

**CITY OF GONZALES
GONZALES, CALIFORNIA**

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2011**

CITY OF GONZALES
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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, 2011, 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, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16c and Note 17 to the financial statements, the California State Legislature enacted two different Assembly Bills, the first, AB X1 26, provided for the dissolution of redevelopment agencies, and the second, AB X1 27, provided mechanism for continuance of redevelopment agencies. On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26, which dissolves redevelopment agencies, was constitutional and determined that AB X1 27 was unconstitutional. Additionally as described in Note 19, this even causes substantial doubt regarding the Gonzales Redevelopment Agency's (Agency) ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 1 to the financial statements, the City adopted the provision of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of July 1, 2010.

Also, as described at Note 2 to the financial statements, several funds of the City have ended in deficit fund balances classified as unassigned.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2012, 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 information identified in the accompanying table of contents as management's discussion and analysis and required supplementary information on pages 3 through 10 and 62 are not a required part of the basic financial statements, but are supplementary information required by the 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.



Rancho Cucamonga, California
February 14, 2012

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL STATEMENTS JUNE 30, 2011

In accordance with Statement No. 34 of the Governmental Accounting Standards Board, the following informational discussion and analysis is provided by Management as a narrative overview and analysis of the financial activity for the City for the fiscal year ended June 30, 2011.

Financial Highlights

- The assets of the City of Gonzales exceed its liabilities, at the close of the fiscal year ended June 30, 2011, by \$43,421,044 (*net assets*). Of this amount, \$7,823,759 is *unrestricted net asset*.
- The City's total net assets decreased by \$677,848.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$4,296,728, a decrease of \$4,598,408 in comparison with the prior year.
- As of June 30, 2011, the fund balance for the General Fund was \$931,961.

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, community development, 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 11-13 of this report.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL STATEMENTS JUNE 30, 2011

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 41 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, the Redevelopment Agency, Debt Service 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 14-19 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 20-24 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 25 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 26-61 of this report.

CITY OF GONZALES

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
JUNE 30, 2011**

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 62-63 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 65-77 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, 2011, the City's assets exceeded liabilities by \$43,421,044.

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Current and other assets	\$ 9,024,075	\$ 13,430,071	\$ 5,049,367	\$ 4,774,600	\$ 14,073,442	\$ 18,204,671
Capital assets	33,978,397	34,845,650	13,974,162	13,663,933	47,952,559	48,509,583
Total assets	<u>43,002,472</u>	<u>48,275,721</u>	<u>19,023,529</u>	<u>18,438,533</u>	<u>62,026,001</u>	<u>66,714,254</u>
Current and other liabilities	1,253,049	1,599,198	431,510	399,386	1,684,559	1,998,584
Long-term liabilities	14,469,765	18,087,812	2,450,633	2,528,966	16,920,398	20,616,778
Total liabilities	<u>15,722,814</u>	<u>19,687,010</u>	<u>2,882,143</u>	<u>2,928,352</u>	<u>18,604,957</u>	<u>22,615,362</u>
Invested in capital assets, net of related debt	19,397,690	17,294,920	11,380,493	11,014,043	30,778,183	28,308,963
Restricted	4,819,102	8,628,362	-	-	4,819,102	8,628,362
Unrestricted	3,062,866	2,665,429	4,760,893	4,496,138	7,823,759	7,161,567
Total net assets	<u>\$ 27,279,658</u>	<u>\$ 28,588,711</u>	<u>\$ 16,141,386</u>	<u>\$ 15,510,181</u>	<u>\$ 43,421,044</u>	<u>\$ 44,098,892</u>

As of June 30, 2011, 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, 2010 balance of \$44,098,892, net assets decreased by \$677,848.

The largest portion of the City's net assets at \$30,778,183 (71 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, 2011**

Governmental Activities - Governmental Activities decreased the City's net assets by \$1,309,053. This was the result of a weaker economy, a reduced rate of return on investments and depreciation of fixed assets.

Business-type Activities - Business type Activities increased the City's net assets by \$631,205. 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, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Program revenues:						
Charges for services	\$ 230,665	\$ 272,133	\$ 3,032,053	\$ 2,978,628	\$ 3,262,718	\$ 3,250,761
Operating contributions and grants	2,104,620	1,876,576	-	-	2,104,620	1,876,576
Capital contributions and grants	387,731	553,391	-	-	387,731	553,391
General revenues:						
Property taxes	2,155,106	2,386,752	-	-	2,155,106	2,386,752
Other taxes	871,048	713,114	-	-	871,048	713,114
Other	395,532	524,525	19,785	25,124	415,317	549,649
Total revenues	<u>6,144,702</u>	<u>6,326,491</u>	<u>3,051,838</u>	<u>3,003,752</u>	<u>9,196,540</u>	<u>9,330,243</u>
Expenses:						
General government	1,207,990	1,622,726	-	-	1,207,990	1,622,726
Public safety	2,888,447	2,706,459	-	-	2,888,447	2,706,459
Public works	1,339,620	600,980	-	-	1,339,620	600,980
Park and recreation	573,011	1,102,589	-	-	573,011	1,102,589
Community development	121,723	535,300	-	-	121,723	535,300
Streets and roads	533,646	1,272,567	-	-	533,646	1,272,567
Interest on long-term debt	989,201	972,424	-	-	989,201	972,424
Water	-	-	917,930	875,386	917,930	875,386
Sewer	-	-	529,826	602,222	529,826	602,222
Garbage	-	-	772,994	781,505	772,994	781,505
Total expenses	<u>7,653,638</u>	<u>8,813,045</u>	<u>2,220,750</u>	<u>2,259,113</u>	<u>9,874,388</u>	<u>11,072,158</u>
Excess before Transfers	(1,508,936)	(2,486,554)	831,088	744,639	(677,848)	(1,741,915)
Transfers	199,883	198,100	(199,883)	(198,100)	-	-
Change in net assets	(1,309,053)	(2,288,454)	631,205	546,539	(677,848)	(1,741,915)
Net assets - Beginning (restated)	28,588,711	30,877,165	15,510,181	14,963,642	44,001,855	45,743,770
Net assets - Ending	<u>\$ 27,279,658</u>	<u>\$ 28,588,711</u>	<u>\$ 16,141,386</u>	<u>\$ 15,510,181</u>	<u>\$ 43,324,007</u>	<u>\$ 44,001,855</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, 2011**

GOVERNMENTAL FUNDS

General Fund

The fund balance for the fiscal year ended June 30, 2011 is \$931,961. The net change in fund balance is a decrease in the amount of \$129,816. This number includes revenues of \$2,842,581, expenditures of \$3,458,020, and transfers and capital leases of \$485,623. The Fund Balance of the General Fund's balance has averaged \$1.2 million since fiscal year 2007. This trend is reflected in the following summary:

	FY 07	FY 08	FY 09	FY 10	FY 11
Total Revenues	\$ 3,411,836	\$ 2,799,151	\$ 3,134,678	\$ 2,947,692	\$ 2,842,581
Total Expenditures	3,576,313	3,466,843	3,952,920	3,565,282	3,458,020
Other Financial Sources (Uses)	607,180	485,100	806,863	427,530	485,623
Excess of revenues and other financing sources over (under) expenditures and other financing sources	442,703	(182,592)	(11,379)	(190,060)	(129,816)
Fund Balance - July 1	1,003,105	1,445,808	1,263,216	1,251,837	1,061,777
Fund Balance - June 30	<u>\$ 1,445,808</u>	<u>\$ 1,263,216</u>	<u>\$ 1,251,837</u>	<u>\$ 1,061,777</u>	<u>\$ 931,961</u>

From an administrative standpoint, it has been a goal to maintain the fund balance at a minimum of \$1 million. 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.

In a continuing effort to maintain the fund balance at the target goal in Fiscal Year 2010-11 the City updated the 3-Year Budget Alignment Plan and adopted a 5-Year Budget plan that included additional cost reductions. These reductions included employees picking up 50% of the employee share of retirement costs (PERS) and annual savings of at least \$50,000 is health and benefit costs. Through collective bargaining and working with an employee health benefit committee, both of these cost saving targets were achieved.

Community Development Block Grant

The fund balance for the fiscal year ended June 30, 2011 is \$86,461, a decrease of \$9,242 from the previous year. The activities projected under this fund during the next fiscal year include continuation of CDBG grant programs in housing rehabilitation and various technical studies.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL STATEMENTS JUNE 30, 2011

Gonzales Redevelopment Agency Debt Service Fund

The City's Redevelopment Agency was able to cover its debt service obligation of the Redevelopment Agency Tax Allocation Refunding Bonds of 2003 and was also able to work with the General Fund to structure a loan in addition to issuance of the 2011 Tax Allocation Bonds, the 2011 Lease Revenue Refunding Bonds, and use available tax increment and unspent 2006 Tax Anticipation Note proceeds to refund the 2006 Tax Anticipation Note and by doing so remained fully capable of addressing all current debt. Also refer to Note 9 for further debt details.

The Agency has a remaining total debt service obligation in the amount of \$14.8 million.

However, with the elimination of Redevelopment Agencies by the State and the subsequent California State Supreme Court decision upholding the state action, this fund will reflect limited activity for the period between July 1, 2011 through January 31, 2012.

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 \$29,851 from \$748,539 at the beginning of the fiscal year to \$718,688 at June 30, 2011.

Other Governmental Funds

The fund balance of non-major governmental funds for the fiscal year ended June 30, 2011, is \$2,862,704. The net change in fund balances is a decrease in the amount of \$2,467,336. This number includes revenues of \$2,074,904, expenditures of \$2,167,598, and other financing sources (uses) of \$(2,374,642).

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 \$4,025,828 for the City's Water Utility Fund, \$735,065 for the City's Sewer Utility Fund, and zero for the City's Garbage Enterprise Fund. For the same period, cash and cash equivalents were \$1,342,693 for the City's Water Utility Fund, \$780,970 for the City's Sewer Utility Fund, and zero for the City's Garbage Enterprise Fund.

The City has \$2,402,478 in outstanding long-term debt for capital improvements made under the Water and Sewer Utility Funds and remained fully capable to meet this debt service obligation.

CITY OF GONZALES

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
JUNE 30, 2011**

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund revenues exceeded the final budget amount by \$56,300. Expenditures were less than the budget by \$74,735. The final budgeted revenues and appropriations increased by \$47,443 and \$295,518 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, 2011, amounts to \$33,978,397 and \$13,974,162 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, park improvements, vehicles, computer equipment, and furniture and other equipment. During the current fiscal year, the City’s net decrease in capital assets was \$557,024.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Land	\$ 9,504,487	\$ 9,504,487	\$ 604,807	\$ 604,807	\$ 10,109,294	\$ 10,109,294
Structures and improvements	8,243,212	4,780,328	22,574	23,512	8,265,786	4,803,840
Equipment and vehicles	528,741	430,195	1,395,823	800,831	1,924,564	1,231,026
Infrastructure	15,701,957	16,448,623	11,864,144	12,147,969	27,566,101	28,596,592
Construction in progress	-	3,682,017	86,814	86,814	86,814	3,768,831
Total	<u>\$ 33,978,397</u>	<u>\$ 34,845,650</u>	<u>\$ 13,974,162</u>	<u>\$ 13,663,933</u>	<u>\$ 47,952,559</u>	<u>\$ 48,509,583</u>

Additional information on the City’s capital assets can be found in Note 5 on pages 44 and 45 of this report.

CITY OF GONZALES

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
JUNE 30, 2011**

DESCRIPTION OF CAPITAL PROJECT ACTIVITIES

No significant projects were initiated during Fiscal Year 2010-2011. For Fiscal Year 2011-2012 the City plans to initiate and complete a \$2.6 million solar project.

Long-term debt. At the end of the current fiscal year, the City of Gonzales had total governmental activities debt outstanding of \$17,382,893. Of this amount, \$13,826,024 is a liability of the Redevelopment Agency. Business-type activities debt outstanding amounted to \$2,593,669.

City of Gonzales Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenue bonds payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Improvement bonds payable	-	-	-	-	-	-
Tax allocation bonds/notes payable	13,826,024	17,460,557	-	-	13,826,024	17,460,557
Loan payable	608,842	593,842	-	-	608,842	593,842
Capital lease payable	145,841	90,173	64,703	-	210,544	90,173
Employee compensated absence	208,517	181,140	-	-	208,517	181,140
Note payable	-	-	2,528,966	2,649,890	2,528,966	2,649,890
Total	\$ 14,789,224	\$ 18,325,712	\$ 2,593,669	\$ 2,649,890	\$ 17,382,893	\$ 20,975,602

The City’s total debt decreased by \$3,592,709 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 remained fairly stable for FY 2010-2011 and as a result property tax revenues came in as budgeted. For FY 2011-2012, even though property tax values increased, the City’s Approved Budget remained very conservative and reflected no change over FY 2010-2011 property tax revenue levels.
- 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.
- As more fully described in Note 17 to the financial statements, new legislation was passed by the State of California that eliminated redevelopment agencies.

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, 2011**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 5,925,405	\$ 2,123,663	\$ 8,049,068
Restricted cash and investments	1,413,673		1,413,673
Accounts receivable	435,212	338,462	773,674
Interest receivable	2,381	4,886	7,267
Notes and loans receivable	2,943,603		2,943,603
Other assets	15,746		15,746
Internal balances	(2,551,735)	2,551,735	-
Deferred charges - net of accumulated amortization	839,790	30,621	870,411
Capital assets:			
Nondepreciable:			
Land	9,504,487	604,807	10,109,294
Depreciable, net of accumulated depreciation:			
Structures and improvements	8,243,212	23,512	8,266,724
Equipment and vehicles	528,741	1,111,060	1,639,801
Infrastructure	15,701,957	12,234,783	27,936,740
Total Assets	<u>43,002,472</u>	<u>19,023,529</u>	<u>62,026,001</u>
LIABILITIES			
Accounts payable	543,515	223,808	767,323
Accrued wages	41,740	5,046	46,786
Accrued interest payable	32,586		32,586
Deposits payable	253,889	59,620	313,509
Deferred revenue	61,860		61,860
Noncurrent liabilities:			
Due within one year	319,459	143,036	462,495
Due in more than one year	14,469,765	2,450,633	16,920,398
Total Liabilities	<u>15,722,814</u>	<u>2,882,143</u>	<u>18,604,957</u>
NET ASSETS			
Invested in capital assets, net of related debt	19,397,690	11,380,493	30,778,183
Restricted:			
Restricted for parks and recreation	130,911		130,911
Restricted for community development and housing	204,311		204,311
Restricted for public safety	375,655		375,655
Restricted for public works	3,211,248		3,211,248
Restricted for streets and roads	755,493		755,493
Restricted for debt service	141,484		141,484
Unrestricted	3,062,866	4,760,893	7,823,759
Total Net Assets	<u>\$ 27,279,658</u>	<u>\$ 16,141,386</u>	<u>\$ 43,421,044</u>

See accompanying notes to the financial statements.

CITY OF GONZALES

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 1,207,990	\$ 594	\$ 89,203	
Public safety	2,888,447	52,089	702,178	\$ 1,807
Parks and recreation	573,011	137,191	499,344	170
Public works	1,339,620	40,791	174,320	137,116
Streets and roads	533,646		639,575	
Community development	121,723			248,638
Interest on long-term debt	989,201			
Total Governmental Activities	7,653,638	230,665	2,104,620	387,731
Business-Type Activities:				
Water	917,930	1,330,133		
Sewer	529,826	770,281		
Garbage	772,994	931,639		
Total Business-Type Activities	2,220,750	3,032,053		
Total Government	\$ 9,874,388	\$ 3,262,718	\$ 2,104,620	\$ 387,731

General Revenues:

Taxes:

Secured and unsecured property taxes

Sales and use taxes

Transient lodging tax

Franchise taxes

Utility users tax

Business license tax

Other taxes

Motor vehicle in lieu fees

Investment income

Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

See accompanying notes to the financial statements.

Net Revenue (Expense) and Change in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,118,193)		\$ (1,118,193)
(2,132,373)		(2,132,373)
63,694		63,694
(987,393)		(987,393)
105,929		105,929
126,915		126,915
(989,201)		(989,201)
(4,930,622)		(4,930,622)
	\$ 412,203	412,203
	240,455	240,455
	158,645	158,645
	811,303	811,303
(4,930,622)	811,303	(4,119,319)
2,155,106		2,155,106
431,440		431,440
1,238		1,238
65,779		65,779
262,755		262,755
56,198		56,198
12,314		12,314
41,324		41,324
149,665	19,785	169,450
245,867		245,867
199,883	(199,883)	-
3,621,569	(180,098)	3,441,471
(1,309,053)	631,205	(677,848)
28,588,711	15,510,181	44,098,892
\$ 27,279,658	\$ 16,141,386	\$ 43,421,044

FUND FINANCIAL STATEMENTS

CITY OF GONZALES

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

		Special Revenue Fund	Debt Service Fund
	General Fund	Community Development Block Grant Fund	Redevelopment Agency Debt Service Fund
ASSETS			
Cash and investments	\$ 831,201	\$ 91,642	\$ 663,172
Restricted cash and investments			1,413,673
Accounts receivable	137,524		
Interest receivable	13	7	153
Notes receivable		1,132,281	
Due from other funds	1,011,291		119,037
Advances to other funds			233,340
Other current assets	15,746		
Total Assets	<u>\$ 1,995,775</u>	<u>\$ 1,223,930</u>	<u>\$ 2,429,375</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 182,299	\$ 5,188	\$ 71,295
Accrued wages	34,626		
Due to other funds			1,661,166
Deposits payable	252,889		
Deferred revenue		1,132,281	
Advances from other funds	594,000		1,000,000
Total Liabilities	<u>1,063,814</u>	<u>1,137,469</u>	<u>2,732,461</u>
FUND BALANCES			
Nonspendable	580,125		233,340
Restricted		86,461	1,413,673
Assigned			
Unassigned	351,836		(1,950,099)
Total Fund Balances	<u>931,961</u>	<u>86,461</u>	<u>(303,086)</u>
Total Liabilities and Fund Balances	<u>\$ 1,995,775</u>	<u>\$ 1,223,930</u>	<u>\$ 2,429,375</u>

See accompanying notes to the financial statements.

Debt Service Fund

Infrastructure Improvement Fund	Other Governmental Funds	Totals
\$ 215,567	\$ 4,123,823	\$ 5,925,405
		1,413,673
11,931	285,757	435,212
69	2,139	2,381
857,224	954,098	2,943,603
500,000	230,000	1,860,328
		233,340
		15,746
<u>\$ 1,584,791</u>	<u>\$ 5,595,817</u>	<u>\$ 12,829,688</u>
\$ 8,879	\$ 275,854	\$ 543,515
	7,114	41,740
	1,156,897	2,818,063
	1,000	253,889
857,224	1,058,908	3,048,413
	233,340	1,827,340
<u>866,103</u>	<u>2,733,113</u>	<u>8,532,960</u>
500,000		1,313,465
	4,056,183	5,556,317
218,688		218,688
	(1,193,479)	(2,791,742)
<u>718,688</u>	<u>2,862,704</u>	<u>4,296,728</u>
<u>\$ 1,584,791</u>	<u>\$ 5,595,817</u>	<u>\$ 12,829,688</u>

CITY OF GONZALES

**RECONCILIATION OF THE GOVERNMENTAL FUNDS -
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

FUND BALANCES - GOVERNMENTAL FUNDS	\$	4,296,728
<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	\$ 52,899,157	
Less: accumulated depreciation	<u>(18,920,760)</u>	33,978,397
<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, net of accumulated amortization		839,790
<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>		
		(32,586)
<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>		
Notes payable		
Loan payable	(608,842)	
Capital leases payable	(145,841)	
Compensated absences	(208,517)	
2011 Tax allocation bonds (net of unamortized bond issuance discount)	(1,491,498)	
2011 Lease revenue refunding bonds, including original issue premium	(4,569,526)	
2003 Tax allocation bonds	<u>(7,765,000)</u>	(14,789,224)
<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>2,986,553</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>27,279,658</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, 2011**

	Special Revenue			
	General Fund	Community Development Block Grant Fund	Debt Service Fund	Infrastructure Improvement Fund
REVENUES				
Taxes and assessments	\$ 1,952,528		\$ 860,748	
Licenses, permits, and impact fees	27,840			
Fines and penalties	26,545			
Use of money and property	92,214	\$ 1,682	35,671	\$ 3,525
Intergovernmental revenues	115,831	274,775		
Charges for services	334,623			
Other revenues	293,000	27,164		55,339
Total Revenues	2,842,581	303,621	896,419	58,864
EXPENDITURES				
Current:				
General government	791,027	187,556		88,715
Public safety	2,130,170			
Public works	61,273	90,307		
Parks and recreation	327,687			
Community development			16,332	
Streets and roads				
Capital outlay	147,863			
Debt service:				
Principal			2,480,000	
Interest			1,047,545	
Bond issuance costs			369,191	
Intergovernmental:				
Supplemental Educational Revenue Augmentation Fund				
Total Expenditures	3,458,020	277,863	3,913,068	88,715
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(615,439)	25,758	(3,016,649)	(29,851)
OTHER FINANCING SOURCES (USES)				
Issuance of tax allocation bonds			1,535,000	
Issuance of lease revenue bonds			4,440,000	
Lease proceeds	109,560			
Premium on bond issuance			129,526	
Discount on bond issuance			(43,502)	
Payment to refunded debt escrow agent			(7,240,000)	
Transfers in	376,063		2,517,506	
Transfers out		(35,000)	(284,044)	
Total Other Financing Sources (Uses)	485,623	(35,000)	1,054,486	
Net Change in Fund Balances	(129,816)	(9,242)	(1,962,163)	(29,851)
Fund Balance - July 1, 2010	1,061,777	95,703	1,659,077	748,539
Fund Balance - June 30, 2011	\$ 931,961	\$ 86,461	\$ (303,086)	\$ 718,688

See accompanying notes to the financial statements.

Other Governmental Funds	Totals
\$ 1,110,583	\$ 3,923,859
32,653	60,493
	26,545
44,581	177,673
711,935	1,102,541
55	334,678
175,097	550,600
<u>2,074,904</u>	<u>6,176,389</u>
242,840	1,310,138
589,326	2,719,496
53,787	205,367
203,067	530,754
3,347	19,679
533,646	533,646
439,516	587,379
	2,480,000
	1,047,545
	369,191
102,069	102,069
<u>2,167,598</u>	<u>9,905,264</u>
<u>(92,694)</u>	<u>(3,728,875)</u>
	1,535,000
	4,440,000
	109,560
	129,526
	(43,502)
	(7,240,000)
524,390	3,417,959
<u>(2,899,032)</u>	<u>(3,218,076)</u>
<u>(2,374,642)</u>	<u>(869,533)</u>
(2,467,336)	(4,598,408)
5,330,040	8,895,136
<u>\$ 2,862,704</u>	<u>\$ 4,296,728</u>

CITY OF GONZALES

**RECONCILIATION OF THE NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

NET CHANGE IN FUND BALANCES		\$ (4,598,408)
<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		110,192
<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	\$ 515,292	
Depreciation expense not reported in governmental funds	<u>(1,382,545)</u>	(867,253)
<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 bond principal for 2003 and 2006 outstanding debt	2,480,000	
Payment to refunded debt escrow agent	7,240,000	
Lease proceeds	(109,560)	
Lesae repayments	53,892	
Issuance of 2011 tax allocation bonds	(1,535,000)	
Issuance of 2011 lease revenue bonds	(4,440,000)	
Premium on bond issuance	(129,526)	
Discount on bond issuance	43,502	
Amortization of original issue discount	(24,443)	
Amortization of costs of issuance	<u>283,384</u>	3,862,249
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 2010-11		(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	183,594	
Compensated absences	(27,377)	
Accounts receivable earned and not received within the period of availability	<u>42,950</u>	199,167
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ (1,309,053)</u>

See accompanying notes to the financial statements.

CITY OF GONZALES

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
ASSETS				
Current Assets:				
Cash and investments	\$ 1,342,693	\$ 780,970		\$ 2,123,663
Accounts receivable - net	145,016	73,183	\$ 120,263	338,462
Interest receivable	3,663	1,211	12	4,886
Due from Other Funds	1,000,000			1,000,000
Total Current Assets	<u>2,491,372</u>	<u>855,364</u>	<u>120,275</u>	<u>3,467,011</u>
Capital Assets:				
Nondepreciable				
Land	19,247	585,560		604,807
Depreciable:				
Structure and improvements	23,469	23,470		46,939
Equipment and vehicles	1,319,986	813,215		2,133,201
Infrastructure	9,725,746	7,451,888		17,177,634
Less: Accumulated depreciation	(3,307,035)	(2,681,384)		(5,988,419)
Total Capital Assets	<u>7,781,413</u>	<u>6,192,749</u>		<u>13,974,162</u>
Other Assets				
Advances to other funds	1,594,000			1,594,000
Deferred bond costs, net	19,746	10,875		30,621
Total Other Assets	<u>1,613,746</u>	<u>10,875</u>		<u>1,624,621</u>
Total Assets	<u>\$ 11,886,531</u>	<u>\$ 7,058,988</u>	<u>\$ 120,275</u>	<u>\$ 19,065,794</u>

See accompanying notes to the financial statements.

CITY OF GONZALES

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2011**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 17,642	\$ 129,146	\$ 77,020	\$ 223,808
Accrued wages	2,028	2,028	990	5,046
Customer deposits	59,620			59,620
Due to other funds			42,265	42,265
Current portion of noncurrent liabilities	143,036			143,036
Total Current Liabilities	<u>222,326</u>	<u>131,174</u>	<u>120,275</u>	<u>473,775</u>
Noncurrent Liabilities				
Note payable	2,402,478			2,402,478
Lease payable	48,155			48,155
Total Noncurrent Liabilities	<u>2,450,633</u>			<u>2,450,633</u>
Total Liabilities	<u>2,672,959</u>	<u>131,174</u>	<u>120,275</u>	<u>2,924,408</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,187,744	6,192,749		11,380,493
Unrestricted	4,025,828	735,065		4,760,893
Total Net Assets	<u>\$ 9,213,572</u>	<u>\$ 6,927,814</u>	<u>\$ -</u>	<u>\$ 16,141,386</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, 2011**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
OPERATING REVENUES				
Charges for services	\$ 1,315,404	\$ 758,103	\$ 914,013	\$ 2,987,520
Late charges	14,648	12,178	17,626	44,452
Other revenues	81			81
Total Operating Revenues	<u>1,330,133</u>	<u>770,281</u>	<u>931,639</u>	<u>3,032,053</u>
OPERATING EXPENSES				
Salaries and benefits	198,135	197,559	83,270	478,964
Administrative charges	41,341	66,171	214	107,726
Contractual services	181,173	75,346	687,237	943,756
Fuel and oil	6,500	4,513		11,013
Operating supplies	18,646	15,242	2,259	36,147
Special department supplies			14	14
Travel, conference and training	2,048	1,245		3,293
Utilities	158,137	72,247		230,384
Depreciation and amortization	192,740	97,503		290,243
Total Operating Expense	<u>798,720</u>	<u>529,826</u>	<u>772,994</u>	<u>2,101,540</u>
Operating Income	<u>531,413</u>	<u>240,455</u>	<u>158,645</u>	<u>930,513</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	14,766	4,790	229	19,785
Interest expense	(119,210)			(119,210)
Total Nonoperating Revenues (Expenses)	<u>(104,444)</u>	<u>4,790</u>	<u>229</u>	<u>(99,425)</u>
Income Before Transfers	<u>426,969</u>	<u>245,245</u>	<u>158,874</u>	<u>831,088</u>
TRANSFERS IN	59,605			59,605
TRANSFERS OUT		(59,605)	(199,883)	(259,488)
Total Transfers	<u>59,605</u>	<u>(59,605)</u>	<u>(199,883)</u>	<u>(199,883)</u>
Change in Net Assets	486,574	185,640	(41,009)	631,205
Net Assets - July 1, 2010	8,726,998	6,742,174	41,009	15,510,181
Net Assets - June 30, 2011	<u>\$ 9,213,572</u>	<u>\$ 6,927,814</u>	<u>\$ -</u>	<u>\$ 16,141,386</u>

See accompanying notes to the financial statements.

CITY OF GONZALES

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,323,616	\$ 775,241	\$ 921,875	\$ 3,020,732
Payments to suppliers	(447,680)	(164,999)	(669,636)	(1,282,315)
Payments to employees	(197,806)	(197,230)	(83,105)	(478,141)
Net Cash Provided by Operating Activities	678,130	413,012	169,134	1,260,276
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid on long-term debt	(119,210)			(119,210)
Principal paid on long-term debt	(120,924)			(120,924)
Long-term debt issuance costs paid	750			750
Purchase of fixed assets	(39,059)	(496,710)		(535,769)
Net Cash Provided (Used) by Capital and Related Financing Activities	(278,443)	(496,710)		(775,153)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	59,605			59,605
Transfers out		(59,605)	(199,883)	(259,488)
Loan to other fund	(1,000,000)			(1,000,000)
Advances to other funds	(1,000,000)			(1,000,000)
Net Cash (Used by) Noncapital Financing Activities	(1,940,395)	(59,605)	(199,883)	(1,199,883)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	14,978	5,717	278	20,973
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(1,525,730)	(137,586)	(30,471)	(1,693,787)
CASH AND CASH EQUIVALENTS, Beginning of Year	2,868,423	918,556	30,471	3,817,450
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,342,693	\$ 780,970	\$ -	\$ 2,123,663

See accompanying notes to the financial statements.

CITY OF GONZALES

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Garbage Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 531,413	\$ 240,455	\$ 158,645	\$ 930,513
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
(Increase) Decrease in Operating Assets:				
Accounts receivable	(7,953)	4,960	(9,764)	(12,757)
Increase (Decrease) in Operating Liabilities:				
Accounts payable	(39,835)	69,765	(22,177)	7,753
Accrued Wages	329	329	165	823
Due to other funds			42,265	42,265
Customer deposits	1,436			1,436
Net Cash Provided by Operating Activities	<u>\$ 678,130</u>	<u>\$ 413,012</u>	<u>\$ 169,134</u>	<u>\$ 1,260,276</u>

See accompanying notes to the financial statements.

CITY OF GONZALES

**FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

ASSETS

	<u>Agency Fund</u>
Cash and investments	\$ 156,986
Interest receivable	<u>124</u>
Total Assets	<u><u>\$ 157,110</u></u>

LIABILITIES

Due to other agencies	<u>\$ 157,110</u>
Total Liabilities	<u><u>\$ 157,110</u></u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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, 2011

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:

General Fund

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

Special Revenue Funds

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of major capital facilities.

Debt Service Funds

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

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

- *General Fund* – This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.
- *Community Development Block Grant Special Revenue Fund* – This fund accounts for Federal Grant monies, which includes the activity related to loans provided to homeowners and businesses and the repayment of these loans.
- *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 Debt Service Fund* – This fund is used to hold and track impact funds that have been initiated and committed to City infrastructure improvement projects.

Fund Balance Classifications

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

Definitions

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

- **Nonspendable:** Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.
- **Restricted:** Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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

- Committed: Resources that are constrained to specific purposes by a formal action of the City Council such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the City Council. Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- Assigned: Resources that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by the City Council or to an official which the City Council has delegated this authority.
- Unassigned: Within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Within all other governmental funds, the negative residual resources in excess of what can be properly classified as nonspendable, restricted, or committed.

Policy

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

The City's Fund Balance policy has been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54. No other policy or procedure supersedes the authority and provisions of this policy.

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.

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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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

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.

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.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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 net assets to such programs, followed by unrestricted net assets.

Compensated Absences

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

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

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

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

Deferred Compensation Plan

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

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 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.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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

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

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

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

Capital Assets

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

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

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

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

Use of Estimates

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

New Pronouncements

Effective in the Current Year:

GASB Statement No. 54 – In March 2009, 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.

GASB Statement No. 59 – In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement did not significantly impact the City.

Effective in Future Years

GASB Statement No. 57 – In December 2009, 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 agent multiple employers other postemployment benefit plans. The statement is effective for periods beginning after June 15, 2011. This statement is not expected to have a material impact on the financial statements of the City.

GASB Statement No. 60 – GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, is effective for periods beginning in fiscal 2013. This statement address the issues related to service concession arrangements (SCAs), which, for the purposes of this statement, are arrangements between the transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The statement also provides guidance for governments that are operators in an SCA, and requires disclosures pertaining to an SCA. The provisions of the statement generally are required to be applied retroactively. The statement is effective for fiscal year 2012-2013. The City has not determined its effect on the financial statements.

GASB Statement No. 61 – In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement is effective for periods beginning after June 15, 2012. The City has not determined its effect on the financial statements.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

Effective in Future Years, (Continued)

GASB Statement No. 62 – In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objection of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedures that were issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The Statement is effective for periods beginning after December 15, 2011. The City has not determined its effect on the financial statements.

GASB Statement No. 63 – In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2011. The City has not determined its effect on the financial statements.

GASB Statement No. 64 - In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Statement is effective for periods beginning after June 15, 2011. The 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.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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.

Deficit Fund Balances

The following funds had deficit fund balances at June 30, 2011, as follows:

	Deficit Fund Balance
<u>Major Funds</u>	
Redevelopment Agency Debt Service Fund	\$ 303,086
<u>Non-major Funds</u>	
Special Revenue Funds:	
Supplemental Local Law Enforcement Fund	29,855
Public Safety Fund	344,859
Redevelopment Agency Special Revenue Fund	248,273
General Plan Impact Fund	35,152
Recreation Services Fund	63,705
Acquatics Facilities Fund	38
Capital Projects Fund:	
Redevelopment Agency Capital Project Fund	467,239
Debt Service Funds:	
Sewer Assessment Fund	4,358
	<u>1,193,479</u>
Subtotal Non-major Funds	1,193,479
Total Deficit Fund Balances	<u>\$ 1,496,565</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.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 – CASH AND INVESTMENTS

Cash and investments at June 30, 2011, consisted of the following:

Demand Deposits:	
Cash on hand	\$ 465
Deposits	1,018,045
Total Demand Deposits	<u>1,018,510</u>
Investments:	
Local Agency Investment Fund	4,620,632
Cash in County Treasurer	95,687
Certificates of Deposit	293,586
Money Market Accounts	2,177,639
Total Investments	<u>7,187,544</u>
Investments Held with Fiscal Agent:	
Investment Agreements	597,728
U.S. Treasury Money Market Funds	815,945
Total Investments Held with Fiscal Agent	<u>1,413,673</u>
Total Cash and Investments	<u>\$ 9,619,727</u>

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

Governmental Funds:	
Cash and Investments	\$ 5,925,405
Restricted Cash and Investments	1,413,673
Proprietary Funds	
Cash and Investments	2,123,663
Fiduciary Fund	
Cash and Investments	156,986
Total Cash and Investments	<u>\$ 9,619,727</u>

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 – CASH AND INVESTMENTS, (CONTINUED)

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Fair Value	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Local Agency Investment Fund	\$ 4,620,632	\$ 4,620,632			
Cash in County Treasurer	95,687	95,687			
Certificates of Deposit	293,586	293,586			
Money Market Accounts	2,177,639	2,177,639			
Held by Bond Trustee:					
Money Market Funds	815,945	815,945			
Investment Agreements	597,728				\$ 597,728
Total	<u>\$ 8,601,217</u>	<u>\$ 8,003,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 597,728</u>

Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Rating	Unrated	A
Local Agency Investment Fund	\$ 4,620,632	N/A	\$ 4,620,632	
Cash in County Treasurer	95,687	N/A	95,687	
Certificates of Deposit	293,586	N/A	293,586	
Money Market Accounts	2,177,639	N/A	2,177,639	
Held by Bond Trustee:				
Money Market Funds	815,945	A		\$ 815,945
Investment Agreements	597,728	N/A	597,728	
Total	<u>\$ 8,601,217</u>		<u>\$ 7,785,272</u>	<u>\$ 815,945</u>

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 – CASH AND INVESTMENTS, (CONTINUED)

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Transamerica	Investment Agreement	\$ 597,728

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 unit 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, 2011, 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, of \$3,929,813 of which \$2,689,813 was in excess of federal depository insurance limits.

Investment in State Investment Pool

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

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

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 – CASH AND INVESTMENTS, (CONTINUED)

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., 3rd Floor, Salinas, California 93901 or by navigating their website at <http://www.co.monterey.ca.us/auditor>.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 – NOTES RECEIVABLE AND DEFERRED LOANS RECEIVABLE

Loans as of the fiscal year ended June 30, 2011 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, 2011</u>
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	10,000
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	25,854
February 20, 2008	21,000	1%	February 20, 2023	Deed of Trust	17,108
February 27, 2008	13,612	0%	February 27, 2023	Deed of Trust	10,257
March 5, 2009	16,000	0%	March 5, 2024	Deed of Trust	13,915
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	20,451
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	62,562
July 9, 2010	70,000	1%	July 9, 2017	Security Agreement	63,542
January 10, 2011	70,000	1%	January 10, 2018	Security Agreement	42,741
April 20, 2011	70,000	1%	April 20, 2021	Security Agreement	69,445
				Total	<u>\$ 1,572,896</u>

(Continued)

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

Local Business Promissory Notes

<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, 2011</u>
February 19, 2008	\$ 255,974	3%	January 1, 2023	Security Agreement	\$ 241,064
September 1, 2008	222,000	2%	January 23, 2028	Deed of Trust	201,713
February 1, 2009	35,000	3%	February 1, 2014	Security Agreement	21,104
				Total	<u><u>\$ 463,881</u></u>

Developer 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, 2011</u>
February 19, 2008	\$ 836,120	4%	January 1, 2028	Deed of Trust	<u><u>\$ 836,120</u></u>

Sewer & Water Impact Loans **

	<u><u>Balance as of June 30, 2011</u></u>
	<u><u>\$ 70,706</u></u>

Total all Loans \$ 2,943,603

**Additionally, \$70,706 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.

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, 2011 consisted of \$2,943,603 due to loans receivable, accounts receivable collected after the period of availability of \$42,950, and \$61,860 due from the County of Monterey. The total deferred revenues balance in the governmental fund financial statements as of June 30, 2011 was \$3,048,413.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

Governmental Activities:	Balance at June 30, 2010	Reclass Entries	Additions	Deletions	Balance at June 30, 2011
Capital Assets Not Being Depreciated:					
Land	\$ 9,504,487				\$ 9,504,487
Construction in progress	3,682,017	\$ (3,682,017)			
Total Capital Assets Not Being Depreciated	13,186,504	(3,682,017)			9,504,487
Capital Assets, Being Depreciated:					
Structures and improvements	5,589,310	3,599,430	\$ 83,380	\$ (122,000)	9,150,120
Equipment and vehicles	1,715,818	82,587	115,946		1,914,351
Infrastructure	32,014,233		315,966		32,330,199
Total Capital Assets Being Depreciated	39,319,361	3,682,017	515,292	(122,000)	43,394,670
Less Accumulated Depreciation for:					
Structures and improvements	(808,982)		(219,926)	122,000	(906,908)
Equipment and vehicles	(1,285,623)		(99,987)		(1,385,610)
Infrastructure	(15,565,610)		(1,062,632)		(16,628,242)
Total Accumulated Depreciation	(17,660,215)		(1,382,545)	122,000	(18,920,760)
Total Capital Assets, Being Depreciated, Net	21,659,146	3,682,017	(867,253)		24,473,910
Governmental Capital Assets, Net	\$ 34,845,650	\$ -	\$ (867,253)	\$ -	\$ 33,978,397

Agency Authorization of Property Transfer

In March of 2011, the Agency adopted a resolution authorizing the transfer of two properties owned by the Agency to the City of Gonzales. Although authorization was provided to transfer all rights to these properties to the City, the title changes were not recorded with the County. This was a direct result of the recent changes in legislation (as more fully described at Note 16c) which took place shortly after the passing of this resolution and prior to the change in titles. As such the official transfer of titles did not occur. Additionally, since the titles did not transfer, the properties remained reflected as capital assets of the Agency.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Business-Type Activities:	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Capital Assets Not Being Depreciated:				
Land	\$ 604,807			\$ 604,807
Construction in progress	86,814			86,814
Total Capital Assets Not Being Depreciated	691,621			691,621
Capital Assets, Being Depreciated:				
Structures and improvements	46,939			46,939
Equipment and vehicles	1,534,229	\$ 598,972		2,133,201
Infrastructure	17,090,820			17,090,820
Total Capital Assets Being Depreciated	18,671,988	598,972		19,270,960
Less Accumulated Depreciation for:				
Structures and improvements	(23,427)	(938)		(24,365)
Equipment and vehicles	(733,398)	(3,980)		(737,378)
Infrastructure	(4,942,851)	(283,825)		(5,226,676)
Total Accumulated Depreciation	(5,699,676)	(288,743)		(5,988,419)
Net Depreciable Capital Assets	12,972,312	310,229		13,282,541
Net Capital Assets	\$ 13,663,933	\$ 310,229	\$ -	\$ 13,974,162

Depreciation Allocations

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

Governmental Activities	
General government	\$ 55,279
Parks and recreation	69,517
Public works	1,062,166
Public safety	195,583
Total Depreciation Expense-Governmental Activities	\$ 1,382,545
Business-type Activities	
Water	\$ 191,990
Sewer	96,753
Total Depreciation Expense-Business-type Activities	\$ 288,743

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due From/To Other Funds

Current interfund balances were attributed to negative cash balances and other short-term borrowing by the Agency 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, 2011.

		Due From					
		Governmental Funds			Proprietary Fund		
		Redevelopment					
		General Fund	Infrastructure Improvement Fund	Agency Debt Service Fund	Non-major Governmental Funds	Water Fund	Total
Due To	Governmental Funds						
	Redevelopment Agency Debt Service Fund	\$ 431,166			\$ 230,000	\$ 1,000,000	\$ 1,661,166
	Non-major Governmental Funds	537,860	\$ 500,000	\$ 119,037			1,156,897
	Proprietary (Enterprise) Funds						
	Garbage Fund	42,265					42,265
	Total	<u>\$ 1,011,291</u>	<u>\$ 500,000</u>	<u>\$ 119,037</u>	<u>\$ 230,000</u>	<u>\$ 1,000,000</u>	<u>\$ 2,860,328</u>

Advances

Receivable Fund	Payable Fund	Amount
RDA Debt Service Fund	RDA Special Revenue Fund	\$ 233,340 (A)
Water Fund	General Fund	594,000 (B)
Water Fund	RDA Debt Service Fund	1,000,000 (C)
		<u>\$ 1,827,340</u>

Advances at June 30, 2011 represent:

- (A) 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.
- (B) 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.
- (C) On June 1, 2011, the Agency entered into loan agreement with the City for an advance of \$1,000,000 provided to the Agency for the purpose of refunding a portion of the 2006 Subordinate Tax Allocation Notes of the Redevelopment Agency. The advance is payable to the City over ten years maturing on June 1, 2021. The terms of the agreement include the rate of interest at 2% payable commencing June 1, 2012 and continuing on each June 1st through June 1, 2016. Commencing on June 1, 2017 the Agency will make principal payments in the amount of \$200,000 along with interest payments until its maturity in 2021. Also, refer to Note 16c regarding the assembly bills affecting the redevelopment agencies.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

The scheduled annual minimum debt services requirements for the RDA repayment to the Water Fund at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	2011 Advance		
	Principal	Interest	Total
2012		\$ 20,000	\$ 20,000
2013		20,000	20,000
2014		20,000	20,000
2015		20,000	20,000
2016		20,000	20,000
2017-2021	\$ 1,000,000	60,000	1,060,000
	<u>\$ 1,000,000</u>	<u>\$ 160,000</u>	<u>\$ 1,160,000</u>

Interfund Transfers

		Transfers Out					
		Governmental Funds			Proprietary (Enterprise) Funds		
		Community Development Block Grant Fund	Redevelopment Agency Debt Service Fund	Non-major Governmental Funds	Sewer Fund	Garbage Fund	Total
Transfer In	Governmental Funds						
	General Fund	\$ 35,000		\$ 141,180		\$ 199,883	\$ 376,063
	Redevelopment Agency Debt Service Fund			2,517,506			2,517,506
	Non-major Governmental Funds		\$ 284,044	240,346			524,390
	Water Fund				59,605		59,605
	Total	<u>\$ 35,000</u>	<u>\$ 284,044</u>	<u>\$ 2,899,032</u>	<u>\$ 59,605</u>	<u>\$ 199,883</u>	<u>\$ 3,477,564</u>

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

Additionally, the following Transfers were made:

Non-Major Funds

- The Low and Moderate Income Housing Funds transferred \$207,653 which represents 20 percent of the total debt service of \$1,036,110 for the 2006 Tax Allocation Notes. Additionally, the Low and Moderate Income Housing Fund transferred \$2,309,851 to the Agency’s Debt Service Fund for the purpose of contributing its share of funds to retire the 2006 Allocation Notes.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

Major Funds

- The Agency’s Special Revenue Fund transferred \$100,000 to the City’s General Fund for its share of costs related to the Community Policing Program activities within the project area.
- The Agency’s Debt Service Fund transferred \$284,003 to the Agency’s Special Revenue Fund to finance various programs and administrative costs.

Major Proprietary Funds

- The Garbage Fund, the CDBG Fund and the other non-major governmental funds transferred \$199,883, \$41,180 and \$35,000 to the General Fund for reimbursement of administrative costs.
- Several non-major governmental funds transferred \$240,346 to other non-major governmental funds for various purposes but primarily for reimbursement of project costs.
- The Sewer Fund transferred \$59,605 to the Water Fund for its share of the water tank and sewer expansion note payable.

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, 2011, is \$330,000.

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, 2011, were as follows:

Police Vehicle Lease

<u>Fiscal Year Ending</u>	
2012	\$ 7,660
Total minimum lease payments	\$ 7,660
Less: amount representing interest	(94)
Present value of minimal lease payments	<u>\$ 7,566</u>

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 – CAPITAL LEASES (CONTINUED)

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 20th of each year as follows:

Fiscal Year Ending June 30,	Lighting Lease		
	Principal	Interest	Total
2012	\$ 28,715	\$ 1,532	\$ 30,247
	\$ 28,715	\$ 1,532	\$ 30,247

Capital Lease

The City entered into a Lease-Purchase Agreement in April 2011 in the amount of \$174,263, to finance the purchase of three police vehicles, a mower and water meters. The lease contains a bargain purchase option and is payable over four years. The four annual lease payments are due on July 15th of each year commencing on July 15, 2011. The lease payments and related interest are as follows:

Police Vehicles and Equipment Lease

<u>Fiscal Year Ending</u>	Governmental General Fund	Enterprise Water Fund	Total
2012	\$ 29,608	\$ 17,388	\$ 46,996
2013	29,608	17,388	46,996
2014	29,608	17,388	46,996
2015	29,607	17,388	46,995
Total minimum lease payments	\$ 118,431	\$ 69,552	\$ 187,983
Less: amount representing interest	(8,871)	(4,849)	(13,720)
Present value of minimal lease payments	\$ 109,560	\$ 64,703	\$ 174,263

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, 2011, were \$7,765,000.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 – TAX ALLOCATION BONDS AND NOTES, (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 15 for further discussion on pledged revenues. Also refer to Note 17 related to new legislation affecting redevelopment agencies.

The scheduled annual minimum debt service requirements at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	2003 Tax Allocation Refunding Bonds		
	Principal	Interest	Total
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	225,000	367,929	592,929
2017-2021	1,305,000	1,671,859	2,976,859
2022-2026	1,665,000	1,310,273	2,975,273
2027-2031	2,165,000	810,488	2,975,488
2032-2034	1,605,000	179,850	1,784,850
	<u>\$ 7,765,000</u>	<u>\$ 5,922,964</u>	<u>\$ 13,687,964</u>

2006 Subordinated 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 were scheduled to mature on August 1, 2011, with interest payable annually.

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.

As noted below, the 2006 Subordinate Tax Allocation Notes were refunded with the issuance of the 2011 Tax Allocation Refunding Bonds and the 2011 Lease Revenue Refunding Bonds issued on June 14, 2011. On June 1, 2011, an Irrevocable Trust Agreement was entered into and amounts sufficient to advance refund the notes were deposited into an escrow account on June 14, 2011 and as such are considered paid by the Agency as of June 30, 2011. The Notes were officially retired on July 15, 2011, subsequent to year end.

The refunding was performed in order to restructure the debt service payments related to the 2006 Notes. Remaining debt service on the 2006 Notes was approximately \$7,460,000, due on August 1, 2011. The debt service associated with the 2011 Lease Revenue Refunding Bonds and 2011 Tax Allocation Refunding Notes totaled \$16,163,000. Accordingly, the Agency's debt service requirements have increased \$8,703,000. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new debt) of \$853,000.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

2011 Lease Revenue Refunding Bonds

On June 14, 2011, the Redevelopment Agency of the City of Gonzales issued the 2011 Gonzales Redevelopment Agency Lease Revenue Refunding Bonds in the principal amount of \$4,440,000, at fixed interest rates ranging from 4% to 5.375% for the purpose of refunding a portion of its outstanding Gonzales Redevelopment Project Area No. One Subordinate Tax Allocation Notes Series 2006. The bonds mature on June 1, 2041, with interest payable semi-annually on December 1st and June 1st.

Pursuant to a lease agreement dated as of June 1, 2011, by and between the City and the Agency, the City will lease the real property and the building and related improvements thereon consisting of the Gonzales Police Station from the Agency. The 2011 Bonds are limited obligations of the Agency payable solely from the trust estate which consists of all lease payments and other payments paid by or for the benefit of the City and received by the trustee pursuant to the lease agreement and the trust agreement, and amounts held by the trustee in certain funds. The term of the lease shall end on June 1, 2041 and lease payments to the Agency by the City are equal to the debt service payments for the 2011 Lease Revenue Refunding Bonds as noted above. Also refer to Note 17 related to new legislation affecting redevelopment agencies.

The bonds outstanding at June 30, 2011 were \$4,440,000. The scheduled annual minimum debt service requirements at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	2011 Lease Revenue Refunding Bonds		
	Principal	Interest	Total
2012	\$ 70,000	\$ 298,149	\$ 368,149
2013	60,000	305,819	365,819
2014	65,000	302,819	367,819
2015	70,000	299,569	369,569
2016	70,000	296,769	366,769
2017-2021	405,000	1,435,363	1,840,363
2022-2026	530,000	1,313,350	1,843,350
2027-2031	715,000	1,124,631	1,839,631
2032-2036	990,000	846,088	1,836,088
2037-2041	1,465,000	375,375	1,840,375
	<u>\$ 4,440,000</u>	<u>\$ 6,597,932</u>	<u>\$ 11,037,930</u>

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

2011 Refunding Tax Allocation Bonds

On June 14, 2011, the Redevelopment Agency of the City of Gonzales issued the 2011 Gonzales Redevelopment Agency Tax Allocation Refunding Bonds (tax-exempt) in the principal amount of \$1,535,000, at an 8% fixed rate of interest for the purpose of refunding a portion of its outstanding Gonzales Redevelopment Project Area No. One Subordinate Tax Allocation Notes Series 2006. The 2011 Bonds are limited obligations of the Agency payable from and secured by pledged tax revenues. The bonds mature on December 1, 2044, with interest payable semi-annually on December 1st and June 1st. The bonds outstanding at June 30, 2011 were \$1,535,000.

The scheduled annual minimum debt service requirements at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	2011 Tax Allocation Refunding Bonds		
	Principal	Interest	Total
2012		\$ 118,356	\$ 118,356
2013		122,800	122,800
2014		122,800	122,800
2015		122,800	122,800
2016		122,800	122,800
2017-2021		614,000	614,000
2022-2026		614,000	614,000
2027-2031		614,000	614,000
2032-2036	\$ 190,000	599,200	789,200
2037-2041	630,000	419,200	1,049,200
2042-2045	715,000	119,800	834,800
	<u>\$ 1,535,000</u>	<u>\$ 3,589,756</u>	<u>\$ 5,124,756</u>

Deferred Charges

Deferred charges (issuance costs) related to the 2003 and 2011 bonds are being amortized over the life of the bonds on a straight-line basis. The remaining balance at June 30, 2011 for the governmental activities, was \$839,790 which represents costs of \$470,599 for the 2003 bonds, \$234,558 for the 2011 Lease Revenue Refunding Bonds and \$134,633 for the 2011 Tax Allocation Refunding Bonds. These are included in the Statement of Net Assets as Deferred Charges. Amortization for the 2010-2011 fiscal year amounted to \$85,827.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011, the outstanding loan balance was \$500,000 with accumulated interest of \$108,842.

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 30th and December 30th. The balance outstanding at June 30, 2011 was \$2,528,966.

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.

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
2012	\$ 126,488	\$ 113,645	\$ 240,133
2013	132,309	107,825	240,133
2014	138,397	101,736	240,133
2015	144,766	95,367	240,133
2016	151,428	88,706	240,133
2017-2021	868,303	332,364	1,200,667
2022-2026	967,275	113,325	1,080,600
	<u>\$ 2,528,966</u>	<u>\$ 952,969</u>	<u>\$ 3,481,935</u>

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 11 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One year
Governmental Activities:					
Bonds Payable:					
2003 Tax Allocation Refunding Bonds	\$ 7,945,000		\$ (180,000)	\$ 7,765,000	\$ 185,000
2006 Tax Allocation Notes	9,540,000		(9,540,000)		
Less: Bond Issuance Discount	(24,443)		24,443		
2011 Tax Allocation Refunding Bonds		\$ 1,535,000		1,535,000	
Original issue discount		(43,502)		(43,502)	
2011 Lease Revenue Refunding Bonds		4,440,000		4,440,000	70,000
Original issue premium		129,526		129,526	
Loan Payable:					
CalHFA loan	593,842	15,000		608,842	
Capital Leases:					
Police Vehicles Lease	34,198		(26,632)	7,566	7,566
Lighting lease	55,975		(27,260)	28,715	28,715
Police Vehicles & Equipment Lease		109,560		109,560	28,178
Compensated Absences	181,140	27,377		208,517	
Governmental activity long-term liabilities	<u>\$ 18,325,712</u>	<u>\$ 6,212,961</u>	<u>\$ (9,749,449)</u>	<u>\$ 14,789,224</u>	<u>\$ 319,459</u>
Business-type Activities:					
Note Payable:					
2005 Water Tank & Sewer Expansion	\$ 2,649,890		\$ (120,924)	\$ 2,528,966	\$ 126,488
Lease Payable		64,703		64,703	16,548
Business-type activity Long-term liabilities	<u>\$ 2,649,890</u>	<u>\$ 64,703</u>	<u>\$ (120,924)</u>	<u>\$ 2,593,669</u>	<u>\$ 143,036</u>

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.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 12 – RISK MANAGEMENT, (CONTINUED)

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, 2010 (most recent information available), is as follows:

Total Assets	\$ 14,087,133
Total Liabilities	<u>17,343,800</u>
Net Assets	<u><u>\$ (3,256,667)</u></u>
Total Revenues	\$ 4,376,621
Total Expenses	<u>4,690,211</u>
Change in Net Assets	<u><u>\$ (313,590)</u></u>

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.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 13 – DEFINED BENEFIT PENSION PLAN, (CONTINUED)

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 2010-2011 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 2010-2011, the City's annual pension cost was \$401,938.

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>
6/30/2009	\$ 439,881	100%	-
6/30/2010	420,788	100%	-
6/30/2011	401,938	100%	-

NOTE 14 – NET ASSETS AND FUND BALANCES

Net Assets

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

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

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 – NET ASSETS AND FUND BALANCES, (CONTINUED)

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

Fund Balances

The fund balances 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 restricted or assigned for future expenditure.

	General Fund	Special Revenue Community Development Block Grant	Debt Service RDA Debt Service	Infrastructure Improvement Fund	Non-major Governmental Funds	Total
Nonspendable:						
Advances to Other Funds			\$ 233,340			\$ 233,340
Due From Other Funds	\$ 580,125			\$ 500,000		1,080,125
Restricted for:						
Low-Mod Housing					\$ 117,850	117,850
Debt Service			1,413,673		146,468	1,560,141
Community Programs		\$ 86,461				86,461
Grant Programs					134,171	134,171
Highway maintenance					303,009	303,009
Maintenance Assessments					1,804,277	1,804,277
Developer Impact Projects					1,550,408	1,550,408
Assigned for:						
Capital Projects				218,688		218,688
Unassigned	351,836		(1,950,099)		(1,193,479)	(2,791,742)
Total Fund Balance	\$ 931,961	\$ 86,461	\$ (303,086)	\$ 718,688	\$ 2,862,704	\$ 4,296,728

Nonspendable for:

Advances to other Funds

These amounts represent amounts receivable from other funds that are expected to be repaid over a longer period of time.

Due from Other Funds

These amounts represent short-term receivables from other funds however the funds expected to repay the amounts do not have current available resources to repay the balances or have negative fund balances.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 15 – PLEDGED REVENUES

The Agency has pledged tax increment revenues to repay the 2003 Tax Allocation Refunding Bonds (TARBs) and the 2011 TAB. The aggregate principal and interest amounts outstanding at June 30, 2011 were \$13,687,964 and \$5,124,756. For additional information on the indebtedness, refer to Note 5.

The Agency 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>FY-2010/2011 Principal and Interest Paid</u>	<u>Pledged Revenues</u>
2003 Tax Allocation Refunding Bonds	December 1, 2033	\$ 593,778	
2011 Tax Allocation Refunding Bonds	December 1, 2044	-	
		<u>\$ 593,778</u>	<u>\$ 1,075,935</u>

NOTE 16 – COMMITMENTS AND CONTINGENCIES

A. General

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, 2011, the monthly payment was \$5,403. During fiscal year 2010-2011, the City paid the resident a total of \$64,838.

The City is a member of the Monterey Bay Area Self Insurance Fund, (see Note 12). The Fund has deficit net assets of \$3,256,667 as of June 30, 2010 (most recent information available).

B. Supplemental Educational Revenue Augmentation Funds (SERAF)

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 \$102,069 during fiscal year 2010-2011 which was recorded as Supplemental Educational Revenue Augmentation Fund at the Statement of Revenues, Expenditures and Changes in Fund Balance.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 16 – COMMITMENTS AND CONTINGENCIES, (CONTINUED)

C. Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State’s budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 27 indicated that the city “may use any available funds not otherwise obligated for other uses” to make this payment. The City intended to use available monies of its redevelopment agency (Agency) for this purpose and the City and Agency approved a reimbursement agreement to accomplish that objective.

Assembly Bill X1 26 direct the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26. On March 7, 2011, the Agency adopted a resolution authorizing the transfer of real property from the Agency to the City. As also noted at Note #5, the title to such properties were not completed as a direct result of the pending legislation and as such transfer did not occur.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties, and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all Assembly Bill X1 27 and most Assembly Bill X1 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.” A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligation Payment Schedule (“EOPS”) by August 19, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (“ROPS”) by September 30, 2011.

Since the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an EOPS and draft ROPS prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government, legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set for in ABX1 26.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 16 – COMMITMENTS AND CONTINGENCIES, (CONTINUED)

On December 29, 2011, the California Supreme Court upheld that Assembly Bill 1X 26 was constitutional. Assembly Bill 1X 26 dissolves redevelopment agencies and redirects their property tax revenues. Assembly Bill 1X 27 was struck down by the Supreme Court.

On January 17, 2012, the City of Gonzales adopted resolution #2012-02 designating the City of Gonzales as the successor agency under Part 1, 85 of the Health & Safety Code.

The Agency's management is evaluating the impact of this event and the details of the outcome are not yet known.

NOTE 17 – SUBSEQUENT EVENTS / GOING CONCERN

New Legislation

On August 22, 2011, City Ordinance No. 2011-73 was adopted, indicating that the City intended to comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills X1 26 and/or 27 were upheld as constitutional. The initial payment by the City would have been due on January 15, 2012 and the other half due on May 15, 2012. Thereafter, payments would have been due annually. The amounts to be paid after fiscal year 2012-13 were subject to determination by the State Legislature. The semi-annual payments would be due on January 15 and May 15 of each year and would increase or decrease with changes in the tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. This ordinance also required the Agency to transfer annual portions of its tax increment to the City in amounts not to exceed the annual community remittance payments to enable the City, directly or indirectly, to make the annual remittance payments. The City Council did not intend, by enactment of this ordinance, to pledge any of its General Fund revenues or assets to make the remittance payments. Assembly Bill X1 27 allowed a one-year reprieve on the Agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

On August 25, 2011, the Agency adopted the Enforceable Obligation Payment Schedule (EOPS), and on September 19, 2011, the Recognized Obligation Payment Schedule (ROPS) was also adopted.

On or about September 29, 2011, a Compliant for Declaratory and Injunctive Relief and Petition for Writ of Mandate was filed by the City of Cerritos and its Agency on behalf of several state redevelopment agencies challenging the constitutionality of Assembly Bill X1 26 and 27. This action was filed with the Sacramento Superior Court.

On December 29, 2011, the California Supreme Court upheld that Assembly Bill 1X 26 was constitutional and therefore dissolves redevelopment agencies and redirects their property tax revenues; Assembly Bill XI 27 was struck down by the Supreme Court.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame is subject to the details of Assembly Bill X1 26.

CITY OF GONZALES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 17 – SUBSEQUENT EVENTS / GOING CONCERN, (CONTINUED)

New Legislation, (Continued)

The Agency's management is evaluating the impact of the Supreme Court's decision to uphold Assembly Bill XI 26, which dissolves redevelopment agencies. The details of the outcome are not yet known, however, this event causes substantial doubt regarding the Agency's ability to continue as a going concern. Additionally, as noted at Note 16c, on January 17, 2012, the City of Gonzales adopted resolution #2012-02 designating the City of Gonzales as the successor agency under Part 1, 85 of the Health & Safety Code, which essentially transfers the operations to the successor Agency effective February 1, 2012.

New Lease

In November of 2011, the City entered into a lease to finance a solar system project in the approximate amount of \$2.7 million.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GONZALES

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes and assessments	\$ 1,905,400	\$ 1,909,800	\$ 1,952,528	\$ 42,728
Licenses, permits, and impact fees	56,575	52,090	27,840	(24,250)
Fines and penalties	22,000	17,000	26,545	9,545
Use of money and property	84,500	83,000	92,214	9,214
Intergovernmental	98,013	99,513	115,831	16,318
Charges for services	298,850	338,878	334,623	(4,255)
Other revenues	273,500	286,000	293,000	7,000
Total Revenues	2,738,838	2,786,281	2,842,581	56,300
EXPENDITURES				
Current:				
General government	819,187	879,557	791,027	88,530
Public safety	2,019,303	2,201,973	2,130,170	71,803
Public works	56,854	70,375	61,273	9,102
Parks and recreation	295,393	342,350	327,687	14,663
Capital outlay	46,500	38,500	147,863	(109,363)
Total Expenditures	3,237,237	3,532,755	3,458,020	74,735
Excess (Deficiency) of Revenues Over (Under) Expenditures	(498,399)	(746,474)	(615,439)	131,035
OTHER FINANCING SOURCES (USES)				
Transfers in	379,755	399,755	376,063	(23,692)
Capital Leases			109,560	109,560
Total Other Financing Sources (Uses)	379,755	399,755	485,623	85,868
Net Change in Fund Balance	(118,644)	(346,719)	(129,816)	216,903
Fund Balance - July 1, 2010	1,061,777	1,061,777	1,061,777	
Fund Balance - June 30, 2011	\$ 943,133	\$ 715,058	\$ 931,961	\$ 216,903

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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 1,000	\$ 2,700	\$ 1,682	\$ (1,018)
Intergovernmental	367,000	295,000	274,775	(20,225)
Other revenues			27,164	27,164
Total Revenues	<u>368,000</u>	<u>318,500</u>	<u>303,621</u>	<u>(14,879)</u>
EXPENDITURES				
Current:				
General government	1,840	308,250	187,556	120,694
Public works	345,975	391,000	90,307	300,693
Total Expenditures	<u>347,815</u>	<u>699,250</u>	<u>277,863</u>	<u>421,387</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,185</u>	<u>(380,750)</u>	<u>25,758</u>	<u>406,508</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	
Net Change in Fund Balance	(14,815)	(415,750)	(9,242)	406,508
Fund Balance - July 1, 2010	<u>95,703</u>	<u>95,703</u>	<u>95,703</u>	
Fund Balance - June 30, 2011	<u>\$ 80,888</u>	<u>\$ (320,047)</u>	<u>\$ 86,461</u>	<u>\$ 406,508</u>

See accompanying notes to required supplementary information.

CITY OF GONZALES

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011**

***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, 2011**

	Special Revenue Funds				
	Signalization Fund	Supplemental Local Law Enforcement Fund	California Breeze Maintenance District Fund	Public Safety Fund	Police Impact Fund
ASSETS					
Cash and investments	\$ 428,895		\$ 276,520	1	\$ 35,810
Accounts receivable		\$ 32,737		148,878	
Interest receivable	68		240		6
Notes and loans receivable					
Due from other funds					
Total Assets	\$ 428,963	\$ 32,737	\$ 276,760	\$ 148,879	\$ 35,816
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable			\$ 4,617	\$ 110,930	\$ 7,794
Accrued wages			555	1,660	
Due to other funds		\$ 62,592		338,198	
Deposits payable					
Advances from other funds					
Deferred revenue				42,950	
Total Liabilities		62,592	5,172	493,738	7,794
FUND BALANCES					
Restricted	\$ 428,963		271,588		\$ 28,022
Unassigned		(29,855)		(344,859)	
Total Fund Balances	428,963	(29,855)	271,588	(344,859)	28,022
Total Liabilities and Fund Balances	\$ 428,963	\$ 32,737	\$ 276,760	\$ 148,879	\$ 35,816

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
\$ 95,964	\$ 84,288	\$ 40,355	\$ 189,760	\$ 117,777		\$ 510,036
	22	99,930	4,212	111		427
			183			
<u>\$ 95,964</u>	<u>\$ 84,310</u>	<u>\$ 140,285</u>	<u>\$ 194,155</u>	<u>\$ 117,888</u>	<u>\$ -</u>	<u>\$ 510,463</u>
\$ 1,463	7,794	\$ 5,461	\$ 23,250	95,677	\$ 10	\$ 8,385
		2,720			35,142	459
<u>1,463</u>	<u>7,794</u>	<u>8,181</u>	<u>23,250</u>	<u>95,677</u>	<u>35,152</u>	<u>8,844</u>
\$ 94,501	\$ 76,516	132,104	170,905	\$ 22,211		501,619
					(35,152)	
<u>94,501</u>	<u>76,516</u>	<u>132,104</u>	<u>170,905</u>	<u>22,211</u>	<u>(35,152)</u>	<u>501,619</u>
<u>\$ 95,964</u>	<u>\$ 84,310</u>	<u>\$ 140,285</u>	<u>\$ 194,155</u>	<u>\$ 117,888</u>	<u>\$ -</u>	<u>\$ 510,463</u>

CITY OF GONZALES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, (CONTINUED)
JUNE 30, 2011**

	Special Revenue Funds				
	Recreation Services Fund	Cal Trans Federal Grant Fund	Circulation System Impact Fund	Cipriani Estates Park Maintenance	Cipriani Estates Maintenance
ASSETS					
Cash and investments		\$ 1,310	\$ 107,443	\$ 168,720	\$ 205,014
Accounts receivable					
Interest receivable				146	189
Notes and loans receivable					
Due from other funds					
Total Assets	<u>\$ -</u>	<u>\$ 1,310</u>	<u>\$ 107,443</u>	<u>\$ 168,866</u>	<u>\$ 205,203</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable				\$ 1,236	\$ 1,275
Accrued wages					31
Due to other funds	\$ 63,705				
Deposits payable					
Advances from other funds					
Deferred revenue					
Total Liabilities	<u>63,705</u>			<u>1,236</u>	<u>1,306</u>
FUND BALANCES					
Restricted		\$ 1,310	107,443	167,630	203,897
Unassigned	(63,705)				
Total Fund Balances	<u>(63,705)</u>	<u>1,310</u>	<u>107,443</u>	<u>167,630</u>	<u>203,897</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 1,310</u>	<u>\$ 107,443</u>	<u>\$ 168,866</u>	<u>\$ 205,203</u>

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
\$ 122,308	\$ 110,683	\$ 204,445	\$ 58,438	\$ 20,621		\$ 3,543
115	79	44	55	17		
<u>\$ 122,423</u>	<u>\$ 110,762</u>	<u>\$ 204,489</u>	<u>\$ 58,493</u>	<u>\$ 20,638</u>	<u>\$ -</u>	<u>\$ 3,543</u>
\$ 707	\$ 1,819				\$ 38	
79						
786	1,819				38	
121,637	108,943	\$ 204,489	\$ 58,493	20,638	(38)	\$ 3,543
121,637	108,943	204,489	58,493	20,638	(38)	3,543
<u>\$ 122,423</u>	<u>\$ 110,762</u>	<u>\$ 204,489</u>	<u>\$ 58,493</u>	<u>\$ 20,638</u>	<u>\$ -</u>	<u>\$ 3,543</u>

CITY OF GONZALES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, (CONTINUED)
JUNE 30, 2011**

	Special Revenue Funds				
	Transportation Enhancement Act Program Fund	Sewer Impact Fund	Water Impact Fund	Ag. Industrial Park Federal Grant	TDA Fund
ASSETS					
Cash and investments	\$ 68,339	\$ 194,778	\$ 761,785	\$ 36,408	\$ 95,687
Accounts receivable					
Interest receivable	44	89	111	40	
Notes and loans receivable		21,983	48,723		
Due from other funds					
Total Assets	<u>\$ 68,383</u>	<u>\$ 216,850</u>	<u>\$ 810,619</u>	<u>\$ 36,448</u>	<u>\$ 95,687</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable					
Accrued wages					
Due to other funds					\$ 33,827
Deposits payable					
Advances from other funds					
Deferred revenue		\$ 21,983	\$ 48,723		61,860
Total Liabilities		<u>21,983</u>	<u>48,723</u>		<u>95,687</u>
FUND BALANCES					
Restricted	\$ 68,383	194,867	761,896	\$ 36,448	
Unassigned					
Total Fund Balances	<u>68,383</u>	<u>194,867</u>	<u>761,896</u>	<u>36,448</u>	
Total Liabilities and Fund Balances	<u>\$ 68,383</u>	<u>\$ 216,850</u>	<u>\$ 810,619</u>	<u>\$ 36,448</u>	<u>\$ 95,687</u>

Special Revenue Funds				Debt Service Funds		
CDBG: 7th and 10th Street Project	Redevelopment Agency Special Revenue Fund	AQMD	Redevelopment Agency Low/Moderate Income Housing Fund	Shopping Center Fund	Bridge Fund	Sewer Assessment Fund
		\$ 5,819		\$ 4,984	\$ 141,331	
	\$ 241,064		\$ 440,615		153	
			230,000			
<u>\$ -</u>	<u>\$ 241,064</u>	<u>\$ 5,819</u>	<u>\$ 670,615</u>	<u>\$ 4,984</u>	<u>\$ 141,484</u>	<u>\$ -</u>
	\$ 5,436					
	1,610					
	6,887		\$ 112,150			\$ 4,358
	1,000					
	233,340					
	241,064		440,615			
	<u>489,337</u>		<u>552,765</u>			<u>4,358</u>
		\$ 5,819	117,850	4,984	\$ 141,484	
	(248,273)					(4,358)
	(248,273)	5,819	117,850	4,984	141,484	(4,358)
<u>\$ -</u>	<u>\$ 241,064</u>	<u>\$ 5,819</u>	<u>\$ 670,615</u>	<u>\$ 4,984</u>	<u>\$ 141,484</u>	<u>\$ -</u>

CITY OF GONZALES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, (CONTINUED)
JUNE 30, 2011**

	<u>Capital Projects</u>	
	Redevelopment Agency Capital Projects Fund	Totals
ASSETS		
Cash and investments	\$ 32,761	\$ 4,123,823
Accounts receivable		285,757
Interest receivable		2,139
Notes and loans receivable	201,713	954,098
Due from other funds		230,000
	<u>\$ 234,474</u>	<u>\$ 5,595,817</u>
Total Assets		
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable		\$ 275,854
Accrued wages		7,114
Due to other funds	\$ 500,000	1,156,897
Deposits payable		1,000
Advances from other funds		233,340
Deferred revenue	201,713	1,058,908
	<u>701,713</u>	<u>2,733,113</u>
Total Liabilities		
 FUND BALANCES		
Restricted		4,056,183
Unassigned	(467,239)	(1,193,479)
	<u>(467,239)</u>	<u>2,862,704</u>
Total Fund Balances		
Total Liabilities and Fund Balances	<u>\$ 234,474</u>	<u>\$ 5,595,817</u>

CITY OF GONZALES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds				
	Signalization Fund	Supplemental Local Law Enforcement Fund	California Breeze Maintenance District Fund	Public Safety Fund	Police Impact Fund
REVENUES					
Taxes and assessments			\$ 148,975		
License, permits, and impact fees				\$ 2,385	
Use of money and property	\$ 2,622		823		\$ 178
Intergovernmental revenues		\$ 143,344		202,987	
Charges for service					55
Other revenues					
Total Revenues	2,622	143,344	149,798	205,372	233
EXPENDITURES					
Current:					
General government					
Public safety				381,081	8,245
Public works					
Parks and recreation			76,375		
Community development					
Streets and roads					
Capital outlay			13,672		
Intergovernmental:					
Supplemental Educational Revenue Augmentation Fund					
Total Expenditures			90,047	381,081	8,245
Excess (Deficiencies) of Revenues Over (Under) Expenditures	2,622	143,344	59,751	(175,709)	(8,012)
OTHER FINANCING SOURCES (USES)					
Transfers in				142,150	
Transfers out		(142,150)	(35,110)		
Total Other Financing Sources (Uses)		(142,150)	(35,110)	142,150	
Net Change in Fund Balances	2,622	1,194	24,641	(33,559)	(8,012)
Fund Balances - July 1, 2010	426,341	(31,049)	246,947	(311,300)	36,034
Fund Balances - June 30, 2011	\$ 428,963	\$ (29,855)	\$ 271,588	\$ (344,859)	\$ 28,022

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	Recreation Services Fund	CalTrans Federal Grant Fund
		\$ 328,120	\$ 46,759			\$ 200,093		
\$ 14,852 1,301	\$ 1,253 376	110	559	\$ 387	\$ 8,454	1,571	\$ 60,048	
30,000	2,089							
46,153	3,718	328,230	47,318	387	8,454	201,664	60,048	
	7,796				30,954			
49,143						69,188	\$ 8,361	
180,587		312,133	976 23,250	14,030 82,000		64,557	65,931	
229,730	7,796	312,133	24,226	96,030	30,954	133,745	74,292	
(183,577)	(4,078)	16,097	23,092	(95,643)	(22,500)	67,919	(14,244)	
		65,060 (33,136)				(41,898)		
		31,924				(41,898)		
(183,577)	(4,078)	48,021	23,092	(95,643)	(22,500)	26,021	(14,244)	
278,078	80,594	84,083	147,813	117,854	(12,652)	475,598	\$ (49,461)	\$ 1,310
\$ 94,501	\$ 76,516	\$ 132,104	\$ 170,905	\$ 22,211	\$ (35,152)	\$ 501,619	\$ (63,705)	\$ 1,310

CITY OF GONZALES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES, (CONTINUED)
YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds				
	Circulation System Impact Fund	Cipriani Estates Park Maintenance	Cipriani Estates Maintenance	Gonzales Industrial Park Landscape Maintenance	Gonzales Industrial Park Benefit Assessment
REVENUES					
Taxes and assessments		\$ 34,996	\$ 50,322	\$ 21,840	\$ 56,733
License, permits, and impact fees					
Use of money and property	\$ 676	549	761	449	320
Intergovernmental revenues					
Charges for service					
Other revenues					
Total Revenues	<u>676</u>	<u>35,545</u>	<u>51,083</u>	<u>22,289</u>	<u>57,053</u>
EXPENDITURES					
Current:					
General government					
Public safety					
Public works	390	15,622	14,610	8,150	14,981
Parks and recreation					
Community development					
Streets and roads					
Capital outlay					
Intergovernmental:					
Supplemental Educational Revenue Augmentation Fund					
Total Expenditures	<u>390</u>	<u>15,622</u>	<u>14,610</u>	<u>8,150</u>	<u>14,981</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>286</u>	<u>19,923</u>	<u>36,473</u>	<u>14,139</u>	<u>42,072</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out		(2,500)	(13,066)	(4,666)	(9,000)
Total Other Financing Sources (Uses)		<u>(2,500)</u>	<u>(13,066)</u>	<u>(4,666)</u>	<u>(9,000)</u>
Net Change in Fund Balances	286	17,423	23,407	9,473	33,072
Fund Balances - July 1, 2010	107,157	150,207	180,490	112,164	75,871
Fund Balances - June 30, 2011	<u>\$ 107,443</u>	<u>\$ 167,630</u>	<u>\$ 203,897</u>	<u>\$ 121,637</u>	<u>\$ 108,943</u>

Special Revenue Funds

Storm Drainage Facility Impact Fund	Public Facilities Impact Fund	Public Uses	Aquatics Facilities	Animal Control Facilities	Transportation Enhancement Act Program Fund	Sewer Impact Fund	Water Impact Fund
\$ 1,090	\$ 95	\$ 29			\$ 189	\$ 3,537 1,434	\$ 2,172 6,108
						5,797	10,249
<u>1,090</u>	<u>95</u>	<u>29</u>			<u>189</u>	<u>10,768</u>	<u>18,529</u>
2	2		\$ 3	\$ 2			
20	11					2	1
<u>22</u>	<u>13</u>		<u>3</u>	<u>2</u>		<u>2</u>	<u>1</u>
<u>1,068</u>	<u>82</u>	<u>29</u>	<u>(3)</u>	<u>(2)</u>	<u>189</u>	<u>10,766</u>	<u>18,528</u>
<u>1,068</u>	<u>82</u>	<u>29</u>	<u>(3)</u>	<u>(2)</u>	<u>189</u>	<u>10,766</u>	<u>18,528</u>
<u>203,421</u>	<u>58,411</u>	<u>20,609</u>	<u>(35)</u>	<u>3,545</u>	<u>68,194</u>	<u>184,101</u>	<u>743,368</u>
<u>\$ 204,489</u>	<u>\$ 58,493</u>	<u>\$ 20,638</u>	<u>\$ (38)</u>	<u>\$ 3,543</u>	<u>\$ 68,383</u>	<u>\$ 194,867</u>	<u>\$ 761,896</u>

CITY OF GONZALES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES, (CONTINUED)
YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds				
	Ag. Industrial Park Federal Grant	TDA Fund	CDBG: 7th and 10th Street Project	Redevelopment Agency Special Revenue Fund	AQMD
REVENUES					
Taxes and assessments					
License, permits, and impact fees					
Use of money and property	\$ 170	\$ 951		\$ 13,666	\$ 1,427
Intergovernmental revenues		205,556			100,000
Charges for service					
Other revenues				6,372	104,392
Total Revenues	170	206,507		20,038	205,819
EXPENDITURES					
Current:					
General government				204,081	
Public safety					200,000
Public works					
Parks and recreation					
Community development					
Streets and roads		206,507			
Capital outlay					
Intergovernmental:					
Supplemental Educational Revenue Augmentation Fund					
Total Expenditures		206,507		204,081	200,000
Excess (Deficiencies) of Revenues Over (Under) Expenditures	170			(184,043)	5,819
OTHER FINANCING SOURCES (USES)					
Transfers in			\$ 33,136	284,044	
Transfers out				(100,000)	
Total Other Financing Sources (Uses)			33,136	184,044	
Net Change in Fund Balances	170		33,136	1	5,819
Fund Balances - July 1, 2010	36,278		(33,136)	(248,274)	
Fund Balances - June 30, 2011	\$ 36,448	\$ -	\$ -	\$ (248,273)	\$ 5,819

Redevelopment Agency Low/Moderate Income Housing Fund	Debt Service Funds			Capital Projects	Totals
	Shopping Center Fund	Bridge Fund	Sewer Assessment Fund	Redevelopment Agency Capital Projects Fund	
\$ 215,187	\$ 7,196	\$ 362			\$ 1,110,583
1,806		626		\$ 6,308	32,653
					44,581
					711,935
					55
8,354				7,844	175,097
<u>225,347</u>	<u>7,196</u>	<u>988</u>		<u>14,152</u>	<u>2,074,904</u>
					242,840
					589,326
					53,787
					203,067
3,355				(8)	3,347
					533,646
3,538				5,981	439,516
<u>102,069</u>					<u>102,069</u>
<u>108,962</u>				<u>5,973</u>	<u>2,167,598</u>
<u>116,385</u>	<u>7,196</u>	<u>988</u>		<u>8,179</u>	<u>(92,694)</u>
					524,390
<u>(2,517,506)</u>					<u>(2,899,032)</u>
<u>(2,517,506)</u>					<u>(2,374,642)</u>
<u>(2,401,121)</u>	<u>7,196</u>	<u>988</u>		<u>8,179</u>	<u>(2,467,336)</u>
<u>2,518,971</u>	<u>(2,212)</u>	<u>140,496</u>	<u>\$ (4,358)</u>	<u>(475,418)</u>	<u>5,330,040</u>
<u>\$ 117,850</u>	<u>\$ 4,984</u>	<u>\$ 141,484</u>	<u>\$ (4,358)</u>	<u>\$ (467,239)</u>	<u>\$ 2,862,704</u>

CITY OF GONZALES

**AGENCY FUND
STATEMENT OF CHANGES IN
FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2011**

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
ASSETS				
Cash and investments	\$ 152,986	\$ 4,000		\$ 156,986
Interest receivable	154		\$ (30)	124
Total Assets	<u>\$ 253,994</u>	<u>\$ 4,000</u>	<u>\$ (30)</u>	<u>\$ 157,110</u>
LIABILITIES				
Due to other agencies	\$ 153,140	\$ 4,000	\$ (30)	\$ 157,110
Total Liabilities	<u>\$ 253,994</u>	<u>\$ 4,000</u>	<u>\$ (30)</u>	<u>\$ 157,110</u>