

Financial Statements
June 30, 2023
City of Monte Sereno

This Page Left Intentionally Blank

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position	12
Statement of Activities.....	13
Governmental Funds – Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances.....	16
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities.....	17
Notes to Financial Statements.....	19
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	40
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Law Enforcement Fund.....	41
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Gas Tax Fund.....	42
Miscellaneous Plan – Cost-Sharing Multiple-Employer Defined Pension Plan – Schedule of the Proportionate Share of the Net Pension Liability/(Asset)	43
Miscellaneous Plan – Cost-Sharing Multiple-Employer Defined Pension Plan – Schedule of Pension Contributions.....	44
Schedule of Changes in Total Other Post-Employment Benefits Liability and Related Ratios.....	45
Note to Budgetary Information	47
Supplementary Information	
Non-Major Governmental Funds – Combining Balance Sheet	50
Non-Major Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances	51
Independent Auditor’s Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53

This Page Left Intentionally Blank

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Monte Sereno, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Monte Sereno (City), California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of a Matter

During the year ended June 30, 2023, it was noted that a correction was needed for beginning fund balances as noted in Note 9. As a result, beginning net position and fund balances at July 1, 2022, were both increased by \$20,179.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is 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 May 20, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mazze + Associates

Pleasant Hill, California
May 20, 2024

This Page Left Intentionally Blank

The following provides a narrative overview and analysis of the fiscal operations during the fiscal year ended June 30, 2023 for the City of Monte Sereno. The Management Discussion and Analysis is to be read in conjunction with the Basic Financial Statements.

FISCAL YEAR 2022-2023 FINANCIAL HIGHLIGHTS

- The City's total net position was \$4,819,476, which decreased by \$819,196 from the prior year's net position of \$5,638,672.
- Total City total revenues were \$5,142,039, while total expenses were \$5,961,235. Total revenues in the prior year were \$5,176,569 and total expenses were \$4,952,311. The increase in revenues was due to increase in property taxes.
- The City's Unrestricted Net Position is \$3,764,483, which is available for ongoing operations as well as other capital needs.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is in four parts:

1. Management's Discussion and Analysis.
2. The Basic Financial Statements, which include the government-wide and fund financial statements, along with the notes to the financial statements.
3. Required supplementary information.
4. Combining statements for non-major governmental funds.

The Basic Financial Statements

The Basic Financial Statements are comprised of Government-Wide Financial Statements and Fund Financial Statements. These two sets of financial statements provide the reader two different viewpoints of the City's financial activities and financial position.

The Government-Wide Financial Statements provide a long-term view of the City's activities as a whole and comprise the Statement of Net Position and Statement of Activities. The Statement of Net Position provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on a full accrual basis, similar to the "basis" used by private corporations. The Statement of Activities provides information about the City's revenues and expenses, also on a full accrual basis, with the emphasis on measuring net revenues and/or expenses for each of the City's activities. The Statement of Activities explains in detail the change in Net Position for the fiscal year.

All of the City's activities are required to be grouped into government activities and business-type activities. The entire amount in the Statement of Net Position and Statement of Activities is also required to be separated into governmental activities or business-type activities in order to provide a summary of these two activities as a whole. In the case of the City of Monte Sereno, there are no business-type activities as of June 30, 2023.

The Fund Financial Statements report the City's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the City's general fund and other major funds. The Fund Financial Statements measure only current revenues and expenditures and fund balance; they exclude capital assets, long-term debt, and other long-term amounts from the balance sheets. Major funds account for the major financial activities of the City and are presented individually, while the activities of non-major funds are presented in summary, with supplementary schedules (i.e. combining statements) presenting the detail for each of these funds. Major funds are explained later in Management's Discussion and Analysis.

The Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental activities – All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, transportation, and cultural and leisure. These services are supported by general City revenues such as taxes, and by specific program revenues such as developer fees.

Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

Fund Financial Statements

Fund financial statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, is established by generally accepted accounting principles. Each major fund is presented individually, with all non-major funds summarized and presented in a single column. Subordinate schedules present the detail of these non-major funds. Major funds present the major activities of the City for the fiscal year, and may change from year to year as a result of changes in the pattern of the City's activities.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the governmental fund financial statements balance sheets. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Notes to the Financial Statement

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the fund financial statements.

Required Supplementary Information

The Required Supplementary Information (RSI) follows the basic financial statements and includes a budgetary comparison schedule that includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund and all major special revenue funds, as presented in the governmental fund financial statements, where applicable. RSI also includes the pension schedules and retiree health benefits schedules benefits.

Combining and Individual Fund Statements and Schedules

Combining and individual fund statements and schedules provide information for non-major governmental funds.

Government-Wide Analysis

Net position may serve over time as a useful indicator of a government's financial position. The City's largest assets include investments and capital assets.

Cash and investments increased by \$672,308 from \$5,791,988 in the prior year to \$6,464,296 in the current year.

Receivables remained unchanged at \$160,701. The outstanding receivable is due to a SB-2 Planning Grants Program received.

The City's pension liabilities increased to a net balance of \$188,003. The current year change is due to the pension plan net balance and a change in the actuarial assumptions.

Total OPEB liabilities increased by \$137,053 to \$842,950. Prior year was \$705,897 due to changes in the actuarial assumptions.

\$281,033 or 5.8% of the City's net investment in capital assets is invested in capital assets compared to \$291,048 or 5.2% in the prior year (e.g., land, buildings, general government infrastructure, equipment, etc.). There were no major capital asset additions in the current year and the decrease was related to depreciation.

\$3,764,483 or 78.1% of the City's net position is unrestricted compared to \$4,812,674 or 85.7% in the prior year. The unrestricted net position may be used to fulfill ongoing obligations to the City residents and creditors.

\$773,960 or 16.1% of the City's net position is subject to external restriction on how they may be used compared to \$512,771 or 9.1% in the prior year. These restricted assets will be used primarily for capital projects and public safety improvements.

The following table shows a condensed statement of net position for the City for the current and the prior year.

**Statement of Net Position
Table 1**

	Governmental Activities	
	2023	2022
ASSETS		
Cash and investments	\$6,464,296	\$5,791,988
Receivables		
Taxes	196	196
Other	160,505	160,505
Net pension asset		867,343
Capital assets		
Land and construction in progress	119,888	119,888
Depreciable capital assets, net	161,145	171,160
Total assets	<u>6,906,030</u>	<u>7,111,080</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to OPEB	154,228	139,227
Deferred outflows of resources related to pensions	1,020,452	528,200
Total deferred outflows of resources	<u>1,174,680</u>	<u>667,427</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,310,962	1,240,250
Compensated absences payable - current	72,352	34,294
Total other postemployment benefits liability	842,950	705,897
Net pension liabilities	188,003	
Total liabilities	<u>2,414,267</u>	<u>1,980,441</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to OPEB	443,829	550,783
Deferred inflows of resources related to pensions	403,138	(369,210)
Total deferred inflows of resources	<u>846,967</u>	<u>181,573</u>
NET POSITION (Note 8)		
Net investment in capital assets	281,033	291,048
Restricted for:		
Capital projects	683,436	422,247
Road and streetlight projects	90,524	90,524
Total restricted net position	<u>773,960</u>	<u>512,771</u>
Unrestricted net position	<u>3,764,483</u>	<u>4,812,674</u>
Total net position	<u><u>\$4,819,476</u></u>	<u><u>\$5,616,493</u></u>

The City's charges for services decreased by \$154,680 to \$860,123. Prior year was \$1,014,803. The current year decreased due mainly to a softening of planning fee and license and permit fee activities.

Property taxes increased by \$252,909 to \$2,771,991. Prior year was \$2,519,082. The current year increase was due to an increase in the assessed valuation for properties within the City.

Total expenditures in FY 2023 was \$5,961,235, \$1,008,924 higher versus prior year. General government expenses increased by \$2,592,449 to \$4,503,191; Public Safety decreased by \$1,217,917 to \$1,244,694, Public Works decreased \$355,719 to \$185,750 and Community Development decreased by \$9,889 to \$27,600.

**Statement of Net Position
Table 2**

	Governmental Activities	
	2023	2022
Revenues		
Program revenues		
Charges for services	\$860,123	\$1,014,803
Operating contributions and grants	582,754	579,424
General revenues		
Property taxes	2,771,991	2,519,082
Other taxes	618,170	689,375
Other	309,001	373,885
Total revenues	<u>5,142,039</u>	<u>5,176,569</u>
Expenses		
General government	4,503,191	1,910,742
Public safety	1,244,694	2,462,611
Public works	185,750	541,469
Community development	27,600	37,489
Total expenses	<u>5,961,235</u>	<u>4,952,311</u>
Changes in Net Position	(819,196)	224,258
Net Position - Beginning as Restated (Note 9)	<u>5,638,672</u>	<u>5,370,055</u>
Net Position - Ending	<u><u>\$4,819,476</u></u>	<u><u>\$5,594,313</u></u>

Major Funds General Fund

General Fund Revenues - Revenues for the year ended June 30, 2023, increased by \$116,820 or 3.3% to \$3,699,162 from the prior fiscal year \$3,582,342.

- Property taxes increased \$252,909 or 10.0% from the previous fiscal year to \$2,771,991.
- Other Taxes decreased \$71,25 or -10.3% from the previous fiscal to \$618,170.
- Other decreased \$64,884 or -17.4% from the previous fiscal to \$39,001.

General Fund Expenditures – General governmental expenditures including transfers out for the year ended June 30, 2023 increased \$2,592,449 or 135.7% compared to the prior fiscal year to \$4,503,191.

Law Enforcement Fund

Law Enforcement Fund Revenues, including transfers in for the year ended June 30, 2023, were \$150,214, higher to \$391,605 compared to the prior year. The transfer of \$165.3k Law Enforcement Funds will be made in FY 2024.

Law Enforcement Fund Expenditures, for the year ended June 30, 2023, were comparable to the prior year and in line with the annual budget figures as expected.

Gas Tax Fund

Gas Tax Fund Revenues, including transfers in for the year ended June 30, 2023, were higher by \$4,688 compared to the prior year primarily related to higher SB-1 Gas Tax by \$4,372.

Gas Tax Fund Expenditures for the year ended June 30, 2023 has decreased by \$5,366 to \$135,989 compared to the prior fiscal year \$141,355.

General Fund Budgetary Highlights

A comparison of the final budget to actual revenues and expenditures for the General Fund is presented in the required supplementary information section of this report.

Actual revenues were below the budgeted amounts by \$60,242 or -1.2% to \$5,142,039. The large variance was mainly in the property taxes (\$382,159 surplus over the estimate), interest (\$106,890 higher versus the estimate and the licenses and permits (\$106,022 lower versus the estimate), not using a secured Grants for Annex Building Project (\$362,195) and REAP Grant (\$65,000)

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, as of June 30, 2023, amounts to \$281,523. This figure does not include City infrastructure such as roads and bridges. These figures may be included in future year's financial statements. There were no significant additions to capital assets in the current fiscal year.

Additional information on capital assets can be found in footnote #5 to these financial statements.

CITY OF MONTE SERENO
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$6,464,296
Receivables	
Taxes	196
Other	160,505
Capital assets	
Land	119,888
Depreciable capital assets, net	161,145
Total assets	6,906,030
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to OPEB	154,228
Deferred outflows of resources related to pensions	1,020,452
Total deferred outflows of resources	1,174,680
LIABILITIES	
Accounts payable and accrued liabilities	1,310,962
Compensated absences payable - current	72,352
Noncurrent Liabilities:	
Net pension liability	188,003
Total other postemployment benefits liability	842,950
Total liabilities	2,414,267
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to OPEB	443,829
Deferred inflows of resources related to pensions	403,138
Total deferred inflows of resources	846,967
NET POSITION (Note 9)	
Net investment in capital assets	281,033
Restricted for:	
Capital projects	683,436
Road and streetlight projects	90,524
Total restricted net position	773,960
Unrestricted net position	3,764,483
Total net position	\$4,819,476

See accompanying notes to financial statements

CITY OF MONTE SERENO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$4,503,191	\$740,706		(\$3,762,485)
Public safety	1,244,694	119,417		(1,125,277)
Public works	185,750		\$582,754	397,004
Community development	27,600			(27,600)
Total Governmental Activities	<u>\$5,961,235</u>	<u>\$860,123</u>	<u>\$582,754</u>	<u>(4,518,358)</u>
General revenues:				
Taxes:				
Property tax				2,771,991
Sales tax				13,967
Gas tax				159,503
Franchise tax				362,831
Real property transfer tax				81,869
Other revenue				<u>309,001</u>
Total general revenues				<u>3,699,162</u>
Change in Net Position				(819,196)
Net Position - Beginning as Restated (Note 9)				<u>5,638,672</u>
Net Position - Ending				<u>\$4,819,476</u>

See accompanying notes to financial statements

CITY OF MONTE SERENO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023

	General	Law Enforcement Fund	Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$5,429,330	\$391,605	\$540,547	\$102,814	\$6,464,296
Receivables					
Taxes	196				196
Other	160,000		500	5	160,505
Total Assets	<u>\$5,589,526</u>	<u>\$391,605</u>	<u>\$541,047</u>	<u>\$102,819</u>	<u>\$6,624,997</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$312,590	\$223,141	\$38,370		\$574,101
Total Liabilities	<u>312,590</u>	<u>223,141</u>	<u>38,370</u>		<u>574,101</u>
FUND BALANCES					
Fund balance (Note 9):					
Restricted		168,464	\$502,677	102,819	773,960
Unassigned	5,276,936				5,276,936
TOTAL FUND BALANCES	<u>5,276,936</u>	<u>168,464</u>	<u>502,677</u>	<u>102,819</u>	<u>6,050,896</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$5,589,526</u>	<u>\$391,605</u>	<u>\$541,047</u>	<u>\$102,819</u>	<u>\$6,624,997</u>

See accompanying notes to financial statements

CITY OF MONTE SERENO
 Reconciliation of the
 GOVERNMENTAL FUNDS BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2023

Fund Balance - Total Governmental Funds \$6,050,896

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

CAPITAL ASSETS TRANSACTIONS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental funds. 281,033

LONG TERM ASSETS, LIABILITIES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The assets, deferred outflows of resources, liabilities and deferred inflows of resources below are not due and payable in the current period and therefore are not reported in the Funds:

Compensated absences	(72,352)
Accounts payable and accrued liabilities	(736,861)
Net pension liability	(188,003)
Total other post employment liability	(842,950)
Deferred outflows of resources related to pensions	1,020,452
Deferred outflows of resources related to OPEB	154,228
Deferred inflows of resources related to pensions	(403,138)
Deferred inflows of resources related to OPEB	(443,829)
	(443,829)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$4,819,476

See accompanying notes to financial statements

CITY OF MONTE SERENO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	General	Law Enforcement Fund	Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$2,577,879	\$191,417		\$2,695	\$2,771,991
Sales tax	13,967				13,967
Gas Tax			\$159,503		159,503
Franchise fee	362,831				362,831
Real property transfer tax	81,869				81,869
Licenses and permits	739,502				739,502
Fines and penalties	1,204				1,204
Investment earnings	112,154		7,263		119,417
Intergovernmental/ other agencies	417,483	165,271			582,754
Other revenue	298,965			10,036	309,001
Total Revenues	4,605,854	356,688	166,766	12,731	5,142,039
EXPENDITURES					
Current:					
General government	3,114,803		2,996		3,117,799
Public safety	68,819	1,175,875			1,244,694
Public works	75,766		57,933	52,051	185,750
Community development	27,600				27,600
Capital outlay					
Total Expenditures	3,286,988	1,175,875	60,929	52,051	4,575,843
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,318,866	(819,187)	105,837	(39,320)	566,196
OTHER FINANCING SOURCES (USES)					
Transfers in		855,260	133,380	11,790	1,000,430
Transfers out	(1,000,430)				(1,000,430)
Total Other Financing Sources (Uses)	(1,000,430)	855,260	133,380	11,790	
NET CHANGE IN FUND BALANCES	318,436	36,073	239,217	(27,530)	566,196
FUND BALANCES AT BEGINNING OF PERIOD AS PREVIOUSLY STATED	4,949,750	38,544	374,280	99,947	5,462,521
PRIOR PERIOD ADJUSTMENT (Note 9)	8,750	93,847	(110,820)	30,402	22,179
FUND BALANCES AT BEGINNING OF PERIOD AS RESTATED	4,958,500	132,391	263,460	130,349	5,484,700
FUND BALANCES AT END OF PERIOD	\$5,276,936	\$168,464	\$502,677	\$102,819	\$6,050,896

See accompanying notes to financial statements

CITY OF MONTE SERENO
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2023

Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$566,196

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay and improvement expenditures are added back to fund balance	
Depreciation expense is deducted from fund balance	(10,015)
Retirements are deducted from the fund balance	

NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Compensated absences	(38,058)
Accounts payable and accrued liabilities	13,221
Net pension liability and deferred outflows/inflows of resources related to pensions	(1,335,442)
Net OPEB liability and deferred outflows/inflows of resources related to OPEB	<u>(15,098)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$819,196)

See accompanying notes to financial statements

This Page Left Intentionally Blank

NOTE 1 – GENERAL

The City of Monte Sereno (the City) was incorporated in 1957, under the provisions of the State of California. The City operates under a Council-Manager form of government and provides the following services: streets, public improvement, planning and zoning, and general administration.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Basis of Presentation

Government Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the City's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Law Enforcement Special Revenue Fund accounts for all financial activity related to the City's Law Enforcement Services. The fund's major source of revenue is a special assessment tax.

The Gas Tax Special Revenue Fund accounts for tax rate per gallon levied by the State of California on all gasoline purchases are allocated to cities throughout the State. These funds are restricted to expenditure for transit and street-related purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available generally if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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. Issuance of long- term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, transient occupancy taxes, utility user taxes, property transfer taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines, licenses, use of property, and permit revenues are not susceptible to accrual because they generally are not measurable until received in cash. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets, which include property, plant and equipment, are stated at cost. Donated assets are recorded at their estimated acquisition value at the date of donation. The City defines capital assets as assets with an initial cost of more than \$1,000 and an estimated useful life greater than one year. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 Years
Vehicles	4-10 Years
Furniture, fixtures, and equipment	5-50 Years

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position or balance sheet will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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.

Interfund Transactions

With City Manager approval, resources may be transferred from one City fund to another. Transfers (1) are used to move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Property Taxes

The County of Santa Clara assesses all properties; and it bills, collects, and distributes property taxes and special assessments as follows:

	<u>Secured/Unsecured</u>
Lien dates	January 1
Levy dates	July 1
Due dates	50% on November 1 and February 1
Delinquent as of	December 10 and April 10

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenue is recognized in accordance with applicable GASB pronouncements, that is in the fiscal year for which the taxes have been levied, provided they become available. Available means (a) due, or (b) past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period. The County of Santa Clara remits the entire amount of the tax levy to the City (net of County administrative fees), and handles all delinquencies, retaining any interest and penalties.

Compensated Absences

Compensated absences include vacation pay. The City recognizes the liability for its compensated absences at year-end.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement reporting purposes, the City considers cash and cash equivalents as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Because the only investment held by the funds is the Local Agency Investment Fund (LAIF), which meets the definition of a cash equivalent, the entire pooled balance is reported as “cash and investments.”

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City did not have any nonspendable resources as of June 30, 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified traffic safety fines and grants as being restricted because their use is restricted by the terms of the grant and state statute for traffic safety expenditures. Gas taxes are restricted by state statute for use on road and street repair and maintenance projects. Loma Serena Street Lighting District and Rose Andrews Street Lighting District funds are classified as restricted because the use of these funds are restricted for operations and maintenance of the respective light districts, as imposed by the municipal code. Finally, storm drainage has been classified as restricted because these funds are collected from developers and set aside for capacity purposes, as mandated by state statute.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of June 30, 2023.

Assigned: This classification includes amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or the City manager, to whom this authority has been formally delegated by the City council. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification may also include negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. However, the City did not have any negative residual fund balances in any other governmental funds.

Use of Restricted Resources

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs - other than quoted prices included within level 1 - that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTE 3 – CASH AND INVESTMENTS

The City’s dependence on property tax receipts requires it to maintain significant cash reserves to finance operations during certain portions of the year. The City pools cash from all sources so that it can safely invest at maximum yields, while individual funds can make expenditures at any time. All investments are carried at fair value.

Summary of Deposits and Investments

Cash and Cash equivalents as of June 30, 2023, consist of the following at fair value:

Cash on hand	\$120
Cash with financial institutions	6,310,788
State Investment Pool	153,388
Total deposits and investments	\$6,464,296

Policies and Practices

The City is authorized under California Government Code and the City’s investment policy to make direct investments in U.S. Treasury instruments and securities of the U.S. Government, the Local Agency Investment Fund (LAIF), and federally insured deposits in commercial banks and savings and loan associations in the local area.

The City’s investments were in compliance with the above provisions as of and for the year ended June 30, 2023.

General Authorizations

The table below identifies the investment types that are authorized for the City by the California Government Code. Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

NOTE 3 – CASH AND INVESTMENTS - Continued

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75 Million

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City manages its exposure to interest rate risk by purchasing only short-term investments as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2023, the City had the following investments. All investments are in the State’s investment pool.

	Fair Value	Average Maturity
State Investment Pool	<u>\$153,388</u>	<u>260</u>

Concentration of Credit Risk

The City’s investment policy contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City’s policy, as well as 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 public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the City's bank balance of \$6,310,788 is either insured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City’s name.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Neither the California Government Code nor the City’s investment policy contains legal or policy requirements that would limit the exposure to custodial risk.

NOTE 3 – CASH AND INVESTMENTS - Continued

Investment in the State Investment Pool

The City is a voluntary participant in the LAIF that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in the pool is reported in the accompanying financial statement 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, and is recorded on the amortized cost basis. The pool is not registered with the Securities and Exchange Commission (SEC) and is not rated.

The City recognizes the fair value measurement of its investments on a recurring basis, based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments in the Local Agency Investment Funds/State Investment Pool are not measured using the input levels above because the City's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

NOTE 4 – INTERFUND TRANSFERS

With Council approval, resources may be transferred from one City fund to another. Transfers (1) are used to move revenues from the fund that statute or budget requires to be collected to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

	Transfers In	Transfers Out
General Fund		\$1,000,430
<i>Special Revenue Funds:</i>		
Law Enforcement Fund	\$855,260	
Gas Tax Fund	133,380	
Nonmajor Funds	11,790	
Total	\$1,000,430	\$1,000,430

NOTE 5 – CAPITAL ASSETS

The City reports all capital assets, in the Government-Wide Statement of Net Position. The City reports infrastructure using the basic approach.

The following table presents the capital assets activity for the year ended June 30, 2023.

	Balance at June 30, 2022	Additions	Balance at June 30, 2023
Capital assets, not being depreciated:			
Land	\$119,888		\$119,888
Total capital assets not being depreciated	<u>119,888</u>	<u>-</u>	<u>\$119,888</u>
Capital assets being depreciated:			
Buildings Improvements	409,663		409,663
Computer Equipment	46,395		46,395
Office Equipment	39,563		39,563
Total capital assets being depreciated	<u>495,621</u>	<u>-</u>	<u>495,621</u>
Less accumulated depreciation for:			
Buildings Improvements	247,162	\$8,125	255,287
Computer Equipment	45,401	994	46,395
Office Equipment	31,898	896	32,794
Total accumulated depreciation	<u>324,461</u>	<u>10,015</u>	<u>334,476</u>
Net capital assets being depreciated	<u>171,160</u>	<u>10,015</u>	<u>161,145</u>
Total capital assets, net	<u>\$291,048</u>	<u>\$10,015</u>	<u>\$281,033</u>

Depreciation expense was charged to the general government function.

NOTE 6 – PENSION PLAN

General Information about the Pension Plans

Plan Description – All qualified permanent employees are eligible to participate in the City’s Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and may be amended by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. www.calpers.ca.gov.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the California Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	Starting January 1, 2013
Hire date		
Formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Minimum retirement age	50	52
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	10.32%	7.47%

Contributions – Section 20814(c) of the California Public Employees’ Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for both Plans are determined annual 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 rates of employees.

For the year ended June 30, 2023, the contributions to the Plan were \$78,418.

NOTE 6 – PENSION PLAN – Continued

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

As of June 30, 2023, the City’s reported net pension liability for its proportionate share of the pension liability of the Plan is as follows:

	Miscellaneous
Proportionate Share of Net Pension Liability	\$188,003

The City’s net pension liability for the Plan is measured as the proportionate share of the collective net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard actuarial update procedures. The City’s proportion of the collective net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City’s proportionate share of the net pension liability for each Miscellaneous Plans as of June 30, 2022 is as follows:

	Miscellaneous Plans
Proportion - June 30, 2021	0.04568%
Proportion - June 30, 2022	0.00402%
Change - Increase (Decrease)	-0.04166%

In the current fiscal year, the City recognized pension expense of \$1,335,442. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$78,418	
Differences between actual and expected experience	3,775	(\$2,529)
Changes in assumptions	19,265	
Difference between proportional and actual contributions	250,528	(224,150)
Adjustment due to differences in proportions	634,029	(176,459)
Net differences between projected and actual earnings on plan investments	34,437	
Total	\$1,020,452	(\$403,138)

NOTE 6 – PENSION PLAN – Continued

The amount of \$78,418 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Years Ending June 30</u>	
2024	\$209,524
2025	194,972
2026	113,338
2027	<u>21,062</u>
	<u><u>\$538,896</u></u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2021, actuarial valuations were determined using the following actuarial assumptions.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return (1)	6.90%
Mortality (2)	Derived using CalPERS Membership Data for all Fund

(1) Net of pension plan investment expenses; includes inflation.

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of Mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 2001 to 2019) that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed contributions from all plan members in the Public Employees Retirement Fund (PERF) 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, 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 returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NOTE 6 – PENSION PLAN – Continued

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 (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 (11-60 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 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 rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate 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. These rates are net of administrative expenses:

<u>Asset Class (1)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return 1,2</u>
Global Equity-Cap Weighted	30.0%	4.54%
Global Equity-Non-Cap Weighted	12.00%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	<u>100.00%</u>	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

NOTE 6 – PENSION PLAN – Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City Miscellaneous Plan, calculated using the current discount rate for the Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	5.90%
Net Pension Asset	\$1,093,568
Current Discount Rate	6.90%
Net Pension Asset	\$188,003
1% Increase	7.90%
Net Pension Asset	(\$557,053)

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

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

Postemployment Healthcare Plan (OPEB)

Plan Description – The City’s defined benefit postemployment healthcare plan is a single-employer defined benefit plan provides medical benefits to employees and their spouses who satisfy the requirements for retirement under CalPERS (attained age 50 with five years of service or satisfaction of the requirements for a disability retirement.) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided – The City provides medical insurance benefits to eligible retirees and their spouses. Benefits are provided through CalPERS Health Insurance, and the cost of benefits is limited to the PERS Choice Single Health Plan Premium. The City's governing board has the authority to establish and amend the benefit terms as needed.

Employees Covered – At the June 30, 2022, valuation date, the following employees were covered by the benefit terms for the OPEB Plan:

	Count
Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	3
Active employees	9
Total	16

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS - Continued

Total OPEB Liability – The City’s Total OPEB liability was measured as of June 30, 2022, was determined by an actuarial valuation as of June 30, 2022 that was based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Contribution Policy	No pre-funding
Discount Rate	3.65% at June 30, 2022
Inflation	2.50% annually
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Healthcare Trend Cost Rate	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser) - 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076

Change in Total OPEB Liability – The changes in the total OPEB liability for the City are as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2022	<u>\$705,897</u>
Changes for the year:	
Service Cost	86,788
Interest on the Total OPEB Liability	27,368
Differences between Expected and Actual Experience	30,728
Benefit payments	(39,159)
Administrative Expense	
Changes of assumptions	<u>31,328</u>
Net changes	<u>137,053</u>
Balance at June 30, 2023	<u><u>\$842,950</u></u>

Sensitivity of the Total OPEB liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate, for year ended June 30, 2023:

<u>Discount Rate</u>		
<u>-1.0% Discount Rate</u>	<u>Current Rate</u>	<u>+1.0% Discount Rate</u>
2.65%	3.65%	4.65%
<u>\$978,099</u>	<u>\$842,950</u>	<u>\$734,142</u>

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS - Continued

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates – The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage higher than the current rate, for year ended June 30, 2023:

Healthcare Trend Rate		
-1.0% Decrease	Current Trend	+1.0% Increase
\$713,583	\$842,950	\$1,009,224

Expense and Deferred Outflows/Inflows of Resources Related to OPEB Under GASB Statement No. 75 – For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$54,356. As of fiscal year ended June 30, 2023, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$127,709	\$173,605
Differences between expected and actual experience	26,519.00	270,224
Total	\$154,228	\$443,829

The amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Annual Amortization
2024	(\$58,909)
2025	(56,404)
2026	(68,481)
2027	(93,502)
2028	(21,191)
Thereafter	8,886
Total	(\$289,601)

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the City that the outcome will have no materially adverse effect on the financial position of the City.

The City may receive State and Federal funds for specific purposes that are subject to audit by the grantor agencies. Such audits could generate expenditure disallowances under the terms of the grants. It is believed that any required reimbursements would not be material.

The City participates in a Public Entity Risk Pool. See Note 10 for details.

NOTE 9 – NATURE AND PURPOSE OF REPORTED FUND BALANCE CLASSIFICATIONS

Fund Balance

In the fund financial statements, governmental funds report the following classifications of fund balance:

Fund Balance Classifications	General Fund	Law Enforcement Fund	Gas Tax Fund	Non-Major Governmental Funds			Total
				Loma Serena Street Lighting Fund	Rose Andrews Street Lighting Fund	Storm Drainage Fund	
Restricted for:							
Capital projects			\$502,677			\$90,524	\$593,201
Law enforcement		\$168,464					168,464
Road impact fees				\$12,256	\$39		\$12,295
Total Restricted Fund Balances		<u>168,464</u>	<u>502,677</u>	<u>12,256</u>	<u>39</u>	<u>90,524</u>	<u>773,960</u>
Unassigned:							
General fund	\$5,276,936						5,276,936
Total Unassigned Fund Balances	<u>5,276,936</u>						<u>5,276,936</u>
Total Fund Balances	<u>\$5,276,936</u>	<u>\$168,464</u>	<u>\$502,677</u>	<u>\$12,256</u>	<u>\$39</u>	<u>\$90,524</u>	<u>\$6,050,896</u>

Restatement and Adjustment of Beginning Fund Balance and Net Position

During the year ended June 30, 2023, it was noted that the General Fund was the only fund with an equity or fund balance account and after allocation to the other funds, it was still not balanced. This correction resulted in an increase both of beginning fund balance and beginning net position in the amount of \$22,179.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The City has joined Bay Cities Joint Powers Insurance Authority (BCJPIA). BCJPIA is a public entity risk pool that is currently operating a common risk management agency with nineteen members. Annual premiums are paid by members and are adjusted retrospectively to cover costs. Excess premiums, if any, are returned to the members based on an equity allocation five years after the close of the program year. Member deductibles range from \$5,000 to \$350,000 with a self-insured retention of \$1,000,000 by BCJPIA. The City’s self-insured retention is \$5,000. BCJPIA has purchased excess insurance up to \$38,000,000 from a private company to provide coverage for losses and claims in excess of the stated limits.

NOTE 11 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The City is a member of the West Valley Solid Waste Management Authority (WVSWMA) for solid waste management and Silicon Valley Animal Control Authority (SVACA) for animal control services. The City pays an annual premium to each entity for the services. The relationships between the City and the JPA’s are such that they are not component units of the City for financial reporting purposes. Each entity is summarized below.

NOTE 11 – PARTICIPATION IN JOINT POWERS AUTHORITIES - Continued

Description of WWSWMA

This program is a joint venture with the cities of Los Gatos, Campbell, Monte Sereno, and Saratoga to provide a coordinated Solid Waste Management Authority to their respective cities in order to meet State and Federal requirements, as well as local objectives regarding solid waste. Each city has a representative on the Rate Review Committee of the Program, which makes recommendations regarding budgets, policies, and procedures to the city managers of the member cities. WWSWMA is administered by a Board of Directors consisting of four Directors, one each appointed by the Legislative Body of the cities of Campbell, Los Gatos, Monte Sereno and Saratoga. Costs of the programs are allocated based on population with Monte Sereno’s portion of the budget equaling 3.5 percent for the year.

Description of SVACA

This program is a joint venture with the cities of Campbell, Santa Clara, Mountain View, and Monte Sereno to own, manage, operate and maintain the Animal Control Services in the area in order to provide the residents with more efficient and economical animal control services. SVACA is administered by a Board of Directors consisting of four Directors, one each appointed by the Legislative Body of the cities of Santa Clara, Campbell, Mountain View, and Monte Sereno. Costs of the program are allocated in proportions to the population of the member agency, the amount of licensed animals owned or kept by residents of the member agency, and the total number of days that an animal from each member agency is held at the current animal shelter facility. During the current year Monte Sereno’s proportional share of those costs was 1.5% and is expected to be 1.64% for the fiscal year 2023-2024.

Audited financial statements are available from these entities.

NOTE 12 – NEW GASB PRONOUNCEMENTS

The following Governmental Accounting Standards Board (GASB) pronouncements became effective in fiscal year 2022-2023:

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with such arrangements. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for reporting periods beginning after December 15, 2021, or fiscal year 2022-23. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements for a variety of topics. This Statement is effective for reporting periods beginning after June 15, 2022, or the fiscal year 2022-23. The implementation of this Statement did not have a material effect on the financial statements.

NOTE 12 – NEW GASB PRONOUNCEMENTS - Continued

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022, or the fiscal year 2022-23. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this Statement is to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement is effective for reporting periods beginning after June 15, 2022, or the fiscal year 2022-23. The implementation of this Statement did not have a material effect on the financial statements.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement is effective for reporting periods beginning after June 15, 2022, or the fiscal year 2022-23. The implementation of this Statement did not have a material effect on the financial statements.

This Page Left Intentionally Blank

Required Supplementary Information
June 30, 2023

City of Monte Sereno

CITY OF MONTE SERENO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Property taxes	\$2,237,700	\$2,251,505	\$2,577,879	\$326,374
Sales taxes	12,000	8,900	13,967	5,067
Franchise fee	310,000	310,000	362,831	52,831
Real property transfer tax	145,000	97,600	81,869	(15,731)
License and permits	914,100	746,300	739,502	(6,798)
Fines and penalties	3,000	1,200	1,204	4
Investment earnings	10,000	45,014	112,154	67,140
Intergovernmental / Other agencies	908,585	739,785	417,483	(322,302)
Other revenue	280,700	204,970	298,965	93,995
Total Revenues	4,821,085	4,405,274	4,605,854	200,580
EXPENDITURES				
Current:				
General Government	2,898,494	2,407,051	3,114,803	(707,752)
Public safety	627,000	85,500	68,819	16,681
Public works	368,000	572,130	75,766	496,364
Community development	20,000	21,000	27,600	(6,600)
Capital outlay	725,000	600,000		600,000
Total Expenditures	4,638,494	3,685,681	3,286,988	398,693
EXCESS OF REVENUES OVER EXPENDITURES	182,591	719,593	1,318,866	599,273
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)			(1,000,430)	(1,000,430)
Total Other Financing Sources (Uses)			(1,000,430)	(1,000,430)
NET CHANGE IN FUND BALANCE	\$182,591	\$719,593	318,436	(\$401,157)
Fund balance at beginning of year			4,949,750	
Prior Period Adjustment (Note 9)			8,750	
Fund balance at beginning of year - as restated			4,958,500	
FUND BALANCE AT END OF YEAR			<u>\$5,276,936</u>	

CITY OF MONTE SERENO
LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Property taxes	\$89,000	\$111,842	\$191,417	\$79,575
Intergovernmental/ other agencies	100,000	100,000	165,271	65,271
Total Revenues	<u>189,000</u>	<u>211,842</u>	<u>356,688</u>	<u>144,846</u>
EXPENDITURES				
Current:				
Public safety	1,110,604	1,110,604	1,175,875	(65,271)
Total Expenditures	<u>1,110,604</u>	<u>1,110,604</u>	<u>1,175,875</u>	<u>(65,271)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(921,604)</u>	<u>(898,762)</u>	<u>(819,187)</u>	<u>79,575</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			855,260	855,260
Transfers (out)				
Total Other Financing Sources (Uses)			<u>855,260</u>	<u>855,260</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$921,604)</u></u>	<u><u>(\$898,762)</u></u>	36,073	<u><u>\$934,835</u></u>
Fund balance at beginning of year			38,544	
Prior Period Adjustment (Note 9)			93,847	
Fund balance at beginning of year - as restated			<u>132,391</u>	
FUND BALANCE AT END OF YEAR			<u><u>\$168,464</u></u>	

CITY OF MONTE SERENO
GAS TAX FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Gas tax	\$191,000	\$191,000	\$159,503	(\$31,497)
Investment earnings	1,200	5,245	7,263	2,018
Total Revenues	192,200	196,245	166,766	(29,479)
EXPENDITURES				
Current:				
General Government	3,000	3,000	2,996	4
Public works	11,000	17,845	57,933	(40,088)
Total Expenditures	14,000	20,845	60,929	(40,084)
EXCESS OF REVENUES OVER EXPENDITURES	178,200	175,400	105,837	(69,563)
OTHER FINANCING SOURCES (USES)				
Transfers in			133,380	133,380
Transfers (out)				
Total Other Financing Sources (Uses)			133,380	133,380
NET CHANGE IN FUND BALANCE	\$178,200	\$175,400	239,217	\$63,817
Fund balances (deficits) at beginning of year - as previously stated			374,280	
Prior Period Adjustment (Note 9)			(110,820)	
Fund balance at beginning of year - as restated			263,460	
FUND BALANCE AT END OF YEAR			\$502,677	

CITY OF MONTE SERENO
MISCELLANEOUS PLAN – COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/ (ASSET)
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS **

Measurement Date	Miscellaneous Plan								
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Plan's Proportion of the Net Pension Liability (Asset)	0.01204%	0.01091%	0.01124%	0.00518%	0.00424%	0.01321%	0.01579%	-0.04568%	0.00402%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$749,395	\$748,563	\$972,944	\$513,753	\$408,507	\$528,780	\$666,025	(\$867,343)	\$188,003
Plan's Covered Payroll	\$713,447	\$723,056	\$673,336	\$672,548	\$774,294	\$903,345	\$841,740	\$806,851	\$953,625
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll	105.04%	103.53%	144.50%	76.39%	52.76%	58.54%	79.12%	-107.50%	19.71%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.26%	75.26%	75.10%	88.29%	76.68%

* Fiscal year 2015 was the 1st year of implementation.

CITY OF MONTE SERENO
MISCELLANEOUS PLAN – COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN
SCHEDULE OF PENSION CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS **

Fiscal Year	Miscellaneous Plan				
	2015	2016	2017	2018	2019
Actuarially determined contribution	\$111,286	\$121,561	\$667,968	\$59,622	\$79,188
Contributions in relation to the actuarially determined contributions	(111,286)	(121,561)	(667,968)	(59,622)	(79,188)
Contribution deficiency (excess)					
Covered payroll	\$723,056	\$673,336	\$672,548	\$774,294	\$903,345
Contributions as a percentage of covered payroll	15.39%	18.05%	99.32%	7.70%	8.77%
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Fiscal Year	Miscellaneous Plan				
	2020	2021	2022	2023	
Actuarially determined contribution	\$93,864	\$125,384	\$82,134	\$78,418	
Contributions in relation to the actuarially determined contributions	(93,864)	(813,146)	(82,134)	(78,418)	
Contribution deficiency (excess)		(\$687,762)			
Covered payroll	\$841,740	\$806,851	\$953,625	\$947,329	
Contributions as a percentage of covered payroll	11.15%	15.54%	8.61%	8.28%	
Valuation date:	6/30/2018	6/30/2019	6/30/2020	6/30/2021	

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Investment rate of return	6.90%, net of pension plan investment and administrative expenses, including inflation

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

CITY OF MONTE SERENO
SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS **

Measurement Date	2017	2018	2019	2020	2021	2022
Total OPEB Liability (TOL)						
Service Cost	\$97,527	\$94,841	\$105,142	\$139,568	\$112,123	\$86,788
Interest on the total OPEB Liability	25,244	30,267	33,454	29,175	18,555	27,368
Changes in benefit terms						
Differences between expected and actual experience				(467,951)		30,728
Changes of assumptions	(33,667)	49,469	212,695	(102,474)	(153,791)	31,328
Benefit Payments	(11,211)	(7,732)	(14,591)	(28,152)	(35,827)	(39,159)
Net change in total OPEB liability	77,893	166,845	336,700	(429,834)	(58,940)	137,053
Total OPEB liability - beginning	613,233	691,126	857,971	1,194,671	764,837	705,897
Total OPEB liability - ending (a)	<u>\$691,126</u>	<u>\$857,971</u>	<u>\$1,194,671</u>	<u>\$764,837</u>	<u>\$705,897</u>	<u>\$842,950</u>
Covered payroll	\$774,294	\$903,345	\$841,740	\$806,851	\$957,255	\$906,889
TOL as a percentage of covered employee payroll	89.26%	94.98%	141.93%	94.79%	73.74%	92.95%

Notes to Schedule:

Historical information is required only for measurement periods for which GASB 75 is applicable. Future year's information will be displayed up to 10 years as information becomes available.

* Fiscal year 2018 was the first year of implementation.

This Page Left Intentionally Blank

City of Monte Sereno
 Note to Budgetary Information
 For the Year Ended June 30, 2023

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual budget is adopted by the City Council no later than the first regular meeting in July for the fiscal year beginning July first. As part of the budget process, all City departments submit budget requests for the next fiscal year. These requests are reviewed, and a final City Manager recommended budget showing estimated revenues and expenditures of the City is prepared. This proposed budget is transmitted to the City Council and made available to the public for review. Any new appropriation or appropriation transfer between funds or department requires approval by the City Council. Several supplemental appropriations were necessary during the year and are reflected in the budget amounts in the financial statements. Expenditures may not legally exceed appropriations at the fund level. The Budgetary Comparison Schedules present both the original adopted and the final budget with all amendments. Budgets are adopted each year for all general and law enforcement funds.

The City had the following funds with expenditures in excess of appropriations for the year ended June 30, 2023:

<u>Expenditure</u>	<u>Budgeted Amount Final</u>	<u>Actual Amount</u>	<u>Negative Variance with Final Budget</u>
Law Enforcement Fund	1,110,604	1,175,875	(65,271)
Gas Tax Fund	20,845	60,929	(40,084)

This Page Left Intentionally Blank

Supplementary Information
June 30, 2023

City of Monte Sereno

CITY OF MONTE SERENO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2023

	Loma Serena Street Lighting Fund	Rose Andrews Street Lighting Fund	Storm Drainage Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments available for operations	\$12,251	\$39	\$90,524	\$102,814
Accounts receivable	5			5
Total Assets	\$12,256	\$39	\$90,524	\$102,819
LIABILITIES				
Accounts payable and accrued liabilities				
Total Liabilities				
FUND BALANCES				
Restricted	\$12,256	\$39	\$90,524	\$102,819
Total Fund Balance	12,256	39	90,524	102,819
Total Liabilities and Fund Balances	\$12,256	\$39	\$90,524	\$102,819

CITY OF MONTE SERENO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	Loma Serena Street Lighting Fund	Rose Andrews Street Lighting Fund	Storm Drainage Fund	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$2,695			\$2,695
Other revenue			\$10,036	10,036
Total Revenues	<u>2,695</u>		<u>10,036</u>	<u>12,731</u>
EXPENDITURES				
Current:				
Public Works & Engineering	1,608	\$516	49,927	52,051
Capital outlay				
Total Expenditures	<u>1,608</u>	<u>516</u>	<u>49,927</u>	<u>52,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,087</u>	<u>(516)</u>	<u>(39,891)</u>	<u>(39,320)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,383	649	9,758	11,790
Transfers (out)				
Total Other Financing Sources (Uses)	<u>1,383</u>	<u>649</u>	<u>9,758</u>	<u>11,790</u>
NET CHANGE IN FUND BALANCES	<u>2,470</u>	<u>133</u>	<u>(30,133)</u>	<u>(27,530)</u>
Fund balances (deficits) at beginning of year - as previously stated	9,384	39	90,524	99,947
Prior Period Adjustment	402	(133)	30,133	30,402
Fund balance at beginning of year - as restated	<u>9,786</u>	<u>(94)</u>	<u>120,657</u>	<u>130,349</u>
FUND BALANCES AT END OF YEAR	<u><u>\$12,256</u></u>	<u><u>\$39</u></u>	<u><u>\$90,524</u></u>	<u><u>\$102,819</u></u>

This Page Left Intentionally Blank

**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 Members of the City Council
City of Monte Sereno, 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 basic financial statements of the City of Monte Sereno, California, as of and for the year ended June 30, 2023, and have issued our report thereon dated May 20, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control that we consider to be material weaknesses as listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated May 20, 2024, which is an integral part of our audit and should be read in conjunction with this report.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our test disclosed no instance of noncompliance that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated May 20, 2024 which is an integral part of our audit and should be read in conjunction with this report.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
May 20, 2024