

CITY OF SOLEDAD

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Soledad, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Soledad, California, (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Soledad, California, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 42 - 45 and the Schedule of the City's Proportionate Share of Net Pension Liability and the Schedule of Contributions on pages 46 - 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

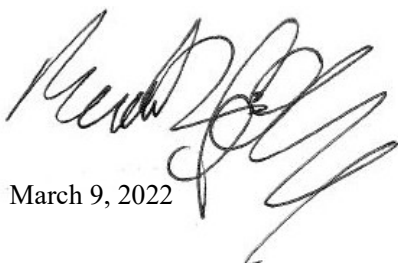
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2022, on our consideration of the City of Soledad's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Soledad's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be "M. J. [unclear]", is written over the date "March 9, 2022".

March 9, 2022

CITY OF SOLEDAD

STATEMENT OF NET POSITION JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 15,037,485	\$ 14,893,191	\$ 29,930,676
Cash and investments with fiscal agent	-	208,738	208,738
Accounts receivable, net	1,177,956	2,229,349	3,407,305
Internal balances	(634,655)	634,655	-
Due from other governments	1,567,952	-	1,567,952
Interest receivable	2,636	2,846	5,482
Notes receivable	8,544,825	-	8,544,825
Deferred charges	-	2,618,646	2,618,646
Capital assets, net of allowance for depreciation	32,215,246	56,324,540	88,539,786
Total assets	<u>57,911,445</u>	<u>76,911,965</u>	<u>134,823,410</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>1,525,416</u>	<u>238,412</u>	<u>1,763,828</u>
LIABILITIES			
Accounts payable and accrued expense	1,594,353	829,279	2,423,632
Accrued interest payable	974	10,223	11,197
Deposits payable	175,252	145,322	320,574
Long-term liabilities			
Due within one year	38,023	1,721,424	1,759,447
Due in more than one year	137,770	28,930,789	29,068,559
Compensated absences	603,586	323,412	926,998
Net pension liability	5,011,694	602,149	5,613,843
Total liabilities	<u>7,561,652</u>	<u>32,562,598</u>	<u>40,124,250</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>335,984</u>	<u>38,190</u>	<u>374,174</u>
NET POSITION			
Net investment in capital assets	32,039,453	25,643,761	57,683,214
Restricted for debt service	-	1,751,176	1,751,176
Restricted for long-term notes receivable	8,544,825	-	8,544,825
Restricted for specific projects and programs	7,947,228	-	7,947,228
Unrestricted	3,007,719	17,154,652	20,162,371
Total net position	<u>\$ 51,539,225</u>	<u>\$ 44,549,589</u>	<u>\$ 96,088,814</u>

CITY OF SOLEDAD

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expense	Program Revenue			Net Revenue/(Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 1,411,161	\$ -	\$ -	\$ 62,678	\$ (1,348,483)	\$ -	\$ (1,348,483)
Public works	2,576,472	-	772,006	899,813	(904,653)	-	(904,653)
Community development	762,370	470,080	40,000	-	(252,290)	-	(252,290)
Public safety	6,111,590	482,551	894,443	58,457	(4,676,139)	-	(4,676,139)
Community services	1,000,505	6,576	585,594	228,595	(179,740)	-	(179,740)
Debt Service							
Interest and fiscal charges	23,760	-	-	-	(23,760)	-	(23,760)
Total governmental activities	12,230,985	959,207	2,292,043	1,249,543	(7,730,192)	-	(7,730,192)
Business-type activities							
Water	3,153,110	2,654,513	-	246,976	-	(251,621)	(251,621)
Sewer	4,868,710	6,115,552	-	8,855	-	1,255,697	1,255,697
Garbage	2,930,800	3,356,780	4,265	-	-	430,245	430,245
Total business-type activities	10,952,620	12,126,845	4,265	255,831	-	1,434,321	1,434,321
Total primary government	\$ 23,183,605	\$ 13,086,052	\$ 2,296,308	\$ 1,505,374	(7,730,192)	1,434,321	(6,295,871)
General Revenue							
Property taxes and assessments					4,675,729	-	4,675,729
Sales taxes					4,403,668	-	4,403,668
Franchise and other taxes					168,317	-	168,317
Transient lodging taxes					124,084	-	124,084
Utility users tax					717,911	-	717,911
Business license tax					101,501	-	101,501
Investment income					132,293	42,848	175,141
Rents and other income					138,555	554,919	693,474
Transfers					747,688	(747,688)	-
Total general revenue and transfers					11,209,746	(149,921)	11,059,825
Change in Net Position					3,479,554	1,284,400	4,763,954
Net Position							
Beginning of year					48,059,671	43,265,189	91,324,860
End of year					\$ 51,539,225	\$ 44,549,589	\$ 96,088,814

See accompanying notes.

CITY OF SOLEDAD

BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2021

	General	Program Income	Development Impact	Measure X	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 5,863,801	\$ 209,807	\$ 1,795,733	\$ 2,195,591	\$ 4,697,355	\$ 14,762,287
Accounts receivable	319,752	-	130,745	-	711,827	1,162,324
Due from other governments	1,193,051	63,144	-	211,692	100,065	1,567,952
Due from other funds	691,131	-	-	-	-	691,131
Interest receivable	1,030	37	313	386	822	2,588
Notes receivable	-	6,741,378	-	-	1,803,447	8,544,825
Total assets	<u>\$ 8,068,765</u>	<u>\$ 7,014,366</u>	<u>\$ 1,926,791</u>	<u>\$ 2,407,669</u>	<u>\$ 7,313,516</u>	<u>\$ 26,731,107</u>
LIABILITIES						
Accounts payable and accrued expense	651,522	-	482,285	-	455,270	1,589,077
Due to other funds	-	-	-	-	691,131	691,131
Advance from other funds	-	-	634,655	-	-	634,655
Deposits and other liabilities	175,252	-	-	-	-	175,252
Total liabilities	<u>826,774</u>	<u>-</u>	<u>1,116,940</u>	<u>-</u>	<u>1,146,401</u>	<u>3,090,115</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	-	6,741,378	-	-	1,803,447	8,544,825
Total deferred inflows of resources	<u>-</u>	<u>6,741,378</u>	<u>-</u>	<u>-</u>	<u>1,803,447</u>	<u>8,544,825</u>
FUND BALANCE						
Restricted						
Capital improvement projects	-	-	809,851	-	-	809,851
Circulation improvements	-	-	-	2,407,669	670,382	3,078,051
Lighting, landscape & park maintenance	-	-	-	-	1,946,769	1,946,769
Public safety programs	-	-	-	-	594,282	594,282
Low-income housing activities	-	272,988	-	-	1,245,287	1,518,275
Committed for contingency reserve	1,500,000	-	-	-	-	1,500,000
Unassigned	5,741,991	-	-	-	(93,052)	5,648,939
Total fund balance	<u>7,241,991</u>	<u>272,988</u>	<u>809,851</u>	<u>2,407,669</u>	<u>4,363,668</u>	<u>15,096,167</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 8,068,765</u>	<u>\$ 7,014,366</u>	<u>\$ 1,926,791</u>	<u>\$ 2,407,669</u>	<u>\$ 7,313,516</u>	<u>\$ 26,731,107</u>

See accompanying notes.

CITY OF SOLEDAD

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2021

Total governmental fund balance	\$ 15,096,167
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Amounts reported for governmental activities in the Statement
of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	32,215,246
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	(175,793)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds	(603,586)
Net pension liability applicable to governmental activities are not due and payable in the current period and accordingly is not reported in the governmental funds	(5,011,694)
Deferred outflows of resources related to net pension liability, represent an consumption of net pension or fund balance that applies to future period(s) and so will not be recognized as an outflow of resources (revenue) until that time	1,525,416
Deferred inflows of resources related to net pension liability, represent an acquisition of net pension or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time	(335,984)
Interest on long-term debt is reported as an expenditure of the Governmental Funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred	(974)
Internal service funds are used by management to charge the costs of fleet maintenance and computer services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	285,602
Certain revenues in Governmental Funds are deferred because they are not collected within the prescribed time period after fiscal year end. Those revenues are recognized on the accrual basis in Governmental Activities	<u>8,544,825</u>
Net position of governmental activities	<u>\$ 51,539,225</u>

CITY OF SOLEDAD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2021

	General	Program Income	Development Impact	Measure X	Other Governmental Funds	Total Governmental Funds
Revenue						
Taxes and assessments	\$ 8,937,471	\$ -	\$ -	\$ 727,433	\$ 1,228,139	\$ 10,893,043
Licenses, permits and impact fees	618,308	-	641,631	-	-	1,259,939
Intergovernmental	792,469	-	130,767	-	1,177,822	2,101,058
Charges for services	79,184	-	-	-	-	79,184
Fines and forfeitures	37,177	-	-	-	-	37,177
Rents	88,712	-	-	-	-	88,712
Interest	11,891	98,089	3,164	3,563	205,383	322,090
Loan repayments	-	102,918	-	-	6,097	109,015
Other	106,229	-	-	-	34,910	141,139
Total revenue	<u>10,671,441</u>	<u>201,007</u>	<u>775,562</u>	<u>730,996</u>	<u>2,652,351</u>	<u>15,031,357</u>
Expenditures						
Current						
General government	1,672,102	-	-	-	-	1,672,102
Public works	617,112	-	-	65,020	1,397,436	2,079,568
Community development	564,399	54,999	58,197	-	63,865	741,460
Public safety	5,577,633	-	11,516	-	52,188	5,641,337
Community services	867,799	-	-	-	3,607	871,406
Capital outlay	416,098	-	1,021,172	-	672,405	2,109,675
Debt Service						
Principal	-	-	-	-	36,108	36,108
Interest and fiscal charges	-	-	13,438	-	10,322	23,760
Total expenditures	<u>9,715,143</u>	<u>54,999</u>	<u>1,104,323</u>	<u>65,020</u>	<u>2,235,931</u>	<u>13,175,416</u>
Revenue over/(under) expenditures	956,298	146,008	(328,761)	665,976	416,420	1,855,941
Other Financing Sources/(Uses)						
Transfers in/(out) - net	747,688	-	-	-	-	747,688
	<u>747,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>747,688</u>
Change in Fund Balance	1,703,986	146,008	(328,761)	665,976	416,420	2,603,629
Fund Balance						
Beginning of year	5,538,005	126,980	1,138,612	1,741,693	3,947,248	12,492,538
End of year	<u>\$ 7,241,991</u>	<u>\$ 272,988</u>	<u>\$ 809,851</u>	<u>\$ 2,407,669</u>	<u>\$ 4,363,668</u>	<u>\$ 15,096,167</u>

See accompanying notes.

CITY OF SOLEDAD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

Net change in fund balance - total governmental funds	\$ 2,603,629
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not required as expenditures in Governmental Funds	
Depreciation expense	(1,184,156)
Capital outlay	2,109,675
Issuance of long-term notes receivable is unavailable in governmental funds, but the issuance is recorded as revenues in the statement of activities	40,000
Repayment of long-term notes receivable is revenue in governmental funds, but the repayment reduces long-term assets in the statement of net position	(108,992)
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position	36,108
Pension expenses reported in the Statement of Activities do not require the use of of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds	(375,513)
Internal service funds are used by management to charge the costs of fleet maintenance and computer services to individual funds. The net revenue (loss) of certain activities of internal service funds is reported with governmental activities	(8,784)
Compensated absence costs in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in Governmental Funds	<u>367,587</u>
Change in net position of governmental activities	<u>\$ 3,479,554</u>

CITY OF SOLEDAD

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

JUNE 30, 2021

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Water	Sewer	Garbage	Total Proprietary Funds	
ASSETS					
Current assets					
Cash and investments	\$ 2,830,500	\$ 11,267,894	\$ 794,797	\$ 14,893,191	\$ 275,198
Cash and investments with fiscal agent	208,738	-	-	208,738	-
Accounts receivable	485,349	1,184,825	559,175	2,229,349	15,632
Interest receivable	533	2,045	268	2,846	48
Total current assets	3,525,120	12,454,764	1,354,240	17,334,124	290,878
Non-current assets					
Deferred charges	-	2,618,646	-	2,618,646	-
Advances to other funds	-	634,655	-	634,655	-
Property, plant and equipment, net of allowance for depreciation	9,592,255	46,703,719	28,566	56,324,540	-
Total assets	13,117,375	62,411,784	1,382,806	76,911,965	290,878
DEFERRED OUTFLOWS OF RESOURCES	104,101	102,680	31,631	238,412	-
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	316,131	223,051	290,097	829,279	5,276
Accrued interest	10,223	-	-	10,223	-
Deposits	47,482	39,100	58,740	145,322	-
Current portion of long-term debt	178,986	1,542,438	-	1,721,424	-
Total current liabilities	552,822	1,804,589	348,837	2,706,248	5,276
Non-current liabilities					
Long-term debt	1,166,903	27,763,886	-	28,930,789	-
Net pension liability	262,923	259,336	79,890	602,149	-
Compensated absences	139,844	145,349	38,219	323,412	-
Total noncurrent liabilities	1,569,670	28,168,571	118,109	29,856,350	-
Total liabilities	2,122,492	29,973,160	466,946	32,562,598	5,276
DEFERRED INFLOWS OF RESOURCES	16,676	16,448	5,066	38,190	-
NET POSITION					
Net investment in capital assets	8,246,366	17,397,395	-	25,643,761	-
Restricted for debt service	208,738	1,542,438	-	1,751,176	-
Unrestricted/(deficit)	2,627,204	13,585,023	942,425	17,154,652	285,602
Total net position/(deficit)	\$ 11,082,308	\$ 32,524,856	\$ 942,425	\$ 44,549,589	\$ 285,602

See accompanying notes.

CITY OF SOLEDAD

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Water	Sewer	Garbage	Total Proprietary Funds	
Operating Revenue					
Charges for services	\$ 2,654,513	\$ 6,115,552	\$ 3,356,780	\$ 12,126,845	\$ 788,198
Total operating income	2,654,513	6,115,552	3,356,780	12,126,845	788,198
Operating Expense					
Contractual services and utilities	1,066,151	1,095,526	2,485,828	4,647,505	797,475
Personnel	1,036,670	1,623,610	394,079	3,054,359	-
Supplies and materials	515,291	734,628	39,916	1,289,835	-
Depreciation	368,715	1,141,390	10,977	1,521,082	-
Total operating expense	2,986,827	4,595,154	2,930,800	10,512,781	797,475
Operating income/(loss)	(332,314)	1,520,398	425,980	1,614,064	(9,277)
Nonoperating Revenue/(Expense)					
Intergovernmental	-	-	4,265	4,265	-
Development impact fees	246,976	8,855	-	255,831	-
Other income	493,625	-	61,294	554,919	2
Interest income	5,004	35,349	2,495	42,848	491
Bond issuance costs	(87,000)	-	-	(87,000)	-
Interest expense	(79,283)	(273,556)	-	(352,839)	-
Total nonoperating revenue/(expense)	579,322	(229,352)	68,054	418,024	493
Net income/(loss) before transfers	247,008	1,291,046	494,034	2,032,088	(8,784)
Operating Transfers In/(Out)	-	-	(747,688)	(747,688)	-
Change in Net Position	247,008	1,291,046	(253,654)	1,284,400	(8,784)
Net Position					
Beginning of year	10,835,300	31,233,810	1,196,079	43,265,189	294,386
End of year	\$ 11,082,308	\$ 32,524,856	\$ 942,425	\$ 44,549,589	\$ 285,602

See accompanying notes.

CITY OF SOLEDAD

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Water	Sewer	Garbage	Total Business-Type Funds	
Operating Activities					
Receipts from customers and users	\$ 2,637,207	\$ 6,106,855	\$ 3,288,790	\$ 12,032,852	\$ 785,377
Payments for contractual services and utilities	(843,967)	(800,430)	(2,427,903)	(4,072,300)	(798,439)
Payments to employees	(991,948)	(1,550,979)	(379,536)	(2,922,463)	-
Payment to suppliers	(515,291)	(734,628)	(39,916)	(1,289,835)	-
Net cash provided by (used in) operating activities	286,001	3,020,818	441,435	3,748,254	(13,062)
Non-capital Financial Activities					
Payments from developers	740,601	8,855	65,559	815,015	2
Payments (to)/from other funds	-	(485,189)	(747,688)	(1,232,877)	-
Net cash provided by (used in) noncapital financing activities	740,601	(476,334)	(682,129)	(417,862)	2
Capital and Related Financing Activities					
Purchase of property, plant and equipment	(229,233)	(39,622)	-	(268,855)	-
Bond proceeds	1,053,920	-	-	1,053,920	-
Bond issuance costs payments	(87,000)	-	-	(87,000)	-
Principal paid on long-term debt	(1,540,062)	(1,542,438)	-	(3,082,500)	-
Interest paid on long-term debt	(79,853)	(273,556)	-	(353,409)	-
Net cash provided by (used in) capital and related financing activities	(882,228)	(1,855,616)	-	(2,737,844)	-
Investing Activities					
Interest received	6,289	41,801	3,427	51,517	727
Net cash provided by investing activities	6,289	41,801	3,427	51,517	727
Net Increase (Decrease) in Cash	150,663	730,669	(237,267)	644,065	(12,333)
Cash					
Beginning of year	2,888,575	10,537,225	1,032,064	14,457,864	287,531
End of year	\$ 3,039,238	\$ 11,267,894	\$ 794,797	\$ 15,101,929	\$ 275,198
Cash Flows from Operating Activities					
Operating income (loss)	\$ (332,314)	\$ 1,520,398	\$ 425,980	\$ 1,614,064	\$ (9,277)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	368,715	1,141,390	10,977	1,521,082	-
(Increase) Decrease in Accounts Receivable	(20,930)	(12,217)	(71,940)	(105,087)	(2,821)
(Increase) Decrease in Deferred Outflow of Resources	(5,137)	(5,067)	(1,561)	(11,765)	-
Increase (Decrease) in Deposits	3,624	3,520	3,950	11,094	-
Increase (Decrease) in Compensated Absences	16,530	44,824	5,977	67,331	-
Increase (Decrease) in Net Pension Liability	35,320	34,838	10,732	80,890	-
Increase (Decrease) in Deferred Inflow of Resources	(1,991)	(1,964)	(605)	(4,560)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	222,184	21,540	57,925	301,649	(964)
Net Cash Provided (Used) by Operating Activities	\$ 286,001	\$ 3,020,818	\$ 441,435	\$ 3,748,254	\$ (13,062)

See accompanying notes.

CITY OF SOLEDAD

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – CUSTODIAL FUNDS JUNE 30, 2021

	The Vineyards Assessment District	Diamond Ridge Assessment District	Total
ASSETS			
Cash and investments	\$ 81,748	\$ 665,717	\$ 747,465
Cash and investments with fiscal agent	127,715	159,009	286,724
Interest receivable	14	116	130
Total assets	<u>209,477</u>	<u>824,842</u>	<u>1,034,319</u>
LIABILITIES			
Accounts payable	<u>1,544</u>	<u>2,060</u>	<u>3,604</u>
Total liabilities	<u>\$ 1,544</u>	<u>\$ 2,060</u>	<u>\$ 3,604</u>
NET POSITION			
Restricted for other governments	<u>207,933</u>	<u>822,782</u>	<u>1,030,715</u>
Total net position	<u>\$ 207,933</u>	<u>\$ 822,782</u>	<u>\$ 1,030,715</u>

CITY OF SOLEDAD

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUNDS JUNE 30, 2021

	The Vineyards Assessment District	Diamond Ridge Assessment District	Total
ADDITIONS			
Property taxes	\$ 264,098	\$ 318,634	\$ 582,732
Interest revenue	115	1,057	1,172
Total additions	<u>264,213</u>	<u>319,691</u>	<u>583,904</u>
DEDUCTIONS			
Professional services	\$ 4,989	\$ 6,848	\$ 11,837
Loan payment	175,000	150,000	325,000
Interest expense	79,478	144,213	223,691
Bond issuance costs	-	26,564	26,564
Total deductions	<u>259,467</u>	<u>327,625</u>	<u>587,092</u>
Change in Net Position	4,746	(7,934)	(3,188)
NET POSITION			
Beginning of year	<u>203,187</u>	<u>830,716</u>	<u>1,033,903</u>
End of year	<u>\$ 207,933</u>	<u>\$ 822,782</u>	<u>\$ 1,030,715</u>

CITY OF SOLEDAD

STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2021

Assets

Cash and investments	
Held in City Treasury	\$ 1,575,596
Held with trustees	374
Interest receivable	281
Land held for redevelopment	180,000
Land	<u>4,273,968</u>
Total assets	<u>6,030,219</u>

Liabilities

Accounts payable and accrued liabilities	7,211
Interest payable	27,239
Long-term debt	
Due within one year	880,000
Due in more than one year	<u>10,665,000</u>
Total liabilities	<u>11,579,450</u>

Net Position

Held in trust for other governments	<u><u>\$ (5,549,231)</u></u>
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CITY OF SOLEDAD

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2021

Additions

Property taxes	\$ 1,292,799
Investment earnings and other	<u>2,284</u>
Total additions	<u>1,295,083</u>

Deductions

Administrative costs	131,500
Program expenses	
Disbursement to County of Monterey	
Interest expense	<u>340,127</u>
Total deductions	<u>471,627</u>

Change In Net Position

823,456

Net Position

Beginning of year	<u>(6,372,687)</u>
End of year	<u><u>\$ (5,549,231)</u></u>

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies

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

These financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units are combined with data of the primary government. Each blended component unit has a June 30 fiscal year end. There are no discretely presented component units included in these financial statements. The following sections further describe the significant accounting policies of the City.

Reporting Entity

The City of Soledad is a municipal incorporation, operating as a general law city, and governed by a city council of five members, under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: general government, public safety, public works, facilities/transportation, culture and leisure, and public utilities.

Also included in this report is the Soledad Public Financing Authority (SPFA). The SPFA is governed by the City officers. Although it is legally separate from the City, the SPFA is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public facilities.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information of all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

The City reports the following major governmental funds:

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

Program Income Fund – This fund accounts for program income received and expenditures related to housing assistance loans for low income individuals.

Development Impact Fee Fund – This fund accounts for impact fees received and costs related to developments.

Measure X Fund – The fund is used to account for the City's Transportation Safety and Investment Plan activities, which include transportation safety and mobility projects such as Pinnacles Parkway, Metz Road Traffic calming project, and Highway 101 South County frontage roads.

The City reports the following additional fund types:

Internal Service Fund – The Internal Service Fund accounts for medical benefits provided to other departments or agencies of the government, on a cost reimbursement basis.

Agency Funds – The Agency Funds account for assets held by the City as an agent for various local governments or other entities. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-Purpose Trust Funds – The Private-Purpose Trust Fund accounts for assets held by the City as trustee for the Successor Agency.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

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

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

Financial Statement Amounts

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

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

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund and certificates of deposit. Investments are recorded at amortized cost or fair value. Fair value is based upon quoted market prices.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable – Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. The Proprietary Funds include a year end accrual for services through the end of the fiscal year which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectibles.

Monterey County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual. The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

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

Advances To/From Other Funds – This classification represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 for roadways and \$5,000 for all other assets, and an estimated useful life of at least three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings	40
Improvements	10 - 40
Equipment	5 - 10
Streets	30
Parks	40
Curbs and Gutters	40
Storm Drains	75
Signs and Streetlights	4 - 30

Compensated Absences – Vacation time may be accumulated up to two years entitlement. Cash compensation for accrued vacation is generally not payable until the employee terminates employment with the City.

In fiscal year 1986, the City adopted a policy whereby classified employees with accumulated vacation pay in excess of thirty days may elect to receive one cash payment for up to ten days in excess of the thirty days maximum accrual. Staff with less than thirty days accrued are not eligible to participate in the vacation buy back program.

Cash compensation for unused sick leave is payable to employees only upon termination of employment with the City and is limited to a maximum of 15 days payable upon resignation or dismissal or 30 days payable upon retirement. The calculation is done in accordance with Governmental Accounting Standards Board Statement No. 16.

Long-Term Obligations – In the Government-Wide Financial Statements and in the Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type Statement of Net Position. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pension – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employee Retirement System (CalPERS) plan and additions to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unearned Revenue – Unearned revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records unearned revenue related to uncollected outstanding performing loans and intergovernmental revenues received but not earned (qualifying expenditures not yet incurred).

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

Net Position – The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* – This category represents net position of the City not restricted for any project or other purpose.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

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

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.
- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.
- Assigned fund balance are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

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

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

Note 2 – Stewardship, Compliance and Accountability

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments

In accordance with applicable sections of the California Government Code and the Soledad Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during May of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 29,930,676
Cash and Investments with Fiscal Agent	208,738
Fiduciary Funds:	
Cash and Investments	2,323,061
Cash and Investments with Fiscal Agent	287,098
Total Cash and Investments	<u>\$ 32,749,573</u>

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

Cash on hand	\$ 1,080
Deposits with Financial Institutions	25,037,357
Local Agency Investment Fund	7,215,300
Held by Fiscal Agent:	
Money Market	286,724
U.S. Treasury Obligations	209,112
Total Cash and Investments	<u>\$ 32,749,573</u>

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (continued)

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

LAIF is valued based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (Level 2 input).

The City had the following recurring fair value measurements as of June 30, 2021:

	Level 1	Level 2	Level 3	June 30, 2021 Balance
Investments by fair value level:				
Equity Securities:				
LAIF	\$ -	\$ 7,215,300	\$ -	\$ 7,215,300
Total Equity Securities	-	7,215,300	-	7,215,300
Cash and cash equivalents carried at amortized cost:				
Deposits and cash on hand				25,038,437
Money Market Mutual Funds				286,724
U.S Treasury Obligation				209,112
Total Investments amortized at cost				25,325,161
Total Cash and Investments				\$ 32,540,461

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	20%	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	2 years	20%	None
County Pooled Investment Funds	1 year	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investments 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 the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment in the investment pools are available for withdraw in one business day and have an overall maturity of less than one year.

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. The City's investments in the investment pools are unrated.

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. There are no investments in any one issuer that represent 5% or more of total City investments (external investment pools and mutual funds are excluded from this disclosure requirement).

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: The City did not have any deposits with financial institutions in excess of federal depository insurance limits and held in uncollateralized accounts.

Investment in State Investment Pool

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

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CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 4 – Notes Receivables

Notes receivable and deferred loans consisted of the following at June 30, 2021:

Orchard Gabilan Associates, L.P. – The HOME Investment Partnership Grant program approved \$1,600,000 of grant funds to be made available for local development of an affordable housing project. The City entered into an agreement with Orchard Gabilan Associates, L.P. to loan such funds for the construction of Gabilan Family Apartments. Payments of principal and interest on the HOME loan are to be deferred until the earlier of repayment in full of the Deferred Development Fee or January 1 of the year in which the 14th anniversary of the date of issuance of the final Certificate of Occupancy. If not paid sooner, the unpaid principal balance of this note, plus any unpaid interest thereon shall be due and payable in full fifty-five years from the date of the note. The note bears 4.46% interest and the face amount of the note at June 30, 2021 was \$1,600,000.

Benito FLC, L.P. – The HOME Investment Partnership Grant program approved \$3,760,000 of grant funds to be made available for local development of an affordable housing project. The City entered into an agreement with Benito FLC, L.P. to loan such funds for the construction of the Benito Street Farm Labor Center. Funds were provided in the form of a deferred payment loan. If not paid sooner, the unpaid principal balance of this note, plus any unpaid interest thereon shall be due and payable in full fifty-five years from the date of the note. The note bears 4% interest and the face amount of the note at June 30, 2021 was \$3,760,000.

Revolving Loan Program – Long-term loans receivable of \$2,584,824 represent monies loaned to homebuyers and small business owners in connection with a downpayment assistance, home rehabilitation and business assistance programs. The loans are secured by real property with repayment due upon the sale of real property or starting at the end of the 30 year deferral period. At the time of sale, the seller pays the loan balance in full plus interest, ranging from 0% to 4%. For the homebuyer loan program, starting at the end of the 30 year deferral period, the borrower is required to repay the loan, without interest, over the following 15 years.

Multi-Family Affordable Housing Rehabilitation Loans – Long-term notes receivable of \$600,000 represent monies loaned to two developers in connection with construction and rehabilitation of low-income multi-family housing projects. The loans are secured by real property with repayment due upon the sale of real property or starting at the end of the 55 year deferral period. At the time of sale of the project or at the end of the deferral period, the borrower shall pay the loan balance in full with interest at 4 percent per annum.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 5 – Interfund Advances, Receivables, Payables and Transfers

Interfund Receivables and Payables

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

Individual fund interfund receivables and payables balances as of June 30, 2021, are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 691,131	\$ -
SB2 Special Revenue Fund	-	16,223
Gas Tax Fund	-	136,477
Park Grant Prop 68 Fund	-	482,067
20-CDBG-CV1-00058 Fund	-	31,347
20-CDBG-12084 Fund	-	25,017
	<u>\$ 691,131</u>	<u>\$ 691,131</u>

Advance To and From Funds

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

	<u>Advance To</u>	<u>Advance From</u>
Sewer Fund	\$ 634,655	\$ -
Development Impact Fund	-	634,655
	<u>\$ 634,655</u>	<u>\$ 634,655</u>

Transfers Between Funds

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 unrestricted 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 become due. In general, the effect of the interfund activity has been eliminated from the government-wide financial statements. The City had the following interfund transfers during the current fiscal year:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 747,688	\$ -
Garbage	-	(747,688)
	<u>\$ 747,688</u>	<u>\$ (747,688)</u>

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 6 – Capital Assets – Capital asset activities for the year ended June 30, 2021, were as follows:

	Balance July 1, 2020	Additions	Reclassifications/ Retirements	Balance June 30, 2021
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 822,801	\$ -	\$ -	\$ 822,801
Construction in progress	308,765	1,706,173	-	2,014,938
Total capital assets, not being depreciated	<u>1,131,566</u>	<u>1,706,173</u>	<u>-</u>	<u>2,837,739</u>
Capital assets, being depreciated				
Buildings and improvements	7,267,831	390,408	-	7,658,239
Infrastructure	38,631,735	-	-	38,631,735
Machinery and equipment	5,720,748	13,094	-	5,733,842
Total capital assets, being depreciated	<u>51,620,314</u>	<u>403,502</u>	<u>-</u>	<u>52,023,816</u>
Less accumulated depreciation for				
Buildings and improvements	(2,345,458)	(191,684)	-	(2,537,142)
Infrastructure	(14,171,053)	(757,935)	-	(14,928,988)
Machinery and equipment	(4,945,642)	(234,537)	-	(5,180,179)
Total accumulated depreciation	<u>(21,462,153)</u>	<u>(1,184,156)</u>	<u>-</u>	<u>(22,646,309)</u>
Total capital assets, being depreciated, net	<u>30,158,161</u>	<u>(780,654)</u>	<u>-</u>	<u>29,377,507</u>
Governmental activities capital assets, net	<u>\$ 31,289,727</u>	<u>\$ 925,519</u>	<u>\$ -</u>	<u>\$ 32,215,246</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 2,509,996	\$ -	\$ -	\$ 2,509,996
Construction in progress	2,024,671	-	(1,799,804)	224,867
Total capital assets, not being depreciated	<u>4,534,667</u>	<u>-</u>	<u>(1,799,804)</u>	<u>2,734,863</u>
Capital assets, being depreciated				
Buildings and improvements	55,387,592	253,444	-	55,641,036
Infrastructure	17,613,536	1,815,217	-	19,428,753
Machinery and equipment	1,689,820	-	-	1,689,820
Total capital assets, being depreciated	<u>74,690,948</u>	<u>2,068,661</u>	<u>-</u>	<u>76,759,609</u>
Less: accumulated depreciation	<u>(21,648,850)</u>	<u>(1,521,082)</u>	<u>-</u>	<u>(23,169,932)</u>
Total capital assets, being depreciated, net	<u>53,042,098</u>	<u>547,579</u>	<u>-</u>	<u>53,589,677</u>
Business-type activities capital assets, net	<u>\$ 57,576,765</u>	<u>\$ 547,579</u>	<u>\$ (1,799,804)</u>	<u>\$ 56,324,540</u>

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 6 – Capital Assets (Continued)

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

Governmental Functions:

General Government	\$	53,433
Public Works		779,908
Public Safety		131,720
Community Services		219,095
	\$	<u>1,184,156</u>

Business-Type Functions:

Water	\$	368,715
Sewer		1,141,390
Garbage		10,977
	\$	<u>1,521,082</u>

Note 7 – Long-Term Debt

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
<u>Governmental Activity Long Term Debt</u>					
Lease Payable					
2019 Motorola Capital Lease	\$ 211,901	\$ -	\$ (36,108)	\$ 175,793	\$ 38,023
Total Governmental Activity Long Term Debt	<u>\$ 211,901</u>	<u>\$ -</u>	<u>\$ (36,108)</u>	<u>\$ 175,793</u>	<u>\$ 38,023</u>
<u>Business-Type Activity Long Term Debt</u>					
Bonds Payable					
2021 Water Refunding Revenue Bonds	\$ -	\$ 1,053,920	\$ -	\$ 1,053,920	\$ 73,440
Loans Payable					
Water System Improvement Loan	1,439,000	-	(1,439,000)	-	-
Sewer Plant Loan	30,848,762	-	(1,542,438)	29,306,324	1,542,438
Leases Payable					
Energy Retrofit Capital Lease	393,031	-	(101,062)	291,969	105,546
Total Business-Type Activity Debt	<u>\$ 32,680,793</u>	<u>\$ 1,053,920</u>	<u>\$ (3,082,500)</u>	<u>\$ 30,652,213</u>	<u>\$ 1,721,424</u>
<u>Compensated Absences</u>					
Government Activities	\$ 971,173	\$ -	\$ (367,587)	\$ 603,586	
Business-Type Activities	<u>\$ 256,081</u>	<u>\$ 67,331</u>	<u>\$ -</u>	<u>\$ 323,412</u>	
<u>Net Pension Liability</u>					
Government Activities	\$ 5,011,694	\$ -	\$ -	\$ 5,011,694	
Business-Type Activities	<u>\$ 602,149</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 602,149</u>	

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 7 – Long-Term Debt (Continued)

2019 Motorola Capital Lease – On July 18, 2018, the City entered into a lease agreement for 30 portable radios. The lease bears an interest rate of 5.2% and terminates on July 18, 2025. Payments of \$11,608 are to be paid quarterly.

2021 Water Refunding Revenue Bonds - In December 2015, the Public Financing Authority issued 2021 Enterprise Revenue Bonds for the principal amount of \$1,053,920. The issuance was to refund the outstanding principal balance of the Water Note Payable described above. The reacquisition price exceeded the net carrying amount of the old debt by \$1,819,135. The City refunded the above debts to reduce its total debt service over 13 years by \$99,551 and to obtain an economic gain (difference between the present values of debt service payments on the old and new debt) of \$87,643. The bonds bear interest 2.040 and are payable semi-annually commencing November 2021 through May 2034. Debt service is secured by a pledge of net revenues of the City's Water Systems. The City covenants that it shall prescribe, revise and collect such charges for the services and facilities of the water systems which shall produce revenues sufficient in each fiscal year to provide gross revenues which are sufficient to pay all water operation and maintenance costs and all bond installment payments and produce net water revenues equal to at least 1.15 times debt service coming due and payable during such fiscal year. The City is in compliance with those covenants as of June 30, 2021. Cash basis debt service paid during the fiscal year ended June 30, 2021 totaled \$0. Total water system net revenues and net revenue available for debt were not calculated due to no debt service payment at June 30, 2021.

Water System Improvement Loan – On May 1, 1994, the City borrowed \$2,593,000 for the purpose of paying for water system improvements. Principal amounts from \$25,000 to \$135,000 are due on May 1 of each year through 2034. The notes carry an interest rate of 4.5% with interest payable semi-annually. During the year this loan was refinanced as 2021 Water Refunding Revenue Bonds.

Sewer Plant Loan – In connection with the City's construction of a new sewer plant, a loan for \$46,451,084 was obtained from the State of California. Although, the loan is non interest bearing, it did require a 16.667% loan fee resulting in an effective interest rate of 1.8%. The loan was to be repaid in twenty equal annual installments of \$2,322,554 beginning January 1, 2011. However, in October 2014, the City renegotiated the payment terms from 20 years to 30 years, resulting in annual payments of \$1,542,438 for the remaining 26 years. Unamortized loan charges of \$2,618,646 remains to be amortized over the remaining life of the loan.

Energy Retrofit Capital Lease – On August 13, 2008, the City entered into a Lease with Option to Purchase agreement for an energy retrofit upgrade at the water plant. The lease bears an interest rate of 6.786% and terminates on February 29, 2024. Payments are made monthly in the amount of \$9,680. The outstanding balance of the lease as of June 30, 2021 was \$291,969.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 7 – Long-Term Debt (Continued)

Compensated Absences – City employees accumulate earned by unused vacation and sick pay benefits which can be converted to cash at termination of employment. Since no means exist to reasonably estimate the amounts that might be liquidated with expendable currently available financial resources, if any, they are reported as long-term debt on the Statement of Net Position. No expenditure is reported for these amounts in the governmental funds statements. However, in the Statement of Activities the expense is allocated to each function based on usage. The non-current portion of these vested benefits, payable in accordance with various collective bargaining agreements, at June 30, 2021, totaled \$603,586 for governmental activities and \$323,412 for business-type activities.

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

Years ending June 30,	Governmental-Type Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 38,023	\$ 8,408	\$ 1,721,424	\$ 297,369
2023	40,039	6,392	1,725,589	280,701
2024	42,162	4,269	1,693,230	261,482
2025	44,398	2,033	1,618,618	245,310
2026	11,171	145	1,620,108	228,949
2027-2031	-	-	8,123,521	925,250
2032-2036	-	-	7,979,971	532,300
2037-2040	-	-	6,169,752	152,348
	<u>\$ 175,793</u>	<u>\$ 21,247</u>	<u>\$ 30,652,213</u>	<u>\$ 2,923,709</u>

Assessment District Debt – The City acts as an agent for bond offerings within two assessment districts in the City. The City is not obligated in the event of default. Accordingly, the debt is not reflected in the City's financial information. The amount of debt outstanding as of June 30, 2021, not reflected in these statements is \$1,870,000 for The Vineyards and \$2,795,000 for Diamond Ridge.

Note 8 – Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item to report in this category:

- The City has \$1,763,828 in pension related items that qualify to be reported in deferred outflows of resources: The pension related deferred outflows of resources are described in Note 10.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 8 – Deferred Outflows and Deferred Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item to report in this category:

- The City has \$374,174 in pension related items that qualify to be reported in deferred inflows of resources. The pension related deferred inflows of resources are described in Note 10.

Unavailable revenues arise only under a modified accrual basis of accounting that qualifies for reporting as deferred inflows of resources. Accordingly, that item, unavailable revenues, is reported only in the governmental funds balance sheet. The City reports in the Program Income and Low-Moderate Housing, \$6,741,378 and \$1,803,447, respectively, as unavailable revenues, related to long-term notes and loans receivables.

Note 9 – Risk Management

The City provides for workers' compensation and liability through a self-funded joint powers agency, Monterey Bay Area Self Insurance Authorities. Joint Powers Agreement (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.

General Liability: The City has a deductible of \$10,000 for each liability claim. Claims above \$10,000 up to \$1,000,000 are paid by MBASIA. Claims above \$1,000,000 up to \$29,000,000 are covered by insurance purchased by MBASIA.

Workers' Compensation: The City does not retain deductible for workers' compensation claims. Annual premiums for coverage up to statutory levels are paid to MBASIA based on a Board approved Budget methodology. 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. Audited financial statements for MBASIA can be obtained from their management at 100 Pine Street, 11th Floor, San Francisco, CA 94111.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 9 – Risk Management (continued)

Contingent Liabilities

The City participates in a number of Federal and State assisted grant programs which are subject to financial and compliance audits. Audits for these programs and the respective findings are to be determined at a future date, and the City expects the amount, if any, of the expenditures which may be disallowed by the granting agency to be immaterial.

Note 10 – City Employees' Retirement Plan (Defined Benefit Pension Plan)

Plan Description – The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy – The City pays 7-9% of annual covered salary for active plan members in the City's defined pension plan. 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 the fiscal year ended June 30, 2021 was 8.794%, 7.732%, 20.585%, and 13.044% for the Miscellaneous, PEPRM Miscellaneous, Safety, and PEPRM Safety, respectively. The contribution requirements of plan members is established by State statute and the employer contribution is established and may be amended by PERS.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)

The Plans’ provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	Safety
	Prior to	Prior to
Hire Date	January 1, 2013	January 1, 2013
Benefit Formula	2.0% at 60; maximum 2%	3.0% at 55; maximum 2%
	COLA	COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	60	55
Monthly Benefits, as a % of Eligible Compensation	2.00%	3.00%
Required Employee Contribution Rates	7.00%	9.00%
Required Employer Contribution Rates	8.794%	20.585%

	PEPRA Miscellaneous	PEPRA Safety
	On or After	On or After
Hire Date	January 1, 2013	January 1, 2013
Benefit Formula	2.0% at 62; maximum 2%	2.7% at 57; maximum 2%
	COLA	COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	62	57
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.70%
Required Employee Contribution Rates	6.25%	11.50%
Required Employer Contribution Rates	7.732%	13.044%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)

For the year ended June 30, 2021, the contributions recognized as part of the pension expense is as follows:

Contributions – employer	\$ 901,670
Contributions – employee	\$ 360,235

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability/(Asset)</u>
Miscellaneous	\$ 1,685,422
Safety	\$ 3,928,421

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plan is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for each Plan as of June 30, 2020, and 2021 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion – June 30, 2020	0.03643%	0.05883%
Proportion – June 30, 2021	0.03996%	0.05896%
Change – Increase/(Decrease)	0.00353%	0.00013%

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)

For the year ended June 30, 2021, the City recognized pension expense of \$1,431,259. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 901,670	\$ -
Change in employer's proportion	335,224	-
Difference between employer's contributions and proportionate share of contributions	-	(349,072)
Changes in assumptions	-	(25,102)
Differences between projected and actual investments earnings	135,450	-
Difference between expected and actual experience	391,484	-
Total	<u>\$ 1,763,828</u>	<u>\$ (374,174)</u>

The \$901,670 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2022	\$ 115,623
2023	178,126
2024	127,434
2025	66,800
Thereafter	-

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)

Actuarial Methods Assumptions – The collective total pension liability for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership ¹ Date for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds

¹The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 valuation was based on the results of an December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015), including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website.

Change of assumptions – None.

CITY OF SOLEDAD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)

Discount rate – The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected rate of returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class can be found in CalPERS’ Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020.

The table below reflects long-term expected real rates of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The geometric rates of return are net of administrative expenses.

Asset Class	¹ New Strategic Allocation	² Real Return Years 1-10	³ Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Infrastructure and Forestland	0%	0.00%	0.00%
Liquidity	1%	0.00%	-0.92%
Total	100%		

¹In the System’s CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

²An expected inflation of 2.0% used for this period

³An expected inflation of 2.92% used for this period

CITY OF SOLEDAD

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Miscellaneous	\$ 3,008,300	\$ 1,685,422	\$ 592,370
Safety	\$ 6,267,144	\$ 3,928,421	\$ 2,009,276

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2021, the City has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

Note 11 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through March 9, 2022, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in such financial statements.

Note 12 – Fund Balance

Fund Balance Deficits – The following is a summary of deficit fund balances as of June 30, 2021:

Nonmajor Funds:

SB 2 Planning Land Use Element Grant Special Revenue Fund	\$ (16,223)
Park Grant Prop 68 Special Revenue Fund	\$ (20,465)
20-CDBG-CV100058 Special Revenue Fund	\$ (31,347)
20-CDBG-12084 Special Revenue Fund	\$ (25,017)

This deficit is expected to be relieved from future revenues or transfers from other funds.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOLEDAD

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Taxes	\$ 8,015,789	\$ 8,015,789	\$ 8,937,471	\$ 921,682
Licenses and permits	561,762	561,762	618,308	56,546
Intergovernmental	100,000	100,000	792,469	692,469
Charges for services	20,000	20,000	79,184	59,184
Fines and forfeitures	38,000	38,000	37,177	(823)
Interest	20,000	20,000	11,891	(8,109)
Rents	86,000	86,000	88,712	2,712
Other	77,063	77,063	106,229	29,166
Total revenue	<u>8,918,614</u>	<u>8,918,614</u>	<u>10,671,441</u>	<u>1,752,827</u>
Expenditures				
Current				
General government	1,809,647	1,809,647	1,672,102	137,545
Public works	653,370	653,370	617,112	36,258
Community development	591,891	591,891	564,399	27,492
Public safety	5,710,846	5,710,846	5,577,633	133,213
Community services	1,241,518	1,241,518	867,799	373,719
Total expenditures	<u>10,007,272</u>	<u>10,007,272</u>	<u>9,715,143</u>	<u>292,129</u>
Revenue over (under)expenditures	(1,088,658)	(1,088,658)	956,298	2,044,956
Other Financing Sources				
Transfers in (out) - net	<u>460,768</u>	<u>460,768</u>	<u>747,688</u>	<u>286,920</u>
Net Change in Fund Balance	<u>\$ (627,890)</u>	<u>\$ (627,890)</u>	1,703,986	<u>\$ 2,331,876</u>
Fund Balance				
Beginning of year			<u>5,538,005</u>	
End of year			<u>\$ 7,241,991</u>	

CITY OF SOLEDAD

BUDGETARY COMPARISON SCHEDULE PROGRAM INCOME FUND YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Interest	\$ 675	\$ 675	\$ 98,089	\$ 97,414
Loan repayments	10,000	10,000	102,918	92,918
Total revenue	10,675	10,675	201,007	190,332
Expenditures				
Current				
Community development	2,500	2,500	54,999	(52,499)
Total expenditures	2,500	2,500	54,999	(52,499)
Net Change in Fund Balance	<u>\$ 8,175</u>	<u>\$ 8,175</u>	146,008	<u>\$ 137,833</u>
Fund Balance				
Beginning of year			126,980	
End of year			<u>\$ 272,988</u>	

CITY OF SOLEDAD

BUDGETARY COMPARISON SCHEDULE DEVELOPMENT IMPACT FEE FUND YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Licenses, permits and impact fees	\$ 1,339,840	\$ 1,339,840	\$ 641,631	\$ (698,209)
Intergovernmental	-	-	130,767	130,767
Interest	6,300	6,300	3,164	(3,136)
Total revenue	<u>1,346,140</u>	<u>1,346,140</u>	<u>775,562</u>	<u>(570,578)</u>
Expenditures				
Current				
Community development	11,050	11,050	58,197	(47,147)
Public safety	-	-	11,516	(11,516)
Capital outlay	206,000	206,000	1,021,172	(815,172)
Debt service				
Interest expense	-	-	13,438	(13,438)
Total expenditures	<u>217,050</u>	<u>217,050</u>	<u>1,104,323</u>	<u>(873,835)</u>
Revenue over (under)expenditures	1,129,090	1,129,090	(328,761)	(1,444,413)
Net Change in Fund Balance	<u>\$ 1,129,090</u>	<u>\$ 1,129,090</u>	(328,761)	<u>\$ (1,444,413)</u>
Fund Balance				
Beginning of year			<u>1,138,612</u>	
End of year			<u>\$ 809,851</u>	

CITY OF SOLEDAD

BUDGETARY COMPARISON SCHEDULE MEASURE X FUND YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Taxes and assessments	\$ 490,000	\$ 490,000	\$ 727,433	\$ 237,433
Interest	5,000	5,000	3,563	(1,437)
Total revenue	<u>495,000</u>	<u>495,000</u>	<u>730,996</u>	<u>235,996</u>
Expenditures				
Current				
Public works	25,000	25,000	65,020	(40,020)
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>65,020</u>	<u>(40,020)</u>
Revenue over (under)expenditures	470,000	470,000	665,976	195,976
Net Change in Fund Balance	<u>\$ 470,000</u>	<u>\$ 470,000</u>	665,976	<u>\$ 195,976</u>
Fund Balance				
Beginning of year			<u>1,741,693</u>	
End of year			<u>\$ 2,407,669</u>	

CITY OF SOLEDAD

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY LAST 10 YEARS* YEAR ENDED JUNE 30, 2021

	Proportion of the net	Proportionate share of the net	Covered - employee	Proportionate share of the net pension liability as a percentage of	Plan's fiduciary	Plan's fiduciary net
Miscellaneous Plan:	pension liability	pension liability	payroll	covered-employee payroll	net position	position as a percentage of the Total Pension Liability
2015	0.03413%	\$ 843,493	\$ 2,268,357	37.19%	\$ 3,997,688	82.580%
2016	0.02608%	\$ 706,131	\$ 2,218,866	31.82%	\$ 4,764,400	86.914%
2017	0.03048%	\$ 1,058,944	\$ 2,498,215	42.39%	\$ 4,887,163	82.191%
2018	0.03308%	\$ 1,303,916	\$ 2,514,038	51.87%	\$ 5,573,589	81.041%
2019	0.03322%	\$ 1,251,774	\$ 2,375,546	52.69%	\$ 6,634,706	84.128%
2020	0.03643%	\$ 1,459,009	\$ 2,513,003	58.06%	\$ 7,479,133	83.677%
2021	0.03996%	\$ 1,685,422	\$ 2,803,460	60.12%	\$ 8,255,376	83.045%
Safety Plan:						
2015	0.06095%	\$ 2,286,046	\$ 1,379,249	165.75%	\$ 7,353,347	76.280%
2016	0.05496%	\$ 2,264,409	\$ 1,243,281	182.13%	\$ 7,303,514	76.338%
2017	0.05453%	\$ 2,824,201	\$ 1,330,635	212.24%	\$ 7,469,874	72.565%
2018	0.05443%	\$ 3,252,288	\$ 1,446,149	224.89%	\$ 8,745,272	72.892%
2019	0.05492%	\$ 3,518,548	\$ 1,543,148	228.01%	\$ 11,383,719	77.938%
2020	0.05883%	\$ 3,672,312	\$ 1,648,187	222.81%	\$ 12,617,720	77.457%
2021	0.05896%	\$ 3,928,420	\$ 1,500,361	261.83%	\$ 13,292,935	77.189%

*Fiscal year 2014-15 was the first year of implementation, therefore only seven years are shown.

Changes of Assumptions: None.

CITY OF SOLEDAD

SCHEDULE OF CONTRIBUTIONS

LAST 10 YEARS*

YEAR ENDED JUNE 30, 2021

	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
Miscellaneous Plan:					
2015	\$ 181,913	\$ (181,913)	\$ -	\$ 2,268,357	8.02%
2016	\$ 185,905	\$ (185,905)	\$ -	\$ 2,218,866	8.38%
2017	\$ 190,660	\$ (190,660)	\$ -	\$ 2,498,215	7.63%
2018	\$ 204,609	\$ (204,609)	\$ -	\$ 2,514,038	8.14%
2019	\$ 214,151	\$ (214,151)	\$ -	\$ 2,375,546	9.01%
2020	\$ 252,840	\$ (252,840)	\$ -	\$ 2,513,003	10.06%
2021	\$ 287,787	\$ (287,787)	\$ -	\$ 2,803,460	10.27%
Safety Plan:					
2015	\$ 245,592	\$ (245,592)	\$ -	\$ 1,379,249	17.81%
2016	\$ 273,761	\$ (273,761)	\$ -	\$ 1,243,281	22.02%
2017	\$ 360,960	\$ (360,960)	\$ -	\$ 1,330,635	27.13%
2018	\$ 341,676	\$ (341,676)	\$ -	\$ 1,446,149	23.63%
2019	\$ 351,948	\$ (351,948)	\$ -	\$ 1,543,148	22.81%
2020	\$ 424,542	\$ (424,542)	\$ -	\$ 1,648,187	25.76%
2021	\$ 461,523	\$ (461,523)	\$ -	\$ 1,500,361	30.76%

*Fiscal year 2014-15 was the first year of implementation, therefore only seven years are shown.

SUPPLEMENTAL ONLY INFORMATION

CITY OF SOLEDAD

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

	Special Revenue Funds				
	Maintenance Districts	Public Safety	Gas Tax	SB1	Low-Moderate Housing Asset
ASSETS					
Cash and investments	\$ 1,988,450	\$ 578,781	\$ -	\$ 859,907	\$ 1,252,567
Accounts receivable	-	-	190,288	-	-
Due from other governments	-	9,500	-	86,950	-
Interest receivable	346	100	-	153	220
Notes receivable	-	-	-	-	1,803,447
Total assets	<u>\$ 1,988,796</u>	<u>\$ 588,381</u>	<u>\$ 190,288</u>	<u>\$ 947,010</u>	<u>\$ 3,056,234</u>
LIABILITIES					
Accounts payable and accrued expense	\$ 42,027	\$ 15,367	\$ 51,497	\$ 278,942	\$ 7,500
Due to other funds	-	-	136,477	-	-
Total liabilities	<u>42,027</u>	<u>15,367</u>	<u>187,974</u>	<u>278,942</u>	<u>7,500</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	-	-	-	-	1,803,447
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,803,447</u>
FUND BALANCE					
Restricted					
Circulation improvements	-	-	2,314	668,068	-
Public safety programs	-	573,014	-	-	-
Lighting, landscape & park maintenance	1,946,769	-	-	-	-
Low-income housing activities	-	-	-	-	1,245,287
Unassigned	-	-	-	-	-
Total fund balance	<u>1,946,769</u>	<u>573,014</u>	<u>2,314</u>	<u>668,068</u>	<u>1,245,287</u>
Total liabilities and fund balance	<u>\$ 1,988,796</u>	<u>\$ 588,381</u>	<u>\$ 190,288</u>	<u>\$ 947,010</u>	<u>\$ 3,056,234</u>

See accompanying notes.

CITY OF SOLEDAD

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

	Special Revenue Funds					Total Non-major Governmental Funds
	Vehicle Abatement	SB2 Planning Land Use Element Grant	Park Grant Prop 68	20-CDBG CV1-00058	20-CDBG 12084	
ASSETS						
Cash and investments	\$ 17,650	\$ -	\$ -	\$ -	\$ -	\$ 4,697,355
Accounts receivable	-	-	521,539	-	-	711,827
Due from other governments	3,615	-	-	-	-	100,065
Interest receivable	3	-	-	-	-	822
Notes receivable	-	-	-	-	-	1,803,447
Total assets	<u>\$ 21,268</u>	<u>\$ -</u>	<u>\$ 521,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,313,516</u>
LIABILITIES						
Accounts payable and accrued expense	\$ -	\$ -	\$ 59,937	\$ -	\$ -	\$ 455,270
Due to other funds	-	16,223	482,067	31,347	25,017	691,131
Total liabilities	<u>-</u>	<u>16,223</u>	<u>542,004</u>	<u>31,347</u>	<u>25,017</u>	<u>1,146,401</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	-	-	-	-	-	1,803,447
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,803,447</u>
FUND BALANCE						
Restricted						
Circulation improvements	-	-	-	-	-	670,382
Public safety programs	21,268	-	-	-	-	594,282
Lighting, landscape & park maintenance	-	-	-	-	-	1,946,769
Low-income housing activities	-	-	-	-	-	1,245,287
Unassigned	-	(16,223)	(20,465)	(31,347)	(25,017)	(93,052)
Total fund balance	<u>21,268</u>	<u>(16,223)</u>	<u>(20,465)</u>	<u>(31,347)</u>	<u>(25,017)</u>	<u>4,363,668</u>
Total liabilities and fund balance	<u>\$ 21,268</u>	<u>\$ -</u>	<u>\$ 521,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,313,516</u>

CITY OF SOLEDAD

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

	Special Revenue Funds				
	Maintenance Districts	Public Safety	Gas Tax	SB1	Low-Moderate Housing Asset
Revenue					
Taxes and assessments	\$ 701,009	\$ 49,985	\$ -	\$ 477,145	\$ -
Intergovernmental	-	-	545,605	-	-
Interest	3,258	3,542	190,290	1,374	6,891
Loan repayments	-	-	-	-	6,097
Other	-	14,823	20,087	-	-
Total revenue	<u>704,267</u>	<u>68,350</u>	<u>755,982</u>	<u>478,519</u>	<u>12,988</u>
Expenditures					
Public works	315,049	-	756,244	306,062	-
Community development	-	-	-	-	7,501
Public Safety	-	52,188	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	104,344	-	-	-	-
Debt service					
Principal	-	36,108	-	-	-
Interest	-	10,322	-	-	-
Total expenditures	<u>419,393</u>	<u>98,618</u>	<u>756,244</u>	<u>306,062</u>	<u>7,501</u>
Change in Fund Balance	284,874	(30,268)	(262)	172,457	5,487
Fund Balance					
Beginning of year	<u>1,661,895</u>	<u>603,282</u>	<u>2,576</u>	<u>495,611</u>	<u>1,239,800</u>
End of year	<u>\$ 1,946,769</u>	<u>\$ 573,014</u>	<u>\$ 2,314</u>	<u>\$ 668,068</u>	<u>\$ 1,245,287</u>

CITY OF SOLEDAD

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

	Special Revenue Funds					Total Non-major Governmental Funds
	Vehicle Abatement	SB2 Planning Land Use Element Grant	Park Grant Prop 68	20-CDBG CV1-00058	20-CDBG 12084	
Revenue						
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,228,139
Intergovernmental	10,510	36,113	585,594	-	-	1,177,822
Interest	28	-	-	-	-	205,383
Loan repayments	-	-	-	-	-	6,097
Other	-	-	-	-	-	34,910
Total revenue	<u>10,538</u>	<u>36,113</u>	<u>585,594</u>	<u>-</u>	<u>-</u>	<u>2,652,351</u>
Expenditures						
Public works	-	20,081	-	-	-	1,397,436
Community development	-	-	-	31,347	25,017	63,865
Public Safety	-	-	-	-	-	52,188
Parks and recreation	3,607	-	-	-	-	3,607
Capital outlay	-	-	568,061	-	-	672,405
Debt service						
Principal	-	-	-	-	-	36,108
Interest	-	-	-	-	-	10,322
Total expenditures	<u>3,607</u>	<u>20,081</u>	<u>568,061</u>	<u>31,347</u>	<u>25,017</u>	<u>2,235,931</u>
Change in Fund Balance	6,931	16,032	17,533	(31,347)	(25,017)	416,420
Fund Balance						
Beginning of year	<u>14,337</u>	<u>(32,255)</u>	<u>(37,998)</u>	<u>-</u>	<u>-</u>	<u>3,947,248</u>
End of year	<u>\$ 21,268</u>	<u>\$ (16,223)</u>	<u>\$ (20,465)</u>	<u>\$ (31,347)</u>	<u>\$ (25,017)</u>	<u>\$ 4,363,668</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and City Council
City of Soledad, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Soledad, California, (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated March 9, 2022.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

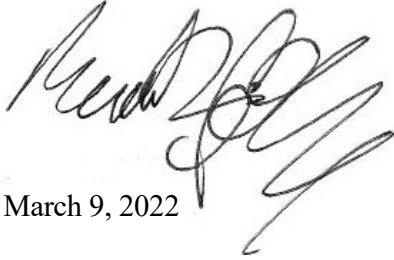
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be "Kendall J. [unclear]", written over the date.

March 9, 2022