CITY OF SOLEDAD

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 2022

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BRYANT L. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Luis A. Perez C.P.A.
Lan T. Kimoto

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Soledad (the "City"), California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

901 "N" STREET, SUITE 104 FIREBAUGH, CALIFORNIA 93622 PHONE 559.659.3045 FAX 559.659.0615

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 45–48, the schedule of the City's proportionate share of net pension liability on page 49, and the schedule of contributions on page 50, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 April 4, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

April 4, 2023

CITY OF SOLEDAD

STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 22,867,313	$ 15,119,520	$ 37,986,833
Accounts receivable, net	469,659	1,962,038	2,431,697
Internal balances	(381,761)	381,761	-
Due from other governments	1,471,433	-	1,471,433
Interest receivable	7,795	5,482	13,277
Notes receivable	8,691,394	40,416	8,731,810
Deferred charges	-	2,357,868	2,357,868
Capital assets, net of allowance			
for depreciation	32,705,682	55,418,127	88,123,809
Total assets	65,831,515	75,285,212	141,116,727
DEFERRED OUTFLOWS OF RESOURCES	1,706,886	262,910	1,969,796
LIABILITIES			
Accounts payable and accrued expense	1,025,539	631,619	1,657,158
Accrued interest payable	974	3,583	4,557
Unearned revenues	56,834	-	56,834
Deposits payable	431,628	174,689	606,317
Long-term liabilities			
Due within one year	40,039	1,725,589	1,765,628
Due in more than one year	97,731	27,205,200	27,302,931
Compensated absences	779,174	373,400	1,152,574
Lease liability	257,936	101,085	359,021
Net pension liability	2,185,401	154,372	2,339,773
Total liabilities	4,875,256	30,369,537	35,244,793
DEFERRED INFLOWS OF RESOURCES	1,808,671	209,648	2,018,319
NET POSITION			
Net investment in capital assets	32,567,912	26,469,750	59,037,662
Restricted for debt service	-	1,542,438	1,542,438
Restricted for long-term notes receivable	8,691,394	-	8,691,394
Restricted for specific projects and programs	12,758,250	-	12,758,250
Unrestricted	6,836,918	16,956,749	23,793,667
Total net position	$ 60,854,474	$ 44,968,937	$ 105,823,411

See accompanying notes.

CITY OF SOLEDAD

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expense	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net Revenue/(Expense) and Changes in Net Position: Governmental Activities	Net Revenue/(Expense) and Changes in Net Position: Business-Type Activities	Net Revenue/(Expense) and Changes in Net Position: Total
Primary Government							
Governmental activities							
General government	$ 1,926,557	$ -	$ 3,109,757	$ 162,046	$ 1,345,246	$ -	$ 1,345,246
Public works	3,153,293	4,421	610,240	1,179,788	(1,358,844)	-	(1,358,844)
Community development	1,343,154	719,785	-	-	(623,369)	-	(623,369)
Public safety	5,040,745	460,584	263,473	118,855	(4,197,833)	-	(4,197,833)
Community services	1,642,635	146,105	2,369,184	473,785	1,346,439	-	1,346,439
Debt Service							
Interest and fiscal charges	20,062	-	-	-	(20,062)	-	(20,062)
Total governmental activities	13,126,446	1,330,895	6,352,654	1,934,474	(3,508,423)	-	(3,508,423)
Business-type activities							
Water	3,597,157	2,792,338	-	363,498	-	(441,321)	(441,321)
Sewer	5,645,082	6,306,402	-	189,361	-	850,681	850,681
Garbage	3,121,048	3,766,898	16	-	-	645,866	645,866
Total business-type activities	12,363,287	12,865,638	16	552,859	-	1,055,226	1,055,226
Total primary government	$ 25,489,733	$ 14,196,533	$ 6,352,670	$ 2,487,333	(3,508,423)	1,055,226	(2,453,197)
General Revenue							
Property taxes and assessments					4,895,873	-	4,895,873
Sales taxes					5,678,643	-	5,678,643
Franchise and other taxes					179,557	-	179,557
Transient lodging taxes					152,852	-	152,852
Utility users tax					768,659	-	768,659
Business license tax					68,490	-	68,490
Investment income					71,769	27,008	98,777
Rents and other income					258,055	87,184	345,239
Transfers					750,000	(750,000)	-
Total general revenue and transfers					12,823,898	(635,808)	12,188,090
Change in Net Position					9,315,475	419,418	9,734,893
Net Position							
Beginning of year, restated					51,538,999	44,549,519	96,088,518
End of year					$ 60,854,474	$ 44,968,937	$ 105,823,411

CITY OF SOLEDAD

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

		Special Revenue Funds			Other	Total
	General	American Rescue Plan	Program Income	Measure X	Governmental Funds	Governmental Funds
ASSETS						
Cash and investments	$ 8,558,918	$ 3,111,547	$ 381,211	$ 2,908,137	$ 7,763,679	$ 22,723,492
Accounts receivable	319,752	-	-	-	149,179	468,931
Due from other governments	1,136,403	-	-	223,233	111,797	1,471,433
Due from other funds	113,194	-	-	-	-	113,194
Interest receivable	2,759	1,073	131	966	2,816	7,745
Notes receivable	-	-	6,505,624	-	2,185,770	8,691,394
Total assets	$ 10,131,026	$ 3,112,620	$ 6,886,966	$ 3,132,336	$ 10,213,241	$ 33,476,189
LIABILITIES						
Accounts payable and accrued expense	574,082	-	-	-	444,144	1,018,226
Unearned revenues	-	-	-	-	56,834	56,834
Due to other funds	-	-	-	-	113,194	113,194
Advance from other funds	-	-	-	-	381,761	381,761
Deposits and other liabilities	431,628	-	-	-	-	431,628
Total liabilities	1,005,710	-	-	-	995,933	2,001,643
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	-	-	6,505,624	-	2,185,770	8,691,394
Total deferred inflows of resources	-	-	6,505,624	-	2,185,770	8,691,394
FUND BALANCE						
Restricted						
Capital improvement projects	1,833,933	-	-	-	1,878,084	3,712,017
Circulation improvements	-	-	-	3,132,336	1,102,893	4,235,229
Lighting, landscape & park maintenance	-	-	-	-	2,396,904	2,396,904
Public safety programs	-	-	-	-	674,387	674,387
Low-income housing activities	-	-	381,342	-	1,358,371	1,739,713
Committed for contingency reserve	1,500,000	-	-	-	-	1,500,000
Unassigned	5,791,383	3,112,620	-	-	(379,101)	8,524,902
Total fund balance	9,125,316	3,112,620	381,342	3,132,336	7,031,538	22,783,152
Total liabilities, deferred inflows of resources, and fund balance	$ 10,131,026	$ 3,112,620	$ 6,886,966	$ 3,132,336	$ 10,213,241	$ 33,476,189

CITY OF SOLEDAD

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total governmental fund balance	$ 22,783,152
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	32,705,682
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	(395,706)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds	(779,174)
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	(2,185,401)
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 s[illegible] will not be recognized as an outflow of resources (revenue) until that time	1,706,886
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	(1,808,671)
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.	137,286
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	8,691,394
Net position of governmental activities	$ 60,854,474

CITY OF SOLEDAD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

		Special Revenue Funds			Other	Total
	General	American Rescue Plan	Program Income	Measure X	Governmental Funds	Governmental Funds
Revenue						
Taxes and assessments	$ 10,322,013	$ -	$ -	$ 836,280	$ 1,329,835	$ 12,488,128
Licenses, permits and impact fees	928,978	-	-	-	1,375,633	2,304,611
Intergovernmental	155,918	3,109,757	-	23,589	2,636,790	5,926,054
Charges for services	146,786	-	-	-	-	146,786
Fines and forfeitures	39,254	-	-	-	-	39,254
Rents	92,776	-	-	-	-	92,776
Interest	7,934	2,863	2,600	2,485	42,401	58,283
Loan repayments	-	-	105,754	-	107,432	213,186
Other	97,294	-	-	-	48,836	146,130
Total revenue	11,790,953	3,112,620	108,354	862,354	5,540,927	21,415,208
Expenditures						
Current						
General government	1,869,670	-	-	-	-	1,869,670
Public works	1,421,754	-	-	137,687	1,011,888	2,571,329
Community development	844,066	-	-	-	479,583	1,323,649
Public safety	5,637,538	-	-	-	81,358	5,718,896
Community services	419,416	-	-	-	1,085,627	1,505,043
Capital outlay	393,660	-	-	-	1,070,349	1,464,009
Debt Service						
Principal	116,247	-	-	-	-	116,247
Interest and fiscal charges	8,956	-	-	-	11,106	20,062
Total expenditures	10,711,307	-	-	137,687	3,739,911	14,588,905
Revenue over/(under) expenditures	1,079,646	3,112,620	108,354	724,667	1,801,016	6,826,303
Other Financing Sources/(Uses)						
Lease proceeds	110,682		-	-	-	110,682
Transfers in/(out) - net	692,997	-	-	-	57,003	750,000
	803,679	-	-	-	57,003	860,682
Change in Fund Balance	1,883,325	3,112,620	108,354	724,667	1,858,019	7,686,985
Fund Balance						
Beginning of year	7,241,991	-	272,988	2,407,669	5,173,519	15,096,167
End of year	$ 9,125,316	$ 3,112,620	$ 381,342	$ 3,132,336	$ 7,031,538	$ 22,783,152

See accompanying notes.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net change in fund balance - total governmental funds	$ 7,686,985
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 and amortization expense	(1,198,825)
Capital outlay	1,353,327
Repayment of long-term notes receivable is revenue in governmental funds, but the repayment reduces long-term assets in the statement of net position	146,570
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position	116,247
Pension expenses reported in the Statement of Activities do no require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds	1,535,075
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	(148,316)
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	(175,588)
Change in net position of governmental activities	$ 9,315,475

CITY OF SOLEDAD

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2022

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Water	Sewer	Garbage	Total Proprietary Funds	
ASSETS					
Current assets					
Cash and investments	$ 2,466,832	$ 11,931,840	$ 720,848	$ 15,119,520	$ 143,821
Accounts receivable	420,879	997,476	543,683	1,962,038	728
Interest receivable	929	4,028	525	5,482	50
Total current assets	2,888,640	12,933,344	1,265,056	17,087,040	144,599
Non-current assets					
Loan receivable	31,128	9,288	-	40,416	-
Deferred charges	-	2,357,868	-	2,357,868	-
Advances to other funds	-	381,761	-	381,761	-
Property, plant and equipment, net of allowance for depreciation	9,394,389	46,006,150	17,588	55,418,127	-
Total assets	12,314,157	61,688,411	1,282,644	75,285,212	144,599
DEFERRED OUTFLOWS OF RESOURCES	114,798	113,231	34,881	262,910	-
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	112,203	274,132	245,284	631,619	7,313
Accrued interest	3,583	-	-	3,583	-
Unearned revenues	31,128	9,288	-	40,416	-
Deposits	77,549	38,950	58,190	174,689	-
Current portion of long-term debt	183,151	1,542,438	-	1,725,589	-
Total current liabilities	407,614	1,864,808	303,474	2,575,896	7,313
Non-current liabilities					
Long-term debt	983,752	26,221,448	-	27,205,200	-
Lease liability	101,085	-	-	101,085	-
Net pension liability	67,406	66,485	20,481	154,372	-
Compensated absences	148,321	177,754	47,325	373,400	-
Total noncurrent liabilities	1,300,564	26,465,687	67,806	27,834,057	-
Total liabilities	1,708,178	28,330,495	371,280	30,409,953	7,313
DEFERRED INFLOWS OF RESOURCES	73,894	72,886	22,452	169,232	-
NET POSITION					
Net investment in capital assets	8,227,486	18,242,264	-	26,469,750	-
Restricted for debt service	-	1,542,438	-	1,542,438	-
Unrestricted/(deficit)	2,419,397	13,613,559	923,793	16,956,749	137,286
Total net position/(deficit)	$ 10,646,883	$ 33,398,261	$ 923,793	$ 44,968,937	$ 137,286

CITY OF SOLEDAD

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Garbage	Total Proprietary Funds	Governmental Activities Internal Service Fund
Operating Revenue					
Charges for services	$ 2,792,338	$ 6,306,402	$ 3,766,898	$ 12,865,638	$ 979,060
Total operating income	2,792,338	6,306,402	3,766,898	12,865,638	979,060
Operating Expense					
Contractual services and utilities	891,002	1,559,241	2,629,613	5,079,856	1,127,518
Personnel	1,037,405	1,757,538	326,771	3,121,714	-
Supplies and materials	1,215,084	934,591	153,686	2,303,361	-
Depreciation	430,285	1,132,933	10,978	1,574,196	-
Total operating expense	3,573,776	5,384,303	3,121,048	12,079,127	1,127,518
Operating income/(loss)	(781,438)	922,099	645,850	786,511	(148,458)
Nonoperating Revenue/(Expense)					
Intergovernmental	-	-	16	16	-
Development impact fees	363,498	189,361	-	552,859	-
Other income	3,012	-	84,172	87,184	-
Interest income	2,954	22,724	1,330	27,008	142
Interest expense	(23,381)	(260,779)	-	(284,160)	-
Total nonoperating revenue/(expense)	346,083	(48,694)	85,518	382,907	142
Net income/(loss) before transfers	(435,355)	873,405	731,368	1,169,418	(148,316)
Operating Transfers In/(Out)	-	-	(750,000)	(750,000)	-
Change in Net Position	(435,355)	873,405	(18,632)	419,418	(148,316)
Net Position					
Beginning of year, restated	11,082,238	32,524,856	942,425	44,549,519	285,602
End of year	$ 10,646,883	$ 33,398,261	$ 923,793	$ 44,968,937	$ 137,286

CITY OF SOLEDAD

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Sewer	Garbage	Total Business-Type Funds	Activities Internal Service Fund
Operating Activities					
Receipts from customers and users	$ 2,918,003	$ 6,502,889	$ 3,781,840	$ 13,202,732	$ 993,964
Payments for contractual services and utilities	(1,094,930)	(1,247,382)	(2,674,426)	(5,016,738)	(1,125,481)
Payments to employees	(1,177,924)	(1,872,097)	(362,938)	(3,412,959)	-
Payment to suppliers	(1,215,084)	(934,591)	(153,686)	(2,303,361)	-
Net cash provided by (used in) operating activities	(569,935)	2,448,819	590,790	2,469,674	(131,517)
Non-capital Financial Activities					
Payments from developers	366,510	189,361	84,188	640,059	-
Proceeds from other government	-	(9,288)	-	(9,288)	-
Payments (to)/from other funds	(31,128)	252,894	(750,000)	(528,234)	-
Net cash provided by (used in) noncapital financing activities	335,382	432,967	(665,812)	102,537	-
Capital and Related Financing Activities					
Purchase of property, plant and equipment	(100,000)	(435,364)	-	(535,364)	-
Principal paid on long-term debt	(210,390)	(1,542,438)	-	(1,752,828)	-
Interest paid on long-term debt	(30,021)	(260,779)	-	(290,800)	-
Net cash provided by (used in) capital and related financing activities	(340,411)	(2,238,581)	-	(2,578,992)	-
Investing Activities					
Interest received	2,558	20,741	1,073	24,372	140
Net cash provided by investing activities	2,558	20,741	1,073	24,372	140
Net Increase (Decrease) in Cash	(572,406)	663,946	(73,949)	17,591	(131,377)
Cash					
Beginning of year	3,039,238	11,267,894	794,797	15,101,929	275,198
End of year	$ 2,466,832	$ 11,931,840	$ 720,848	$ 15,119,520	$ 143,821
Cash Flows from Operating Activities					
Operating income (loss)	$ (781,438)	$ 922,099	$ 645,850	$ 786,511	$ (148,458)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	430,285	1,132,933	10,978	1,574,196	-
(Increase) Decrease in Accounts Receivable	64,470	187,349	15,492	267,311	14,904
(Increase) Decrease in Deferred Charges	-	260,778	-	260,778	-
(Increase) Decrease in Deferred Outflow of Resources	(10,697)	(10,551)	(3,250)	(24,498)	-
Increase (Decrease) in Unearned Revenues	31,128	9,288	-	40,416	-
Increase (Decrease) in Deposits	30,067	(150)	(550)	29,367	-
Increase (Decrease) in Compensated Absences	8,477	32,405	9,106	49,988	-
Increase (Decrease) in Net Pension Liability	(195,517)	(192,851)	(59,409)	(447,777)	-
Increase (Decrease) in Deferred Inflow of Resources	57,218	56,438	17,386	131,042	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(203,928)	51,081	(44,813)	(197,660)	2,037
Net Cash Provided (Used) by Operating Activities	$ (569,935)	$ 2,448,819	$ 590,790	$ 2,469,674	$ (131,517)

CITY OF SOLEDAD

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – CUSTODIAL FUNDS
JUNE 30, 2022

	The Vineyards Assessment District	Diamond Ridge Assessment District	Total
ASSETS			
Cash and investments	$ 93,192	$ 681,909	$ 775,101
Cash and investments with fiscal agent	127,715	153,453	281,168
Interest receivable	32	235	267
Total assets	220,939	835,597	1,056,536
LIABILITIES			
Accounts payable	-	-	-
Total liabilities	$ -	$ -	$ -
NET POSITION			
Restricted for other governments	220,939	835,597	1,056,536
Total net position	$ 220,939	$ 835,597	$ 1,056,536

CITY OF SOLEDAD

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUNDS
JUNE 30, 2022

	The Vineyards Assessment District	Diamond Ridge Assessment District	Total
ADDITIONS			
Property taxes	$ 264,057	$ 320,142	$ 584,199
Interest revenue	79	605	684
Total additions	264,136	320,747	584,883
DEDUCTIONS			
Professional services	$ 1,902	$ 2,725	$ 4,627
Loan payment	175,000	145,000	320,000
Interest expense	74,228	160,207	234,435
Total deductions	251,130	307,932	559,062
Change in Net Position	13,006	12,815	25,821
NET POSITION			
Beginning of year	207,933	822,782	1,030,715
End of year	$ 220,939	$ 835,597	$ 1,056,536

CITY OF SOLEDAD

STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY
JUNE 30, 2022

Assets	
Cash and investments	
Held in City Treasury	$ 481,202
Held with trustees	1,057,957
Land held for redevelopment	180,000
Land	4,273,968
Total assets	5,993,127
Liabilities	
Accounts payable and accrued liabilities	2,939
Interest payable	25,756
Long-term debt	
Due within one year	900,000
Due in more than one year	9,765,000
Total liabilities	10,693,695
Net Position	
Held in trust for other governments	$ (4,700,568)

CITY OF SOLEDAD

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY
JUNE 30, 2022

Additions		
Property taxes	$	1,264,214
Investment earnings and other		163
Total additions		1,264,377
Deductions		
Administrative costs		164,029
Interest expense		251,685
Total deductions		415,714
Change In Net Position		848,663
Net Position		
Beginning of year		(5,549,231)
End of year	$	(4,700,568)

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.

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.

American Rescue Plan Fund – This fund accounts for pandemic related funding received and costs related to the pandemic.

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

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 major enterprise funds:

Water Fund – The Water Fund accounts for the operation and maintenance of the City's water treatment and
water transmission and distribution systems.

Sewer Fund – The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

Custodial Funds – The Custodial 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.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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.

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).

Leases – The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and enterprise fund financial statements. The City recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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.

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

- Nonspendable fund balance typically includes inventories, prepaid items, 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

Note 3 – Cash and Investments (continued)

Cash and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	$ 37,986,833
Fiduciary Funds:	
Cash and Investments	1,256,303
Cash and Investments with Fiscal Agent	1,339,125
Total Cash and Investments	$ 40,582,261

Cash and investments as of June 30, 2022, consist of the following:

Cash on hand	$ 2,380
Deposits with Financial Institutions	32,005,311
Local Agency Investment Fund	7,235,445
Held by Fiscal Agent:	
Money Market	281,168
U.S. Treasury Obligations	1,057,957
Total Cash and Investments	$ 40,582,261

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.

Note 3 – Cash and Investments (continued)

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, 2022:

	Level 1	Level 2	Level 3	June 30, 2022 Balance
Investments by fair value level:				
Equity Securities:				
LAIF	$ -	$ 7,235,445	$ -	$ 7,235,445
Total Equity Securities	-	7,235,445	-	7,235,445
Cash and cash equivalents carried at amortized cost:				
Deposits and cash on hand				32,007,691
Money Market Mutual Funds				281,168
U.S Treasury Obligation				1,057,957
Total Investments amortized at cost				33,346,816
Total Cash and Investments				$ 40,582,261

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.

Note 3 – Cash and Investments (continued)

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

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

Note 3 – Cash and Investments (continued)

Disclosures Relating to Interest Rate Risk

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

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.

Note 3 – Cash and Investments (continued)

Investment in State Investment Pool

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

Note 4 – Notes Receivables

Notes receivable and deferred loans consisted of the following at June 30, 2022:

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, 2022 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, 2022 was $3,760,000.

Revolving Loan Program – Long-term loans receivable of $2,771,811 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.

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, 2022, are as follows:

	Due From	Due To
General Fund	$ 113,194	$ -
20-CDBG-CV1-00058 Special Revenue Fund	-	36,040
Gas Tax Special Revenue Fund	-	35,022
Park Grant Prop 68 Special Revenue Fund	-	31,093
SB2 Public Land Use Element Special Revenue Fund	-	11,039
	$ 113,194	$ 113,194

Advance To and From Funds

Advances from and to balances as of June 30, 2022 are as follows:

	Advance To	Advance From
Sewer Fund	$ 381,761	$ -
Development Impact Capital Projects Fund	-	381,761
	$ 381,761	$ 381,761

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:

	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	$ 692,997	$ -
Proprietary Funds:		
Garbage	-	(750,000)
Nonmajor Governmental Funds:		
COVID	57,003	-
	$ 750,000	$ (750,000)

Note 6 – Capital Assets

Capital asset activities for the year ended June 30, 2022, were as follows:

	Restated Balance July 1, 2021	Additions	Reclassifications/ Retirements	Balance June 30, 2022
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 822,801	$ -	$ -	$ 822,801
Construction in progress	2,014,938	-	-	2,014,938
Total capital assets, not being depreciated	2,837,739	-	-	2,837,739
Capital assets, being depreciated				
Buildings and improvements	7,658,239	974,426	-	8,632,665
Infrastructure	38,631,735	293,453	-	38,925,188
Machinery and equipment	5,733,842	85,448	-	5,819,290
Total capital assets, being depreciated	52,023,816	1,353,327	-	53,377,143
Less accumulated depreciation for				
Buildings and improvements	(2,537,142)	(148,645)	-	(2,685,787)
Infrastructure	(14,928,988)	(761,041)	-	(15,690,029)
Machinery and equipment	(5,180,179)	(210,752)	-	(5,390,931)
Total accumulated depreciation	(22,646,309)	(1,120,438)	-	(23,766,747)
Total capital assets, being depreciated, net	29,377,507	232,889	-	29,610,396
Right of use assets, being amortized:				
Vehicles - right to use	299,697	110,682	-	410,379
Less: accumulated amortization	(74,445)	(78,387)	-	(152,832)
Total lease assets, being amortized, net	225,252	32,295	-	257,547
Governmental activities capital assets, net	$ 32,440,498	$ 265,184	$ -	$ 32,705,682

Note 6 – Capital Assets (continued)

	Restated Balance July 1, 2021	Additions	Reclassifications/ Retirements	Balance June 30, 2022
Business-Type Activities				
Capital assets, not being depreciated				
Land	$ 2,509,996	$ -	$ -	$ 2,509,996
Construction in progress	224,867	-	-	224,867
Total capital assets, not being depreciated	2,734,863	-	-	2,734,863
Capital assets, being depreciated				
Buildings and improvements	55,641,036	48,354	-	55,689,390
Infrastructure	19,428,753	-	(39,624)	19,389,129
Machinery and equipment	1,689,820	487,010	39,624	2,216,454
Total capital assets, being depreciated	76,759,609	535,364	-	77,294,973
Less: accumulated depreciation	(23,169,932)	(1,542,711)	-	(24,712,643)
Total capital assets, being depreciated, net	53,589,677	(1,007,347)	-	52,582,330
Right of use assets, being amortized:				
Vehicles - right to use	157,423	-	-	157,423
Less: accumulated amortization	(25,004)	(31,485)	-	(56,489)
Total right of use assets, being amortized	132,419	(31,485)	-	100,934
Total right of use assets, being amortized, net	107,415	(62,970)	-	44,445
Business-type activities capital assets, net	$ 56,456,959	$ (1,038,832)	$ -	$ 55,418,127

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

Governmental Functions:	
General Government	$ 2,954
Public Works	778,401
Public Safety	137,593
Community Services	279,877
	$ 1,198,825

Business-Type Functions:	
Water	$ 430,285
Sewer	1,132,933
Garbage	10,978
	$ 1,574,196

Note 7 – Long-Term Debt

Governmental Activity Long Term Debt					
Direct Borrowings:					
Loan Payable					
2019 Motorola Radios	$ 175,793	$ -	$ (38,023)	$ 137,770	$ 40,039
Total Governmental Activity Long Term Debt	$ 175,793	$ -	$ (38,023)	$ 137,770	$ 40,039
Business-Type Activity Long Term Debt					
Direct Placement:					
Bonds Payable					
2021 Water Refunding Revenue Bonds	$ 1,053,920	$ -	$ (73,440)	$ 980,480	$ 72,920
Direct Borrowings':					
Loans Payable					
Sewer Plant Loan	29,306,324	-	(1,542,438)	27,763,886	1,542,438
Energy Retrofit Financed Purchase	291,969	-	(105,546)	186,423	110,231
Total Business-Type Activity Debt	$ 30,652,213	$ -	$ (1,721,424)	$ 28,930,789	$ 1,725,589
Compensated Absences					
Government Activities	$ 603,586	$ 175,588	$ -	$ 779,174	
Business-Type Activities	$ 323,412	$ 49,988	$ -	$ 373,400	
Net Pension Liability					
Government Activities	$ 5,011,694	$ -	$ (2,826,293)	$ 2,185,401	
Business-Type Activities	$ 602,149	$ -	$ (447,777)	$ 154,372	

2019 Motorola Radios – On July 18, 2018, the City entered into a purchase 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 presented. 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 of 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, 2022, debt coverage ratio was 2.92. Cash basis debt service paid during the fiscal year ended June 30, 2022 totaled $92,611.

Note 7 – Long-Term Debt (Continued)

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 $2,357,868 remains to be amortized over the remaining life of the loan.

Energy Retrofit Financed Purchase – On August 13, 2008, the City entered into a purchase agreement for an energy retrofit upgrade at the water plant. The agreement 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, 2022 was $186,423.

Compensated Absences – City employees accumulate earned but 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, 2022, totaled $779,174 for governmental activities and $373,400 for business-type activities.

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2022, were as follows:

	Governmental-Type Activities		Business-Type Activities	
Years ending June 30,	Principal	Interest	Principal	Interest
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	-	-	1,621,498	215,592
2028-2032	-	-	8,131,661	848,033
2033-2037	-	-	7,892,771	454,479
2038-2040	-	-	4,627,314	91,795
	$ 137,770	$ 12,839	$ 28,930,789	$ 2,626,341

Note 7 – Long-Term Debt (Continued)

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, 2022, not reflected in these statements is $1,690,000 for The Vineyards and $2,585,000 for Diamond Ridge.

Note 8 – Lease Liability

	Restated Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Current Portion
Lease Liability - Right of Use					
Government Activities	$ 225,478	$ 110,682	$ (78,224)	$ 257,936	$ 82,039
Business-Type Activities	$ 132,489	$ -	$ (31,404)	$ 101,085	$ 31,466

The City entered into several sixty (60) month lease agreement as lessee for the acquisition and use of vehicles. An initial lease liability was recorded in the amount of $647,920 during the year the lease was entered. As of June 30, 2022, the value of the lease liability was $359,021. The City is required to make monthly principal and interest payments of $411 to $6,873. The lease has an interest rate of 0.9%. The equipment has a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was $567,802 and had accumulated amortization of $209,321. The future principal and interest lease payments as of June 30, 2022, were as follows:

	Governmental-Type Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
Years ending June 30,				
2023	$ 82,039	$ 441	$ 31,466	$ 173
2024	82,204	276	31,529	110
2025	58,235	125	23,969	53
2026	31,752	38	14,121	10
2027	3,706	1	-	-
	$ 257,936	$ 881	$ 101,085	$ 346

Note 9 – 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 $1,969,796 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 11.

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 $1,977,903 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 11.

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, Low-Moderate Housing, 20-CDBG-CV10058, 20-CDBG-12084, and Development Impact Fee, $6,505,624, $1,707,850, $67,538, $285,626, $124,756, respectively, as unavailable revenues, related to long-term notes and loans receivables.

Note 10 – 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.

Note 10 – Risk Management (continued)

Workers' Compensation: The City does not retain a 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.

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 11 – 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, 2022 was 8.650%, 7.590%, 20.640%, and 13.130% for the Miscellaneous, PEPRA Miscellaneous, Safety, and PEPRA 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.

Note 11 – City Employees' Retirement Plan (Defined Benefit Pension Plan) (Continued)

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	Safety
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit Formula	2.0% at 60; maximum 2% COLA	3.0% at 55; maximum 2% 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	8.650%	20.640%

	PEPRA Miscellaneous	PEPRA Safety
Hire Date	On or After January 1, 2013	On or After January 1, 2013
Benefit Formula	2.0% at 62; maximum 2% COLA	2.7% at 57; maximum 2% 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	7.590%	13.130%

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.

Note 11 – City Employees' Retirement Plan (Defined Benefit Pension Plan) (Continued)

For the year ended June 30, 2022, the contributions recognized as part of the pension expense is as follows:

Contributions – employer	$ 1,064,760
Contributions – employee	$ 488,895

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

As of June 30, 2022, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	$ 432,090
Safety	$ 1,907,683

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, 2021, 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, 2020, rolled forward to June 30, 2021, 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, 2021 and 2022 was as follows:

	Miscellaneous	Safety
Proportion – June 30, 2021	0.03996%	0.05896%
Proportion – June 30, 2022	0.02276%	0.05436%
Change – Increase/(Decrease)	0.01720%	0.00460%

Note 11 – City Employees' Retirement Plan (Defined Benefit Pension Plan) (Continued)

For the year ended June 30, 2022, the City recognized pension credit of $811,550. At June 30, 2022, 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	$ 1,064,760	$ -
Change in employer's proportion	530,654	-
Difference between employer's contributions and proportionate share of contributions	-	(465,275)
Differences between projected and actual investments earnings	-	(1,512,628)
Difference between expected and actual experience	374,382	-
Total	$ 1,969,796	$ (1,977,903)

The $1,064,760 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, 2023. 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	
2023	$ (162,161)
2024	(205,442)
2025	(288,574)
2026	(416,693)
Thereafter	-

Note 11 – City Employees' Retirement Plan (Defined Benefit Pension Plan) (Continued)

Actuarial Methods Assumptions – The collective total pension liability for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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 Date for all Funds [1]
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

[1]The 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.

Note 11 – 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, 2021.

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	Real Return Years 1-10 [2]	Real Return Years 11+ [3]
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%		

[1]In 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
[2] An expected inflation of 2.0% used for this period
[3]An expected inflation of 2.92% used for this period

Note 11 – 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	$ 1,892,139	$ 432,090	$ (774,912)
Safety	$ 4,352,684	$ 1,907,683	$ (100,582)

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, 2022, the City has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

Note 12 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through April 4, 2023, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2022 that required recognition or disclosure in such financial statements.

Note 13 – Fund Balance

Fund Balance Deficits – The following is a summary of fund balance deficits as of June 30, 2022:

Nonmajor Funds:

SB 2 Planning Land Use Element Grant Special Revenue Fund	$ (14,596)
Park Grant Prop 68 Special Revenue Fund	$ (288,142)
20-CDBG-CV100058 Special Revenue Fund	$ (36,040)
20-CDBG-12084 Special Revenue Fund	$ (40,323)

These fund balance deficits are expected to be relieved from future revenues or transfers from other funds.

Note 14 – Restatement of Fund Balance/Net Position

Change in Accounting Principle

The beginning net position for Governmental Activities and Business-Type Activities have been restated as a result of the implementation of the *Governmental Accounting Standards Board, Statement No. 87, Leases.* The beginning net position of the enterprise fund financial statements was also restated to conform to this presentation.

	Government-Wide		Enterprise Fund
	Governmental Activities	Business-type Activites	Water Fund
Net Position, June 30, 2021, as previously reported	$ 51,539,225	$ 44,549,589	$ 11,082,308
Change in accounting principle			
Record understament of right of use assets	225,252	132,419	132,419
Record understatement of lease liability	(225,478)	(132,489)	(132,489)
Total change in accounting principle	(226)	(70)	(70)
Net Position, July 1, 2021, as restated	$ 51,538,999	$ 44,549,519	$ 11,082,238

Note 15 – Excess of Expenditures over Appropriations

The excess of expenditures over appropriations are as follows:
General Fund:

Current:	
General Government	$ 170,732
Community services	$ 9,906
Capital Outlay	$ 22,660
Debt Service	
Principal	$ 97,912
Interest	$ 8,956

The excess of expenditures over appropriations are covered by the available fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOLEDAD

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Revenue				
Taxes	$ 9,382,500	$ 9,382,500	$ 10,322,013	$ 939,513
Licenses and permits	561,762	561,762	928,978	367,216
Intergovernmental	350,000	350,000	155,918	(194,082)
Charges for services	20,000	20,000	146,786	126,786
Fines and forfeitures	38,000	38,000	39,254	1,254
Interest	20,000	20,000	7,934	(12,066)
Rents	86,000	86,000	92,776	6,776
Other	391,563	391,563	97,294	(294,269)
Total revenue	10,849,825	10,849,825	11,790,953	941,128
Expenditures				
Current				
General government	1,698,938	1,698,938	1,869,670	(170,732)
Public works	1,599,719	1,599,719	1,421,754	177,965
Community development	1,297,599	1,297,599	844,066	453,533
Public safety	6,381,511	6,381,511	5,637,538	743,973
Community services	409,510	409,510	419,416	(9,906)
Capital outlay	371,000	371,000	393,660	(22,660)
Debt Service				
Principal	18,335	18,335	116,247	(97,912)
Interest and fiscal charges	-	-	8,956	(8,956)
Total expenditures	11,776,612	11,776,612	10,711,307	1,065,305
Revenue over (under)expenditures	(926,787)	(926,787)	1,079,646	2,006,433
Other Financing Sources				
Lease proceeds	-	-	110,682	110,682
Transfers in (out) - net	460,768	460,768	692,997	232,229
Net Change in Fund Balance	$ (466,019)	$ (466,019)	1,883,325	$ 2,349,344
Fund Balance				
Beginning of year			7,241,991	
End of year			$ 9,125,316	

CITY OF SOLEDAD

BUDGETARY COMPARISON SCHEDULE
PROGRAM INCOME FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Revenue				
Interest	$ 675	$ 675	$ 2,600	$ 1,925
Loan repayments	10,000	10,000	105,754	95,754
Total revenue	10,675	10,675	108,354	97,679
Expenditures				
Current				
Community development	2,500	2,500	-	2,500
Total expenditures	2,500	2,500	-	2,500
Net Change in Fund Balance	$ 8,175	$ 8,175	108,354	$ 100,179
Fund Balance				
Beginning of year			272,988	
End of year			$ 381,342	

CITY OF SOLEDAD

BUDGETARY COMPARISON SCHEDULE
AMERICAN RESCUE PLAN FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Revenue				
Intergovernmental	$ 3,109,757	$ 3,109,757	$ 3,109,757	$ -
Interest	-	-	2,863	2,863
Total revenue	3,109,757	3,109,757	3,112,620	2,863
Expenditures				
Current				
Community development	-	-	-	-
Total expenditures	-	-	-	-
Net Change in Fund Balance	$ 3,109,757	$ 3,109,757	3,112,620	$ 2,863
Fund Balance				
Beginning of year			-	
End of year			$ 3,112,620	

CITY OF SOLEDAD

BUDGETARY COMPARISON SCHEDULE
MEASURE X FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive/
	Original	Final	Amounts	(Negative)
Revenue				
Taxes and assessments	$ 509,706	$ 509,706	$ 836,280	$ 326,574
Interest	5,000	5,000	2,485	(2,515)
Intergovernmental	-	-	23,589	23,589
Total revenue	514,706	514,706	862,354	347,648
Expenditures				
Current				
Public works	1,525,000	1,525,000	137,687	1,387,313
Total expenditures	1,525,000	1,525,000	137,687	1,387,313
Revenue over (under)expenditures	(1,010,294)	(1,010,294)	724,667	1,734,961
Net Change in Fund Balance	$ (1,010,294)	$ (1,010,294)	724,667	$ 1,734,961
Fund Balance				
Beginning of year			2,407,669	
End of year			$ 3,132,336	

CITY OF SOLEDAD

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 YEARS*
YEAR ENDED JUNE 30, 2022

Miscellaneous Plan:	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered - employee payroll	Proportionate share of the net pension liability as a percentage of covered-employee payroll	Plan's fiduciary net position	Plan's fiduciary net 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%
2022	0.02276%	$ 432,090	$ 3,416,711	12.65%	$ 10,626,299	96.093%
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%
2022	0.05436%	$ 1,907,684	$ 1,636,722	116.56%	$ 16,256,088	89.497%

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

Changes of Assumptions: None.

CITY OF SOLEDAD

SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
YEAR ENDED JUNE 30, 2022

	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%
2022	$ 354,799	$ (354,799)	$ -	$ 3,416,711	10.38%
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%
2022	$ 546,871	$ (546,871)	$ -	$ 1,636,722	33.41%

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

SUPPLEMENTAL ONLY INFORMATION

CITY OF SOLEDAD

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds			
	Maintenance Districts	Public Safety	Gas Tax	SB1
ASSETS				
Cash and investments	$ 2,411,056	$ 626,654	$ 13,890	$ 1,001,267
Accounts receivable	-	-	51,297	-
Due from other governments	-	10,462	-	96,055
Interest receivable	831	218	11	342
Notes receivable	-	-	-	-
Total assets	$ 2,411,887	$ 637,334	$ 65,198	$ 1,097,664
LIABILITIES				
Accounts payable and accrued expense	$ 14,983	$ 8,352	$ 59,969	$ -
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Total liabilities	14,983	8,352	59,969	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCE				
Restricted				
Capital improvement projects	-	-	-	-
Circulation improvements	-	-	5,229	1,097,664
Public safety programs	-	628,982	-	-
Lighting, landscape & park maintenance	2,396,904	-	-	-
Low-income housing activities	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	2,396,904	628,982	5,229	1,097,664
Total liabilities, deferred inflows of resources and fund balance	$ 2,411,887	$ 637,334	$ 65,198	$ 1,097,664

CITY OF SOLEDAD

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds			
	Low-Moderate Housing Asset	COVID	Vehicle Abatement	SB2 Planning Land Use Element Grant
ASSETS				
Cash and investments	$ 1,357,903	$ 113,923	$ 40,111	$ -
Accounts receivable	-	-	-	-
Due from other governments	-	-	5,280	-
Interest receivable	468	83	14	-
Notes receivable	1,707,850	-	-	-
Total assets	$ 3,066,221	$ 114,006	$ 45,405	$ -
LIABILITIES				
Accounts payable and accrued expense	$ -	$ -	$ -	$ 3,557
Unearned revenues	-	56,834	-	-
Due to other funds	-	-	-	11,039
Advance from other funds	-	-	-	-
Total liabilities	-	56,834	-	14,596
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	1,707,850	-	-	-
Total deferred inflows of resources	1,707,850	-	-	-
FUND BALANCE				
Restricted				
Capital improvement projects	-	57,172	-	-
Circulation improvements	-	-	-	-
Public safety programs	-	-	45,405	-
Lighting, landscape & park maintenance	-	-	-	-
Low-income housing activities	1,358,371	-	-	-
Unassigned	-	-	-	(14,596)
Total fund balance	1,358,371	57,172	45,405	(14,596)
Total liabilities, deferred inflows of resources and fund balance	$ 3,066,221	$ 114,006	$ 45,405	$ -

CITY OF SOLEDAD

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds			Fund	Total
	Park Grant Prop 68	20-CDBG CV1-00058	20-CDBG 12084	Development Impact	Non-major Governmental Funds
ASSETS					
Cash and investments	$ -	$ -	$ -	$ 2,198,875	$ 7,763,679
Accounts receivable	74,482	-	-	23,400	149,179
Due from other governments	-	-	-	-	111,797
Interest receivable	-	-	-	849	2,816
Notes receivable	-	67,538	285,626	124,756	2,185,770
Total assets	$ 74,482	$ 67,538	$ 285,626	$ 2,347,880	$ 10,213,241
LIABILITIES					
Accounts payable and accrued expense	$ 327,602	$ -	$ 9,230	20,451	$ 444,144
Unearned revenues	-	-	-	-	56,834
Due to other funds	35,022	36,040	31,093	-	113,194
Advance from other funds	-	-	-	381,761	381,761
Total liabilities	362,624	36,040	40,323	402,212	995,933
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	-	67,538	285,626	124,756	2,185,770
Total deferred inflows of resources	-	67,538	285,626	124,756	2,185,770
FUND BALANCE					
Restricted					
Capital improvement projects	-	-	-	1,820,912	1,878,084
Circulation improvements	-	-	-	-	1,102,893
Public safety programs	-	-	-	-	674,387
Lighting, landscape & park maintenance	-	-	-	-	2,396,904
Low-income housing activities	-	-	-	-	1,358,371
Unassigned	(288,142)	(36,040)	(40,323)	-	(379,101)
Total fund balance	(288,142)	(36,040)	(40,323)	1,820,912	7,031,538
Total liabilities, deferred inflows of resources and fund balance	$ 74,482	$ 67,538	$ 285,626	$ 2,347,880	$ 10,213,241

CITY OF SOLEDAD

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds			
	Maintenance Districts	Public Safety	Gas Tax	SB1
Revenue				
Taxes and assessments	$ 734,279	$ 67,379	$ -	$ 528,177
Licenses, permits and impact fees	-	-	-	-
Intergovernmental	-	-	592,769	-
Interest	2,155	574	58	873
Loan repayments	-	-	-	-
Other	-	2,091	23,345	-
Total revenue	736,434	70,044	616,172	529,050
Expenditures				
Public works	286,299	-	613,257	99,454
Community development	-	-	-	-
Public Safety	-	14,076	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Interest	-	-	-	-
Total expenditures	286,299	14,076	613,257	99,454
Revenue over (under) expenditures	450,135	55,968	2,915	429,596
Other financing sources/(uses)				
Operating transfers in/(out) - net	-	-	-	-
	-	-	-	-
Change in Fund Balance	450,135	55,968	2,915	429,596
Fund Balance				
Beginning of year	1,946,769	573,014	2,314	668,068
End of year	$ 2,396,904	$ 628,982	$ 5,229	$ 1,097,664

CITY OF SOLEDAD

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds			
	Low-Moderate Housing Asset	COVID	Vehicle Abatement	SB2 Planning Land Use Element Grant
Revenue				
Taxes and assessments	$ -	$ -	$ -	$ -
Licenses, permits and impact fees	-	-	-	-
Intergovernmental	-	1,082,768	25,333	14,505
Interest	32,568	169	35	-
Loan repayments	95,597	-	-	-
Other	-	-	-	-
Total revenue	128,165	1,082,937	25,368	14,505
Expenditures				
Public works	-	-	-	12,878
Community development	15,081	-	-	-
Public Safety	-	-	-	-
Community services	-	1,082,768	1,231	-
Capital outlay	-	-	-	-
Debt service				
Interest	-	-	-	-
Total expenditures	15,081	1,082,768	1,231	12,878
Revenue over (under) expenditures	113,084	169	24,137	1,627
Other financing sources/(uses)				
Operating transfers in/(out) - net	-	57,003	-	-
	-	57,003	-	-
Change in Fund Balance	113,084	57,172	24,137	1,627
Fund Balance				
Beginning of year	1,245,287	-	21,268	(16,223)
End of year	$ 1,358,371	$ 57,172	$ 45,405	$ (14,596)

CITY OF SOLEDAD

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Special Revenue Funds			Capital Projects Fund	Total Non-major
	Park Grant Prop 68	20-CDBG CV1-00058	20-CDBG 12084	Development Impact	Governmental Funds
Revenue					
Taxes and assessments	$ -	$ -	$ -	$ -	$ 1,329,835
Licenses, permits and impact fees	-	-	-	1,375,633	1,375,633
Intergovernmental	515,357	78,347	327,711	-	2,636,790
Interest	-	248	1,869	3,852	42,401
Loan repayments	-	2,462	9,373	-	107,432
Other	-	-	-	23,400	48,836
Total revenue	515,357	81,057	338,953	1,402,885	5,540,927
Expenditures					
Public works	-	-	-	-	1,011,888
Community development	-	85,750	354,259	24,493	479,583
Public Safety	-	-	-	67,282	81,358
Parks and recreation	1,628	-	-	-	1,085,627
Capital outlay	781,406	-	-	288,943	1,070,349
Debt service					
Interest	-	-	-	11,106	11,106
Total expenditures	783,034	85,750	354,259	391,824	3,739,911
Revenue over (under) expenditures	(267,677)	(4,693)	(15,306)	1,011,061	1,801,016
Other financing sources/(uses)					
Operating transfers in/(out) - net	-	-	-	-	57,003
	-	-	-	-	57,003
Change in Fund Balance	(267,677)	(4,693)	(15,306)	1,011,061	1,858,019
Fund Balance					
Beginning of year	(20,465)	(31,347)	(25,017)	809,851	5,173,519
End of year	$ (288,142)	$ (36,040)	$ (40,323)	$ 1,820,912	$ 7,031,538

BRYANT L. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Luis A. Perez C.P.A.
Lan T. Kimoto

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 City of Soledad (the "City"), California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated April 4, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

April 4, 2023

BRYANT L. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Luis A. Perez C.P.A.
Lan T. Kimoto

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Soledad (the "City"), California's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

April 4, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through from the California Department of Housing and Community Development			
Community Development Block Grant	14.228	N/A	$ 440,012
U.S. Department of the Treasury			
Passed through from United Way Monterey County			
Coronavirus Relief Fund	21.019	N/A	956,389
Total Federal Expenditures			$ 1,396,401

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Note 1 – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the City of Soledad, California (the City). Federal awards received directly from federal agencies as well as federal awards passed through other nonfederal agencies, primarily the State of California, are included in the SEFA. The City's reporting entity is defined in Note 1 to the City's basic financial statements.

Note 2 – Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in Note 1 to the City's basic financial statements. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the SEFA may differ from amounts presented in the basic financial statements

Note 3 – Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in the accompanying SEFA were determined based on program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

Note 4 – Relationship to the Financial Statements

Expenditures of federal awards are reported in the City's basic financial statements as expenditures/expenses in the General Fund, nonmajor special revenue funds, nonmajor capital project funds, and the enterprise funds.

Note 5 – Indirect Cost Rate

The City did not elect to use the 10% de minimus cost rate as covered in 2 CFR §200.414.

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weaknesses identified?	☐	Yes	☒	No
• Significant deficiencies identified that are not considered to be material weaknesses?	☐	Yes	☒	None reported
• Non-compliance material to financial statements noted?	☐	Yes	☒	No

Federal Awards

Internal control over major programs:

• Material weaknesses identified?	☐	Yes	☒	No
• Significant deficiencies identified that are not considered to be material weaknesses?	☐	Yes	☒	None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐	Yes	☒	No

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee?	☐	Yes	☒	No

B. Findings – Financial Statements Audit

None noted.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None noted.

Summary Schedule of Prior Audit Findings

There were no prior year audit findings.