

CITY OF KING CITY

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

As discussed in Note 13, the City has not estimated and reported a liability for landfill post-closure care costs or included the related note disclosures as required by accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 41 through 43 and the Schedule of the City's Proportionate Share of Net Pension Liability and the Schedule of Contributions pages 44 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

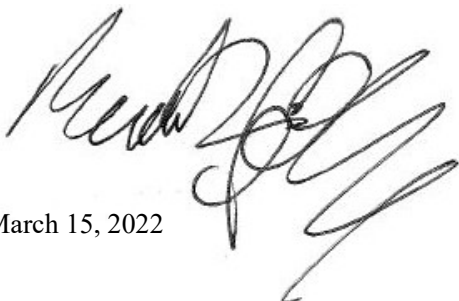
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022, on our consideration of the City of King City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of King City's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be 'Meredith J. [unclear]', is written over the date 'March 15, 2022'.

March 15, 2022

CITY OF KING CITY

STATEMENT OF NET POSITION JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 3,311,662	\$ 10,209,014	\$ 13,520,676
Accounts receivable	123,564	288,475	412,039
Due from other governments	1,981,267	-	1,981,267
Interest receivable	750,693	1,285	751,978
Notes receivable	3,000,000	-	3,000,000
Capital assets (net of allowance for depreciation)	12,430,478	9,344,782	21,775,260
Total assets	<u>21,597,664</u>	<u>19,843,556</u>	<u>41,441,220</u>
DEFERRED OUTFLOW OF RESOURCES	<u>1,428,583</u>	<u>207,020</u>	<u>1,635,603</u>
LIABILITIES			
Accounts payable and accrued expenses	754,443	117,802	872,245
Deposits	273,333	-	273,333
Compensated absences	345,373	-	345,373
Noncurrent liabilities			
Due within one year	130,514	274,222	404,736
Due in more than one year	851,214	4,975,622	5,826,836
Net pension liability	6,471,599	112,926	6,584,525
Total liabilities	<u>8,826,476</u>	<u>5,480,572</u>	<u>14,307,048</u>
DEFERRED INFLOW OF RESOURCES	<u>260,486</u>	<u>4,777</u>	<u>265,263</u>
NET POSITION			
Net investment in capital assets	11,448,750	4,094,938	15,543,688
Restricted for capital projects	2,300,221	-	2,300,221
Restricted for long-term notes receivable	3,000,000	-	3,000,000
Restricted for specific projects and programs	326,587	-	326,587
Unrestricted (deficit)	<u>(3,136,273)</u>	<u>10,470,289</u>	<u>7,334,016</u>
Total net position	<u>\$ 13,939,285</u>	<u>\$ 14,565,227</u>	<u>\$ 28,504,512</u>

CITY OF KING CITY

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenue				Net Revenue/(Expense) and Changes in Net Position		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 1,121,400	\$ 318,256	\$ 221,969	\$ 274,315	\$ (306,860)	\$ -	\$ (306,860)
Public safety	4,959,230	151,608	678,640	-	(4,128,982)	-	(4,128,982)
Public works	2,649,574	17,923	677,801	305,785	(1,648,065)	-	(1,648,065)
Culture and recreation	467,692	116,707	2,521	175,296	(173,168)	-	(173,168)
Community development	1,967,940	515,309	249,695	-	(1,202,936)	-	(1,202,936)
Debt service							
Interest expense	40,038	-	-	-	(40,038)	-	(40,038)
Total governmental activities	<u>11,205,874</u>	<u>1,119,803</u>	<u>1,830,626</u>	<u>755,396</u>	<u>(7,500,049)</u>	<u>-</u>	<u>(7,500,049)</u>
Business-type activities							
Sewer	2,053,696	2,927,632	-	-	-	873,936	873,936
Power	2,591,406	2,572,349	-	-	-	(19,057)	(19,057)
Total business-type activities	<u>4,645,102</u>	<u>5,499,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>854,879</u>	<u>854,879</u>
Total primary government	<u>\$ 15,850,976</u>	<u>\$ 6,619,784</u>	<u>\$ 1,830,626</u>	<u>\$ 755,396</u>	<u>(7,500,049)</u>	<u>854,879</u>	<u>(6,645,170)</u>
General Revenue							
Property taxes					1,122,869	-	1,122,869
Franchise taxes					883,632	-	883,632
Sales taxes					4,413,799	-	4,413,799
Transient occupancy taxes					475,400	-	475,400
Utility users tax					341,970	-	341,970
Business licenses					309,297	-	309,297
Motor vehicle in-lieu					1,024,967	-	1,024,967
Investment income					94,746	12,668	107,414
Gain on sale of property					787,108	-	787,108
Other revenues					118,727	-	118,727
Transfers					300,000	(300,000)	-
Total general revenue and transfers					<u>9,872,515</u>	<u>(287,332)</u>	<u>9,585,183</u>
Change in Net Position					2,372,466	567,547	2,940,013
Net Position							
Beginning of year					11,566,819	13,997,680	25,564,499
End of year					<u>\$ 13,939,285</u>	<u>\$ 14,565,227</u>	<u>\$ 28,504,512</u>

See accompanying notes.

CITY OF KING CITY

BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2021

	General	HOME Grant	Development Impact Fees	Measure X	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 540,310	\$ -	\$ 1,678,258	\$ 425,771	\$ 667,323	\$ 3,311,662
Accounts receivable	105,201	-	-	-	18,363	123,564
Due from other governments	1,007,113	-	-	134,108	840,046	1,981,267
Interest receivable	249	750,000	239	60	145	750,693
Due from other funds	709,282	-	-	-	-	709,282
Notes receivable	-	3,000,000	-	-	-	3,000,000
Total assets	<u>\$ 2,362,155</u>	<u>\$ 3,750,000</u>	<u>\$ 1,678,497</u>	<u>\$ 559,939</u>	<u>\$ 1,525,877</u>	<u>\$ 9,876,468</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
Accounts payable and accrued expense	\$ 323,707	\$ -	\$ 9,437	\$ 90,831	\$ 330,468	\$ 754,443
Deposits	273,333	-	-	-	-	273,333
Due to other funds	-	-	13,395	-	695,887	709,282
Total liabilities	<u>597,040</u>	<u>-</u>	<u>22,832</u>	<u>90,831</u>	<u>1,026,355</u>	<u>1,737,058</u>
Deferred inflows of resources						
Deferred loans	-	3,750,000	-	-	-	3,750,000
Total deferred inflows of resources	<u>-</u>	<u>3,750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,750,000</u>
FUND BALANCE						
Restricted						
Circulation improvements	-	-	-	-	42,296	42,296
Capital improvement projects	-	-	1,655,665	469,108	133,152	2,257,925
Public safety	-	-	-	-	326,587	326,587
Unassigned	1,765,115	-	-	-	(2,513)	1,762,602
Total fund balance	<u>1,765,115</u>	<u>-</u>	<u>1,655,665</u>	<u>469,108</u>	<u>499,522</u>	<u>4,389,410</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,362,155</u>	<u>\$ 3,750,000</u>	<u>\$ 1,678,497</u>	<u>\$ 559,939</u>	<u>\$ 1,525,877</u>	<u>\$ 9,876,468</u>

CITY OF KING CITY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2021

Total governmental fund balances \$ 4,389,410

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 12,430,478

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 3,750,000

Net pension liability applicable to Governmental Activities are not due
and payable in the current period and accordingly is not reportable in
the Governmental Funds (6,471,599)

Deferred inflows/outflows of resources related to net pension liability, represent
an acquisition/consumption of net position or fund balance that applies to future
period(s) and so will not be recognized as an inflow/outflow of resources
(revenue/expenditure) until that time 1,168,097

Governmental long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the funds (981,728)

Compensated absences are not due and payable in the current period
and, therefore, are not reported in the Governmental Funds (345,373)

Net position of governmental activities \$ 13,939,285

CITY OF KING CITY

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

	General	HOME Grant	Development Impact Fees	Measure X	Other Governmental Funds	Total Governmental Funds
Revenue						
Taxes	\$ 7,278,253	\$ -	\$ -	\$ 460,858	\$ 675,164	\$ 8,414,275
Intergovernmental	728,064	-	-	-	1,524,353	2,252,417
Charges for services	15,818	-	23,272	-	101,497	140,587
Licenses, permits and impact fees	1,032,655	-	284,053	-	-	1,316,708
Fines and forfeitures	31,344	-	-	-	-	31,344
Interest and rent	23,019	-	1,944	242	758	25,963
Other	213,585	-	-	-	6,350	219,935
Total revenue	<u>9,322,738</u>	<u>-</u>	<u>309,269</u>	<u>461,100</u>	<u>2,308,122</u>	<u>12,401,229</u>
Expenditures						
Current						
General government	988,430	-	-	-	-	988,430
Public safety	4,390,814	-	-	-	141,245	4,532,059
Public works	804,415	-	81,309	113,539	1,093,969	2,093,232
Culture and recreation	260,999	-	-	-	25,296	286,295
Community development	1,775,806	-	21,848	-	158,947	1,956,601
Capital outlay	-	-	158,033	-	407,400	565,433
Debt Service						
Principal	79,350	-	-	-	21,763	101,113
Interest and fiscal charges	29,542	-	-	-	10,496	40,038
Total expenditures	<u>8,329,356</u>	<u>-</u>	<u>261,190</u>	<u>113,539</u>	<u>1,859,116</u>	<u>10,563,201</u>
Revenue over/(under) expenditures	993,382	-	48,079	347,561	449,006	1,838,028
Other Financing Sources/(Uses)						
Sale of property	787,108	-	-	-	-	787,108
Transfers in/(out) - net	428,772	-	-	-	(128,772)	300,000
Total other financing sources/(uses)	<u>1,215,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(128,772)</u>	<u>1,087,108</u>
Change in Fund Balance	2,209,262	-	48,079	347,561	320,234	2,925,136
Fund Balance						
Beginning of year	(444,147)	-	1,607,586	121,547	179,288	1,464,274
End of year	<u>\$ 1,765,115</u>	<u>\$ -</u>	<u>\$ 1,655,665</u>	<u>\$ 469,108</u>	<u>\$ 499,522</u>	<u>\$ 4,389,410</u>

See accompanying notes.

CITY OF KING CITY

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

Net change in fund balance - total governmental funds	\$ 2,925,136
Amounts reported for governmental activities in the statement of activities are different because:	
Repayment of long-term debt is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position	101,113
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	90,000
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are capitalized as an asset and depreciated over the period of service	565,433
Pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds	(412,667)
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	92,799
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 recorded as expenditures in Governmental Funds	<u>(989,348)</u>
Change in net position of governmental activities	<u>\$ 2,372,466</u>

CITY OF KING CITY

STATEMENT OF NET POSITION – PROPRIETARY FUND JUNE 30, 2021

	Business-Type Activities - Enterprise Fund		
	Sewer	Community Power	Total
ASSETS			
Current assets			
Cash and investments	\$ 9,988,323	\$ 220,691	\$ 10,209,014
Accounts receivable	288,475	-	288,475
Interest receivable	1,285	-	1,285
Total current assets	<u>10,278,083</u>	<u>220,691</u>	<u>10,498,774</u>
Non-current assets			
Property, plant and equipment (net of allowance for depreciation)	9,344,782	-	9,344,782
Total noncurrent assets	<u>9,344,782</u>	<u>-</u>	<u>9,344,782</u>
Total assets	<u>19,622,865</u>	<u>220,691</u>	<u>19,843,556</u>
DEFERRED OUTFLOW OF RESOURCES	<u>207,020</u>	<u>-</u>	<u>207,020</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expense	74,272	43,530	117,802
Current portion of long-term debt	274,222	-	274,222
Total current liabilities	<u>348,494</u>	<u>43,530</u>	<u>392,024</u>
Noncurrent Liabilities			
Long-term debt	4,975,622	-	4,975,622
Net pension liability	112,926	-	112,926
Total liabilities	<u>5,437,042</u>	<u>43,530</u>	<u>5,480,572</u>
DEFERRED INFLOW OF RESOURCES	<u>4,777</u>	<u>-</u>	<u>4,777</u>
NET POSITION			
Net investment in capital assets	4,094,938	-	4,094,938
Unrestricted	10,293,128	177,161	10,470,289
Total net position	<u>\$ 14,388,066</u>	<u>\$ 177,161</u>	<u>\$ 14,565,227</u>

CITY OF KING CITY

STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUND YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Fund		
	Sewer	Community Power	Total
Operating Revenue			
Charges for services	\$ 2,927,632	\$ 2,572,349	\$ 5,499,981
Total operating revenue	<u>2,927,632</u>	<u>2,572,349</u>	<u>5,499,981</u>
Operating Expense			
Contractual services and utilities	756,656	2,581,875	3,338,531
Personnel	207,592	-	207,592
Supplies and materials	517,396	-	517,396
Depreciation	322,797	-	322,797
Total operating expense	<u>1,804,441</u>	<u>2,581,875</u>	<u>4,386,316</u>
Operating income/(loss)	<u>1,123,191</u>	<u>(9,526)</u>	<u>1,113,665</u>
Nonoperating Revenue/(Expense)			
Interest income	12,668	-	12,668
Interest expense	(249,255)	(9,531)	(258,786)
Total nonoperating revenue/(expense)	<u>(236,587)</u>	<u>(9,531)</u>	<u>(246,118)</u>
Net income/(loss) before transfers	886,604	(19,057)	867,547
Operating Transfers In/(Out)	<u>(300,000)</u>	<u>-</u>	<u>(300,000)</u>
Change in Net Position	<u>586,604</u>	<u>(19,057)</u>	<u>567,547</u>
Net Position			
Beginning of year	13,801,462	196,218	13,997,680
End of year	<u>\$ 14,388,066</u>	<u>\$ 177,161</u>	<u>\$ 14,565,227</u>

CITY OF KING CITY

**STATEMENT OF CASH FLOW - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2021**

	Business-Type Activities - Enterprise Fund		
	Sewer	Community Power	Total
Operating Activities			
Receipts from customers and users	\$ 2,852,400	\$ 2,572,349	\$ 5,424,749
Payments for contractual services and utilities	(771,698)	(2,603,201)	(3,374,899)
Payments to employees	(388,571)	-	(388,571)
Payments to suppliers	(517,396)	-	(517,396)
Net cash provided by (used in) operating activities	<u>1,174,735</u>	<u>(30,852)</u>	<u>1,143,883</u>
Non-capital Financial Activities			
Cash received from (paid to) other funds	<u>735,798</u>	<u>-</u>	<u>735,798</u>
Net cash provided by (used in) noncapital financing activities	<u>735,798</u>	<u>-</u>	<u>735,798</u>
Capital and Related Financing Activities			
Purchase of property, plant, and equipment	(76,342)	-	(76,342)
Bond proceeds	4,012,670	-	4,012,670
Principal paid on long-term debt	(4,022,762)	(79,294)	(4,102,056)
Interest paid on long-term debt	(111,148)	(9,531)	(120,679)
Net cash provided by (used in) capital and related financing activities	<u>(197,582)</u>	<u>(88,825)</u>	<u>(286,407)</u>
Investing Activities			
Interest received	<u>17,706</u>	<u>-</u>	<u>17,706</u>
Net cash provided by (used in) investing activities	<u>17,706</u>	<u>-</u>	<u>17,706</u>
Net Increase/(Decrease) in Cash	1,730,657	(119,677)	1,610,980
Cash			
Beginning of year	<u>8,257,666</u>	<u>340,368</u>	<u>8,598,034</u>
End of year	<u>\$ 9,988,323</u>	<u>\$ 220,691</u>	<u>\$ 10,209,014</u>

CITY OF KING CITY

STATEMENT OF CASH FLOW - PROPRIETARY FUND (CONTINUED) YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Fund		
	Sewer	Community Power	Total
Cash Flows from Operating Activities			
Operating income (loss)	\$ 1,123,191	\$ (9,526)	\$ 1,113,665
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	322,797	-	322,797
(Increase) Decrease in Deferred Outflow of Resources	(181,519)	-	(181,519)
(Increase) Decrease in Accounts Receivable	(75,232)	-	(75,232)
Increase (Decrease) in Deferred Inflows of Resources	(4,513)	-	(4,513)
Increase (Decrease) in Net Pension Liability	5,053	-	5,053
Increase (Decrease) in Accounts Payable and Accrued Expense	(15,042)	(21,326)	(36,368)
Net Cash Provided by/(Used in) Operating Activities	<u>\$ 1,174,735</u>	<u>\$ (30,852)</u>	<u>\$ 1,143,883</u>

CITY OF KING CITY

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

Assets

Cash and investments	
Cash and investments	\$ 1,034,722
Cash and investments with fiscal agent	4,569,326
Accounts Receivable	<u>1,800</u>
Total assets	<u>5,605,848</u>

Liabilities

Accounts payable and accrued liabilities	4,331
Interest payable	93,543
Long-term debt	
Due within one year	913,634
Due in more than one year	<u>10,198,166</u>
Total liabilities	<u>11,209,674</u>

Net Position

Held in trust for other governments	<u><u>\$ (5,603,826)</u></u>
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CITY OF KING CITY

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

Additions

Property taxes	\$	833,079
Investment earnings and other		<u>35,076</u>
Total additions		<u>868,155</u>

Deductions

Administrative costs		172,905
Interest and fiscal agency expenses of former redevelopment agency		<u>1,136,177</u>
Total deductions		<u>1,309,082</u>

Change In Net Position

(440,927)

Net Position

Beginning of year		<u>(5,162,899)</u>
End of year	\$	<u><u>(5,603,826)</u></u>

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of King City (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.

Reporting Entity

The City of King City, State of California (the "City"), was incorporated as a general law city in 1911. In June 2010, the voters of the City approved a Charter, which gives the City Council greater self-rule. The City is governed by a City Council of five members. The City's major operations include public safety; highways and streets; sewer services; parks and recreation; building inspection; public improvements; planning and zoning, and general administrative services.

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. For the most part, 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 and between the City and its discretely presented component unit. 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.

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. 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.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

HOME Grant Fund – The fund is used to account for receipts and expenditures for the Home Investment Partnerships Program for the City to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people.

Development Impact Fees Fund – The fund is used to account for mitigation fees received from new construction which are to be used according to the City’s approved Master Facilities Plan.

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 the Bishop Street project and the slurry application project.

The City reports the following major proprietary fund:

Sewer Fund – The fund accounts for the maintenance, operation and capital improvements of the municipal sewage system. Financing is provided by user fees from residences, businesses, and industries.

Community Power Fund – The fund provides electricity and special programs with the common goal of utilizing cleaner energy and lower rates to the City.

The City reports the following additional fund types:

Private-Purpose Trust Fund – 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.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

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 and 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 Investments – Cash and investments 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.

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

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

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 June 30, 2021, 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 March 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 March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

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

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

Restricted Assets – Certain proceeds of the King City Public Financing Authority's Certificates of Participation, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by debt covenants.

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 are 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 columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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 is included as part of the capitalized value of the assets constructed.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

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:

	<u>Years</u>
Infrastructure	20 - 50
Structures and Improvements	10 - 50
Equipment	5 - 30

Compensated Absences – Vacation time may be accumulated up to two years entitlement plus the current years' leave allowance. Cash compensation for accrued vacations is generally not payable until the employee terminates employment with the City. Cash compensation for unused sick leave is payable to an employee only upon termination of employment with the City. At that time, the employee is compensated at the rate of 50% of their daily rate.

All accumulated vacation leave and applicable sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured; for example, as a result of employee resignations and retirements. Leave benefits are generally liquidated by the general fund.

Long-Term Obligations – In the Government-Wide Financial Statements, and 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.

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.

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.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position/Fund Balance – The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position are 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 or 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.

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.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

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 of time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the King City 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 June 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.

Note 3 – Cash and Investments

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.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

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

Statement of Net Position:

Cash and Investments	\$ 13,520,676
Fiduciary Funds:	
Cash and Investments	1,034,722
Cash and Investments with fiscal agent	<u>4,569,326</u>
Total Cash and Investments	<u>\$ 19,124,724</u>

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

Cash on hand	\$ 905
Deposits with Financial Institutions	12,132,564
Local Agency Investment Fund	2,421,929
Held by Fiscal Agent:	
Money Market Mutual Funds	319,840
US Government Issues	<u>4,249,486</u>
Total Cash and Investments	<u>\$ 19,124,724</u>

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.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2021 Balance</u>
Investments by fair value level:				
Debt Securities:				
U.S. Treasury Obligations	\$ -	\$ 4,249,486	\$ -	\$ 4,249,486
Total Debt Securities	<u>-</u>	<u>4,249,486</u>	<u>-</u>	<u>4,249,486</u>
Equity Securities:				
LAIF	<u>-</u>	<u>2,421,929</u>	<u>-</u>	<u>2,421,929</u>
Total Equity Securities	<u>-</u>	<u>2,421,929</u>	<u>-</u>	<u>2,421,929</u>
Cash and cash equivalents carried at amortized cost:				
Deposits				12,133,469
Money Market Mutual Funds				<u>319,840</u>
Total Investments amortized at cost				<u>12,453,309</u>
Total Cash and Investments				<u>\$ 19,124,724</u>

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

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

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	AAA	None
Banker's Acceptances	1 year	None	None
Commercial Paper	None	A-1	None
Money Market Mutual Funds	None	A	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	A-1	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	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	Minimum Percentage of Portfolio	Maximum Percentage of Portfolio
Local Agency Bonds	1 year	None	None
U.S. Treasury Obligations	1 year	A	None
U.S. Agency Securities	1 year	None	None
Banker's Acceptances	180 days	None	40%
Commercial Paper	270 days	None	25%
Negotiable Certificates of Deposit	1 year	None	30%
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	None	20% of base value
Medium-Term Notes	5 years	A	30%
Mutual Funds	N/A	A	20%
Money Market Mutual Funds	N/A	A	20%
Mortgage Pass-Through Securities	5 years	AA	20%

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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. As of June 30, 2021 the City had the following investments:

<u>Investment Type</u>	<u>12 Months or less</u>	<u>13 to 24 Months</u>	<u>25 to 84 Months</u>	<u>Total</u>
LAIF	\$ 2,421,929	\$ -	\$ -	\$ 2,421,929
US Government Issues	4,249,486	-	-	4,249,486
Total Investments	<u>\$ 6,671,415</u>	<u>\$ -</u>	<u>\$ -</u>	6,671,415
Cash in bank and on hand				<u>12,453,309</u>
Total Cash and Investments				<u>\$ 19,124,724</u>

Disclosures Relating to Credit Risk

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

Not rated:

LAIF	\$ 2,421,929
US Government Issues	4,249,486
Cash in bank and on hand	<u>12,453,309</u>
Total Cash and Investments	<u>\$ 19,124,724</u>

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 (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 3 – Cash and Investments (Continued)

Custodial Credit Risk

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

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

GASB Statement No. 40 requires that the following disclosures 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. As of June 30, 2021, the City investments in the following investment types were held by the broker-dealer that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
US Government Issues	\$ 4,249,486

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.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 4 – Advances To and From, Interfund Receivables and Payables, and Transfers

Advances To and From

Advances to and from consist of long-term loans between funds. On February 9, 2016, the Sewer Fund loaned the General Fund \$5,000,000 at .275% to be repaid back in 7 years. The advances were paid back during the fiscal year.

Interfund Receivables and Payables

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

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

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 709,282	\$ -
Riverview Gardens Landscape	-	2,087
CDBG Pro Youth	-	100,400
SB 1 Multimodal Grant	-	266,887
SB 2 Planning Land Use Element Grant	-	56,523
Transportation	-	71,853
Development Impact Fees Fund	-	13,395
Prop 68 Grant	-	175,296
Airport Operations	-	22,841
	<u>\$ 709,282</u>	<u>\$ 709,282</u>

The interfund payable balance due to the General Fund, Riverview Gardens Landscape, CDBG Pro Youth, SB 1 Multimodal Grant, SB 2 Planning Land Use Element Grant, Transportation, Development Impact Fees Fund, Prop 68 Grant, and Airport Operations is a result of deficits in certain funds and temporary cash flow assistance in others. The balances due will be repaid as funds are available.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 4 – Advances To and From, Interfund Receivables and Payables, and Transfers (Continued)

Transfers

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.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 428,772	\$ -
Enterprise Funds:		
Sewer Fund	-	(300,000)
Nonmajor Governmental Funds:		
Airport Operations Fund	51,285	-
Gas Tax Fund	172,134	-
CDBG Grant Fund	9,920	-
CDBG Grants Fund	4,235	-
UUT-Public Safety Fund	-	(366,346)
	<u>\$ 666,346</u>	<u>\$ (666,346)</u>

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 5 – Capital Assets

Capital asset activities for the year ended June 30, 2021 were as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 653,060	\$ -	\$ -	\$ 653,060
Construction in progress	323,093	530,533	-	853,626
Total capital assets, not being depreciated	<u>976,153</u>	<u>530,533</u>	<u>-</u>	<u>1,506,686</u>
Capital assets, being depreciated				
Buildings and improvements	9,945,608	-	-	9,945,608
Infrastructure	15,463,395	-	-	15,463,395
Machinery and equipment	3,985,713	34,900	-	4,020,613
Total capital assets, being depreciated	<u>29,394,716</u>	<u>34,900</u>	<u>-</u>	<u>29,429,616</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,041,772)	(236,549)	-	(7,278,321)
Infrastructure	(7,473,925)	(578,423)	-	(8,052,348)
Machinery and equipment	(3,000,779)	(174,376)	-	(3,175,155)
Total accumulated depreciation	<u>(17,516,476)</u>	<u>(989,348)</u>	<u>-</u>	<u>(18,505,824)</u>
Total capital assets, being depreciated, net	<u>11,878,240</u>	<u>(954,448)</u>	<u>-</u>	<u>10,923,792</u>
Governmental activities capital assets, net	<u>\$ 12,854,393</u>	<u>\$ (423,915)</u>	<u>\$ -</u>	<u>\$ 12,430,478</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 764,093	\$ -	\$ -	\$ 764,093
Total capital assets, not being depreciated	<u>764,093</u>	<u>-</u>	<u>-</u>	<u>764,093</u>
Capital assets, being depreciated				
Building and improvements	14,027,574	-	-	14,027,574
Plant and equipment	1,455,625	76,342	-	1,531,967
Total capital assets, being depreciated	<u>15,483,199</u>	<u>76,342</u>	<u>-</u>	<u>15,559,541</u>
Less: accumulated depreciation	<u>(6,656,055)</u>	<u>(322,797)</u>	<u>-</u>	<u>(6,978,852)</u>
Total capital assets, being depreciated, net	<u>8,827,144</u>	<u>(246,455)</u>	<u>-</u>	<u>8,580,689</u>
Business-type activities capital assets, net	<u>\$ 9,591,237</u>	<u>\$ (246,455)</u>	<u>\$ -</u>	<u>\$ 9,344,782</u>

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 5 – Capital Assets (Continued)

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

Governmental Functions:

General Government	\$	62,652
Public Safety		217,742
Public Works		535,845
Culture and Recreation		173,109
	\$	<u>989,348</u>

Business-Type Functions:

Sewer	\$	<u>322,797</u>
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Note 6 – Notes Receivables

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

King City Pacific Associates, L.P. - The HOME Investment Partnership Grant program approved \$3,000,000 of grant funds to be made available for local development of an affordable housing project. The City entered into an agreement with King City Pacific Associates, L.P. to loan such funds for the construction of the San Antonio Apartments. 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 3% interest and the face amount of the note at June 30, 2021 was \$3,000,000. Accrued interest receivable at June 30, 2021 was \$750,000.

Note 7 – Long-Term Debt

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's debt transactions are summarized below and discussed in detail thereafter:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>
<u>Governmental Activities Long Term Debt</u>					
Direct Borrowings:					
2019 Street Sweeper Capital Lease	\$ 185,454	\$ -	\$ (30,182)	\$ 155,272	\$ 31,666
Telephone Capital Lease	12,622	-	(12,622)	-	-
Solar Energy Capital Lease	<u>884,765</u>	<u>-</u>	<u>(58,309)</u>	<u>826,456</u>	<u>98,848</u>
Total Governmental Activities Long-term Debt	<u>\$ 1,082,841</u>	<u>\$ -</u>	<u>\$ (101,113)</u>	<u>\$ 981,728</u>	<u>\$ 130,514</u>

CITY OF KING CITY

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 7 – Long-Term Debt (Continued)

Long-term debt payable at June 30, 2021 was comprised of the following individual issues:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>
<u>Business-Type Activities Long Term Debt</u>					
Direct Borrowings:					
Solar Energy Capital Lease	\$ 1,324,459	\$ -	\$ (87,285)	\$ 1,237,174	\$ 95,892
Pilot Power Note Payable	79,294	-	(79,294)	-	-
Direct Placements:					
2018 Sewer Bonds	3,935,477	-	(3,935,477)	-	-
Bond Discount	(187,957)	187,957	-	-	-
2021 Wastewater Revenue Refunding Bonds	-	4,012,670	-	4,012,670	178,330
Total Business-Type Activities Debt	<u>\$ 5,151,273</u>	<u>\$ 4,200,627</u>	<u>\$ (4,102,056)</u>	<u>\$ 5,249,844</u>	<u>\$ 274,222</u>
<u>Compensated Absences</u>					
Governmental Activities	<u>\$ 438,172</u>	<u>\$ -</u>	<u>\$ (92,799)</u>	<u>\$ 345,373</u>	
<u>Net Pension Liability</u>					
Governmental Activities	<u>\$ 6,124,131</u>	<u>\$ 347,468</u>	<u>\$ -</u>	<u>\$ 6,471,599</u>	
Business-Type Activities	<u>\$ 107,873</u>	<u>\$ 5,053</u>	<u>\$ -</u>	<u>\$ 112,926</u>	

2019 Street Sweeper Capital Lease – On March 15, 2019, the City entered into a lease agreement for a street sweeper. The lease bears an interest rate of 4.829% and terminates on December 1, 2025.

Telephone Capital Lease – On June 14, 2016, the City entered into 60-month phone equipment lease for a monthly payment of \$1,107 at 9.460% interest rate. Annual payments are \$13,278 and terminates on July 1, 2021. Lease was paid off during the fiscal year.

Solar Energy Capital Lease – On July 10, 2016, the City started making payments on a solar lease arrangement. The amount financed was \$2,644,187. Annual payments are from \$94,649 to \$156,907 and terminates on January 10, 2030. Interest rate is 3.231%.

2018 Enterprise Revenue Bonds – In September 2018, the City issued the Taxable Wastewater Refunding Revenue Bonds, Series 2018 for the principal amount of \$4,041,590. The issuance was to refund the outstanding principal balance of the 2009 Refunding Certificates of Participation described above. The City completed the refunding to reduce debt service payments by \$853,632 in aggregate and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$250,598. The bonds bear interest ranging from 3.8% to 4.10% and are payable semi-annually commencing September 2019 through September 2038. Debt service is secured by a pledge of net revenues of the City’s Sewer Systems. This debt was refinanced with 2021 Refunding.

2021 WasteWater Revenue Refunding Bonds - In May 2021, the City issued the 2021 WasteWater Revenue Refunding Bonds for the principal amount of \$4,012,670. The issuance was to refund the outstanding principal balance of the 2018 Enterprise Revenue Bonds described above. The reacquisition price exceeded the net carrying amount of the old debt by \$77,193. The City refunded the above debts to reduce its total debt service over 17 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 \$310,178. The bonds bear interest 2.250% and are payable semi-annually commencing September 2021 through March 2038.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 7 – Long-Term Debt (Continued)

2021 WasteWater Revenue Refunding Bonds (continued)

Debt service is secured by a pledge of net revenues of the City’s WasteWater Systems. The City covenants that it shall prescribe, revise and collect such charges for the services and facilities of the wastewater systems which shall produce revenues sufficient in each fiscal year to provide gross revenues which are sufficient to pay all wastewater operation and maintenance costs and all bond installment payments and produce net wastewater revenues equal to at least 1.15 times debt service coming due and payable during such fiscal year. The City is in compliance with those covenants as of June 30, 2021. Cash basis debt service paid during the fiscal year ended June 30, 2021 totaled \$0. Total wastewater system net revenues and net revenue available for debt were not calculated due to no debt service payment at June 30, 2021.

Pilot Power Note Payable – On July 1, 2018, the City borrowed \$599,461 from Pilot Power. Monthly payments are from \$26,772 to \$26,897 and terminates on October 2020. Interest rate is 6.5 – 7.25%. This note was paid off during the fiscal year.

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

Years ending June 30,	Government-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 130,514	\$ 33,120	\$ 274,222	\$ 105,916
2023	106,558	29,444	292,651	120,195
2024	114,810	25,493	306,515	112,456
2025	123,520	21,250	321,011	104,304
2026	113,297	16,817	336,196	95,721
2027-2031	393,029	33,466	1,734,051	334,852
2032-2036	-	-	1,199,060	157,088
2037-2039	-	-	786,138	26,794
	<u>\$ 981,728</u>	<u>\$ 159,590</u>	<u>\$ 5,249,844</u>	<u>\$ 1,057,326</u>

Conduit Debt Obligations - To provide financing for health facilities of Southern Monterey County Memorial Hospital (the “Corporation”), the City has issued \$5,265,000 aggregate principal amount of Health Facilities Revenue Certificates of Participation, 1998 Series A, and \$7,735,000 aggregate principal amount of Health Facilities Revenue Certificates of Participation, 1999 Series B (the “COPS”). These COPS are payable solely from purchase payments received by the City from the Corporation pursuant to an installment purchase agreement. The COPS do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements. At June 30, 2021 the outstanding balance on both COPS Series was \$4,603,653. As of June 30, 2021 the Corporation is paying interest only through a forbearance agreement and on February 4, 2022 the debt was paid off.

Note 8 – Deficit Fund Balances

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

Governmental Funds	
Riverview Gardens Landscape	\$ (2,513)

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

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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 two items to report in this category:

- The City has \$1,447,646 in pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in Note 10.
- The City has \$187,957 in unamortized deferred amount of refunding related to the 2021 Wastewater Revenue Refunding Bonds.

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 \$265,263 in pension related items that qualify to be reported in deferred inflows of resources. The pension related deferred inflows of resources are described in Note 10.

The City also has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting as deferred inflows of resources. Accordingly, that item, deferred loans, is reported only in the governmental funds balance sheet. The City reports in the HOME Grant fund, \$3,000,000, deferred loans and accrued interest of \$750,000.

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

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

Funding Policy – The City pays 7.732% - 18.152% 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 contribution requirements of plan members are established by State statute and the employer contribution is established and may be amended by PERS.

CITY OF KING CITY

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

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

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

	<u>Miscellaneous</u>	<u>Safety</u>
	Prior to January 1, 2013	Prior to January 1, 2013
Hire Date		
Benefit Formula	2.0% at 55; maximum 2%	2.0% at 50; maximum 2%
	COLA	COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	55	50
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7.00%	9.00%
Required Employer Contribution Rates	10.484%	18.152%
	 PEPRA	
	<u>Miscellaneous</u>	<u>PEPRA Safety</u>
	On or after January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit Formula	2.0% at 62; maximum 2%	2.7% at 57; maximum 2%
	COLA	COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	62	57
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	6.25%	11.50%
Required Employer Contribution Rates	7.732%	13.044%

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

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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

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

Contributions – employer	\$ 706,613
Contributions – employee	\$ 236,111

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

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

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$3,528,942
Safety	\$3,055,582

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

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2020	0.08418%	0.04583%
Proportion - June 30, 2021	<u>0.08366%</u>	<u>0.04586%</u>
Change	-0.00052%	0.00003%

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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

For the year ended June 30, 2021, the City recognized pension expense of \$1,157,648. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 706,613	\$ -
Differences in expected and actual experience	418,802	-
Change in employer's proportion	150,989	(48,679)
Changes of assumptions	-	(35,348)
Differences between employer's contributions and proportionate share of contributions	-	(181,236)
Differences between projected and actual investment earnings	171,242	-
Total	<u>\$ 1,447,646</u>	<u>\$ (265,263)</u>

The \$706,613 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2022	\$ 65,847
2023	180,114
2024	146,256
2025	83,553
Total	<u>\$ 475,770</u>

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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

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

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

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, 2017 valuation was based on the results of an December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015), including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS’ website.

Change of assumptions – None.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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

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

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

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

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

Asset Class	¹ New Strategic Allocation	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

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Miscellaneous	\$ 5,345,821	\$ 3,528,942	\$ 2,027,711
Safety	\$ 4,685,184	\$ 3,055,583	\$ 1,718,340

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

Payable to the Pension Plan

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

Note 11 – Risk Management

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

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

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

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

Workers’ Compensation: The City does not retain deductible for workers’ compensation claims. Annual premiums for coverage up to statutory levels are paid to MBASIA based on a Board approved Budget methodology. A third party claims administrator is contracted by MBASIA to manage claims activity.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Note 11 – Risk Management (Continued)

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.

Note 12 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through March 15, 2022, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in such financial statements.

Note 13 – Contingencies

Federal and State Government Programs - The City participates in several federal and state grant programs. These programs have been audited, as needed, in accordance with the provisions of the federal Single Audit Act of 1984 and applicable state requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

Landfill Postclosure Costs – Since the closure of the City’s landfill in previous fiscal years, the City has been incurring postclosure care costs. In accordance with generally accepted accounting principles, the City was required to estimate and recognize and accrued a liability for both closure and postclosure costs related to the landfill. Because the City accounts for the postclosure costs in a governmental fund, this liability of total estimated costs should be reported in the government-wide statement of net position, and be adjusted each year as necessary. However, the City has not estimated and recorded this liability as required. In addition, certain note disclosures relating to the landfill postclosure costs have not been included in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KING CITY

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 5,426,900	\$ 6,035,385	\$ 7,278,253	\$ 1,242,868
Intergovernmental	45,000	310,487	728,064	417,577
Charges for services	14,000	14,000	15,818	1,818
Licenses and permits	1,129,330	890,789	1,032,655	141,866
Fines and forfeitures	33,000	33,000	31,344	(1,656)
Interest and rents	3,000	3,000	23,019	20,019
Other	-	-	213,585	213,585
Total revenue	<u>6,651,230</u>	<u>7,286,661</u>	<u>9,322,738</u>	<u>2,036,077</u>
Expenditures				
Current				
General government	937,295	950,167	988,430	(38,263)
Public safety	4,069,555	4,167,693	4,390,814	(223,121)
Public works	774,004	807,483	804,415	3,068
Culture and recreation	334,571	230,304	260,999	(30,695)
Community development	963,138	1,349,680	1,775,806	(426,126)
Debt service				
Principal	66,727	66,727	79,350	(12,623)
Interest and fiscal charges	26,039	26,039	29,542	(3,503)
Total expenditures	<u>7,171,329</u>	<u>7,598,093</u>	<u>8,329,356</u>	<u>(731,263)</u>
Revenue over (under) expenditures	(520,099)	(311,432)	993,382	1,304,814
Other Financing Sources				
Sale of property	-	-	787,108	787,108
Transfers in (out), net	(841,634)	(841,634)	428,772	1,270,406
Total other financing sources/(uses)	<u>(841,634)</u>	<u>(841,634)</u>	1,215,880	<u>2,057,514</u>
Net Change in Fund Balance	<u>\$ (1,361,733)</u>	<u>\$ (1,153,066)</u>	2,209,262	<u>\$ 2,575,220</u>
Fund Balance				
Beginning of year			(444,147)	
End of year			<u>\$ 1,765,115</u>	

CITY OF KING CITY

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Charges for services	\$ 30,000	\$ 30,000	\$ 23,272	\$ (6,728)
Licenses, permits and impact fees	571,000	660,500	284,053	(376,447)
Interest and rent	-	-	1,944	1,944
Total revenue	<u>601,000</u>	<u>690,500</u>	<u>309,269</u>	<u>(381,231)</u>
Expenditures				
Current				
Public works	-	-	81,309	(81,309)
Culture and recreation	-	4,000	-	4,000
Community development	-	-	21,848	(21,848)
Capital outlay	<u>650,000</u>	<u>650,000</u>	<u>158,033</u>	<u>491,967</u>
Total expenditures	<u>650,000</u>	<u>654,000</u>	<u>261,190</u>	<u>470,119</u>
Revenue over/(under) expenditures	<u>\$ (49,000)</u>	<u>\$ 36,500</u>	48,079	<u>\$ 88,888</u>
Fund Balance				
Beginning of year			<u>1,607,586</u>	
End of year			<u>\$ 1,655,665</u>	

CITY OF KING CITY

BUDGETARY COMPARISON SCHEDULE

MEASURE X FUND

YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 404,000	\$ 404,000	\$ 460,858	\$ 56,858
Interest and rent	<u>-</u>	<u>-</u>	<u>242</u>	<u>242</u>
Total revenue	<u>404,000</u>	<u>404,000</u>	<u>461,100</u>	<u>57,100</u>
Expenditures				
Current				
Public works	<u>326,351</u>	<u>326,351</u>	<u>113,539</u>	<u>212,812</u>
Total expenditures	<u>326,351</u>	<u>326,351</u>	<u>113,539</u>	<u>212,812</u>
Revenue over (under) expenditures	77,649	77,649	347,561	269,912
Net Change in Fund Balance	<u>\$ 77,649</u>	<u>\$ 77,649</u>	347,561	<u>\$ 269,912</u>
Fund Balance				
Beginning of year			<u>121,547</u>	
End of year			<u>\$ 469,108</u>	

CITY OF KING CITY

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

Miscellaneous						
	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	0.09668%	\$ 2,389,457	\$ 834,582	286.31%	\$ 7,090,204	77.58%
2016	0.08862%	\$ 2,431,259	\$ 936,886	259.50%	\$ 8,223,238	77.18%
2017	0.08541%	\$ 2,967,126	\$ 978,018	303.38%	\$ 7,817,932	72.49%
2018	0.08489%	\$ 3,346,536	\$ 1,019,404	328.28%	\$ 8,822,837	72.50%
2019	0.08484%	\$ 3,197,346	\$ 763,963	418.52%	\$ 9,315,620	74.45%
2020	0.08418%	\$ 3,371,043	\$ 845,215	398.84%	\$ 9,771,801	74.35%
2021	0.08366%	\$ 3,528,942	\$ 1,077,863	327.40%	\$ 10,124,046	74.15%

Safety						
	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	0.04336%	\$ 1,626,559	\$ 1,087,897	149.51%	\$ 6,567,188	80.15%
2016	0.04014%	\$ 1,653,870	\$ 939,684	176.00%	\$ 6,832,315	80.51%
2017	0.04024%	\$ 2,084,204	\$ 829,185	251.36%	\$ 6,292,887	75.12%
2018	0.04119%	\$ 2,461,421	\$ 1,262,109	195.02%	\$ 7,510,467	75.32%
2019	0.04242%	\$ 2,488,981	\$ 1,298,268	191.72%	\$ 8,149,726	76.60%
2020	0.04381%	\$ 2,860,960	\$ 1,359,578	210.43%	\$ 8,489,785	74.79%
2021	0.04586%	\$ 3,055,582	\$ 1,346,512	226.93%	\$ 8,944,101	74.54%

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

Changes of Assumptions: None

CITY OF KING CITY

**SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
YEAR ENDED JUNE 30, 2021**

Miscellaneous							
	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		
2015	\$ 145,093	\$ (145,093)	\$ -	\$ 834,582	17.39%		
2016	\$ 187,302	\$ (187,302)	\$ -	\$ 936,886	19.99%		
2017	\$ 257,596	\$ (257,596)	\$ -	\$ 978,018	26.34%		
2018	\$ 257,638	\$ (257,638)	\$ -	\$ 1,019,404	25.27%		
2019	\$ 306,385	\$ (306,385)	\$ -	\$ 763,963	40.10%		
2020	\$ 345,470	\$ (345,470)	\$ -	\$ 845,215	40.87%		
2021	\$ 402,008	\$ (402,008)	\$ -	\$ 1,077,863	37.30%		

Safety							
	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		
2015	\$ 279,368	\$ (279,368)	\$ -	\$ 1,087,897	25.68%		
2016	\$ 213,094	\$ (213,094)	\$ -	\$ 939,684	22.68%		
2017	\$ 182,185	\$ (182,185)	\$ -	\$ 829,185	21.97%		
2018	\$ 219,036	\$ (219,036)	\$ -	\$ 1,262,109	17.35%		
2019	\$ 285,131	\$ (285,131)	\$ -	\$ 1,298,268	21.96%		
2020	\$ 306,024	\$ (306,024)	\$ -	\$ 1,359,578	22.51%		
2021	\$ 384,434	\$ (384,434)	\$ -	\$ 1,346,512	28.55%		

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

SUPPLEMENTAL ONLY INFORMATION

CITY OF KING CITY

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

	Special Revenue Funds					
	SLESF/COPS Grant	Asset Seizure	Riverview Gardens Landscape	Prop 1B	SB1 Road Maintenance	Traffic Safety
ASSETS						
Cash and investments	\$ 218,348	\$ 11,267	\$ -	\$ 12,092	\$ 243,596	\$ 2,861
Accounts receivable	-	-	-	-	-	-
Due from other governments	16,667	-	-	-	49,988	-
Interest receivable	31	2	-	2	34	-
Total assets	<u>\$ 235,046</u>	<u>\$ 11,269</u>	<u>\$ -</u>	<u>\$ 12,094</u>	<u>\$ 293,618</u>	<u>\$ 2,861</u>
LIABILITIES						
Accounts payable and accrued expense	\$ -	\$ -	\$ 426	\$ -	\$ 262,764	\$ -
Due to other funds	-	-	2,087	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>2,513</u>	<u>-</u>	<u>262,764</u>	<u>-</u>
FUND BALANCE						
Restricted						
Circulation improvements	-	-	-	-	30,854	2,861
Capital improvement projects	-	-	-	12,094	-	-
Public safety	235,046	11,269	-	-	-	-
Unassigned	-	-	(2,513)	-	-	-
Total fund balance	<u>235,046</u>	<u>11,269</u>	<u>(2,513)</u>	<u>12,094</u>	<u>30,854</u>	<u>2,861</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 235,046</u>	<u>\$ 11,269</u>	<u>\$ -</u>	<u>\$ 12,094</u>	<u>\$ 293,618</u>	<u>\$ 2,861</u>

CITY OF KING CITY

**COMBINING BALANCE SHEET (CONTINUED)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue Funds				
	SB1 Multimodal Grant	SB2 Planning Land Use Element Grant	CDBG Grant	Transportation	Gas Tax
ASSETS					
Cash and investments	\$ -	\$ -	\$ 64,555	\$ (7,984)	\$ 33,056
Accounts receivable	-	-	-	-	-
Due from other governments	275,306	58,151	59,081	79,837	-
Interest receivable	-	-	17	-	5
Total assets	<u>\$ 275,306</u>	<u>\$ 58,151</u>	<u>\$ 123,653</u>	<u>\$ 71,853</u>	<u>\$ 33,061</u>
LIABILITIES					
Accounts payable and accrued expense	\$ 8,419	\$ 1,628	\$ 2,595	\$ -	\$ 24,480
Due to other funds	266,887	56,523	-	71,853	-
Total liabilities	<u>275,306</u>	<u>58,151</u>	<u>2,595</u>	<u>71,853</u>	<u>24,480</u>
FUND BALANCE					
Restricted					
Circulation improvements	-	-	-	-	8,581
Capital improvement projects	-	-	121,058	-	-
Public safety	-	-	-	-	-
Unassigned					
Total fund balance	<u>-</u>	<u>-</u>	<u>121,058</u>	<u>-</u>	<u>8,581</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 275,306</u>	<u>\$ 58,151</u>	<u>\$ 123,653</u>	<u>\$ 71,853</u>	<u>\$ 33,061</u>

CITY OF KING CITY

**COMBINING BALANCE SHEET (CONTINUED)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>Special Revenue Funds</u>					Total Non-major Governmental Funds
	CDBG Grants	CDBG Pro Youth	Airport Operations	Prop 68 Grant	UUT-Public Safety	
ASSETS						
Cash and investments	\$ -	\$ -	\$ 89,532	\$ -	\$ -	\$ 667,323
Accounts receivable	-	-	16,863	-	1,500	18,363
Due from other governments	-	100,650	75	175,296	24,995	840,046
Interest receivable	-	-	2	-	52	145
Total assets	<u>\$ -</u>	<u>\$ 100,650</u>	<u>\$ 106,472</u>	<u>\$ 175,296</u>	<u>\$ 26,547</u>	<u>\$ 1,525,877</u>
LIABILITIES						
Accounts payable and accrued expense	\$ -	\$ 250	\$ 29,906	\$ -	\$ -	\$ 330,468
Due to other funds	-	100,400	22,841	175,296	-	695,887
Total liabilities	<u>-</u>	<u>100,650</u>	<u>52,747</u>	<u>175,296</u>	<u>-</u>	<u>1,026,355</u>
FUND BALANCE						
Restricted						
Circulation improvements	-	-	-	-	-	42,296
Capital improvement projects	-	-	-	-	-	133,152
Public safety	-	-	53,725	-	26,547	326,587
Unassigned	-	-	-	-	-	(2,513)
Total fund balance	<u>-</u>	<u>-</u>	<u>53,725</u>	<u>-</u>	<u>26,547</u>	<u>499,522</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ -</u>	<u>\$ 100,650</u>	<u>\$ 106,472</u>	<u>\$ 175,296</u>	<u>\$ 26,547</u>	<u>\$ 1,525,877</u>

CITY OF KING CITY

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

	Special Revenue Funds					
	SLESF/COPS Grant	Asset Seizure	Riverview Gardens Landscape	Prop 1B	SB1 Road Maintenance	Traffic Safety
Revenue						
Taxes	\$ -	\$ -	\$ 17,922	\$ -	\$ -	\$ -
Intergovernmental	156,728	-	-	12,080	274,313	-
Charges for services	-	-	-	-	-	-
Interest and rent	242	13	-	14	116	3
Total revenue	<u>156,970</u>	<u>13</u>	<u>17,922</u>	<u>12,094</u>	<u>274,429</u>	<u>3</u>
Expenditures						
Public safety	141,245	-	-	-	-	-
Public works	-	-	11,794	-	262,764	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>141,245</u>	<u>-</u>	<u>11,794</u>	<u>-</u>	<u>262,764</u>	<u>-</u>
Revenue over (under) expenditures	15,725	13	6,128	12,094	11,665	3
Other financing sources/(uses)						
Transfers in/(out), net	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	15,725	13	6,128	12,094	11,665	3
Fund Balance						
Beginning of year	219,321	11,256	(8,641)	-	19,189	2,858
End of year	<u>\$ 235,046</u>	<u>\$ 11,269</u>	<u>\$ (2,513)</u>	<u>\$ 12,094</u>	<u>\$ 30,854</u>	<u>\$ 2,861</u>

CITY OF KING CITY

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

	Special Revenue Funds				
	SB1 Multimodal Grant	SB2 Planning Land Use Element Grant	CDBG Grant	Transportation	Gas Tax
Revenue					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 315,272
Intergovernmental	305,785	58,151	59,081	79,837	76,055
Charges for services	-	-	-	-	-
Interest and rent	-	-	137	-	-
Total revenue	<u>305,785</u>	<u>58,151</u>	<u>59,218</u>	<u>79,837</u>	<u>391,327</u>
Expenditures					
Public safety	-	-	-	-	-
Public works	23,505	40,339	-	14,561	518,503
Culture and recreation	-	-	-	-	-
Community development	-	-	59,291	-	-
Capital outlay	257,400	-	-	-	-
Debt service					
Principal	-	-	-	-	21,763
Interest	-	-	-	-	10,496
Total expenditures	<u>280,905</u>	<u>40,339</u>	<u>59,291</u>	<u>14,561</u>	<u>550,762</u>
Revenue over (under) expenditures	24,880	17,812	(73)	65,276	(159,435)
Other financing sources/(uses)					
Transfers in/(out), net	-	-	9,920	-	172,134
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>9,920</u>	<u>-</u>	<u>172,134</u>
Change in Fund Balance	24,880	17,812	9,847	65,276	12,699
Fund Balance					
Beginning of year	(24,880)	(17,812)	111,211	(65,276)	(4,118)
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,058</u>	<u>\$ -</u>	<u>\$ 8,581</u>

CITY OF KING CITY

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

	Special Revenue Funds					Total Non-major Governmental Funds
	CDBG Grants	CDBG Youth	Airport Operations	Prop 68 Grant	UUT-Public Safety	
Revenue						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 341,970	\$ 675,164
Intergovernmental	-	190,614	136,413	175,296	-	1,524,353
Charges for services	-	-	101,497	-	-	101,497
Other revenue	-	-	6,350	-	-	6,350
Interest and rent	-	1	-	-	232	758
Total revenue	<u>-</u>	<u>190,615</u>	<u>244,260</u>	<u>175,296</u>	<u>342,202</u>	<u>2,308,122</u>
Expenditures						
Public safety	-	-	-	-	-	141,245
Public works	-	-	222,503	-	-	1,093,969
Culture and recreation	-	-	-	25,296	-	25,296
Community development	-	99,656	-	-	-	158,947
Capital outlay	-	-	-	150,000	-	407,400
Debt service						
Principal	-	-	-	-	-	21,763
Interest	-	-	-	-	-	10,496
Total expenditures	<u>-</u>	<u>99,656</u>	<u>222,503</u>	<u>175,296</u>	<u>-</u>	<u>1,859,116</u>
Revenue over (under) expenditures	-	90,959	21,757	-	342,202	449,006
Other financing sources/(uses)						
Transfers in/(out), net	4,235	-	51,285	-	(366,346)	(128,772)
Total other financing sources (uses)	<u>4,235</u>	<u>-</u>	<u>51,285</u>	<u>-</u>	<u>(366,346)</u>	<u>(128,772)</u>
Change in Fund Balance	4,235	90,959	73,042	-	(24,144)	320,234
Fund Balance						
Beginning of year	(4,235)	(90,959)	(19,317)	-	50,691	179,288
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,725</u>	<u>\$ -</u>	<u>\$ 26,547</u>	<u>\$ 499,522</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King City, California, (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated March 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

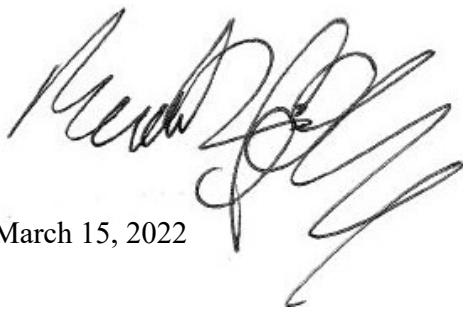
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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. We consider the the deficiency described in item 2012-02 in the accompany schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

A handwritten signature in black ink, appearing to be "Meredith J. [unclear]", written in a cursive style.

March 15, 2022