781,505</u>	<u>2,134,583</u>
Operating Income	<u>544,630</u>	<u>159,220</u>	<u>140,195</u>	<u>844,045</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	18,235	6,618	271	25,124
Interest expense	(124,530)			(124,530)
Total Nonoperating Revenues (Expenses)	<u>(106,295)</u>	<u>6,618</u>	<u>271</u>	<u>(99,406)</u>
Income Before Transfers	<u>438,335</u>	<u>165,838</u>	<u>140,466</u>	<u>744,639</u>
<b>TRANSFERS IN</b>	60,515			60,515
<b>TRANSFERS OUT</b>	(30,000)	(90,515)	(138,100)	(258,615)
Total Transfers	<u>30,515</u>	<u>(90,515)</u>	<u>(138,100)</u>	<u>(198,100)</u>
Change in Net Assets	468,850	75,323	2,366	546,539
Net Assets - July 1, 2009	8,258,148	6,666,851	38,643	14,963,642
Net Assets - June 30, 2010	<u>\$ 8,726,998</u>	<u>\$ 6,742,174</u>	<u>\$ 41,009</u>	<u>\$ 15,510,181</u>

See accompanying notes to the financial statements.

**CITY OF GONZALES**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2010**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,302,754	\$ 773,134	\$ 927,552	\$ 3,003,440
Payments to suppliers	(363,026)	(257,280)	(705,172)	(1,325,478)
Payments to employees	(180,270)	(179,638)	(81,560)	(441,468)
Net Cash Provided by Operating Activities	759,458	336,216	140,820	1,236,494
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Interest paid on long-term debt	(123,780)			(123,780)
Principal paid on long-term debt	(115,603)			(115,603)
Purchase of fixed assets	(101,545)	(319,501)		(421,046)
Net Cash Provided (Used) by Capital and Related Financing Activities	(340,928)	(319,501)		(660,429)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	60,515			60,515
Transfers out	(30,000)	(90,515)	(138,100)	(258,615)
Advances to other funds	(254,000)			(254,000)
Net Cash (Used by) Noncapital Financing Activities	(223,485)	(90,515)	(138,100)	(452,100)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	24,488	9,503	360	34,351
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	219,533	(64,297)	3,080	158,316
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	2,648,890	982,853	27,391	3,659,134
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	\$ 2,868,423	\$ 918,556	\$ 30,471	\$ 3,817,450

See accompanying notes to the financial statements.

**CITY OF GONZALES**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2010**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 544,630	\$ 159,220	\$ 140,195	\$ 844,045
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Depreciation and amortization	189,501	138,457		327,958
(Increase) Decrease in Operating Assets:				
Accounts receivable	5,173	11,692	5,852	22,717
Increase (Decrease) in Operating Liabilities:				
Accounts payable	16,360	25,148	(6,052)	35,456
Accrued Wages	1,699	1,699	825	4,223
Customer deposits	2,095			2,095
Net Cash Provided by Operating Activities	<u>\$ 759,458</u>	<u>\$ 336,216</u>	<u>\$ 140,820</u>	<u>\$ 1,236,494</u>

See accompanying notes to the financial statements.

**CITY OF GONZALES**

**FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2010**

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<b>ASSETS</b>	<u>Agency Fund</u>
Cash and investments	\$ 152,986
Interest receivable	<u>154</u>
Total Assets	<u><u>\$ 153,140</u></u>
<b>LIABILITIES</b>	
Due to other agencies	<u>\$ 153,140</u>
Total Liabilities	<u><u>\$ 153,140</u></u>

See accompanying notes to the financial statements.



# **NOTES TO THE FINANCIAL STATEMENTS**

## CITY OF GONZALES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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#### *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 types.

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 types. The Agency issues separate component unit financial statements that may be obtained through written request to the City Department of Finance or the City Clerk's office at the City Hall, P.O. Box 647, Gonzales, California 93926.

##### **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, 2010

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#### **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, 2010

---

#### **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 Special Revenue Fund* – This fund accounts for the activity related to loans to and collections from homeowners and businesses.
- *Redevelopment Agency Low/Moderate Income Housing Special Revenue Fund* – This fund is used account for housing set-aside money required under redevelopment laws of the State of California.
- *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.
- *Infrastructure Improvement 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, 2010

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#### *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, 2010**

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**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:

<b>Years of Service</b>	<b>Monthly Accrual</b>	<b>Annually</b>
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, 2010

---

#### *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.

Investments are reported in the accompanying balance sheet at a fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The fair value of the investments is generally based on published market prices and quotations from major investment firms.

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

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

##### **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 1<sup>st</sup>, proceeding the fiscal year for which the taxes are levied. The fiscal year begins July 1<sup>st</sup> and ends June 30<sup>th</sup> 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.

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

*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 1<sup>st</sup> of the fiscal year and is delinquent, if not paid, by December 10<sup>th</sup>; and the second installment is due on March 1<sup>st</sup> of the fiscal year and is delinquent, if not paid, by April 10<sup>th</sup>. 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 31<sup>st</sup> of the fiscal year. Significant penalties are imposed by the County for late payments.

*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.

**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



**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)***

**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.

**New Pronouncements**

Effective in the Current Year:

**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. This statement did not significantly impact the financial statements of the City.

**GASB Statement No. 51** – In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement did not have a material impact on the financial statements of the City.

**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. This statement did not have a material impact on the financial statements of the City.

**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 was effective for periods beginning after June 15, 2009. This statement did not have a material impact on the financial statements of the City.

## CITY OF GONZALES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

##### Effective in the Future Periods:

**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. 59** – In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this statement is to updated and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issued have been identified in practice. This statement is not effective until June 30, 2011. This City has not determined its effect on the financial statements.

#### **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, 2010**

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**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, (CONTINUED)**

**Deficit Fund Balances**

The following funds had deficit fund balances at June 30, 2010, as follows:

	Deficit Fund Balance
<u>Major Funds</u>	
Redevelopment Agency Capital Project Fund	\$ 475,418
<u>Non-major Funds</u>	
Special Revenue Funds:	
Supplemental Local Law Enforcement Fund	31,049
Public Safety Fund	311,300
Redevelopment Agency Special Revenue Fund	248,274
General Plan Impact Fund	12,652
Recreation Services Fund	49,461
Acquatics Facilities Fund	35
CDBG: 7th and 10th Street Project Fund	33,136
Debt Service Funds:	
Shopping Center Fund	2,212
Sewer Assessment Fund	4,358
	<u>692,477</u>
Subtotal Non-major Funds	
Total Deficit Fund Balances	<u>\$ 1,167,895</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, 2010, the General Fund has reserved \$1,167,895 for deficit fund balances.

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments at June 30, 2010, consisted of the following:

Demand Deposits:	
Cash on hand	\$ 465
Deposits	1,859,108
Total Demand Deposits	<u>1,859,573</u>
Investments:	
Local Agency Investment Fund	6,288,643
Cash in County Treasurer	50,688
Certificates of Deposit	573,885
Money Market Accounts	4,594,934
Total Investments	<u>11,508,150</u>
Investments Held with Fiscal Agent:	
Investment Agreements	1,038,954
U.S. Treasury Money Market Funds	812
Total Investments Held with Fiscal Agent	<u>1,039,766</u>
Total Cash and Investments	<u>\$ 14,407,489</u>

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

Governmental Funds:	
Cash and Investments	\$ 9,397,287
Restricted Cash and Investments	1,039,766
Proprietary Funds	
Cash and Investments	3,817,450
Fiduciary Fund	
Cash and Investments	152,986
Total Cash and Investments	<u>\$ 14,407,489</u>

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**NOTE 3 – CASH AND INVESTMENTS, (CONTINUED)**

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

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

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
County Investment Pool	N/A	None	None

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**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 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	\$ 6,288,643	\$ 6,288,643			
Cash in County Treasurer	50,688	50,688			
Certificates of Deposit	573,885	573,885			
Money Market Accounts	4,594,934	4,594,934			
Held by Bond Trustee:					
Money Market Funds	812	812			
Investment Agreements	1,038,954	441,225			\$ 597,729
Total	<u>\$ 12,547,916</u>	<u>\$ 11,950,187</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 597,729</u>

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3 – CASH AND INVESTMENTS, (CONTINUED)**

**Disclosures Relating to Credit Risk**

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

Investment Type	Amount	Minimum Rating	Unrated
Local Agency Investment Fund	\$ 6,288,643	N/A	\$ 6,288,643
Cash in County Treasurer	50,688	N/A	50,688
Certificates of Deposit	573,885	N/A	573,885
Money Market Accounts	4,594,934	N/A	4,594,934
Held by Bond Trustee:			
Money Market Funds	812.00	A	
Investment Agreements	1,038,954	N/A	1,038,954
Total	\$ 12,547,916		\$ 12,547,104

**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	\$ 1,038,954

**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 signed a waiver.

At June 30, 2010, the balances held in bank accounts (comprised of deposits, CD’s and money market accounts) collateralized by the pledging financial institution, but not in the City’s name, where \$7,237,225 of which \$6,706,235 was in excess of federal depository insurance limits.

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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***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.

**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 of Monterey's 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., 3<sup>rd</sup> 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, 2010**

**NOTE 4 – NOTES RECEIVABLE AND DEFERRED LOANS RECEIVABLE**

Loans as of the fiscal year ended June 30, 2010 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, 2010</u>
July 10, 2001	\$ 17,440	0%	No specified maturity	Deed of Trust	\$ 4,914
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	16,500
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	28,653
February 20, 2008	21,000	1%	February 20, 2023	Deed of Trust	18,488
February 27, 2008	13,612	0%	February 27, 2023	Deed of Trust	11,456
March 5, 2009	16,000	0%	March 5, 2024	Deed of Trust	14,892
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
February 19, 2008	170,000	4%	February 19, 2028	Deed of Trust	170,000
June 17, 2010	22,450	0%	June 17, 2025	Deed of Trust	22,450
February 3, 2010	53,145	0%	February 3, 2025	Deed of Trust	53,145
May 3, 2010	70,000	1%	May 3, 2020	Machinery/Equipment	69,789
				<b>Total</b>	<b>\$ 1,424,163</b>

**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, 2010</u>
February 19, 2008	\$ 255,974	3%	January 1, 2023	Security Agreement	\$ 248,779
September 1, 2008	222,000	2%	January 23, 2028	Deed of Trust	209,556
February 1, 2009	35,000	3%	February 1, 2014	Security Agreement	27,925
				<b>Total</b>	<b>\$ 486,260</b>

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 4 – NOTES RECEIVABLE AND DEFERRED LOANS RECEIVABLE, (CONTINUED)**

**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, 2010</u>
February 19, 2008	\$ 836,120	4%	January 1, 2028	Deed of Trust	<u>\$ 836,120</u>

<b>Sewer &amp; Water Impact Loans **</b>					<u>Balance as of June 30, 2010</u>
					<u>\$ 86,868</u>
				<b>Total all Loans</b>	<u>\$ 2,833,411</u>

\*\*Additionally, \$86,868 in long term receivables represent monies loaned to small businesses in connection with the business assistance program. Loans with maturity dates not available indicate loans that are expected to be repaid upon the sale of property.

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

<u>Governmental Activities:</u>	<u>Balance at June 30, 2009</u>	<u>Reclass Entries</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>
Capital Assets Not Being Depreciated:					
Land	\$ 9,458,487		\$ 46,000		\$ 9,504,487
Construction in progress	3,048,949	\$(3,376,401)	4,009,469		3,682,017
Total Capital Assets Not Being Depreciated	<u>12,507,436</u>	<u>(3,376,401)</u>	<u>4,055,469</u>		<u>13,186,504</u>
Capital Assets, Being Depreciated:					
Structures and improvements	5,400,911	124,675	63,724		5,589,310
Equipment and vehicles	1,677,596	8,221	30,001		1,715,818
Infrastructure	28,483,005	3,243,505	287,723		32,014,233
Total Capital Assets Being Depreciated	<u>35,561,512</u>	<u>3,376,401</u>	<u>381,448</u>		<u>39,319,361</u>
Less Accumulated Depreciation for:					
Structures and improvements	(670,755)	2,404	(140,631)		(808,982)
Equipment and vehicles	(1,166,434)		(119,189)		(1,285,623)
Infrastructure	(14,227,952)	(2,404)	(1,335,254)		(15,565,610)
Total Accumulated Depreciation	<u>(16,065,141)</u>		<u>(1,595,074)</u>		<u>(17,660,215)</u>
Total Capital Assets, Being Depreciated, Net	<u>19,496,371</u>	<u>3,376,401</u>	<u>(1,213,626)</u>		<u>21,659,146</u>
Business-type Activities Capital Assets, Net	<u>\$ 32,003,807</u>	<u>\$ -</u>	<u>\$ 2,841,843</u>	<u>\$ -</u>	<u>\$ 34,845,650</u>

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

<b>Business-Type Activities:</b>	Balance at June 30, 2009	Reclass Entries	Additions	Deletions	Balance at June 30, 2010
Capital Assets Not Being Depreciated:					
Land	\$ 604,807				\$ 604,807
Construction in progress	4,030,040	\$(4,030,040)	\$ 86,814		86,814
Total Capital Assets Not Being Depreciated	4,634,847	(4,030,040)	86,814		691,621
Capital Assets, Being Depreciated:					
Structures and improvements	332,315	(285,376)			46,939
Equipment and vehicles	13,975,756	(12,457,008)	15,481		1,534,229
Infrastructure	-	16,772,069	318,751		17,090,820
Total Capital Assets Being Depreciated	14,308,071	4,029,685	334,232		18,671,988
Less Accumulated Depreciation for:					
Structures and improvements	(22,489)		(938)		(23,427)
Equipment and vehicles	(5,349,584)	4,641,659	(25,473)		(733,398)
Infrastructure		(4,641,304)	(301,547)		(4,942,851)
Total Accumulated Depreciation	(5,372,073)	355	(327,958)		(5,699,676)
Net Depreciable Capital Assets	8,935,998	4,030,040	6,274		12,972,312
Net Capital Assets	\$13,570,845	\$ -	\$ 93,088	\$ -	\$ 13,663,933

**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:

<b>Governmental Activities</b>	
General government	\$ 59,541
Parks and recreation	77,655
Public works	1,326,783
Public safety	131,095
Total Depreciation Expense-Governmental Activities	<u>\$ 1,595,074</u>
<b>Business-type Activities</b>	
Water	\$ 196,269
Sewer	131,689
Total Depreciation Expense-Business-type Activities	<u>\$ 327,958</u>

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**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, 2010.

		Due From			
		<b>Governmental Funds</b>			
		Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	Non-major Governmental Funds	Total
Due To	Governmental Funds	Agency Low/Mod Housing Fund	Agency Debt Service Fund	Agency Capital Projects Fund	Non-major Governmental Funds
	General Fund		\$ 469,142		\$ 475,810
	Redevelopment Agency Low/Mod Fund		192,024	\$ 2,381,208	2,573,232
	Redevelopment Agency Capital Projects Fund	\$ 379,250			379,250
	<b>Total</b>	<b>\$ 379,250</b>	<b>\$ 661,166</b>	<b>\$ 2,381,208</b>	<b>\$ 475,810</b>
					<b>\$ 3,897,434</b>

**Advances**

Advances at June 30, 2010 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
RDA Debt Service Fund	RDA Special Revenue Fund	\$ 233,340
Water Fund	General Fund	594,000
		<b>\$ 827,340</b>

The advance between the RDA Debt Service Fund and the RDA Special Revenue fund in the amount of \$233,340 was for issuance of loans and is expected to be repaid as loans receivable are repaid.

During fiscal year 2009-2010 the City of Gonzales formalized an advance agreement between the City’s General Fund and the Water Fund for the amount of \$594,000. The amount is payable by the General Fund to the Water Fund over a period of 20 years at an interest rate of 1 percent payable in annual payments of \$33,057.

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS, (CONTINUED)**

**Interfund Transfers**

		Transfers From								
		Governmental Funds				Proprietary (Enterprise) Funds				
		Community Development Block Grant Fund	Redevelopment Agency Low/Mod Housing Fund	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	Non-major Governmental Funds	Water Fund	Sewer Fund	Garbage Fund	Total
Transfer To	<b>Governmental Funds</b>									
	General Fund	\$ 13,250			\$ 75,000	\$ 201,180			\$ 138,100	\$ 427,530
	Redevelopment Agency Debt Service Fund		\$ 207,653							207,653
	Non-major Governmental Funds			\$ 313,921		233,797	\$ 30,000	\$ 30,000		607,718
	<b>Proprietary (Enterprise) Funds</b>									
Water Fund							60,515			60,515
Total		\$ 13,250	\$ 207,653	\$ 313,921	\$ 75,000	\$ 434,977	\$ 30,000	\$ 90,515	\$ 138,100	\$ 1,303,416

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. Additionally, the following transfers were made to: (4) to the RDA Special Revenue Fund for debt service project and administrative costs, (5) cover street and administrative expenditures and (6) transfer excess funds to the General Fund.

**NOTE 7 – SPECIAL ASSESSMENT IMPROVEMENT BONDS**

**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, 2010, is \$360,000.

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 8 – 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 interest 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, 2010, were as follows:

<u>Fiscal Year Ending</u>	
2011	\$ 30,640
2012	7,660
Total minimum lease payments	<u>\$ 38,300</u>
Less: amount representing interest	<u>(4,102)</u>
Present value of minimal lease payments	<u><u>\$ 34,198</u></u>

**Lighting Lease**

In October of 2009 the City entered into a lease for the lighting installed at the Little League Park. The cost of the lighting was \$115,828 of which \$30,000 was contributed by a citizen and the remaining balance was financed through a lease in the amount of \$85,828. The first payment was made in November of 2009 and the remaining annual lease payments are due on November 20<sup>th</sup> of each year as follows:

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Lighting Lease</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 27,260	\$ 2,986	\$ 30,246
2012	28,715	1,531	30,246
	<u>\$ 55,975</u>	<u>\$ 4,517</u>	<u>\$ 60,492</u>

**NOTE 9 – 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 December 1, 2033. The bonds outstanding at June 30, 2010, were \$7,945,000.

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 9 – TAX ALLOCATION BONDS AND NOTES, (CONTINUED)**

2003 Tax Allocation Refunding Bonds, (Continued)

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 17 for further discussion on pledged revenues.

The scheduled annual minimum debt service requirements at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	2003 Tax Allocation Refunding Bonds		
	Principal	Interest	Total
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	215,000	379,754	594,754
2016-2020	1,245,000	1,730,558	2,975,558
2021-2025	1,580,000	1,392,753	2,972,753
2026-2030	2,055,000	922,563	2,977,563
2031-2034	2,085,000	294,525	2,379,525
	<u>\$ 7,945,000</u>	<u>\$ 6,340,005</u>	<u>\$ 14,285,005</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, 2010, 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 17 for further discussion of pledged revenues.

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**NOTE 9 – TAX ALLOCATION BONDS AND NOTES, (CONTINUED)**

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.

Fiscal Year Ending June 30,	2006 Subordinate Tax Allocation Notes		
	Principal	Interest	Total
2011		\$ 441,225	\$ 441,225
2012	\$ 9,540,000	220,612	9,760,612
	<u>\$ 9,540,000</u>	<u>\$ 661,837</u>	<u>\$ 10,201,837</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, 2010, was \$556,406 and is included in the Statement of Net Assets. Amortization for the 2009-2010 fiscal year amounted to \$80,404.

**NOTE 10 – 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, 2010, the outstanding loan balance was \$500,000 with accumulated interest of \$93,842.

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 on June 30<sup>th</sup> and December 30<sup>th</sup>. The balance outstanding at June 30, 2010 was \$2,649,890.

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, 2010**

**NOTE 10 – 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
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	144,766	95,368	240,134
2016-2020	830,103	370,563	1,200,666
2021-2025	1,039,507	161,162	1,200,669
2026	117,397	2,671	120,068
	<u>\$ 2,649,890</u>	<u>\$ 1,072,179</u>	<u>\$ 3,722,069</u>

**NOTE 11 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One year
<b>Governmental Activities:</b>					
Bonds Payable:					
2003 Tax Allocation Refunding Bonds	\$ 8,120,000		\$ (175,000)	\$ 7,945,000	\$ 180,000
2006 Tax Allocation Bonds	9,540,000			9,540,000	
Less: Bond Issuance Discount	(42,850)		18,407	(24,443)	
Loan Payable					
CalHFA loan	578,842	\$ 15,000		593,842	
Capital Leases					
Police Vehicles Lease	64,840		(30,642)	34,198	30,640
Lighting lease		85,828	(29,853)	55,975	27,260
Compensated Absences	174,679	6,461		181,140	
Governmental activity long-term liabilities	<u>\$ 18,435,511</u>	<u>\$ 107,289</u>	<u>\$ (217,088)</u>	<u>\$ 18,325,712</u>	<u>\$ 237,900</u>
<b>Business-type Activities:</b>					
Note Payable:					
2005 Water Tank & Sewer Expansion	\$ 2,765,493		\$ (115,603)	\$ 2,649,890	\$ 120,924
Business-type activity Long-term liabilities	<u>\$ 2,765,493</u>	<u>\$ -</u>	<u>\$ (115,603)</u>	<u>\$ 2,649,890</u>	<u>\$ 120,924</u>

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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***NOTE 12 – 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 Self Insurance Authority (MBASIA). MBASIA is composed of 10 California public entities and is organized under a joint powers agreement pursuant to California Government Code 6500 et seq. The purpose of MBASIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage.

**MBASIA 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 MBASIA. Claims above \$490,000 up to \$19.5 million are covered by insurance purchased by MBASIA.

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

**Adequacy of Protection**

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

Summary financial information on the Fund for the fiscal year ended June 30, 2009 (most recent information available), is as follows:

Total Assets	\$ 14,512,890
Total Liabilities	<u>17,455,967</u>
Net Assets	<u><u>\$ (2,943,077)</u></u>
Total Revenues	\$ 4,991,024
Total Expenses	<u>2,872,734</u>
Change in Net Assets	<u><u>\$ 2,118,290</u></u>

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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**NOTE 13 – 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 2009-2010 was 14.175 percent for miscellaneous members and 12.573 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 2009-2010, the City's annual pension cost was \$420,788.

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>
6/30/2008	\$ 371,405	100%	\$ -
6/30/2009	439,881	100%	-
6/30/2010	420,788	100%	-

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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***NOTE 14 – 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, 2010 consisted of \$2,833,411 due to loans receivable, and \$23,943 due from the County of Monterey. The total deferred revenues balance in the governmental fund financial statements as of June 30, 2010 was \$2,857,354.

***NOTE 15 – 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 the opinion of management 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, 2010, the monthly payment was \$5,195. During fiscal year 2009-2010, the City paid the resident a total of \$62,344.

The City is a member of the Monterey Bay Area Self Insurance Fund, (see Note 12). The Fund has deficit net assets of \$2,943,077 as of June 30, 2009 (most recent information available).

As discussed in Note 9, 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.

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency made a payment of \$495,763 during fiscal year 2009-2010. The Agency's share of this revenue shift is approximately \$101,971 in fiscal year in 2010-2011. Payments are to be made by May 10 of each respective fiscal year.

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 16 – 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.

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.

Maintenance – Funds which are reserved for specific projects.

	General Fund	Special Revenue	Special Revenue	Debt Service		Capital Projects	Non-major Governmental Funds	Total
		Community Development Block Grant	Low and Moderate Income Housing	CDC Debt Service	Infrastructure Improvement Fund	Redevelopment Agency Capital Projects		
Reserved for:								
Debt Service				\$ 1,425,737			\$ 140,496	\$ 1,566,233
Deficit Fund Balances	\$ 1,167,895							1,167,895
Advances to Other Funds				233,340				233,340
Maintenance:								
Sound Wall Maintenance							50,000	50,000
Sound Wall Reserve							6,718	6,718
Storm Drain Repairs							25,010	25,010
Percolation Pond							26,665	26,665
Street Lighting							56,100	56,100
Tot Lot Reserves							15,000	15,000
Total Reserved	1,167,895			1,659,077			319,989	3,146,961
Unreserved, undesignated	(106,118)	\$ 95,703	\$ 2,518,971		\$ 748,539	\$ (475,418)	2,966,498	5,748,175
Total Fund Balance	\$ 1,061,777	\$ 95,703	\$ 2,518,971	\$ 1,659,077	\$ 748,539	\$ (475,418)	\$ 3,286,487	\$ 8,895,136

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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***NOTE 17 – 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 and interest amounts outstanding at June 30, 2010 were \$14,285,005 and \$10,201,837. For additional information on the indebtedness, refer to Note 9.

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:

<u>Debt Issue</u>	<u>Term of Commitment</u>	<u>2009-2010 Principal and Interest Paid</u>	<u>Pledged Revenues</u>
2003 Tax Allocation Refunding Bonds	December 1, 2033	\$ 594,885	
2006 Subordinated Tax Allocation Notes	August 1, 2011	411,225	
		<u>\$ 1,006,110</u>	<u>\$ 1,146,076</u>

As more fully described in Notes 9 and 15, 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.

***NOTE 18 – PRIOR PERIOD ADJUSTMENT:***

In the previous year there were four funds (impact fee funds) that were classified as Trust Funds that should be classified as Special Revenue Funds. As such a prior period adjustment was required to correctly reclassify the funds and present them with other governmental Funds. The adjustment to beginning Governmental Fund Balances required were as follows:

**CITY OF GONZALES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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<u>Governmental Funds</u>		<u>Amount</u>
Beginning Fund Balance July 1, 2009:		\$ 14,112,324
Adjustment to beginning fund balance:		
Public Facilities Impact Fund	\$ 58,421	
Public Uses Fund	29,120	
Acquatics Facilities Fund	10,580	
Animal Control Facilities Fund	3,541	101,662
Adjusted beginning total Fund Balances		<u>\$ 14,213,986</u>
 <u>Government-Wide</u>		 <u>Amount</u>
Beginning Net Assets as July 1, 2009:		\$ 30,775,503
Net adjustment to beginning fund balances noted above		101,662
Adjusted beginning Net Assets		<u>\$ 30,877,165</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF GONZALES**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Taxes and assessments	\$ 1,878,500	\$ 1,929,950	\$ 2,032,424	\$ 102,474
Licenses, permits, and impact fees	45,350	82,700	56,250	(26,450)
Fines and penalties	21,200	21,000	27,789	6,789
Use of money and property	89,000	84,500	103,487	18,987
Intergovernmental	63,000	57,000	105,301	48,301
Charges for services	279,470	290,845	327,027	36,182
Other revenues	278,005	279,505	295,414	15,909
<b>Total Revenues</b>	<b>2,654,525</b>	<b>2,745,500</b>	<b>2,947,692</b>	<b>202,192</b>
<b>EXPENDITURES</b>				
Current:				
General government	845,028	915,929	862,074	53,855
Public safety	2,418,630	2,436,576	2,282,497	154,079
Public works	63,081	69,976	48,193	21,783
Parks and recreation	289,181	328,059	311,876	16,183
Capital outlay	45,500	65,000	60,642	4,358
<b>Total Expenditures</b>	<b>3,661,420</b>	<b>3,815,540</b>	<b>3,565,282</b>	<b>250,258</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,006,895)	(1,070,040)	(617,590)	452,450
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	760,430	760,430	427,530	(332,900)
<b>Total Other Financing Sources (Uses)</b>	<b>760,430</b>	<b>760,430</b>	<b>427,530</b>	<b>(332,900)</b>
Net Change in Fund Balance	(246,465)	(309,610)	(190,060)	119,550
Fund Balance - July 1, 2009	1,251,837	1,251,837	1,251,837	
Fund Balance - June 30, 2010	\$ 1,005,372	\$ 942,227	\$ 1,061,777	\$ 119,550

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, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Use of money and property	\$ 300	\$ 300	\$ 1,874	\$ 1,574
Intergovernmental	200,001	190,001	162,865	(27,136)
Other revenues			10,553	10,553
Total Revenues	<u>200,301</u>	<u>190,301</u>	<u>175,292</u>	<u>(15,009)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,800	72,295	71,870	425
Public works	185,251	242,776	52,419	190,357
Total Expenditures	<u>187,051</u>	<u>315,071</u>	<u>124,289</u>	<u>190,782</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,250</u>	<u>(124,770)</u>	<u>51,003</u>	<u>175,773</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(13,251)</u>	<u>(13,251)</u>	<u>(13,250)</u>	<u>1</u>
Net Change in Fund Balance	(1)	(138,021)	37,753	175,774
Fund Balance - July 1, 2009	<u>57,950</u>	<u>57,950</u>	<u>57,950</u>	
Fund Balance - June 30, 2010	<u>\$ 57,949</u>	<u>\$ (80,071)</u>	<u>\$ 95,703</u>	<u>\$ 175,774</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, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Taxes and assessments	\$ 247,100	\$ 247,100	\$ 229,215	\$ (17,885)
Use of money and property	40,000	20,000	11,453	(8,547)
Other revenues	3,000	7,000	6,173	(827)
Total Revenues	<u>290,100</u>	<u>274,100</u>	<u>246,841</u>	<u>(27,259)</u>
<b>EXPENDITURES</b>				
Current				
Community Development	116,516	370,255	269,105	101,150
Capital outlay	<u>537,000</u>	<u>347,000</u>	<u>8,032</u>	<u>338,968</u>
Total Expenditures	<u>653,516</u>	<u>717,255</u>	<u>277,137</u>	<u>440,118</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(363,416)</u>	<u>(443,155)</u>	<u>(30,296)</u>	<u>412,859</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(207,653)</u>	<u>(207,653)</u>	<u>(207,653)</u>	
Total Other Financing Sources (Uses)	<u>(207,653)</u>	<u>(207,653)</u>	<u>(207,653)</u>	
Net Change in Fund Balance	(571,069)	(650,808)	(237,949)	412,859
Fund Balance - July 1, 2009	<u>2,756,920</u>	<u>2,756,920</u>	<u>2,756,920</u>	
Fund Balance - June 30, 2010	<u>\$ 2,185,851</u>	<u>\$ 2,106,112</u>	<u>\$ 2,518,971</u>	<u>\$ 412,859</u>

See accompanying notes to required supplementary information.

**CITY OF GONZALES**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010**

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***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, 2010**

	Special Revenue Funds				
	Signalization Fund	Supplemental Local Law Enforcement Fund	California Breeze Maintenance District Fund	Public Safety Fund	Police Impact Fund
<b>ASSETS</b>					
Cash and investments	\$ 426,270		\$ 253,861		\$ 36,034
Accounts receivable		\$ 22,393			
Interest receivable	71		202		
Notes and loans receivable					
Total Assets	<u>\$ 426,341</u>	<u>\$ 22,393</u>	<u>\$ 254,063</u>	<u>\$ -</u>	<u>\$ 36,034</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable			\$ 6,654	\$ 4,799	
Accrued wages			462	1,996	
Due to other funds		53,442		304,505	
Deposits payable					
Advances from other funds					
Deferred revenue					
Total Liabilities		<u>53,442</u>	<u>7,116</u>	<u>311,300</u>	
 <b>FUND BALANCES</b>					
Reserved, reported in:					
Special revenue funds			86,273		
Debt service					
Unreserved, reported in:					
Special revenue funds	\$ 426,341	(31,049)	160,674	(311,300)	\$ 36,034
Debt service					
Total Fund Balances	<u>426,341</u>	<u>(31,049)</u>	<u>246,947</u>	<u>(311,300)</u>	<u>36,034</u>
Total Liabilities and Fund Balances	<u>\$ 426,341</u>	<u>\$ 22,393</u>	<u>\$ 254,063</u>	<u>\$ -</u>	<u>\$ 36,034</u>

Special Revenue Funds

Park Impact Fund	Fire Impact Fund	Gas Tax Fund	Gas Tax 2105 Fund	State Congestion Relief Program Fund	General Plan Impact Fund	Canyon Creek Park Maintenance Fund
\$ 279,379	\$ 80,594	\$ 81,836	\$ 139,283	\$ 95,030		\$ 486,040
176		17,756	8,530	22,824		247
<u>\$ 279,555</u>	<u>\$ 80,594</u>	<u>\$ 99,592</u>	<u>\$ 147,813</u>	<u>\$ 117,854</u>		<u>\$ 486,287</u>
\$ 1,477		\$ 12,832			\$ 8,635	\$ 10,306
		2,677			4,017	383
<u>1,477</u>		<u>15,509</u>			<u>12,652</u>	<u>10,689</u>
						40,720
\$ 278,078	\$ 80,594	84,083	147,813	\$ 117,854	(12,652)	434,878
<u>278,078</u>	<u>80,594</u>	<u>84,083</u>	<u>147,813</u>	<u>117,854</u>	<u>(12,652)</u>	<u>475,598</u>
<u>\$ 279,555</u>	<u>\$ 80,594</u>	<u>\$ 99,592</u>	<u>\$ 147,813</u>	<u>\$ 117,854</u>	<u>\$ -</u>	<u>\$ 486,287</u>

**CITY OF GONZALES**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET, (CONTINUED)  
JUNE 30, 2010**

	Special Revenue Funds				
	Recreation Services Fund	Cal Trans Federal Grant Fund	Circulation System Impact Fund	Cipriani Estates Park Maintenance	Cipriani Estates Maintenance
<b>ASSETS</b>					
Cash and investments		\$ 1,310	\$ 116,657	\$ 152,512	\$ 182,130
Accounts receivable					
Interest receivable				141	167
Notes and loans receivable					
Total Assets	\$ -	\$ 1,310	\$ 116,657	\$ 152,653	\$ 182,297
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable			\$ 9,500	\$ 2,446	\$ 1,781
Accrued wages					26
Due to other funds	\$ 49,461				
Deposits payable					
Advances from other funds					
Deferred revenue					
Total Liabilities	49,461		9,500	2,446	1,807
<b>FUND BALANCES</b>					
Reserved, reported in:					
Special revenue funds				27,500	5,000
Debt service					
Unreserved, reported in:					
Special revenue funds	(49,461)	\$ 1,310	107,157	122,707	175,490
Debt service					
Total Fund Balances	(49,461)	1,310	107,157	150,207	180,490
Total Liabilities and Fund Balances	\$ -	\$ 1,310	\$ 116,657	\$ 152,653	\$ 182,297



Special Revenue Funds

Gonzales Industrial Park Landscape Maintenance	Gonzales Industrial Park Benefit Assessment	Storm Drainage Facility Impact Fund	Public Facilities Impact Fund	Public Uses	Aquatics Facilities	Animal Control Facilities
\$ 114,334	\$ 79,979	\$ 203,421	\$ 58,411	\$ 26,417		\$ 3,545
75	71					
<u>\$ 114,409</u>	<u>\$ 80,050</u>	<u>\$ 203,421</u>	<u>\$ 58,411</u>	<u>\$ 26,417</u>		<u>\$ 3,545</u>
\$ 2,179	\$ 4,179			\$ 5,808		
66					\$ 35	
<u>2,245</u>	<u>4,179</u>			<u>5,808</u>	<u>35</u>	
5,000	15,000					
107,164	60,871	\$ 203,421	\$ 58,411	20,609	(35)	\$ 3,545
<u>112,164</u>	<u>75,871</u>	<u>203,421</u>	<u>58,411</u>	<u>20,609</u>	<u>(35)</u>	<u>3,545</u>
<u>\$ 114,409</u>	<u>\$ 80,050</u>	<u>\$ 203,421</u>	<u>\$ 58,411</u>	<u>\$ 26,417</u>	<u>\$ -</u>	<u>\$ 3,545</u>

**CITY OF GONZALES**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET, (CONTINUED)  
JUNE 30, 2010**

	Special Revenue Funds				
	Transportation Enhancement Act Program Fund	Sewer Impact Fund	Water Impact Fund	State Proposition 1B Fund	Ag. Industrial Park Federal Grant
<b>ASSETS</b>					
Cash and investments	\$ 68,138	\$ 184,101	\$ 743,368		\$ 36,225
Accounts receivable					
Interest receivable	56				53
Notes and loans receivable		27,814	59,054		
Total Assets	<u>\$ 68,194</u>	<u>\$ 211,915</u>	<u>\$ 802,422</u>	<u>\$ -</u>	<u>\$ 36,278</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable					
Accrued wages					
Due to other funds					
Deposits payable					
Advances from other funds					
Deferred revenue		\$ 27,814	\$ 59,054		
Total Liabilities		<u>27,814</u>	<u>59,054</u>		
 <b>FUND BALANCES</b>					
Reserved, reported in:					
Special revenue funds					
Debt service					
Unreserved, reported in:					
Special revenue funds	\$ 68,194	184,101	743,368		\$ 36,278
Debt service					
Total Fund Balances	<u>68,194</u>	<u>184,101</u>	<u>743,368</u>		<u>36,278</u>
Total Liabilities and Fund Balances	<u>\$ 68,194</u>	<u>\$ 211,915</u>	<u>\$ 802,422</u>	<u>\$ -</u>	<u>\$ 36,278</u>

Special Revenue Funds				Debt Service Funds			
TDA Fund	CDBG: 7th and 10th Street Project	Redevelopment Agency Special Revenue Fund	Federal Stimulus	Shopping Center Fund	Bridge Fund	Sewer Assessment Fund	Totals
\$ 50,688					\$ 140,387		\$ 4,039,950
							71,503
		\$ 248,779				109	1,368
							335,647
<u>\$ 50,688</u>	<u>\$ -</u>	<u>\$ 248,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,496</u>	<u>\$ -</u>	<u>\$ 4,448,468</u>
\$ 2,101		\$ 10,038					\$ 82,735
		3,896					9,506
24,644	\$ 33,136			\$ 2,212		\$ 4,358	475,810
		1,000					1,000
		233,340					233,340
23,943		248,779					359,590
<u>50,688</u>	<u>33,136</u>	<u>497,053</u>		<u>2,212</u>		<u>4,358</u>	<u>1,161,981</u>
					\$ 140,496		179,493
							140,496
	(33,136)	(248,274)					2,973,068
				(2,212)		(4,358)	(6,570)
	<u>(33,136)</u>	<u>(248,274)</u>		<u>(2,212)</u>	<u>140,496</u>	<u>(4,358)</u>	<u>3,286,487</u>
<u>\$ 50,688</u>	<u>\$ -</u>	<u>\$ 248,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,496</u>	<u>\$ -</u>	<u>\$ 4,448,468</u>

**CITY OF GONZALES**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds				
	Signalization Fund	Supplemental Local Law Enforcement Fund	California Breeze Maintenance District Fund	Public Safety Fund	Police Impact Fund
<b>REVENUES</b>					
Taxes and assessments			\$ 157,072		
License, permits, and impact fees				\$ 4,185	\$ 4,459
Use of money and property	\$ 13,050		957		908
Intergovernmental revenues		\$ 146,242			
Other revenues					
Total Revenues	13,050	146,242	158,029	4,185	5,367
<b>EXPENDITURES</b>					
Current:					
General government		98			
Public safety				323,509	
Public works					
Parks and recreation			99,511		
Streets and roads					
Capital outlay					
Total Expenditures		98	99,511	323,509	
Excess (Deficiencies) of Revenues Over (Under) Expenditures	13,050	146,144	58,518	(319,324)	5,367
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in				139,001	
Transfers out		(139,001)	(32,610)		
Proceeds from lease					
Total Other Financing Sources (Uses)		(139,001)	(32,610)	139,001	
Net Change in Fund Balances	13,050	7,143	25,908	(180,323)	5,367
Fund Balances - July 1, 2009, as restated	413,291	(38,192)	221,039	(130,977)	30,667
Fund Balances - June 30, 2010	\$ 426,341	\$ (31,049)	\$ 246,947	\$ (311,300)	\$ 36,034

Special Revenue Funds

Park Impact Fund	Fire Impact Fund	Gas Tax Fund	Gas Tax 2105 Fund	State Congestion Relief Program Fund	General Plan Impact Fund	Canyon Creek Park Maintenance Fund
		\$ 270,395	\$ 49,252		\$ 232,587	\$ 210,301
\$ 3,135 6,290	\$ 15,111 1,816			\$ 81,837		2,983
		291				1,560
39,425	16,927	270,686	49,252	81,837	232,587	214,844
	8,037				258,994	
19,690						92,248
		300,793	2,615	22,292		
118,660						
168,597	8,037	300,793	2,615	22,292	258,994	92,248
(129,172)	8,890	(30,107)	46,637	59,545	(26,407)	122,596
		94,796			60,000 (60,000)	(41,898)
85,828						
85,828		94,796				(41,898)
(43,344)	8,890	64,689	46,637	59,545	(26,407)	80,698
321,422	71,704	19,394	101,176	58,309	13,755	394,900
\$ 278,078	\$ 80,594	\$ 84,083	\$ 147,813	\$ 117,854	\$ (12,652)	\$ 475,598

**CITY OF GONZALES**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES, (CONTINUED)  
YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds				
	Recreation Services Fund	CalTrans Federal Grant Fund	Circulation System Impact Fund	Cipriani Estates Park Maintenance	Cipriani Estates Maintenance
<b>REVENUES</b>					
Taxes and assessments				\$ 37,869	\$ 55,403
License, permits, and impact fees					
Use of money and property			\$ 3,632	666	791
Intergovernmental revenues					
Other revenues					
Total Revenues			3,632	38,535	56,194
<b>EXPENDITURES</b>					
Current:					
General government					
Public safety					
Public works			10,164	17,849	16,340
Parks and recreation					
Streets and roads					
Capital outlay					
Total Expenditures			10,164	17,849	16,340
Excess (Deficiencies) of Revenues Over (Under) Expenditures			(6,532)	20,686	39,854
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers out				(5,000)	(13,066)
Proceeds from lease					
Total Other Financing Sources (Uses)				(5,000)	(13,066)
Net Change in Fund Balances			(6,532)	15,686	26,788
Fund Balances - July 1, 2009, as restated	\$ (49,461)	\$ 1,310	113,689	134,521	153,702
Fund Balances - June 30, 2010	\$ (49,461)	\$ 1,310	\$ 107,157	\$ 150,207	\$ 180,490

Special Revenue Funds							
Gonzales Industrial Park Landscape Maintenance	Gonzales Industrial Park Benefit Assessment	Storm Drainage Facility Impact Fund	Public Facilities Impact Fund	Public Uses	Aquatics Facilities	Animal Control Facilities	Transportation Enhancement Act Program Fund
\$ 40,959	\$ 39,041	\$ 23,781				\$ 4	
356	336	5,448					\$ 264
<u>41,315</u>	<u>39,377</u>	<u>29,229</u>				<u>4</u>	<u>264</u>
12,238	27,860		\$ 10	\$ 8,511			
					\$ 10,615		
<u>12,238</u>	<u>27,860</u>		<u>10</u>	<u>8,511</u>	<u>10,615</u>		
29,077	11,517	29,229	(10)	(8,511)	(10,615)	4	264
(4,666)	(9,000)						
<u>(4,666)</u>	<u>(9,000)</u>						
24,411	2,517	29,229	(10)	(8,511)	(10,615)	4	264
87,753	73,354	174,192	58,421	29,120	10,580	3,541	67,930
<u>\$ 112,164</u>	<u>\$ 75,871</u>	<u>\$ 203,421</u>	<u>\$ 58,411</u>	<u>\$ 20,609</u>	<u>\$ (35)</u>	<u>\$ 3,545</u>	<u>\$ 68,194</u>

**CITY OF GONZALES**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES, (CONTINUED)  
YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds				
	Sewer Impact Fund	Water Impact Fund	State Proposition 1B Fund	Ag. Industrial Park Federal Grant	TDA Fund
<b>REVENUES</b>					
Taxes and assessments					
License, permits, and impact fees	\$ 75,295	\$ 81,531			
Use of money and property	3,715	23,093	\$ 908	\$ 256	\$ 2,126
Intergovernmental revenues					192,064
Other revenues	515	3,123			
Total Revenues	<u>79,525</u>	<u>107,747</u>	<u>908</u>	<u>256</u>	<u>194,190</u>
<b>EXPENDITURES</b>					
Current:					
General government				5,800	
Public safety					
Public works					
Parks and recreation					
Streets and roads					194,190
Capital outlay					
Total Expenditures				<u>5,800</u>	<u>194,190</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>79,525</u>	<u>107,747</u>	<u>908</u>	<u>(5,544)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers out			(29,736)		
Proceeds from lease					
Total Other Financing Sources (Uses)			<u>(29,736)</u>		
Net Change in Fund Balances	79,525	107,747	(28,828)	(5,544)	
Fund Balances - July 1, 2009, as restated	104,576	635,621	28,828	41,822	
Fund Balances - June 30, 2010	<u>\$ 184,101</u>	<u>\$ 743,368</u>	<u>\$ -</u>	<u>\$ 36,278</u>	<u>\$ -</u>



Special Revenue Funds			Debt Service Funds			
CDBG: 7th and 10th Street Project	Redevelopment Agency Special Revenue Fund	Federal Stimulus	Shopping Center Fund	Bridge Fund	Sewer Assessment Fund	Totals
			\$ 7,196	\$ 37,170		\$ 904,658
	\$ 28,777			514		440,088
		\$ 171,890				96,886
	5,704					592,033
	34,481	171,890	7,196	37,684		11,193
	248,403			1		2,074,858
		171,890				521,333
	248,403	171,890		1		323,509
	(213,922)		7,196	37,683		92,972
	313,921					211,449
	(100,000)					519,890
	213,921					301,165
	(1)		7,196	37,683		2,000,565
\$ (33,136)	(248,273)		(9,408)	102,813	\$ (4,358)	74,293
\$ (33,136)	\$ (248,274)	\$ -	\$ (2,212)	\$ 140,496	\$ (4,358)	607,718
						(434,977)
						85,828
						258,569
						332,862
						2,953,625
						\$ 3,286,487

**CITY OF GONZALES**

**AGENCY FUND  
STATEMENT OF CHANGES IN  
FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2010**

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	Balance			Balance
	June 30, 2009	Additions	Reductions	June 30, 2010
<b>ASSETS</b>				
Cash and investments	\$ 253,552	\$ (12,193)	\$ (88,373)	\$ 152,986
Interest receivable	442	(288)		154
	Total Assets	\$ (12,481)	\$ (88,373)	\$ 153,140
<b>LIABILITIES</b>				
Due to other agencies	\$ 253,994	\$ (12,481)	\$ (88,373)	\$ 153,140
	Total Liabilities	\$ (12,481)	\$ (88,373)	\$ 153,140