

**CITY OF KINGSBURG
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2013**

**CITY OF KINGSBURG
JUNE 30, 2013**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities.....	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities	11
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	15
Combining Statement of Cash Flows – Proprietary Funds.....	16
Statement of Fiduciary Net Position – Successor Agency of the Redevelopment Agency.....	17
Statement of Changes in Fiduciary Net Position of the Successor Agency of the Redevelopment Agency.....	18
Notes to the Basic Financial Statements.....	20
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund.....	44
Budgetary Comparison Schedule – Local Transportation Special Revenue Fund.....	45
Notes to the Required Supplementary Information	46
Schedule of Funding Progress	47

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	50
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	51
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	52
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	54
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	56
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds	58
Schedule of Expenditures of Federal Awards.....	60
Note to the Schedule of Expenditures of Federal Awards	61
OTHER INDEPENDENT AUDITOR’S REPORTS	
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 <i>Government Auditing Standards</i>	65
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	67
Schedule of Findings and Questioned Costs.....	70
Summary Schedule of Prior Audit Findings	72



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingsburg, California (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingsburg, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of funding progress on pages 44-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Price Pange & Company

Clovis, California
August 30, 2013

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF KINGSBURG
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 3,580,507	\$ (511,713)	\$ 3,068,794
Restricted cash and investments	1,228,874	-	1,228,874
Accounts and interest receivable, net	1,092,214	461,808	1,554,022
Due from Successor Agency	300,000	-	300,000
Land held for low and moderate housing projects	574,389	-	574,389
Internal balances	3,455,000	(3,455,000)	-
Capital assets, non depreciable	1,091,332	95,818	1,187,150
Capital assets, net of allowance for depreciation	<u>12,515,049</u>	<u>8,077,180</u>	<u>20,592,229</u>
 Total assets	 <u>23,837,365</u>	 <u>4,668,093</u>	 <u>28,505,458</u>
LIABILITIES			
Accounts payable and accrued expenses	58,985	304,734	363,719
Accrued interest payable	116,999	32,188	149,187
Deposits	1,454	6,500	7,954
Long-term liabilities:			
Due within one year	433,262	174,263	607,525
Due in more than one year	<u>5,486,072</u>	<u>2,631,774</u>	<u>8,117,846</u>
 Total liabilities	 <u>6,096,772</u>	 <u>3,149,459</u>	 <u>9,246,231</u>
NET POSITION			
Net investment in capital assets	8,175,220	5,660,682	13,835,902
Restricted for:			
Capital improvement projects	1,725,211	-	1,725,211
Circulation improvements	1,913,855	-	1,913,855
Debt service reserve	5,555,356	-	5,555,356
Community services activities	14,404	-	14,404
Public safety programs	574,389	-	574,389
Unrestricted/(deficit)	<u>(217,842)</u>	<u>(4,142,048)</u>	<u>(4,359,890)</u>
 Total net position	 <u>\$ 17,740,593</u>	 <u>\$ 1,518,634</u>	 <u>\$ 19,259,227</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF KINGSBURG
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 732,573	\$ 1,236	\$ -	\$ -	\$ (731,337)	\$ -	\$ (731,337)
Parks and community services	317,664	168,275	6,289	14,776	(128,324)	-	(128,324)
Public safety	1,816,354	81,430	105,587	-	(1,629,337)	-	(1,629,337)
Public works	735,781	14,267	-	-	(721,514)	-	(721,514)
Highway and streets	454,231	-	949,645	777,859	1,273,273	-	1,273,273
Planning and community development	166,881	144,418	-	-	(22,463)	-	(22,463)
Interest	416,929	-	-	-	(416,929)	-	(416,929)
Total governmental activities	4,640,413	409,626	1,061,521	792,635	(2,376,631)	-	(2,376,631)
Business-type activities:							
Water	1,890,846	1,811,862	-	-	-	(78,984)	(78,984)
Disposal	1,668,555	1,700,087	-	-	-	31,532	31,532
Ambulance	1,524,414	561,738	-	-	-	(962,676)	(962,676)
Building fee	47,184	85,179	-	-	-	37,995	37,995
Total business-type activities	5,130,999	4,158,866	-	-	-	(972,133)	(972,133)
Total	\$ 9,771,412	\$ 4,568,492	\$ 1,061,521	\$ 792,635	(2,376,631)	(972,133)	(3,348,764)
General revenues:							
Property taxes					880,544	-	880,544
Sales and use taxes					894,327	-	894,327
Franchise taxes					332,448	-	332,448
Special assessments					265,045	-	265,045
Business licenses and transient occupancy taxes					343,694	-	343,694
Motor vehicle in-lieu					829,356	-	829,356
Investment earnings					372,519	936	373,455
Miscellaneous					172,589	-	172,589
Transfers					(826,055)	826,055	-
Total general revenues and transfers					3,264,467	826,991	4,091,458
Change in net position					887,836	(145,142)	742,694
Net position - beginning					17,074,344	1,663,776	18,738,120
Prior period adjustments					(221,587)	-	(221,587)
Net position - ending					\$ 17,740,593	\$ 1,518,634	\$ 19,259,227

The notes to the basic financial statements are an integral part of this statement.

THIS PAGE IS LEFT BLANK INTENTIONALLY.

FUND FINANCIAL STATEMENTS

**CITY OF KINGSBURG
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Fund		Debt Service Funds		Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General	Local Transportation	Kingsburg Public Finance Authority	Assessment Districts	Street Projects		
ASSETS							
Cash and investments	\$ 1,020,120	\$ 1,150,837	\$ 813,956	\$ 220,690	\$ (813,782)	\$ 2,417,560	\$ 4,809,381
Accounts and interest receivable	242,754	99	-	2,787	801,412	45,162	1,092,214
Due from Successor Agency	-	-	300,000	-	-	-	300,000
Land held for low and moderate housing projects	-	-	-	-	-	574,389	574,389
Advances to other funds	-	-	4,462,000	-	-	-	4,462,000
Total assets	\$ 1,262,874	\$ 1,150,936	\$ 5,575,956	\$ 223,477	\$ (12,370)	\$ 3,037,111	\$ 11,237,984
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued expense	\$ 29,408	\$ 385	\$ 20,600	\$ 802	\$ -	\$ 7,790	\$ 58,985
Deposits	1,454	-	-	-	-	-	1,454
Advances from other funds	-	-	-	1,007,000	-	-	1,007,000
Total liabilities	30,862	385	20,600	1,007,802	-	7,790	1,067,439
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	-	-	-	-	801,405	-	801,405
Total deferred inflows of resources	-	-	-	-	801,405	-	801,405
Fund balances:							
Restricted:							
Capital improvement projects	-	-	-	-	-	1,725,211	1,725,211
Circulation improvements	-	1,150,551	-	-	-	763,304	1,913,855
Debt service reserve	-	-	5,555,356	-	-	-	5,555,356
Community services activities	-	-	-	-	-	14,404	14,404
Public safety programs	-	-	-	-	-	574,389	574,389
Unassigned	1,232,012	-	-	(784,325)	(813,775)	(47,987)	(414,075)
Total fund balances	1,232,012	1,150,551	5,555,356	(784,325)	(813,775)	3,029,321	9,369,140
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,262,874	\$ 1,150,936	\$ 5,575,956	\$ 223,477	\$ (12,370)	\$ 3,037,111	\$ 11,237,984

The notes to the basic financial statements are an integral part of this statement.

**CITY OF KINGSBURG
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds		\$ 9,369,140
Capital assets used in governmental activities are not financial resources and, therefore, they are not reported in the governmental funds.		13,606,381
Long-term liabilities were not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Revenue bonds	(2,610,000)	
Bonds payable	(2,845,000)	
Compensated absences	(488,173)	
Unamortized bond discounts	<u>23,839</u>	(5,919,334)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		801,405
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources; however, accrued interest must be recorded in the government-wide financial statements when incurred.		<u>(116,999)</u>
Total net position - governmental activities		<u>\$ 17,740,593</u>

CITY OF KINGSBURG
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Fund		Debt Service Funds		Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General	Local Transportation	Kingsburg Public Finance Authority	Assessment Districts	Street Projects		
REVENUES							
Taxes	\$ 2,442,123	\$ -	\$ -	\$ 184,516	\$ -	\$ -	\$ 2,626,639
Licenses and permits	972,680	-	-	-	-	-	972,680
Intergovernmental	2,090	376,810	-	-	883,788	682,622	1,945,310
Charges for services	261,621	-	-	-	-	-	261,621
Fines and penalties	28,912	-	-	-	-	-	28,912
Development fees	-	-	-	-	-	132,633	132,633
Interest	617	535	369,091	-	26	2,253	372,522
Other revenue	168,562	-	-	-	-	6,057	174,619
Total revenues	3,876,605	377,345	369,091	184,516	883,814	823,565	6,514,936
EXPENDITURES							
Current:							
General government	645,697	-	-	-	-	2,028	647,725
Parks and community services	265,745	-	-	-	-	48,350	314,095
Public safety	1,724,612	-	-	-	-	-	1,724,612
Public works	429,704	-	-	-	-	-	429,704
Highway and streets	-	75,751	-	-	-	362,519	438,270
Planning and community development	90,660	-	-	-	-	76,084	166,744
Capital outlay	3,500	-	-	-	836,687	220	840,407
Debt service:							
Principal	-	-	265,000	-	-	-	265,000
Interest and fiscal charges	-	-	394,929	103,967	-	-	498,896
Total expenditures	3,159,918	75,751	659,929	103,967	836,687	489,201	5,325,453
Excess (deficiency) of revenues over (under) expenditures	716,687	301,594	(290,838)	80,549	47,127	334,364	1,189,483
OTHER FINANCING SOURCES (USES)							
Transfers in	178,025	-	-	-	189,246	58,000	425,271
Transfers out	(749,500)	-	-	-	-	(501,826)	(1,251,326)
Total other financing sources (uses)	(571,475)	-	-	-	189,246	(443,826)	(826,055)
Change in fund balances	145,212	301,594	(290,838)	80,549	236,373	(109,462)	363,428
Fund balances - beginning	1,086,800	848,957	5,846,194	(864,874)	(1,050,148)	3,138,783	9,005,712
Fund balances - ending	\$ 1,232,012	\$ 1,150,551	\$ 5,555,356	\$ (784,325)	\$ (813,775)	\$ 3,029,321	\$ 9,369,140

The notes to the basic financial statements are an integral part of this statement.

**CITY OF KINGSBURG
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	363,428
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is capitalized. This is the amount of capital assets recorded.		832,081
Depreciation expense on capital assets is reported in the government-wide statement of activities, but it does not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(466,199)
Construction in progress was abandoned.		(7,854)
Compensated absences expense reported in the statement of activities does not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds.		(21,994)
Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the governmental funds.		(158,597)
In the statement of activities, interest is accrued on long-term debt; whereas in governmental funds, interest expenditure is recorded when paid.		83,355
The issuance of long-term debt (eg., bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		<u>263,616</u>
Change in net position of governmental activities	\$	<u>887,836</u>

The notes to the basic financial statements are an integral part of this statement.

THIS PAGE IS LEFT BLANK INTENTIONALLY.

PROPRIETARY FUNDS

**CITY OF KINGSBURG
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013**

	Water	Disposal	Ambulance	Building Fees	Total Proprietary Funds
ASSETS					
Current assets:					
Cash and investments	\$ 2,164,480	\$ (135,116)	\$ (1,904,318)	\$ (636,759)	\$ (511,713)
Account and interest receivable, net	<u>117,741</u>	<u>146,636</u>	<u>197,431</u>	<u>-</u>	<u>461,808</u>
Total current assets	<u>2,282,221</u>	<u>11,520</u>	<u>(1,706,887)</u>	<u>(636,759)</u>	<u>(49,905)</u>
Noncurrent assets:					
Property, plant and equipment, net of accumulated depreciation	<u>4,676,152</u>	<u>-</u>	<u>3,487,808</u>	<u>9,038</u>	<u>8,172,998</u>
Total noncurrent assets	<u>4,676,152</u>	<u>-</u>	<u>3,487,808</u>	<u>9,038</u>	<u>8,172,998</u>
Total assets	<u>6,958,373</u>	<u>11,520</u>	<u>1,780,921</u>	<u>(627,721)</u>	<u>8,123,093</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	198,108	84,972	11,322	10,332	304,734
Accrued interest payable	32,188	-	-	-	32,188
Deposits	-	-	-	6,500	6,500
Compensated absences	26,420	8,712	54,293	2,379	91,804
Current portion of long-term debt	<u>82,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,459</u>
Total current liabilities	<u>339,175</u>	<u>93,684</u>	<u>65,615</u>	<u>19,211</u>	<u>517,685</u>
Noncurrent liabilities:					
Long-term debt	2,429,857	-	-	-	2,429,857
Advances from other funds	610,000	-	2,845,000	-	3,455,000
Compensated absences	<u>44,532</u>	<u>15,514</u>	<u>142,488</u>	<u>(617)</u>	<u>201,917</u>
Total noncurrent liabilities	<u>3,084,389</u>	<u>15,514</u>	<u>2,987,488</u>	<u>(617)</u>	<u>6,086,774</u>
Total liabilities	<u>3,423,564</u>	<u>109,198</u>	<u>3,053,103</u>	<u>18,594</u>	<u>6,604,459</u>
NET POSITION					
Net investment in capital assets	2,163,836	-	3,487,808	9,038	5,660,682
Unrestricted	<u>1,370,973</u>	<u>(97,678)</u>	<u>(4,759,990)</u>	<u>(655,353)</u>	<u>(4,142,048)</u>
Total net position (deficit)	<u>\$ 3,534,809</u>	<u>\$ (97,678)</u>	<u>\$ (1,272,182)</u>	<u>\$ (646,315)</u>	<u>\$ 1,518,634</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF KINGSBURG
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water	Disposal	Ambulance	Building Fees	Total Proprietary Funds
OPERATING REVENUES:					
Charges for services	\$ 1,811,862	\$ 1,700,087	\$ 561,738	\$ -	\$ 4,073,687
Development fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,179</u>	<u>85,179</u>
Total operating revenue	<u>1,811,862</u>	<u>1,700,087</u>	<u>561,738</u>	<u>85,179</u>	<u>\$ 4,158,866</u>
OPERATING EXPENSES:					
Contractual services and utilities	1,004,745	1,497,997	256,661	29,585	2,788,988
Personnel services	444,847	147,451	967,669	15,210	1,575,177
Supplies and materials	38,859	22,462	64,991	283	126,595
Depreciation and amortization	<u>268,060</u>	<u>645</u>	<u>97,538</u>	<u>2,106</u>	<u>368,349</u>
Total operating expenses	<u>1,756,511</u>	<u>1,668,555</u>	<u>1,386,859</u>	<u>47,184</u>	<u>4,859,109</u>
Operating income (loss)	<u>55,351</u>	<u>31,532</u>	<u>(825,121)</u>	<u>37,995</u>	<u>(700,243)</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest income	1,107	(171)	-	-	936
Interest and fiscal charges	<u>(134,335)</u>	<u>-</u>	<u>(137,555)</u>	<u>-</u>	<u>(271,890)</u>
Total non-operating revenues (expenses)	<u>(133,228)</u>	<u>(171)</u>	<u>(137,555)</u>	<u>-</u>	<u>(270,954)</u>
Net income (loss) before transfers	<u>(77,877)</u>	<u>31,361</u>	<u>(962,676)</u>	<u>37,995</u>	<u>(971,197)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	<u>-</u>	<u>-</u>	<u>826,055</u>	<u>-</u>	<u>826,055</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>826,055</u>	<u>-</u>	<u>826,055</u>
Change in net position	(77,877)	31,361	(136,621)	37,995	(145,142)
Net position (deficit), beginning of year	<u>3,612,686</u>	<u>(129,039)</u>	<u>(1,135,561)</u>	<u>(684,310)</u>	<u>1,663,776</u>
Net position (deficit), end of year	<u>\$ 3,534,809</u>	<u>\$ (97,678)</u>	<u>\$ (1,272,182)</u>	<u>\$ (646,315)</u>	<u>\$ 1,518,634</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF KINGSBURG
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Water	Disposal	Ambulance	Building Fees	Total Proprietary Funds
Cash flows from operating activities:					
Receipts from customers and users	\$ 1,825,137	\$ 1,700,506	\$ 580,374	\$ 85,179	\$ 4,191,195
Payments to suppliers for goods and services	(1,082,965)	(1,519,116)	(338,297)	(19,801)	(2,960,179)
Payments to employees for services	(434,679)	(144,697)	(954,646)	(15,827)	(1,549,848)
Cash payments to other funds for allocated costs	<u>7,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,959</u>
Net cash provided (used) by operating activities	<u>315,452</u>	<u>36,693</u>	<u>(712,569)</u>	<u>49,551</u>	<u>(310,873)</u>
Cash flows from non-capital financing activities:					
Transfers (to)/from other funds	-	-	826,055	-	826,055
Interfund loan repayment	<u>(40,000)</u>	<u>-</u>	<u>(75,000)</u>	<u>-</u>	<u>(115,000)</u>
Net cash provided (used) by noncapital financing activities	<u>(40,000)</u>	<u>-</u>	<u>751,055</u>	<u>-</u>	<u>711,055</u>
Cash flows from capital and related financing activities:					
Principal paid on long-term debt	(80,073)	-	-	-	(80,073)
Interest and fiscal charges	<u>(134,336)</u>	<u>-</u>	<u>(137,555)</u>	<u>-</u>	<u>(271,891)</u>
Net cash provided (used) by capital and related financing activities	<u>(214,409)</u>	<u>-</u>	<u>(137,555)</u>	<u>-</u>	<u>(351,964)</u>
Cash flows from investing activities:					
Interest on investments	<u>1,107</u>	<u>(171)</u>	<u>-</u>	<u>-</u>	<u>936</u>
Net cash provided (used) by investing activities	<u>1,107</u>	<u>(171)</u>	<u>-</u>	<u>-</u>	<u>936</u>
Increase (decrease) in cash and cash equivalents	62,150	36,522	(99,069)	49,551	49,154
Cash and cash equivalents, beginning of year	<u>2,102,330</u>	<u>(171,638)</u>	<u>(1,805,249)</u>	<u>(686,310)</u>	<u>(560,867)</u>
Cash and cash equivalents, end of year	<u>\$ 2,164,480</u>	<u>\$ (135,116)</u>	<u>\$ (1,904,318)</u>	<u>\$ (636,759)</u>	<u>\$ (511,713)</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 55,351	\$ 31,532	\$ (825,121)	\$ 37,995	\$ (700,243)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	268,060	645	97,538	2,106	368,349
Changes in assets and liabilities:					
(Increase) decrease in accounts receivables, net	13,275	419	18,636	-	32,329
(Increase) decrease in due from other funds	7,959	-	-	-	7,959
Increase (decrease) in accounts payable and accrued liabilities	(39,361)	1,343	(16,645)	10,067	(44,596)
(Increase) decrease in compensated absences	<u>10,168</u>	<u>2,754</u>	<u>13,023</u>	<u>(617)</u>	<u>25,329</u>
Net cash provided (used) by operating activities	<u>\$ 315,452</u>	<u>\$ 36,693</u>	<u>\$ (712,569)</u>	<u>\$ 49,551</u>	<u>\$ (310,873)</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF KINGSBURG
STATEMENT OF FIDUCIARY NET POSITION
SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY
JUNE 30, 2013**

	Trust Funds
ASSETS	
Cash and investments	\$ 17,866
Other assets	17,266
Total assets	\$ 35,132
LIABILITIES	
Accounts payable and accrued expense	\$ 1,059
Accrued interest payable	10,396
Deposits	11,750
Loans payable	719,292
Total liabilities	742,497
NET POSITION	
Held in trust	\$ (707,365)

The notes to the basic financial statements are an integral part of this statement.

**CITY OF KINGSBURG
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY
FOR THE YEAR ENDED JUNE 30, 2013**

	Trust Funds
ADDITIONS:	
Taxes	\$ 306,784
Interest	623
Total additions	307,407
DEDUCTIONS:	
Planning and community development	34,005
Capital outlay	871,138
Interest and fiscal charges	49,767
Total deductions	954,910
Change in net position	(647,503)
Net position - beginning	(59,862)
Net positon - ending	\$ (707,365)

The notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Kingsburg, California (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the government's accounting principles are described below.

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

Reporting Entity

The City was incorporated as a general law city in 1908. The City operates under a Council-Manager form of government. The City's major operations include public safety, public works, water and disposal, parks and recreation, building inspection, public improvements, planning and community development, and general administrative services.

Also included in this report is the Kingsburg Public Financing Authority (KPFA). The KPFA was established June 30, 1990 through a Joint Exercise of Powers Agreement between the City and the Agency. The formation of the joint powers authority was approved by the City Council who is also designated as the Board of Directors for the KPFA. The City Manager is appointed Secretary with the City staff providing all support services. The purpose of the KPFA is solely to provide funds from the sale of revenue bonds to finance or refinance the costs of various projects for the City and Agency. The City set up the KPFA to act as a financing/lending type institution only. The KPFA/City legislative meetings are held concurrently. No separate annual financial statements are prepared for the KPFA.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's *business-type activities* and for each function of the City's *governmental activities*. Direct expenses are those that are specifically associated with a program or function and, therefore, are included in the program expense reported for individual functions. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include, 1) fines, fees, and charges paid by the recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Accounting (Continued)

Certain eliminations have been made as prescribed by GASB No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: due to/due from other funds, advances from/to other funds, and transfers in/transfers out.

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

Governmental Fund Financial Statements – The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. An accompanying schedule is presented to reconcile and explain the differences in funds and changes in fund balances as presented in these statements of net position and changes in net position presented in the government-wide financial statements.

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

The City reports the following major governmental funds:

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

Kingsburg Public Financing Authority – The Kingsburg Public Financing Authority Fund is used to account for revenues and expenditures of the KPFA Revenue Bonds. Bond proceeds are to be used to finance or refinance the costs of various improvement projects for the City and other public agencies.

Assessment Districts – This Fund is used to accumulate assessments levied for payment of bonds issued for the Improvement Bonds in Districts No. 1991-1 and No. 1992-1.

Local Transportation Special Revenue Fund – This Fund is used to account for related transportation projects and maintenance.

Street Projects Fund – This Fund is used to account for related street construction and maintenance.

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Accounting (Continued)

Enterprise fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows for each major enterprise fund and non-major fund.

The City has four major enterprise funds, the Water, Disposal, Ambulance and Building Fees, which are used to account for operations that are financed and operated in a manner similar to private business enterprises. In an enterprise fund, the intent of the City Council is that costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

- ♦ The **Water Fund** is used to account for financial activity of the water utility system.
- ♦ The **Disposal Fund** is used to account for the financial activity of the solid waste collection and disposal utility system.
- ♦ The **Ambulance Fund** is used to account for the financial activity of the ambulance activities.
- ♦ The **Building Fees Fund** is used to account for the financial activity of building fees activities.

The City's fiduciary funds represent agency trust funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency trust funds are accounted for on an *economic resources* measurement focus and the accrual basis of accounting

The City reports the following fiduciary fund:

- ♦ The **Successor Agency of the Redevelopment Agency** accounts for assets and liabilities of the former redevelopment agency until they are distributed to other units of state and local government as a result of the dissolution of the redevelopment agency.

Measurement Focus, Basis of Accounting

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

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

CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting (Continued)

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. *Operating revenues*, such as charges for services, result from exchange transactions associated with the principal activity of each fund. *Nonoperating revenues*, such as interest income, state and federal grants, and subsidies, result from nonexchange transactions or ancillary activities. *Operating expenses* include costs for providing services and delivering goods such as administrative expenses and depreciation on capital assets. All other expenses not meeting this definition are reported as *nonoperating expenses*.

Assets, Liabilities and Equity

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

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

Investments of the pool include only those investments authorized by the California Government Code such as United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at cost or amortized cost.

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

Property Tax Calendar – Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after the year-end. Property taxes on the unsecured roll are due on July 1 and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year-end accrual.

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

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

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

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

Capital Assets – Capital outlays are recorded as expenditures of the general, special revenue, and capital projects funds, and capitalized assets in the government-wide financial statements to the extent the City’s capitalization threshold is met.

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

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

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

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

Buildings and improvements	10-50 years
Plant system	20-40 years
Machinery and equipment	5-10 years
Infrastructure.....	40 years

Compensated Absences – Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements as long-term debt. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated at 15 days per year for full-time regular employees. Vacation is accumulated at 12 days per year for full-time regular employees with less than five years of service to a maximum of 25 days per year for full-time regular employees with over 20 years of service with no limit on accrual of unused hours. Upon employment termination, unused sick leave is paid out at 50% for less than 20 years of service and 75% for more than 20 years of service. These amounts are included as liabilities in the government-wide and enterprise fund financial statements.

CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Interest Payable – In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for governmental fund-types and proprietary fund-types. In the fund financial statements, proprietary fund-types recognize the interest payable when the liability is incurred.

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

Long-term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Debt principal payments of both governmental and business-type activities are reported as decreases in the balance of the liability on the statement of net position. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Encumbrances – The City does not use encumbrance accounting.

Budgetary and Budgetary Accounting – Budgets are adopted annually for the general fund, special revenue funds, capital funds, debt service funds, and enterprise funds. Formal budgetary integration is employed as a management control device during the year for these funds. The annual budgets are prepared on the basis of accounting utilized by the fund.

Expenditures may not legally exceed budgeted appropriations at the fund level. The City Manager is authorized to make budget transfers between accounts within any fund. All revisions must be reported to the City Council.

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Net Position - In the government-wide financial statements, net position is classified in the following categories:

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

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

Unrestricted net position – This category present the net position of assets that do not meet the definition of “net investment in capital assets” or “restricted net position”.

When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used.

Fund Balances - 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.
- **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.
- **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.
- **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 through the City Council delegating this responsibility to the Finance Director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.
- **Unassigned:** This classification is the residual classification for the general fund and represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. In other governmental funds it includes any negative residual amounts that may exist as a result of expenditures incurred for specific purposes in excess of amounts restricted, committed or assigned to those purposes.

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.

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements

Government Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2015.

Government Accounting Standards Board Statement No. 70

In April 2013, GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

NOTE 3 – CASH AND INVESTMENTS

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

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Government-wide	\$ 4,297,668
Fiduciary funds	<u>17,866</u>
Total deposits and investments	<u>\$ 4,315,534</u>

Deposits and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	\$ 646,790
Investments	<u>3,668,744</u>
Total cash and investments	<u>\$ 4,315,534</u>

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 3 – CASH AND INVESTMENTS (Continued)

The following is a summary of deficit cash balances as of June 30, 2013:

Governmental Funds

Major Fund:

Street Projects Capital Projects Fund \$ (813,782)

Non-Major Funds:

Storm Drain Capital Projects Fund (44,845)

Special Assessment Projects Capital Projects Fund (5,031)

Enterprise Funds

Major Funds:

Disposal (135,116)

Ambulance (1,904,318)

Building fees (636,759)

\$ (3,539,851)

Generally accepted accounting principles (GAAP) require that any cash overdrafts in the funds be reported as interfund liabilities rather than as a credit balance in an asset account (negative cash). Management decided to report negative cash balances in the funds because other funds did not have adequate cash positions to make the interfund loans.

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

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

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

CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 – CASH AND INVESTMENTS (Continued)

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 is by investing funds in liquid, short-term investments which can be converted to cash when necessary to meet disbursement requirements.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the City's investments by maturity:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund Held by Bond Trustee:	\$ 2,439,870	\$ 2,439,870	\$ -	\$ -	\$ -
U.S. Treasury Obligations	<u>1,228,874</u>	<u>1,228,874</u>	-	-	-
Total	<u>\$ 3,668,744</u>	<u>\$ 3,668,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Investment Type	Total	Exempt from Disclosure	Rating as of Year-End		
			A-1+	AAAm	Not Rated
Local Agency Investment Fund Held by Bond Trustee:	\$ 2,439,870	\$ -	\$ -	\$ -	\$ 2,439,870
U.S. Treasury Obligations	<u>1,228,874</u>	-	-	<u>1,228,874</u>	-
Total	<u>\$ 3,668,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,228,874</u>	<u>\$ 2,439,870</u>

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City does not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

Issuer	Investment Type	Reported Amount
U.S. Bank	U.S. Treasury Obligations	<u>\$ 1,228,874</u>

Custodial Credit Risk-Deposits

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2013, the City's bank balance of \$541,638 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the City.

Custodial Credit Risk-Investments

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

Investment in State Investment Pool

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

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 – INTERFUND ACTIVITIES

Advances From/To Other Funds

Advances receivable constitute long-term borrowing between funds. Advances typically carry a stated interest rate and have scheduled debt service payments. At June 30, 2013, the funds below have made advances that were not expected to be repaid in one year or less.

	Advances From	Advances To
Kingsburg Public Finance Authority Debt Service Fund	\$ 4,462,000	\$ -
Assessment Districts Debt Service Fund	-	1,007,000
Ambulance Enterprise Fund	-	2,845,000
Water Enterprise Fund	-	610,000
	\$ 4,462,000	\$ 4,462,000
Total advances from/to other funds		

Operating Transfers

With the City Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund. Transfers within fund types have been eliminated with the government-wide financial statements.

Interfund transfers for the year ended June 30, 2013 consisted of the following:

The General Fund transferred to the Ambulance Fund to cover operating expenses	\$ 613,500
The General Fund transferred to the Senior Center Fund to cover operating expenses	58,000
The General Fund transferred to the Pool Fund to cover operating expenses	78,000
The Capital Facilities Fund transferred to the Ambulance Fund for bond payments	212,555
The COPs Grant Fund transferred to the General Fund to cover operating expenses	100,025
The Measure C Fund transferred to the CDBG Fund to cover capital projects expenses	19,699
The Measure C Fund transferred to the CML Grants Funds to cover capital projects expenses	169,547
Total interfund transfers	\$ 1,251,326

CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2013 was as follows:

	<u>Balances July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2013</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 669,243	\$ -	\$ -	\$ 669,243
Construction in progress	<u>559,010</u>	<u>231,492</u>	<u>(368,413)</u>	<u>422,089</u>
Total capital assets, not being depreciated	<u>1,228,253</u>	<u>231,492</u>	<u>(368,413)</u>	<u>1,091,332</u>
Capital assets, being depreciated:				
Buildings and improvements	4,419,870	-	-	4,419,870
Infrastructure	9,997,050	957,648	-	10,954,698
Machinery and equipment	<u>2,775,457</u>	<u>5,876</u>	<u>-</u>	<u>2,781,333</u>
Total capital assets, being depreciated	<u>17,192,377</u>	<u>963,524</u>	<u>-</u>	<u>18,155,901</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,042,326)	(120,167)	-	(2,162,493)
Infrastructure	(1,018,209)	(257,833)	-	(1,276,042)
Machinery and equipment	<u>(2,114,118)</u>	<u>(88,199)</u>	<u>-</u>	<u>(2,202,317)</u>
Total accumulated depreciation	<u>(5,174,653)</u>	<u>(466,199)</u>	<u>-</u>	<u>(5,640,852)</u>
Total capital assets being depreciated, net	<u>12,017,724</u>	<u>497,325</u>	<u>-</u>	<u>12,515,049</u>
Governmental activities capital assets, net	<u>\$ 13,245,977</u>	<u>\$ 728,817</u>	<u>\$ (368,413)</u>	<u>\$ 13,606,381</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 60,982
Parks and community services	3,573
Public safety	91,742
Public works	<u>309,902</u>
 Total	 <u>\$ 466,199</u>

CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities for the year ended June 30, 2013 was as follows:

	Balances July 1, 2012	Additions	Deletions	Balances June 30, 2013
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 83,216	\$ -	\$ -	\$ 83,216
Construction in progress	<u>12,602</u>	<u>-</u>	<u>-</u>	<u>12,602</u>
Total capital assets, not being depreciated	<u>95,818</u>	<u>-</u>	<u>-</u>	<u>95,818</u>
Capital assets, being depreciated:				
Buildings, improvements and plants	10,441,641	-	-	10,441,641
Machinery and equipment	<u>1,768,371</u>	<u>-</u>	<u>-</u>	<u>1,768,371</u>
Total capital assets, being depreciated	<u>12,210,012</u>	<u>-</u>	<u>-</u>	<u>12,210,012</u>
Less accumulated depreciation for:				
Buildings, improvements and plants	(2,296,930)	(296,590)	-	(2,593,520)
Machinery and equipment	<u>(1,467,552)</u>	<u>(71,759)</u>	<u>-</u>	<u>(1,539,311)</u>
Total accumulated depreciation	<u>(3,764,482)</u>	<u>(368,349)</u>	<u>-</u>	<u>(4,132,831)</u>
Total capital assets being depreciated, net	<u>8,445,530</u>	<u>(368,349)</u>	<u>-</u>	<u>8,077,181</u>
Business-type activities capital assets, net	<u>\$ 8,541,348</u>	<u>\$ (368,349)</u>	<u>\$ -</u>	<u>\$ 8,172,999</u>

Depreciation expense was charged to business-type functions as follows:

Business-type activities:	
Water	\$ 268,060
Disposal	645
Ambulance	97,538
Building Fee	<u>2,106</u>
Total	<u>\$ 368,349</u>

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 – OPERATING LEASE

The City has a non-cancelable lease for the City's Council Chambers. The lease expires on August 31, 2017. For the fiscal-year end June 30, 2013, rent expense was \$25,200. The lease payments range from \$2,100 to \$2,362 per month.

Future minimum lease payments for the leases are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>
2014	\$ 25,956
2015	27,254
2016	27,513
2017	28,201
2018	4,723
	<u>\$ 113,647</u>

NOTE 7 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

In government fund-types, debt discounts and issuance costs are recognized in the current period. Debt discounts and issuance costs incurred in proprietary funds are deferred and amortized over the term of the debt using the bonds-outstanding method, which approximates the effective interest method. The City's debt activities are summarized below and discussed in detail thereafter:

	<u>Balances July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Governmental Activities Long-Term Debt:					
PFA revenue bond, Series 1991	\$ 1,240,000	\$ -	\$ (70,000)	\$ 1,170,000	\$ 85,000
PFA revenue bond, Series 1992	1,560,000	-	(120,000)	1,440,000	105,000
PFA fire department lease revenue bonds	2,920,000	-	(75,000)	2,845,000	80,000
Unamortized bond discounts	(25,223)	-	1,384	(23,839)	-
Compensated absences	466,179	21,994	-	488,173	163,262
Total governmental activities debt	<u>\$ 6,160,956</u>	<u>\$ 21,994</u>	<u>\$ (263,616)</u>	<u>\$ 5,919,334</u>	<u>\$ 433,262</u>
Business-Type Activities Long-Term Debt:					
CIEDB water loan	\$ 2,592,389	\$ -	\$ (80,073)	\$ 2,512,316	\$ 82,459
Compensated absences	268,392	25,329	-	293,721	91,804
Total business-type activities debt	<u>\$ 2,860,781</u>	<u>\$ 25,329</u>	<u>\$ (80,073)</u>	<u>\$ 2,806,037</u>	<u>\$ 174,263</u>
Total long-term debt	<u>\$ 9,021,737</u>	<u>\$ 47,323</u>	<u>\$ (343,689)</u>	<u>\$ 8,725,371</u>	<u>\$ 607,525</u>

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 – LONG-TERM DEBT (Continued)

Long-term debt at June 30, 2013 was comprised of the following individual issues:

Governmental Activities

Kingsburg Public Financing Authority Revenue Bonds, Series 1991 – On October 15, 1991, the City issued \$4,000,000 in revenue bonds with interest rates ranging from 7.60% to 8.00% payable semi-annually. The proceeds were used to finance, refinance, or reimburse the cost of acquiring and construction/improving and equipping, of capital improvements for the City or the Agency. These bonds are payable from assessments on the property owners within the City and are payable from other funds of the City. The principal payments range from \$45,000 to \$200,000 and are due annually through 2023. At June 30, 2013, bonds outstanding amounted to \$1,170,000.

Annual debt service requirements for the Kingsburg Public Financing Authority Revenue Bonds, Series 1991 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 85,000	\$ 89,400	\$ 174,400
2015	90,000	82,400	172,400
2016	90,000	75,200	165,200
2017	95,000	67,800	162,800
2018	105,000	59,800	164,800
2019-2023	<u>705,000</u>	<u>151,400</u>	<u>856,400</u>
	<u>\$ 1,170,000</u>	<u>\$ 526,000</u>	<u>\$ 1,696,000</u>

Kingsburg Public Financing Authority Revenue Bonds, Series 1992 – On July 30, 1992, the City issued \$6,000,000 in revenue bonds with interest rates ranging from 7.70% to 7.90% payable semi-annually. The proceeds were used to finance, refinance, or reimburse the cost of acquiring and construction/improving and equipping, of capital improvements for the City or the Agency. These bonds are payable from assessments on the property owners within the City and are payable from other funds of the City. The principal payments range from \$95,000 to \$300,000 and are due annually through 2023. At June 30, 2013, bonds outstanding amounted to \$1,440,000.

Annual debt service requirements for the Kingsburg Public Financing Authority Revenue Bonds, Series 1992 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 105,000	\$ 109,613	\$ 214,613
2015	100,000	101,516	201,516
2016	105,000	93,418	198,418
2017	125,000	84,333	209,333
2018	130,000	74,260	204,260
2019-2023	<u>875,000</u>	<u>194,930</u>	<u>1,069,930</u>
	<u>\$ 1,440,000</u>	<u>\$ 658,070</u>	<u>\$ 2,098,070</u>

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 – LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Kingsburg Public Financing Authority 2004 Lease Revenue Bonds, Fire Department Facilities – On August 1, 2004, the City issued \$3,395,000 in revenue bonds to construct a new satellite fire/ambulance station and to remodel the current station. The interest rates range from 2.0% to 5.00% payable semi-annually. These bonds are payable from fees for ambulance services. The principal payments in amounts from \$65,000 to \$205,000 are due annually through 2035. At June 30, 2013, bonds outstanding amount to \$2,845,000.

Annual debt service requirements for the Kingsburg Public Financing Authority 2004 Lease Revenue Bonds, Fire Department Facilities are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 80,000	\$ 136,205	\$ 216,205
2015	80,000	133,205	213,205
2016	85,000	130,125	215,125
2017	85,000	126,725	211,725
2018	90,000	123,240	213,240
2019-2023	525,000	552,810	1,077,810
2024-2028	660,000	412,250	1,072,250
2029-2033	840,000	230,250	1,070,250
2034-2035	400,000	30,250	430,250
	<u>\$ 2,845,000</u>	<u>\$ 1,875,060</u>	<u>\$ 4,720,060</u>

Business-Type Activities

CIEDB Water Loan – On August 31, 2004, the City, as purchaser, entered into an installment sale agreement with the California Infrastructure and Economic Development Bank (CIEDB), as seller, of a water system upgrade. As part of the agreement, CIEDB agreed to design, acquire and construct the project for, and sell the project to, the purchaser. In order to implement these provisions, the CIEDB appointed the City as its agent for the purpose of such design, acquisition and construction. The agreement after the 2011 amendment, in the amount not to exceed \$3,147,396, bears interest at 2.98% with semi-annual payments on August 1 and February 1. Under the terms of the agreement, CIEDB issued tax-exempt bonds to be used for the funding of the project. At June 30, 2013, the loan outstanding amounts to \$2,512,316.

Annual debt service requirements for the CIEDB Water Loan are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 82,459	\$ 73,638	\$ 156,097
2015	84,916	71,145	156,061
2016	87,446	68,576	156,022
2017	90,052	65,932	155,984
2018	92,735	63,206	155,941
2019-2023	506,816	272,259	779,075
2024-2028	586,969	190,916	777,885
2029-2033	679,796	96,703	776,499
2034-2035	301,127	9,039	310,166
	<u>\$ 2,512,316</u>	<u>\$ 911,414</u>	<u>\$ 3,423,730</u>

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* as of June 30, 2013.

GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items to report in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds are unavailable revenues of \$801,405 in the Street Projects Fund.

NOTE 9 – DEFICIT FUND BALANCES

The following is a summary of deficit fund balances and net position as of June 30, 2013:

Governmental Funds

Major Funds:

Assessment Districts Special Revenue Fund	\$ (784,325)
Street Project Capital Projects Fund	(813,775)

Non-Major Funds:

Storm Drain Capital Projects Fund	(44,845)
Special Assessment Capital Projects Fund	(5,251)

Enterprise Funds

Major Funds:

Disposal Enterprise Fund	(97,678)
Ambulance Enterprise Fund	(1,272,182)

Non-Major Funds:

Building Fees Enterprise Fund	(646,315)
-------------------------------	-----------

Fiduciary Fund

Successor Agency of the RDA	<u>(707,365)</u>
-----------------------------	------------------

\$ (4,371,736)

CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – DEFICIT FUND BALANCES (Continued)

The deficit fund balance in the Assessment Districts Fund is due to reclassification of outstanding debt into the fund as an advance.

The deficit fund balance in the Street Projects Fund is due to capital expenditures.

The deficit fund balance in the Disposal Fund and Ambulance Fund is due to operating expenditures exceeding operating revenues.

The deficit fund balance in the Building Fees Fund is a result of the City-wide growth moratorium that was in effect for fiscal years 2003/04, 2004/05 and 2005/06, and the slowdown in growth due the great recession of 2008.

The deficit fund balance in the Successor Agency of the RDA Fund, Storm Drain Fund and Special Assessment Projects Fund is due to operating expenditures exceeding operating revenues.

NOTE 10 – DEFINED BENEFIT PENSION PLAN

(a) Plan Description

The City's defined benefit pension plans, (Miscellaneous Plan, Safety Fire Plan and the Safety Police Plan) provide retirement and disability benefits which include annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan, Safety Fire Plan, and the Safety Police Plan are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan administered by CalPERS, which acts a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. Copies of CalPERS annual financial report may be obtained from their Executive Office, 400 Q Street, Sacramento, CA 95814.

(b) Funding Policy

Active plan members in the Plan are required to contribute 7% of their covered salary. The City makes the employees' contributions on their behalf. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2013 was 12.257% for the miscellaneous plan and 17.536% for the safety plan. The contribution requirements of plan members are established by State statute and the employer contribution is established and may be amended by PERS.

(c) Annual Pension Costs and Net Pension Obligation

For the year ended June 30, 2013, the City's annual pension cost of \$572,214 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 7.75 percent investment rate of return (net of administrative expenses); (b) projected annual salary increases that vary by duration of service and (c) 3.25 percent cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.25 percent. The actuarial value of PERS assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 was 17 years.

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

(d) Trend Information

The City's contributions to CalPERS for the Miscellaneous Plan, the Safety Fire Plan and the Safety Police Plan for the three years ending June 30, 2011, 2012, and 2013 are presented below:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 612,217	100%	-
June 30, 2012	\$ 496,645	100%	-
June 30, 2013	\$ 572,214	100%	-

(e) Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2011						
Miscellaneous	\$ 3,619,835,876	\$ 3,203,214,899	\$ 416,620,977	88.5%	\$ 759,263,518	54.9%
Safety	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,026,216	134.5%

The information presented above relates to the plan as a whole, of which the City is one participating employer.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The City participates in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among the employers of the same risk pool. Participation in the risk pool is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2005. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. For the first year risk pools, the employer contribution rates are almost identical to what the rates would have been outside the pool. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates.

NOTE 11 – POST-RETIREMENT HEALTHCARE BENEFITS

The City provides no post-employment benefits for its employees. However, former employees may be maintained on the City's health insurance programs through the City's Consolidated Omnibus Budget Reconciliation Act (COBRA) insurance continuation plan.

CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12 – RISK MANAGEMENT

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The CSJVRMA is a consortium of 57 cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500, et. Seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times each year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial statements of CSJVRMA can be obtained at 1831 K Street, Sacramento, CA 95814.

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$25,000 of each occurrence is charged directly to the member. Each member maintains a \$1,000,000 self-insured retention (SIR) amount covered by the Authority-pooled investments. The Authority purchases excess liability coverage through the California Affiliated Risk Management Authority for the amount in excess of \$1,000,000. Reinsurance coverage is purchased by the Authority through American Reinsurance for the amount in excess of \$1,000,000 up to \$13,000,000 at 25% quota share.

The City purchases Workers Compensation insurance through the Authority. The City maintains a \$350,000 SIR with the Authority. Excess coverage is purchased by the Authority through Continental Casualty for up to \$5,000,000 per accident in excess of the SIR.

The City also purchases various property coverage programs. Deductibles and limits per property type can be obtained from the City Manager or directly from the Authority.

Contingent Liabilities

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

The City is a defendant in various lawsuits and claims. The City attorney anticipates that actual or potential claims against the City, not covered by insurance, would not materially affect the financial position of the City.

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 13 – SUCCESSOR AGENCY TRUST FUND

On January 18, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill 1X26 (the "Bill") which dissolved all redevelopment agencies in the State of California.

Under the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution of the redevelopment agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably for the City.

After the date of the dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

Other Assets

The amount reported as "Other Assets" in the Successor Agency Trust Fund consists of the following:

Downtown directional signs	\$ 17,266
	<u>\$ 17,266</u>

Long-term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2013 was comprised of the following individual issues:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2013</u>	Due Within <u>One Year</u>
CIEDB Police Building Loan	\$ 518,513	\$ -	\$ 99,221	\$ 419,292	\$ 100,760
Kingsburg RDA Tax Refunding Bonds	<u>320,000</u>	<u>-</u>	<u>20,000</u>	<u>300,000</u>	<u>20,000</u>
	<u>\$ 838,513</u>	<u>\$ -</u>	<u>\$ 119,221</u>	<u>\$ 719,292</u>	<u>\$ 120,760</u>

**CITY OF KINGSBURG
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 13 – SUCCESSOR AGENCY TRUST FUND (Continued)

CIEDB Police Building Loan – During fiscal year 2001/02, the former Redevelopment Agency of the City of Kingsburg obtained a loan from the California Infrastructure and Economic Development Bank (CIEDB) to construct a new city police building that may not exceed \$1,287,100. The terms of the note call for annual interest payments at 2.85% through 2017. At June 30, 2013, the loan outstanding amounts to \$419,292.

Annual debt service requirements for the CIEDB Police Building Loan are as follows:

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 100,760	\$ 10,512	\$ 111,272
2015	103,621	7,610	111,231
2016	106,564	4,626	111,190
2017	<u>108,347</u>	<u>1,556</u>	<u>109,903</u>
	<u>\$ 419,292</u>	<u>\$ 24,304</u>	<u>\$ 443,596</u>

Kingsburg RDA Tax Refunding Bonds – The former Redevelopment Agency of the City of Kingsburg issued a tax allocation bond payable in annual installments ranging from \$20,000 to \$40,000 with interest payable semi-annually at an average overall rate of 7.8% per annum. At June 30, 2013, the bond outstanding amounts to \$300,000.

Annual debt service requirements to maturity for the Kingsburg RDA Tax Refunding Bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 20,000	\$ 22,910	\$ 42,910
2015	20,000	21,330	41,330
2016	25,000	19,553	44,553
2017	25,000	17,578	42,578
2018	30,000	15,405	45,405
2019-2023	<u>180,000</u>	<u>37,526</u>	<u>217,526</u>
	<u>\$ 300,000</u>	<u>\$ 134,302</u>	<u>\$ 434,302</u>

NOTE 14 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The excess of expenditures over appropriations are as follows:

General Fund:	
Park and community services	\$ 8,060
Capital outlay	\$ 3,500
Local Transportation Special Revenue Fund:	
Highway and streets	\$ 32,751

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

Government-Wide Financial Statements

Understatement of depreciation expense	\$ (30,229)
Elimination of deferred charges in accordance with GASB 65	(193,734)
Understatement of capital assets	<u>2,376</u>
Total prior period adjustments	<u>\$ (221,587)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KINGSBURG
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,366,623	\$ 2,366,623	\$ 2,442,123	\$ 75,500
Licenses and permits	991,100	991,100	972,680	(18,420)
Intergovernmental	1,500	1,500	2,090	590
Charges for services	242,930	242,930	261,621	18,691
Fines and penalties	31,000	31,000	28,912	(2,088)
Interest	1,000	1,000	617	(383)
Other revenue	<u>123,000</u>	<u>123,000</u>	<u>168,562</u>	<u>45,562</u>
Total revenues	<u>3,757,153</u>	<u>3,757,153</u>	<u>3,876,605</u>	<u>119,452</u>
EXPENDITURES				
Current:				
General government	866,093	866,093	645,697	220,396
Parks and community services	257,685	257,685	265,745	(8,060)
Public safety	2,206,934	2,206,934	1,724,612	482,322
Public works	476,985	476,985	429,704	47,281
Planning and community development	135,841	135,841	90,660	45,181
Capital outlay	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>(3,500)</u>
Total expenditures	<u>3,943,538</u>	<u>3,943,538</u>	<u>3,159,918</u>	<u>783,620</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(186,385)</u>	<u>(186,385)</u>	<u>716,687</u>	<u>903,072</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	981,308	981,308	178,025	(803,283)
Transfers out	<u>(749,500)</u>	<u>(749,500)</u>	<u>(749,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>231,808</u>	<u>231,808</u>	<u>(571,475)</u>	<u>(803,283)</u>
Change in fund balance	45,423	45,423	145,212	99,789
Fund balance - beginning	<u>1,086,800</u>	<u>1,086,800</u>	<u>1,086,800</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,132,223</u>	<u>\$ 1,132,223</u>	<u>\$ 1,232,012</u>	<u>\$ 99,789</u>

**CITY OF KINGSBURG
BUDGETARY COMPARISON SCHEDULE
LOCAL TRANSPORTATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 202,100	\$ 202,100	\$ 376,810	\$ 174,710
Interest	<u>1,175</u>	<u>1,175</u>	<u>535</u>	<u>(640)</u>
Total revenues	<u>203,275</u>	<u>203,275</u>	<u>377,345</u>	<u>174,070</u>
EXPENDITURES				
Current:				
Highway and streets	43,000	43,000	75,751	(32,751)
Capital outlay	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Total expenditures	<u>293,000</u>	<u>293,000</u>	<u>75,751</u>	<u>217,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(89,725)</u>	<u>(89,725)</u>	<u>301,594</u>	<u>391,319</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(43,800)</u>	<u>(43,800)</u>	<u>-</u>	<u>43,800</u>
Total other financing sources (uses)	<u>(43,800)</u>	<u>(43,800)</u>	<u>-</u>	<u>43,800</u>
Change in fund balance	(133,525)	(133,525)	301,594	435,119
Fund balance - beginning	<u>848,957</u>	<u>848,957</u>	<u>848,957</u>	<u>-</u>
Fund balance - ending	<u>\$ 715,432</u>	<u>\$ 715,432</u>	<u>\$ 1,150,551</u>	<u>\$ 435,119</u>

**CITY OF KINGSBURG
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 – BUDGETARY INFORMATION

The City follows the following procedures, annually, in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at specially scheduled sessions, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is legally adopted through passage of an ordinance. This budget is reported as Original Budget in the budgetary comparison schedules.
4. During the fiscal year, changes to the adopted budget may be authorized as follows:
 - a. Items requiring City Council action – appropriation of fund balance reserves; transfers of appropriations between funds; appropriation of any non-departmental revenue; new interfund loans or advances; and creation of new capital projects or increases to existing capital projects.
 - b. Items delegated to the City Manager – transfers between departments within funds; appropriation of unbudgeted departmental revenues; and approval of transfers which increase salary and benefit appropriations.
 - c. Items delegated to the department head – allocation of departmental appropriations to line item level.
5. Formal budgetary integration is employed as a management tool for all funds. Annual budgets are legally adopted and amended as required for the general, special revenue, and enterprise funds. Project-length budgets are adopted for the capital projects funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP), and budgetary comparisons for the general and major special revenue funds are presented on that basis in the required supplementary information. A debt service payment schedule for the debt service funds is also approved as part of the budget process.
6. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.
7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called “department”. A “department” for legal appropriation purposes may be a single organization or an entire department having multiple organizations within the same fund, or an entire fund.

**CITY OF KINGSBURG
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

The City's defined benefit pension plans, the Miscellaneous Plan, the Safety Fire Plan, and the Safety Police Plan, are cost-sharing multiple employer defined benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The information presented in below in the schedule of funding progress and employer contributions relates to the plan as a whole, of which the City is one participating employer.

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as of % of Covered Payroll
Miscellaneous Plan:						
6/30/2009	\$ 3,104,798,222	\$ 2,758,511,101	\$ 346,287,121	88.8%	\$ 742,981,488	46.6%
6/30/2010	\$ 3,309,064,934	\$ 2,946,408,106	\$ 362,656,828	89.0%	\$ 748,401,352	48.5%
6/30/2011	\$ 3,619,835,876	\$ 3,203,214,899	\$ 416,620,977	88.5%	\$ 759,263,518	54.9%
Safety Plan:						
6/30/2009	\$ 1,802,882,330	\$ 1,520,081,328	\$ 282,801,002	84.3%	\$ 221,600,192	127.6%
6/30/2010	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%
6/30/2011	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,026,216	134.5%

THIS PAGE IS LEFT BLANK INTENTIONALLY.

SUPPLEMENTARY INFORMATION

**CITY OF KINGSBURG
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Fund	Capital Projects Fund	Total
ASSETS			
Cash and investments	\$ 742,488	\$ 1,675,072	\$ 2,417,560
Accounts and interest receivable, net	44,899	263	45,162
Land held for low and moderate housing projects	574,389	-	574,389
 Total assets	 \$ 1,361,776	 \$ 1,675,335	 \$ 3,037,111
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 7,570	\$ 220	\$ 7,790
 Total liabilities	 7,570	 220	 7,790
 Fund balances:			
Restricted:			
Capital improvements projects	-	1,725,211	1,725,211
Circulation improvements	763,304	-	763,304
Public safety programs	14,404	-	14,404
Low-income housing activities	574,389	-	574,389
Unassigned	2,109	(50,096)	(47,987)
 Total fund balances	 1,354,206	 1,675,115	 3,029,321
 Total liabilities and fund balances	 \$ 1,361,776	 \$ 1,675,335	 \$ 3,037,111

**CITY OF KINGSBURG
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES			
Intergovernmental	\$ 682,622	\$ -	\$ 682,622
Development fees	-	132,633	132,633
Interest	1,092	1,161	2,253
Other	<u>6,057</u>	<u>-</u>	<u>6,057</u>
Total revenues	<u>689,771</u>	<u>133,794</u>	<u>823,565</u>
EXPENDITURES			
Current:			
General government	-	2,028	2,028
Parks and community services	48,350	-	48,350
Highway and streets	362,519	-	362,519
Planning and community development	-	76,084	76,084
Capital outlay	<u>-</u>	<u>220</u>	<u>220</u>
Total expenditures	<u>410,869</u>	<u>78,332</u>	<u>489,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>278,902</u>	<u>55,462</u>	<u>334,364</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	58,000	-	58,000
Transfers out	<u>(289,271)</u>	<u>(212,555)</u>	<u>(501,826)</u>
Total other financing sources (uses)	<u>(231,271)</u>	<u>(212,555)</u>	<u>(443,826)</u>
Net change in fund balances	47,631	(157,093)	(109,462)
Fund balances - beginning	<u>1,306,575</u>	<u>1,832,208</u>	<u>3,138,783</u>
Fund balances - ending	<u>\$ 1,354,206</u>	<u>\$ 1,675,115</u>	<u>\$ 3,029,321</u>

**CITY OF KINGSBURG
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013**

	<u>Gax Tax</u>	<u>Measure C</u>	<u>Senior Center</u>	<u>COPS Grant</u>
ASSETS				
Cash and investments	\$ 174,300	\$ 547,809	\$ 5,975	\$ -
Accounts and interest receivable	24,110	20,789	-	-
Land held for low and moderate housing projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 198,410</u>	<u>\$ 568,598</u>	<u>\$ 5,975</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expense	<u>\$ 1,757</u>	<u>\$ 1,947</u>	<u>\$ 3,866</u>	<u>\$ -</u>
Total liabilities	<u>1,757</u>	<u>1,947</u>	<u>3,866</u>	<u>-</u>
Fund balances:				
Restricted:				
Circulation improvements	196,653	566,651	-	-
Public safety programs	-	-	-	-
Low-income housing activities	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>2,109</u>	<u>-</u>
Total fund balances	<u>196,653</u>	<u>566,651</u>	<u>2,109</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 198,410</u>	<u>\$ 568,598</u>	<u>\$ 5,975</u>	<u>\$ -</u>

**CITY OF KINGSBURG
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013**

	Vehicle Abandonment	Low and Moderate Income Housing Asset	Total
ASSETS			
Cash and investments	\$ 14,404	\$ -	\$ 742,488
Accounts and interest receivable	-	-	44,899
Land held for low and moderate housing projects	-	574,389	574,389
Total assets	\$ 14,404	\$ 574,389	\$ 1,361,776
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expense	\$ -	\$ -	\$ 7,570
Total liabilities	-	-	7,570
Fund balances:			
Restricted:			
Circulation improvements	-	-	763,304
Public safety programs	14,404	-	14,404
Low-income housing activities	-	574,389	574,389
Unassigned	-	-	2,109
Total fund balances	14,404	574,389	1,354,206
Total liabilities and fund balances	\$ 14,404	\$ 574,389	\$ 1,361,776

**CITY OF KINGSBURG
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Gax Tax</u>	<u>Measure C</u>	<u>Senior Center</u>	<u>COPS Grant</u>
REVENUES				
Intergovernmental	\$ 260,176	\$ 312,659	\$ 6,289	\$ 100,025
Interest	-	1,092	-	-
Other	-	-	6,057	-
Total revenues	<u>260,176</u>	<u>313,751</u>	<u>12,346</u>	<u>100,025</u>
EXPENDITURES				
Current:				
Parks and community services	-	-	48,350	-
Highway and streets	<u>196,223</u>	<u>166,296</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>196,223</u>	<u>166,296</u>	<u>48,350</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>63,953</u>	<u>147,455</u>	<u>(36,004)</u>	<u>100,025</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	58,000	-
Transfers out	<u>-</u>	<u>(189,246)</u>	<u>-</u>	<u>(100,025)</u>
Total other financing sources (uses)	<u>-</u>	<u>(189,246)</u>	<u>58,000</u>	<u>(100,025)</u>
Net change in fund balances	63,953	(41,791)	21,996	-
Fund balances - beginning	<u>132,700</u>	<u>608,442</u>	<u>(19,887)</u>	<u>-</u>
Fund balances - ending	<u>\$ 196,653</u>	<u>\$ 566,651</u>	<u>\$ 2,109</u>	<u>\$ -</u>

**CITY OF KINGSBURG
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Vehicle Abandonment	Low and Moderate Income Housing Asset	Total
REVENUES			
Intergovernmental	\$ 3,473	\$ -	\$ 682,622
Interest	-	-	1,092
Other	-	-	6,057
	<u>3,473</u>	<u>-</u>	<u>689,771</u>
Total revenues			
EXPENDITURES			
Current:			
Parks and community services	-	-	48,350
Highway and streets	-	-	362,519
	<u>-</u>	<u>-</u>	<u>410,869</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>3,473</u>	<u>-</u>	<u>278,902</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	58,000
Transfers out	-	-	(289,271)
	<u>-</u>	<u>-</u>	<u>(231,271)</u>
Total other financing sources (uses)			
Net change in fund balances	3,473	-	47,631
Fund balances - beginning	<u>10,931</u>	<u>574,389</u>	<u>1,306,575</u>
Fund balances - ending	<u>\$ 14,404</u>	<u>\$ 574,389</u>	<u>\$ 1,354,206</u>

**CITY OF KINGSBURG
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2013**

	<u>Capital Facilities</u>	<u>Sewer Connection</u>	<u>Storm Drain</u>	<u>Parks and Recreation</u>
ASSETS				
Cash and investments	\$ 679,291	\$ 920,965	\$ (44,845)	\$ 99,421
Accounts and interest receivable, net	<u>64</u>	<u>126</u>	<u>-</u>	<u>58</u>
Total assets	<u>\$ 679,355</u>	<u>\$ 921,091</u>	<u>\$ (44,845)</u>	<u>\$ 99,479</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted:				
Capital improvements	679,355	921,091	-	99,479
Unassigned	<u>-</u>	<u>-</u>	<u>(44,845)</u>	<u>-</u>
Total fund balances	<u>679,355</u>	<u>921,091</u>	<u>(44,845)</u>	<u>99,479</u>
Total liabilities and fund balances	<u>\$ 679,355</u>	<u>\$ 921,091</u>	<u>\$ (44,845)</u>	<u>\$ 99,479</u>

**CITY OF KINGSBURG
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2013**

	Special Assessment Projects	Equipment Replacement	Total
ASSETS			
Cash and investments	\$ (5,031)	\$ 25,271	\$ 1,675,072
Accounts and interest receivable, net	-	15	263
Total assets	\$ (5,031)	\$ 25,286	\$ 1,675,335
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 220	\$ -	\$ 220
Total liabilities	220	-	220
Fund balances:			
Restricted:			
Capital improvements	-	25,286	1,725,211
Unassigned	(5,251)	-	(50,096)
Total fund balances	(5,251)	25,286	1,675,115
Total liabilities and fund balances	\$ (5,031)	\$ 25,286	\$ 1,675,335

**CITY OF KINGSBURG
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Capital Facilities	Sewer Connection	Storm Drain	Parks and Recreation
REVENUES				
Development fees	\$ 105,347	\$ 12,510	\$ -	\$ 14,776
Interest	<u>327</u>	<u>648</u>	<u>(11)</u>	<u>104</u>
Total revenues	<u>105,674</u>	<u>13,158</u>	<u>(11)</u>	<u>14,880</u>
EXPENDITURES				
General government	-	-	-	-
Planning and community development	-	227	75,857	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>227</u>	<u>75,857</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>105,674</u>	<u>12,931</u>	<u>(75,868)</u>	<u>14,880</u>
OTHER FINANCING SOURCES/(USES)				
Transfers out	<u>(212,555)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(212,555)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(106,881)	12,931	(75,868)	14,880
Fund balances - beginning	<u>786,236</u>	<u>908,160</u>	<u>31,023</u>	<u>84,599</u>
Fund balances - ending	<u>\$ 679,355</u>	<u>\$ 921,091</u>	<u>\$ (44,845)</u>	<u>\$ 99,479</u>

**CITY OF KINGSBURG
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Assessment Projects	Equipment Replacement	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Development fees	\$ -	\$ -	\$ 132,633
Interest	<u>-</u>	<u>93</u>	<u>1,161</u>
Total revenues	<u>-</u>	<u>93</u>	<u>133,794</u>
EXPENDITURES			
General government	2,028	-	2,028
Planning and community development	-	-	76,084
Capital outlay	<u>220</u>	<u>-</u>	<u>220</u>
Total expenditures	<u>2,248</u>	<u>-</u>	<u>78,332</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,248)</u>	<u>93</u>	<u>55,462</u>
OTHER FINANCING SOURCES/(USES)			
Transfers out	<u>-</u>	<u>-</u>	<u>(212,555)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(212,555)</u>
Net change in fund balances	(2,248)	93	(157,093)
Fund balances - beginning	<u>(3,003)</u>	<u>25,193</u>	<u>1,832,208</u>
Fund balances - ending	<u>\$ (5,251)</u>	<u>\$ 25,286</u>	<u>\$ 1,675,115</u>

**CITY OF KINGSBURG
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract/ Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Pass-through Fresno-Madera Area Agency on Aging:			
Special Program for the Aging_Title III, Part C1 Site Management	93.044	12-0131	\$ 6,858
Total U.S. Department of Health and Human Services			<u>6,858</u>
U.S. Department of Housing and Urban Development			
Pass-through County of Fresno:			
Community Development Block Grants	14.218	CDBG # 11391	<u>109,061</u>
Total U.S. Department of Housing and Urban Development			<u>109,061</u>
U.S. Department of Transportation			
Pass-through California Department of Transportation:			
Highway Planning and Construction	20.205	RPSTPLE-5170(033)	308,469
Highway Planning and Construction	20.205	CML-5170(041)	6,457
Highway Planning and Construction	20.205	STPL-5170(049)	14,119
Highway Planning and Construction	20.205	STPL-5170(034)	212
Highway Planning and Construction	20.205	STPL-5170(042)	16,020
Highway Planning and Construction	20.205	CML-5170(044)	3,927
Highway Planning and Construction	20.205	CML-5170(029)	30,240
Highway Planning and Construction	20.205	CML-5170(048)	8,785
Highway Planning and Construction	20.205	CML-5170(038)	35,479
Highway Planning and Construction	20.205	CML-5170(031)	1,600
Highway Planning and Construction	20.205	STPL-5170(043)	22,958
Highway Planning and Construction	20.205	CML-5170(045)	4,409
Highway Planning and Construction	20.205	CML-5170(039)	2,730
Highway Planning and Construction	20.205	CML-5170(040)	43,478
Highway Planning and Construction	21.205	CML-5170(046)	1,272
Highway Planning and Construction	22.205	CML-5170(050)	<u>70,061</u>
Total U.S. Department of Transportation			<u>570,216</u>
U.S. Department of Homeland Security			
Direct Award:			
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2012-FH-00563	<u>24,895</u>
Total U.S. Department of Homeland Security			<u>24,895</u>
U.S. Department of Justice			
Direct Award:			
Bullet Proof Vest Partnership Program	16.607	N/A	<u>3,606</u>
Total U.S. Department of Justice			<u>3,606</u>
Total Expenditures of Federal Awards			<u>\$ 714,636</u>

**CITY OF KINGSBURG
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Kingsburg and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *(OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

THIS PAGE IS LEFT BLANK INTENTIONALLY.

OTHER INDEPENDENT AUDITOR'S REPORTS

THIS PAGE IS LEFT BLANK INTENTIONALLY.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingsburg, California (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Price Pange & Company

Clovis, California
August 30, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited City of Kingsburg, California's (the City) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Kingsburg, California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Price Pange & Company

Clovis, California
August 30, 2013

FINDINGS AND QUESTIONED COSTS

**CITY OF KINGSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> _____ No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> _____ None reported

Noncompliance material to financial statements noted? _____ Yes _____ X _____ No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> _____ No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> _____ None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? _____ Yes _____ X _____ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ X _____ Yes _____ No

**CITY OF KINGSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II – FINANCIAL STATEMENT FINDINGS

No items are reportable.

SECTION III – FEDERAL AWARD FINDINGS

No items are reportable.

**CITY OF KINGSBURG
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II – FINANCIAL STATEMENT FINDINGS

No items are reportable.

SECTION III – FEDERAL AWARD FINDINGS

No items are reportable.