

CITY OF KINGSBURG  
CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
JUNE 30, 2012

CITY OF KINGSBURG  
JUNE 30, 2012

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## 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012 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* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 48-49 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditure of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

*Price Pange & Company*

Clovis, California  
December 5, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF KINGSBURG  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and investments	\$ 2,969,639	\$ (560,868)	\$ 2,408,771
Restricted cash and investments	1,250,091	-	1,250,091
Accounts and interest receivable, net	1,749,258	494,139	2,243,397
Deferred charges	193,733	-	193,733
Land held for low and moderate housing projects	574,389	-	574,389
Internal balances	3,562,041	(3,562,041)	-
Capital assets, net of allowance for depreciation	<u>13,276,206</u>	<u>8,541,348</u>	<u>21,817,554</u>
Total assets	<u>23,575,357</u>	<u>4,912,578</u>	<u>28,487,935</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	137,476	349,331	486,806
Accrued interest payable	200,351	32,189	232,540
Deposits	2,231	6,500	8,731
Long-term liabilities:			
Due within one year	389,776	160,226	550,002
Due in more than one year	<u>5,771,180</u>	<u>2,700,556</u>	<u>8,471,736</u>
Total liabilities	<u>6,501,014</u>	<u>3,248,802</u>	<u>9,749,815</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	7,581,429	5,948,959	13,530,388
Restricted for:			
Capital improvement projects	1,835,211	-	1,835,211
Circulation improvements	1,590,099	-	1,590,099
Debt service reserve	5,846,194	-	5,846,194
Community services activities	10,931	-	10,931
Public safety programs	574,389	-	574,389
Unrestricted/(deficit)	<u>(363,909)</u>	<u>(4,285,183)</u>	<u>(4,649,092)</u>
Total net assets	<u>\$ 17,074,344</u>	<u>\$ 1,663,776</u>	<u>\$ 18,738,120</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, 2012**

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges For Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	
<b>Primary Government</b>							
<b>Governmental activities:</b>							
General government	\$ 1,022,861	\$ 1,707	\$ -	\$ -	\$ (1,021,154)	\$ -	\$ (1,021,154)
Parks and community services	344,004	152,938	4,572	23,084	(163,410)	-	(163,410)
Public safety	1,635,259	95,102	170,402	-	(1,369,755)	-	(1,369,755)
Public works	1,153,597	14,506	927,123	-	(211,968)	-	(211,968)
Planning and community development	334,737	22,782	55,598	1,111,741	855,384	-	855,384
<b>Debt Service:</b>							
Interest on fiscal charges	550,981	-	-	-	(550,981)	-	(550,981)
<b>Total governmental activities</b>	<b>5,041,439</b>	<b>287,035</b>	<b>1,157,695</b>	<b>1,134,825</b>	<b>(2,461,884)</b>	<b>-</b>	<b>(2,461,884)</b>
<b>Business-type activities:</b>							
Water	1,748,110	1,637,594	-	-	-	(110,517)	(110,517)
Disposal	1,647,144	1,593,915	-	-	-	(53,229)	(53,229)
Ambulance	1,568,302	780,259	-	-	-	(788,044)	(788,044)
Building Fee	50,680	79,191	-	-	-	28,511	28,511
<b>Total business-type activities</b>	<b>5,014,236</b>	<b>4,090,957</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(923,279)</b>	<b>(923,279)</b>
<b>Total</b>	<b>\$ 10,055,675</b>	<b>\$ 4,377,992</b>	<b>\$ 1,157,695</b>	<b>\$ 1,134,825</b>	<b>(2,461,884)</b>	<b>(923,279)</b>	<b>(3,385,163)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					1,105,258	-	1,105,258
Sales and use taxes					986,848	-	986,848
Franchise taxes					324,743	-	324,743
Special assessments					269,198	-	269,198
Business licenses and transient occupancy taxes					319,203	-	319,203
Motor vehicle in-lieu					839,275	-	839,275
Investment earnings					384,396	787	385,183
Miscellaneous					143,316	-	143,316
Extraordinary Item-RDA dissolution					(224,517)	-	(224,517)
Transfers					(688,126)	702,034	13,908
<b>Total general revenues and transfers</b>					<b>3,459,594</b>	<b>702,821</b>	<b>4,162,415</b>
<b>Changes in net assets</b>					<b>997,710</b>	<b>(220,458)</b>	<b>777,252</b>
<b>Net assets - beginning</b>					<b>16,124,458</b>	<b>1,884,234</b>	<b>18,008,692</b>
<b>Prior period adjustments</b>					<b>(47,824)</b>	<b>-</b>	<b>(47,824)</b>
<b>Net assets - ending</b>					<b>\$ 17,074,344</b>	<b>\$ 1,863,776</b>	<b>\$ 18,738,120</b>

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

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FUND FINANCIAL STATEMENTS

**CITY OF KINGSBURG  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	Debt Service Funds			Capital Projects Fund		Other Governmental Funds	Total Governmental Funds
	General	Kingsburg Public Finance Authority	Assessment District	Kingsburg Redevelopment Debt Service	Street Projects		
<b>ASSETS</b>							
Cash and Investments	\$ 933,055	\$ 913,832	\$ 310,098	\$ -	\$ (940,507)	\$ 3,003,252	\$ 4,219,730
Accounts and interest receivable	305,141	320,000	5,949	-	956,311	161,856	1,749,257
Land held for low and moderate housing projects	-	-	-	-	-	574,389	574,389
Due from other funds	-	-	27,199	-	-	260,000	287,199
Advances to other funds	-	4,673,000	-	-	-	-	4,673,000
<b>Total assets</b>	<b>\$ 1,238,196</b>	<b>\$ 5,906,832</b>	<b>\$ 343,246</b>	<b>\$ -</b>	<b>\$ 15,804</b>	<b>\$ 3,999,497</b>	<b>\$ 11,503,575</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued expense	\$ 96,498	\$ 20,600	\$ -	\$ -	\$ 8,621	\$ 11,757	\$ 137,476
Deposits	2,231	-	-	-	-	-	2,231
Due to other funds	-	40,038	105,120	-	150,000	-	295,158
Deferred revenue	52,667	-	-	-	907,331	-	959,998
Advances from other funds	-	-	1,103,000	-	-	-	1,103,000
<b>Total liabilities</b>	<b>151,396</b>	<b>60,638</b>	<b>1,208,120</b>	<b>-</b>	<b>1,065,952</b>	<b>11,757</b>	<b>2,497,863</b>
<b>Fund balances:</b>							
<b>Restricted:</b>							
Capital improvement projects	-	-	-	-	-	1,835,211	1,835,211
Circulation improvements	-	-	-	-	-	1,590,099	1,590,099
Debt service reserve	-	5,846,194	-	-	-	-	5,846,194
Community services activities	-	-	-	-	-	10,931	10,931
Public safety programs	-	-	-	-	-	574,389	574,389
Unassigned	1,086,800	-	(864,874)	-	(1,050,148)	(22,890)	(851,112)
<b>Total fund balances</b>	<b>1,086,800</b>	<b>5,846,194</b>	<b>(864,874)</b>	<b>-</b>	<b>(1,050,148)</b>	<b>3,987,740</b>	<b>9,005,712</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,238,196</b>	<b>\$ 5,906,832</b>	<b>\$ 343,246</b>	<b>\$ -</b>	<b>\$ 15,804</b>	<b>\$ 3,999,497</b>	<b>\$ 11,503,575</b>

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 ASSETS  
JUNE 30, 2012

Total fund balances - governmental funds		\$ 9,005,712
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, they are not reported in the governmental funds.		13,276,206
Expenditures relating to issuance of debt were recognized in the governmental funds, but are capitalized and amortized over the life of the debt in the Government-Wide Financial Statements.		193,735
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	(2,800,000)	
Bonds payable	(2,920,000)	
Compensated absences	(466,179)	
Unamortized bond discount	<u>25,223</u>	(6,160,956)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		959,998
Interest on long-term debt is reported as an expenditure of the Governmental Funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred.		<u>(200,351)</u>
Total net assets - governmental activities		<u>\$ 17,074,344</u>

**CITY OF KINGSBURG**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Debt Service Funds				Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General	Kingsburg Public Finance Authority	Assessment Districts	Kingsburg Redevelopment Debt Service	Street Projects		
<b>REVENUES:</b>							
Taxes	\$ 2,139,738	\$ -	\$ 190,299	\$ 552,586	\$ -	\$ 69,959	\$ 2,952,582
Licenses and permits	840,982	-	-	-	-	-	840,982
Intergovernmental	123,892	-	-	-	92,706	1,033,802	1,250,400
Charges for services	254,067	-	-	-	-	-	254,067
Fines and penalties	31,262	-	-	-	-	-	31,262
Development fees	-	-	-	-	-	134,788	134,788
Interest	1,048	377,814	286	-	30	5,220	384,398
Other revenue	137,300	-	-	-	-	7,919	145,219
<b>Total revenues</b>	<b>3,528,289</b>	<b>377,814</b>	<b>190,585</b>	<b>552,586</b>	<b>92,736</b>	<b>1,251,688</b>	<b>5,993,698</b>
<b>EXPENDITURES:</b>							
Current:							
General government	545,139	-	-	-	-	1,903	547,042
Parks and community services	269,334	-	-	-	-	70,256	339,590
Public safety	1,531,296	-	-	-	-	-	1,531,296
Public works	442,804	-	-	-	-	461,668	904,472
Planning and community development	166,626	-	-	153,500	-	24,411	191,037
Tax pass-through	-	-	-	-	-	-	153,500
Capital outlay	2,376	-	-	-	1,108,371	441,963	1,552,710
Debt service:							
Principal	-	620,000	-	95,272	-	-	715,272
Interest and fiscal charges	-	393,710	125,402	23,967	-	-	543,079
<b>Total expenditures</b>	<b>2,957,575</b>	<b>1,013,710</b>	<b>125,402</b>	<b>272,739</b>	<b>1,108,371</b>	<b>1,000,201</b>	<b>6,477,998</b>
Excess (deficiency) of revenues over (under) expenditures	570,714	(635,896)	65,183	279,847	(1,015,635)	251,487	(484,300)
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	389,880	-	-	-	339,737	595,458	1,325,075
Transfers out	(782,148)	-	-	(272,748)	-	(958,305)	(2,013,201)
<b>Total other financing sources (uses)</b>	<b>(392,268)</b>	<b>-</b>	<b>-</b>	<b>(272,748)</b>	<b>339,737</b>	<b>(362,847)</b>	<b>(688,126)</b>
<b>EXTRAORDINARY ITEM</b>							
RDA dissolution	-	-	-	319,766	-	(1,058,438)	(738,672)
<b>Total extraordinary item</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>319,766</b>	<b>-</b>	<b>(1,058,438)</b>	<b>(738,672)</b>
Changes in fund balance	178,446	(635,896)	65,183	326,865	(675,898)	(1,169,798)	(1,911,098)
Fund balances, July 1, 2011	633,792	6,482,090	(930,057)	(326,865)	11,646	4,566,159	10,436,765
Prior period adjustments	274,552	-	-	-	(385,896)	591,379	480,045
<b>Fund balances, June 30, 2012</b>	<b>\$ 1,086,800</b>	<b>\$ 5,846,194</b>	<b>\$ (864,874)</b>	<b>\$ -</b>	<b>\$ (1,050,148)</b>	<b>\$ 3,987,740</b>	<b>\$ 9,005,712</b>

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, 2012

Net changes in fund balances - total governmental funds \$ (1,911,098)

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

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. 1,114,845

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. (386,788)

Loss on disposal of capital assets (17,266)

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. (773)

Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the governmental funds. 959,998

In the statement of activities, interest is accrued on long-term debt; whereas in governmental funds, interest expenditure is reported when due. 6,714

Long-term debt transferred from the governmental activities to the successor agency trust fund as a result of RDA dissolution. 12,908

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 assets. 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. 1,219,170

Changes in net assets of governmental activities \$ 997,710

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PROPRIETARY FUNDS

**CITY OF KINGSBURG  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds				Total Proprietary Funds
	Water	Disposal	Ambulance	Non-Major Building Fee	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 2,102,330	\$ (171,639)	\$ (1,805,249)	\$ (686,310)	\$ (560,868)
Account and interest receivable, net	131,016	147,056	216,067	-	494,139
Due from other funds	7,959	-	-	-	7,959
<b>Total current assets</b>	<u>2,241,305</u>	<u>(24,583)</u>	<u>(1,589,182)</u>	<u>(686,310)</u>	<u>(58,770)</u>
Noncurrent assets:					
Property, plant and equipment, net of allowance for depreciation	4,944,212	645	3,585,347	11,144	8,541,348
<b>Total noncurrent assets</b>	<u>4,944,212</u>	<u>645</u>	<u>3,585,347</u>	<u>11,144</u>	<u>8,541,348</u>
<b>Total assets</b>	<u>7,185,517</u>	<u>(23,938)</u>	<u>1,996,165</u>	<u>(675,166)</u>	<u>8,482,578</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued expenses	237,469	83,629	27,968	265	349,331
Accrued interest payable	32,189	-	-	-	32,189
Deposits	-	-	-	6,500	6,500
Compensated absences	24,917	8,244	44,614	2,379	80,154
Current portion of long-term debt	80,072	-	-	-	80,072
<b>Total current liabilities</b>	<u>374,647</u>	<u>91,873</u>	<u>72,582</u>	<u>9,144</u>	<u>548,246</u>
Noncurrent liabilities:					
Long-term debt	2,512,317	-	-	-	2,512,317
Advances from other funds	650,000	-	2,920,000	-	3,570,000
Compensated absences	35,867	13,228	139,144	-	188,239
<b>Total noncurrent liabilities</b>	<u>3,198,184</u>	<u>13,228</u>	<u>3,059,144</u>	<u>-</u>	<u>6,270,556</u>
<b>Total liabilities</b>	<u>3,572,831</u>	<u>105,101</u>	<u>3,131,726</u>	<u>9,144</u>	<u>6,818,802</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,351,823	645	3,585,347	11,144	5,948,959
Unrestricted	1,260,863	(129,684)	(4,720,908)	(695,454)	(4,285,183)
<b>Total net assets (deficit)</b>	<u>\$ 3,612,686</u>	<u>\$ (129,039)</u>	<u>\$ (1,135,561)</u>	<u>\$ (684,310)</u>	<u>\$ 1,683,776</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 ASSETS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds				Total Proprietary Funds
	Water	Disposal	Ambulance	Non-major Building Fees	
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 1,637,594	\$ 1,593,915	\$ 780,259	\$ -	\$ 4,011,768
Development fees	-	-	-	79,191	79,191
<b>Total operating revenue</b>	<u>1,637,594</u>	<u>1,593,915</u>	<u>780,259</u>	<u>79,191</u>	<u>\$ 4,090,959</u>
<b>OPERATING EXPENSES:</b>					
Contractual services and utilities	811,075	1,450,561	248,848	17,152	2,527,636
Personnel services	441,509	153,150	995,584	31,157	1,621,400
Supplies and materials	42,746	40,718	84,501	266	168,231
Depreciation and amortization	269,741	2,715	99,276	2,106	373,838
Capital outlay	65,956	-	-	-	65,956
<b>Total operating expenses</b>	<u>1,631,027</u>	<u>1,647,144</u>	<u>1,428,209</u>	<u>50,681</u>	<u>4,757,061</u>
<b>Operating income (loss)</b>	<u>6,567</u>	<u>(53,229)</u>	<u>(647,950)</u>	<u>28,510</u>	<u>(666,102)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest income	1,170	(382)	-	-	788
Interest and fiscal charges	(117,084)	-	(140,094)	-	(257,178)
<b>Total non-operating revenues (expenses)</b>	<u>(115,914)</u>	<u>(382)</u>	<u>(140,094)</u>	<u>-</u>	<u>(256,390)</u>
<b>Net income (loss) before transfers</b>	<u>(109,347)</u>	<u>(53,611)</u>	<u>(788,044)</u>	<u>28,510</u>	<u>(922,492)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	976,139	-	976,139
Transfers out	(274,105)	-	-	-	(274,105)
<b>Total other financing sources (uses)</b>	<u>(274,105)</u>	<u>-</u>	<u>976,139</u>	<u>-</u>	<u>702,034</u>
<b>Changes in net assets</b>	<u>(383,452)</u>	<u>(53,611)</u>	<u>188,095</u>	<u>28,510</u>	<u>(220,458)</u>
<b>Net assets (deficit), beginning of year</b>	<u>3,996,138</u>	<u>(75,428)</u>	<u>(1,323,656)</u>	<u>(712,820)</u>	<u>1,884,234</u>
<b>Net assets (deficit), end of year</b>	<u>\$ 3,612,686</u>	<u>\$ (129,039)</u>	<u>\$ (1,135,561)</u>	<u>\$ (684,310)</u>	<u>\$ 1,663,776</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, 2012**

	Business-Type Activities - Enterprise Funds				Total Proprietary Funds
	Water	Disposal	Ambulance	Non-Major Building Fees	
Cash flows from operating activities:					
Receipts from customers and users	\$ 1,645,771	\$ 1,627,619	\$ 715,407	\$ 79,191	\$ 4,067,988
Payments to suppliers for goods and services	(706,802)	(1,559,006)	(305,475)	(18,140)	(2,589,423)
Payments to employees for services	(477,344)	(151,653)	(987,789)	(44,037)	(1,660,823)
Net cash provided (used) by operating activities	<u>461,626</u>	<u>(83,041)</u>	<u>(577,857)</u>	<u>17,013</u>	<u>(182,259)</u>
Cash flows from non-capital financing activities:					
Transfers (to)/from other funds	(274,105)	-	976,139	-	702,034
Interfund loan repayment	(40,000)	-	(75,000)	-	(115,000)
Net cash provided (used) by noncapital financing activities	<u>(314,105)</u>	<u>-</u>	<u>901,139</u>	<u>-</u>	<u>587,034</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(159,129)	-	(28,820)	-	(187,949)
Principal paid on long-term debt	(77,754)	-	-	-	(77,754)
Interest and fiscal charges	(84,895)	-	(140,094)	-	(224,989)
Net cash provided (used) by capital and related financing activities	<u>(321,778)</u>	<u>-</u>	<u>(168,914)</u>	<u>-</u>	<u>(490,692)</u>
Cash flows from investing activities:					
Interest on investments	1,170	(382)	-	-	788
Net cash provided (used) by investing activities	<u>1,170</u>	<u>(382)</u>	<u>-</u>	<u>-</u>	<u>788</u>
Increase (decrease) in cash and cash equivalents	(173,087)	(83,423)	154,368	17,013	(85,129)
Cash and cash equivalents, beginning of year	<u>2,275,417</u>	<u>(88,217)</u>	<u>(1,959,617)</u>	<u>(703,323)</u>	<u>(475,739)</u>
Cash and cash equivalents, end of year	<u>\$ 2,102,330</u>	<u>\$ (171,639)</u>	<u>\$ (1,805,249)</u>	<u>\$ (686,310)</u>	<u>\$ (560,868)</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 6,567	\$ (53,229)	\$ (647,950)	\$ 28,510	\$ (666,102)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	269,741	2,715	99,276	2,106	373,838
Changes in assets and liabilities:					
(Increase) decrease in accounts receivables, net	8,177	33,704	(64,852)	-	(22,971)
Increase (decrease) in accounts payable and accrued liabilities	212,975	(67,727)	27,874	(722)	172,400
(Increase) decrease in compensated absences	(35,835)	1,497	7,795	(12,880)	(39,423)
Net cash provided (used) by operating activities	<u>\$ 461,626</u>	<u>\$ (83,041)</u>	<u>\$ (577,857)</u>	<u>\$ 17,013</u>	<u>\$ (182,259)</u>

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

CITY OF KINGSBURG  
STATEMENT OF FIDUCIARY NET ASSETS  
SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY  
JUNE 30, 2012

	Trust Funds
<b>ASSETS</b>	
Cash and investments	\$ 866,512
Accounts and interest receivable	673
Other assets	17,266
Total assets	\$ 884,451
 <b>LIABILITIES</b>	
Liabilities:	
Accounts payable and accrued expense	\$ 82,387
Accrued interest payable	11,663
Deposits	11,750
Loans payable	838,513
Total liabilities	944,313
 <b>NET ASSETS</b>	
Held in trust	\$ (59,862)

CITY OF KINGSBURG  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY  
 FOR THE YEAR ENDED JUNE 30, 2012

	Trust Funds
<b>ADDITIONS</b>	
Interest	\$ 1,279
Net assets received upon dissolution of Redevelopment Agency	224,518
Total additions	\$ 225,797
<b>DEDUCTIONS:</b>	
Planning and community development	\$ 167,610
Capital outlay	85,393
Interest and fiscal charges	18,748
Operating transfers out	13,908
Total deductions	285,659
Changes in net assets	(59,862)
Net assets, beginning of year	-
Net assets, ending of year	\$ (59,862)

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Kingsburg (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 fiscal 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, highways and streets, water and disposal, parks and recreation, building inspection, public improvements, planning and zoning, and general administrative services.

Included in this report is the activity of the Redevelopment Agency of the City of Kingsburg (the Agency) through January 31, 2012. The Agency was established May 3, 1982 to administer the City's redevelopment activities and projects. As further described in Note 12, the Agency was dissolved effective February 1, 2012.

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 assets 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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (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 Assets 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, interfund note receivable/interfund long-term debt, and transfers in/transfers out.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. 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 to the net assets and changes in net assets 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 Districts No. 1991-1 and No. 1992-1 Improvement Bonds.

**Kingsburg Redevelopment Agency Debt Services Fund** – This Fund is used to account for taxes collected and the repayment of a loan from the California Infrastructure and Economic Development Bank to construct a new City police building and other related activities of the Agency. As further described in Note 12, the Agency was dissolved effective February 1, 2012.

**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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

The City has three major enterprise funds, the Water, Disposal, and Ambulance, 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** accounts 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 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 tax 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, 2012

**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, 2012

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. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

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

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$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:

	<u>Years</u>
Buildings and improvements .....	20-50 years
Plant system .....	20-50 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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

*Deposits* – Deposits principally consist of amounts collected from developers for services to be rendered by the City, including engineering, plan checks and inspections and planning review services. The City recognizes such amounts deposited as revenue when the services are performed and the corresponding expenditures are incurred.

*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 assets. 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 assets. 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 funds, 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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

*Net Assets* - In the government-wide financial statements, net assets are classified in the following categories:

***Invested in capital assets, net of related debt*** – This category groups all capital assets, including infrastructure, into one component of net assets. 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 assets*** – 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 assets*** – This category present the net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

When both restricted and unrestricted net assets 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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements

***Governmental Accounting Standards Board Statement No. 60***

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements ("SCAs"), which are a type of public-private or public-public partnership. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. Application of this Statement is effective for the City's fiscal year ending June 30, 2013.

***Governmental Accounting Standards Board Statement No. 62***

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board ("FASB") Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure

***Governmental Accounting Standards Board Statement No. 63***

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, 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. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2013.

***Governmental Accounting Standards Board Statement No. 64***

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This Statement sets forth criteria to establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this Statement are effective for The City's fiscal year ending June 30, 2012. This Statement did not have an impact on the City's financial statements.

***Governmental Accounting Standards Board Statement No. 65***

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement 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. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014.

CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Pronouncements (Continued)**

***Governmental Accounting Standards Board Statement No. 66***

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this Statement is effective for the City's fiscal year ending June 30, 2013.

***Governmental Accounting Standards Board Statement No. 67***

In June 2012, GASB issued No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014.

***Governmental Accounting Standards Board Statement No. 68***

In June 2012, GASB issued No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2015.

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

**CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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, 2012 are classified in the accompanying financial statements as follows:

Government-wide	\$ 3,658,862
Fiduciary funds	<u>866,512</u>
<b>Total Deposits and Investments</b>	<b><u>\$ 4,525,374</u></b>

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	\$ 789,613
Investments	<u>3,735,761</u>
<b>Total Cash and Investments</b>	<b><u>\$ 4,525,374</u></b>

The following is a summary of deficit cash balances as of June 30, 2012:

**Governmental Funds**

Major Fund:	
Street Project	\$ (940,507)
Non-Major Funds:	
Senior Center	(19,633)
Special Assessment Projects	(2,653)

**Enterprise Funds**

Major Funds:	
Disposal	(171,639)
Ambulance	(1,805,249)
Non-Major Fund:	
Building Fees	<u>(686,310)</u>
	<b><u>\$ (3,625,991)</u></b>

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 due to the fact that other funds did not have adequate cash positions to make the interfund loans.

**CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**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

**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.

**Segmented Time Distribution**

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	Remaining Maturity (in Months)				
	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State Investment Pool	\$ 2,485,670	\$ 2,485,670	\$ -	\$ -	\$ -
Held by Bond Trustee:					
Investment Agreement	600,000	600,000	-	-	-
U.S. Treasury Obligations	650,091	650,091	-	-	-
<b>Total</b>	<b>\$ 3,735,761</b>	<b>\$ 3,735,761</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**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
State Investment Pool	\$ 2,485,670	\$ -	\$ -	\$ -	\$ 2,485,670
Held by Bond Trustee:					
Investment Agreement	600,000	-	600,000	-	-
U.S. Treasury Obligations	650,091	-	-	650,091	-
<b>Total</b>	<b>\$ 3,735,761</b>	<b>\$ -</b>	<b>\$ 600,000</b>	<b>\$ 650,091</b>	<b>\$ 2,485,670</b>

**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	Investment Agreement	\$ 600,000
U.S. Bank	U.S. Treasury Obligations	650,091
		<u>\$ 1,250,091</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, 2012, the City's bank balance of \$119,500 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.

CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 3 – CASH AND INVESTMENTS (Continued)

**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 LAIF). The City's investment of \$2,485,670 in the State Investment Pool has a custodial exposure of \$2,485,670 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities.

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's 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.

NOTE 4 – PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2012, consisted of the following:

	Governmental Activities
Unamortized deferred charges	\$ 193,733

CITY OF KINGSBURG  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012

**NOTE 5 – INTERFUND ACTIVITY**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed and are expected to be repaid shortly after the end of the fiscal year. Interfund receivable and payable balances have primarily been recorded when funds overdraw their share of pooled cash. Activities within Interfund receivable and payable balances at June 30, 2012, are as follows:

	Interfund Receivables	Interfund Payables
<b>Governmental Funds</b>		
Major Funds:		
Kingsburg Public Finance Authority	\$ -	\$ 40,038
Assessment District	27,199	105,120
Street Projects	-	150,000
Non-Major Fund:		
Sewer Connection	260,000	-
Total governmental funds	287,199	295,158
<b>Enterprise Funds</b>		
Major Fund:		
Water	7,959	-
Total enterprise fund	7,959	-
Total interfund receivable/payable	\$ 295,158	\$ 295,158

CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 5 – INTERFUND ACTIVITY (Continued)

**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, 2012, the funds below have made advances that were not expected to be repaid in one year or less.

	Advances Receivable	Advances Payable
Kingsburg Public Finance Authority Debt Service Fund	\$ 4,673,000	\$ -
Assessment Districts Debt Service Fund	-	1,103,000
Ambulance Fund	-	2,920,000
Water Fund	-	650,000
	<u>\$ 4,673,000</u>	<u>\$ 4,673,000</u>
Total		

**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, 2012, consisted of the following:

The General Fund transferred to the Ambulance Fund to cover operating expenses	\$ 761,079
The General Fund transferred to the Senior Center Fund to cover operating expenses	21,000
The Capital Facilities Fund transferred to the Ambulance Fund for bond payments	215,059
The COPs Grant Fund transferred to the General Fund to cover operating expenses	100,000
The Abandoned Vehicle Fund transferred to the General Fund to cover operating expenses	3,224
The Successor Agency RDA Fund transferred to the General Fund to reimburse expenses incurred	13,908
The Local Transportation Fund transferred to the Street Projects Fund to cover capital projects expenses	552
The Measure T Fund transferred to the Street Projects Fund to cover capital projects expenses	64,649
The Water Fund transferred to the Street Projects Fund to cover capital projects expenses	274,105
The RDA Debt Service Fund transferred to the General Fund to cover operating expenses	272,748
The Gas Tax Fund transferred to the Street Projects Fund to cover operating expenses	432
The General Fund transferred to the COPs Grant Fund to cover operating expenses	69
The Low-Moderate Housing Fund transferred the land held for low and moderate housing projects to the Low and Moderate Income Housing Asset Fund due to dissolution of the RDA	<u>574,389</u>
	<u>\$ 2,301,214</u>

**CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity of the governmental activities for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,243,632	\$ -	\$ (574,389)	\$ 669,243
Construction in progress	367,175	191,835	-	559,010
Total capital assets, not being depreciated	<u>1,610,807</u>	<u>191,835</u>	<u>(574,389)</u>	<u>1,228,253</u>
Capital assets, being depreciated:				
Buildings and improvements	4,419,870	-	-	4,419,870
Infrastructure	9,095,619	923,010	(21,579)	9,997,050
Machinery and equipment	2,775,457	-	-	2,775,457
Total capital assets, being depreciated	<u>16,290,946</u>	<u>923,010</u>	<u>(21,579)</u>	<u>17,192,377</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,978,794)	(63,532)	-	(2,042,326)
Infrastructure	(777,994)	(244,528)	4,313	(1,018,209)
Machinery and equipment	(2,005,161)	(78,728)	-	(2,083,889)
Total accumulated depreciation	<u>(4,761,949)</u>	<u>(386,788)</u>	<u>4,313</u>	<u>(5,144,424)</u>
Total capital assets being depreciated, net	<u>11,528,997</u>	<u>536,222</u>	<u>(17,266)</u>	<u>12,047,953</u>
Governmental activities capital assets, net	<u>\$ 13,139,804</u>	<u>\$ 728,057</u>	<u>\$ (591,655)</u>	<u>\$ 13,276,206</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 32,197
Parks and community services	4,414
Public safety	101,587
Public works	<u>248,590</u>
Total	<u>\$ 386,788</u>

CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity of the business-type activities for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
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 and plants	10,282,582	159,059	-	10,441,641
Machinery and equipment	<u>1,739,482</u>	<u>28,889</u>	<u>-</u>	<u>1,768,371</u>
Total capital assets, being depreciated	<u>12,022,064</u>	<u>187,948</u>	<u>-</u>	<u>12,210,012</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,996,363)	(300,567)	-	(2,296,930)
Machinery and equipment	<u>(1,394,282)</u>	<u>(73,270)</u>	<u>-</u>	<u>(1,467,552)</u>
Total accumulated depreciation	<u>(3,390,645)</u>	<u>(373,837)</u>	<u>-</u>	<u>(3,764,482)</u>
Total capital assets being depreciated, net	<u>8,631,419</u>	<u>(185,889)</u>	<u>-</u>	<u>8,445,530</u>
Business-type activities capital assets, net	<u>\$ 8,727,237</u>	<u>\$ (185,889)</u>	<u>\$ -</u>	<u>\$ 8,541,348</u>
Total capital assets	<u>\$ 21,867,041</u>	<u>\$ 542,168</u>	<u>\$ (591,655)</u>	<u>\$ 21,817,554</u>

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

Business-type activities:	
Water	\$ 269,741
Disposal	2,715
Ambulance	99,276
Building Fee	<u>2,106</u>
Total	<u>\$ 373,838</u>

CITY OF KINGSBURG  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012

**NOTE 7 – 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, 2012, 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>Year Ending June 30</u>	<u>Principal</u>
2013	\$ 25,830
2014	25,956
2015	27,254
2016	27,513
2017	28,201
2018	<u>4,723</u>
	<u>\$ 139,477</u>

**NOTE 8 – 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 transactions are summarized below and discussed in detail thereafter:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within One Year
<b>Governmental Activity Long-Term Debt:</b>					
PFA revenue bond, Series 1991	\$ 1,310,000	\$ -	\$ (70,000)	\$ 1,240,000	\$ 70,000
PFA revenue bond, Series 1992	2,035,000	-	(475,000)	1,560,000	90,000
PFA fire department lease revenue bond	2,995,000	-	(75,000)	2,920,000	75,000
CIEDB police building loan	613,785	-	(613,785)	-	-
Unamortized bond discount	(26,607)	-	1,384	(25,223)	-
Compensated absences	<u>465,406</u>	<u>773</u>	<u>-</u>	<u>466,179</u>	<u>154,776</u>
<b>Total governmental activity debt</b>	<b><u>\$ 7,392,584</u></b>	<b><u>\$ 773</u></b>	<b><u>\$ (1,232,401)</u></b>	<b><u>\$ 6,160,956</u></b>	<b><u>\$ 389,776</u></b>
<b>Business-Type Activity Long-Term Debt:</b>					
CIEDB water loan	\$ 2,670,144	\$ -	\$ (77,754)	\$ 2,592,390	\$ 80,072
Compensated absences	<u>267,985</u>	<u>407</u>	<u>-</u>	<u>268,392</u>	<u>80,154</u>
<b>Total business-type activity debt</b>	<b><u>\$ 2,938,129</u></b>	<b><u>\$ 407</u></b>	<b><u>\$ (77,754)</u></b>	<b><u>\$ 2,860,782</u></b>	<b><u>\$ 160,226</u></b>
<b>Total long-term debt</b>	<b><u>\$ 10,330,713</u></b>	<b><u>\$ 1,180</u></b>	<b><u>\$ (1,310,155)</u></b>	<b><u>\$ 9,021,738</u></b>	<b><u>\$ 550,002</u></b>

CITY OF KINGSBURG  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012

**NOTE 8 – LONG-TERM DEBT (Continued)**

Long-term debt payable at June 30, 2012 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, 2012 bonds outstanding amounted to \$1,240,000.

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

Fiscal Year Ending	Governmental Activities		
	Principal	Interest	Total
2013	\$ 70,000	\$ 95,600	\$ 165,600
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
2018-2022	610,000	203,600	813,600
2023	200,000	7,600	207,600
	<u>\$ 1,240,000</u>	<u>\$ 621,600</u>	<u>\$ 1,861,600</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, 2012 bonds outstanding amounted to \$1,560,000.

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

Fiscal Year Ending	Governmental Activities		
	Principal	Interest	Total
2013	\$ 90,000	\$ 119,640	\$ 209,640
2014	105,000	111,983	216,983
2015	105,000	103,688	208,688
2016	110,000	95,195	205,195
2017	130,000	85,715	215,715
2018-2022	760,000	261,885	1,021,885
2023	260,000	10,270	270,270
	<u>\$ 1,560,000</u>	<u>\$ 788,376</u>	<u>\$ 2,348,376</u>

CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 8 – LONG-TERM DEBT (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, 2012 bonds outstanding amount to \$2,920,000.

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

Fiscal Year Ending	Governmental Activities		
	Principal	Interest	Total
2013	\$ 75,000	\$ 138,905	\$ 213,905
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
2018-2022	500,000	575,300	1,075,300
2023-2027	630,000	443,750	1,073,750
2028-2032	800,000	270,250	1,070,250
2033-2035	585,000	59,500	644,500
	<u>\$ 2,920,000</u>	<u>\$ 2,013,965</u>	<u>\$ 4,933,965</u>

**CIEDB Police Building Loan** – During the fiscal year 2001/02, the 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 2.58% through 2017. As a result of the dissolution of the Redevelopment Agency of the City of Kingsburg as of February 1, 2012, the CIEDB Police Building Loan of the former redevelopment agency was transferred to the Successor Agency of the Redevelopment Agency of the City of Kingsburg. After the date of dissolution, the loan and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

**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, 2012 the loan outstanding amounts to \$2,592,390.

CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 8 – LONG-TERM DEBT (Continued)**

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

Fiscal Year Ending	Governmental Activities		
	Principal	Interest	Total
2013	\$ 80,073	\$ 76,060	\$ 156,133
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
2018-2022	492,150	287,145	779,295
2023-2027	569,983	208,152	778,135
2028-2032	660,126	116,667	776,793
2033-2035	445,185	20,159	465,344
	<u>\$ 2,592,390</u>	<u>\$ 987,474</u>	<u>\$ 3,579,864</u>

**NOTE 9 – DEFICIT FUND BALANCES**

**Fund Balance and Retained Earnings Deficits** – The following is a summary of deficit fund balances and retained earnings as of June 30, 2012:

**Governmental Funds**

Major Funds:	
Assessment Districts	\$ (864,874)
Street Project	(1,050,148)
Non-Major Funds:	
Senior Center	(19,887)
Special Assessment Projects	(3,003)

**Enterprise Funds**

Major Funds:	
Disposal	(129,039)
Ambulance	(1,135,561)
Non-Major Fund:	
Building Fees	(684,310)

**Fiduciary Fund**

Successor Agency of the RDA	(59,862)
	<u>\$ (3,946,684)</u>

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 Project 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.

CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 9 – DEFICIT FUND BALANCES (Continued)**

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, Senior Center Fund and Special Assessment Projects Fund is due to operating expenditures exceeding operating revenues.

**NOTE 10 – 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, 2012

**NOTE 11 – PENSION PLAN**

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

All full-time employees are eligible to participate in the Plan. Part-time employees appointed to a term of one year or longer and who work an average of 20 hours per week are also eligible to participate. Other part-time non-benefited hourly employees do not participate in the Plan. Related benefits vest after five years of service. Upon five years of service, employees who retire at or after the after 50 are entitled to receive an annual retirement benefit.

**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, 2012 was 11.990% for the miscellaneous plan and 17.088% 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.

**Annual Pension Cost and Net Pension Obligation**

For the year ended June 30, 2012, the City's annual pension cost of \$496,645 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, 2012 was 17 years.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 518,465	100%	-
June 30, 2011	\$ 612,217	100%	-
June 30, 2012	\$ 496,645	100%	-

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.

CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 12 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 ("the Bill") that dissolved all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Kingsburg that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 18, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution Number 2010-11.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments.)

In future years, successor agencies will only be allocated revenue in the amount that is necessary to pay the 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.

The Bill directs the State Controller of the State of California to renew the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure of encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

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 to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in governmental funds of the City. After the date of 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.

CITY OF KINGSBURG  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 12 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY  
(Continued)

The transfer of assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary gain (loss) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ 738,672
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	17,266
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(12,907)
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>(518,513)</u>
Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ 224,518</u>

Other Assets

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

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

Long-term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2012 was comprised of the following individual issues:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
CIEDB Police Building Loan	\$ -	\$ 518,513	\$ -	\$ 518,513	\$ 97,977
Kingsburg RDA Tax Refunding Bonds	-	<u>320,000</u>	-	<u>320,000</u>	<u>20,000</u>
	<u>\$ -</u>	<u>\$ 838,513</u>	<u>\$ -</u>	<u>\$ 838,513</u>	<u>\$ 117,977</u>

CITY OF KINGSBURG  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012

**NOTE 12 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**  
 (Continued)

CIEDB Police Building Loan – During fiscal year 2001/02, the 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, 2012 the loan outstanding amounts to \$518,513.

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

	Principal	Interest	Total
2013	\$ 97,977	\$ 13,335	\$ 111,312
2014	100,760	10,512	111,272
2015	103,621	7,610	111,231
2016	106,564	4,626	111,190
2017	109,591	1,556	111,147
	<u>\$ 518,513</u>	<u>\$ 37,639</u>	<u>\$ 556,152</u>

**Kingsburg RDA Tax Refunding Bonds** – The former Kingsburg Redevelopment Agency 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, 2012, the bond outstanding amounts to \$320,000.

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

	Principal	Interest	Total
2013	\$ 20,000	\$ 24,480	\$ 44,480
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
2018-2022	170,000	51,350	221,350
2023	40,000	1,580	41,580
	<u>\$ 320,000</u>	<u>\$ 158,781</u>	<u>\$ 478,781</u>

**NOTE 13 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The excess of expenditures over appropriations are as follows:

General Fund	
Park and community services	\$ 4,368
Planning and community development	29,007
Capital outlay	<u>2,376</u>
	<u>\$ 35,751</u>

CITY OF KINGSBURG  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS**

Governmental Fund Financial Statement	Major		Non-Major			Total
	General	Street	Gas Tax	Low-		
				Senior Center	Moderate Housing	
Understatement of compensated absences	\$ 274,562	\$ -	\$ 9,296	\$ 7,694	\$ -	\$ 291,552
Overstatement of revenues	-	(385,896)	-	-	-	(385,896)
Understatement of land held for low and moderate housing projects	-	-	-	-	574,389	574,389
<b>Total prior period adjustments</b>	<b><u>\$ 274,562</u></b>	<b><u>\$ (385,896)</u></b>	<b><u>\$ 9,296</u></b>	<b><u>\$ 7,694</u></b>	<b><u>\$ 574,389</u></b>	<b><u>\$ 480,045</u></b>

**Government-Wide Financial Statement**

Overstatement of land held for low and moderate housing projects	\$ 574,389
Understatement of compensated absences	(469,889)
Understatement of deferred charges	233,572
Understatement of revenue	<u>(385,896)</u>
<b>Total prior period adjustments</b>	<b><u>\$ (47,824)</u></b>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KINGSBURG  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 2,320,378	\$ 2,320,378	\$ 2,139,738	\$ (180,640)
Licenses and permits	870,400	870,400	840,982	(29,418)
Intergovernmental	-	-	123,892	123,892
Charges for services	220,930	220,930	254,067	33,137
Fines and penalties	48,000	48,000	31,262	(16,738)
Interest	1,000	1,000	1,048	48
Other revenue	123,500	123,500	137,300	13,800
<b>Total revenues</b>	<u>3,584,208</u>	<u>3,584,208</u>	<u>3,528,289</u>	<u>(55,919)</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	827,246	833,571	545,139	288,432
Parks and community services	264,966	264,966	269,334	(4,368)
Public safety	2,126,918	2,126,918	1,531,296	595,622
Public works	473,122	473,122	442,804	30,318
Planning and community development	137,619	137,619	166,626	(29,007)
Capital outlay	-	-	2,376	(2,376)
<b>Total expenditures</b>	<u>3,829,871</u>	<u>3,836,196</u>	<u>2,957,575</u>	<u>878,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(245,663)</u>	<u>(251,988)</u>	<u>570,714</u>	<u>822,702</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,137,800	1,137,800	389,880	(747,920)
Transfers out	(857,680)	(857,680)	(782,148)	75,532
<b>Total other financing sources (uses)</b>	<u>280,120</u>	<u>280,120</u>	<u>(392,268)</u>	<u>(672,388)</u>
Changes in fund balance	34,457	28,132	178,446	150,314
Fund balance, July 1, 2011	633,792	633,792	633,792	-
Prior period adjustments	274,562	274,562	274,562	-
<b>Fund balance, June 30, 2012</b>	<u>\$ 942,811</u>	<u>\$ 936,486</u>	<u>\$ 1,086,800</u>	<u>\$ 150,314</u>

CITY OF KINGSBURG  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2012

**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.

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SUPPLEMENTARY INFORMATION

CITY OF KINGSBURG  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue Fund	Capital Projects Fund	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,431,165	\$ 1,572,087	\$ 3,003,252
Accounts and interest receivable	161,385	471	161,856
Land held for low and moderate housing projects	574,389	-	574,389
Due from other funds	<u>-</u>	<u>260,000</u>	<u>260,000</u>
 Total assets	 <u>\$ 2,166,939</u>	 <u>\$ 1,832,558</u>	 <u>\$ 3,999,497</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued expense	<u>\$ 11,407</u>	<u>\$ 350</u>	<u>11,757</u>
 Total liabilities	 <u>11,407</u>	 <u>350</u>	 <u>11,757</u>
 Fund balances:			
Restricted:			
Capital improvements projects	-	1,835,211	1,835,211
Circulation improvements	1,590,099	-	1,590,099
Public safety programs	10,931	-	10,931
Low-income housing activities	574,389	-	574,389
Unassigned	<u>(19,887)</u>	<u>(3,003)</u>	<u>(22,890)</u>
 Total fund balance	 <u>2,155,532</u>	 <u>1,832,208</u>	 <u>3,987,740</u>
 Total liabilities and fund balance	 <u>\$ 2,166,939</u>	 <u>\$ 1,832,558</u>	 <u>\$ 3,999,497</u>

CITY OF KINGSBURG  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Fund	Capital Projects Fund	Total
REVENUES:			
Taxes	\$ 69,959	\$ -	\$ 69,959
Intergovernmental	1,033,802	-	1,033,802
Development fees	-	134,788	134,788
Interest	3,684	1,536	5,220
Other	<u>7,919</u>	<u>-</u>	<u>7,919</u>
Total revenues	<u>1,115,364</u>	<u>136,324</u>	<u>1,251,688</u>
EXPENDITURES:			
General government	-	1,903	1,903
Parks and community services	70,256	-	70,256
Public work	461,668	-	461,668
Planning and community development	1,473	22,938	24,411
Capital outlay	<u>428,610</u>	<u>13,353</u>	<u>441,963</u>
Total expenditures	<u>962,007</u>	<u>38,194</u>	<u>1,000,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>153,357</u>	<u>98,130</u>	<u>251,487</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	595,458	-	595,458
Transfers out	<u>(743,246)</u>	<u>(215,059)</u>	<u>(958,305)</u>
Total other financing sources (uses)	<u>(147,788)</u>	<u>(215,059)</u>	<u>(362,847)</u>
EXTRAORDINARY ITEM			
RDA dissolution	<u>(852,646)</u>	<u>(205,792)</u>	<u>(1,058,438)</u>
Total extraordinary item	<u>(852,646)</u>	<u>(205,792)</u>	<u>(1,058,438)</u>
Net changes in fund balances	(847,077)	(322,721)	(1,169,798)
Fund balances, July 1, 2011	2,411,230	2,154,929	4,566,159
Prior period adjustments	<u>591,379</u>	<u>-</u>	<u>591,379</u>
Fund balances, June 30, 2012	<u>\$ 2,155,532</u>	<u>\$ 1,832,208</u>	<u>\$ 3,987,740</u>

CITY OF KINGSBURG  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2012

	Gax Tax	Local Transportation	Measure C	Senior Center
<b>ASSETS</b>				
Cash and investments	\$ 100,329	\$ 746,705	\$ 593,824	\$ (19,633)
Accounts and interest receivable	33,786	102,623	23,604	381
Land held for low and moderate housing projects	-	-	-	-
Total assets	<u>\$ 134,115</u>	<u>\$ 849,328</u>	<u>\$ 617,428</u>	<u>\$ (19,252)</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued expense	\$ 1,415	\$ 371	\$ 8,986	\$ 635
Total liabilities	<u>1,415</u>	<u>371</u>	<u>8,986</u>	<u>635</u>
Fund balances:				
Restricted:				
Circulation improvements	132,700	848,957	608,442	-
Public safety programs	-	-	-	-
Low-income housing activities	-	-	-	-
Unassigned	-	-	-	<u>(19,887)</u>
Total fund balance	<u>132,700</u>	<u>848,957</u>	<u>608,442</u>	<u>(19,887)</u>
Total liabilities and fund balance	<u>\$ 134,115</u>	<u>\$ 849,328</u>	<u>\$ 617,428</u>	<u>\$ (19,252)</u>

CITY OF KINGSBURG  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2012

	<u>COPS Grant</u>	<u>Vehicle Abandonment</u>	<u>Low-Moderate Housing</u>	<u>Low and Moderate Income Housing Asset</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and investments	\$ -	\$ 9,940	\$ -	\$ -	\$ 1,431,165
Accounts and interest receivable	-	991	-	-	161,385
Land held for low and moderate housing projects	-	-	-	574,389	574,389
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 10,931</u>	<u>\$ -</u>	<u>\$ 574,389</u>	<u>\$ 2,166,939</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expense	\$ -	\$ -	\$ -	\$ -	\$ 11,407
<b>Total liabilities</b>	-	-	-	-	11,407
<b>Fund balances:</b>					
<b>Restricted:</b>					
Circulation improvements	-	-	-	-	1,590,099
Public safety programs	-	10,931	-	-	10,931
Low-income housing activities	-	-	-	574,389	574,389
Unassigned	-	-	-	-	(19,887)
<b>Total fund balance</b>	-	<u>10,931</u>	-	<u>574,389</u>	<u>2,155,532</u>
<b>Total liabilities and fund balance</b>	<u>\$ -</u>	<u>\$ 10,931</u>	<u>\$ -</u>	<u>\$ 574,389</u>	<u>\$ 2,166,939</u>

CITY OF KINGSBURG  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Gax Tax	Local Transportation	Measure C	Senior Center
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	320,374	305,311	301,437	4,572
Interest	-	906	1,397	-
Other	-	-	-	7,919
<b>Total revenues</b>	<u>320,374</u>	<u>306,217</u>	<u>302,834</u>	<u>12,491</u>
<b>EXPENDITURES:</b>				
Parks and community services	-	-	-	70,256
Public work	246,330	30,662	179,255	-
Planning and community development	-	-	-	-
Capital outlay	-	190,797	-	-
<b>Total expenditures</b>	<u>246,330</u>	<u>221,459</u>	<u>179,255</u>	<u>70,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>74,044</u>	<u>84,758</u>	<u>123,579</u>	<u>(57,765)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	21,000
Transfers out	(432)	(552)	(64,649)	-
<b>Total other financing sources (uses)</b>	<u>(432)</u>	<u>(552)</u>	<u>(64,649)</u>	<u>21,000</u>
<b>EXTRAORDINARY ITEM</b>				
RDA dissolution	-	-	-	-
<b>Total extraordinary item</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balance</b>	<u>73,612</u>	<u>84,206</u>	<u>58,930</u>	<u>(36,765)</u>
Fund balances, July 1, 2011	49,792	764,751	549,512	9,184
Prior period adjustments	9,296	-	-	7,694
<b>Fund balances, June 30, 2012</b>	<u>\$ 132,700</u>	<u>\$ 848,957</u>	<u>\$ 608,442</u>	<u>\$ (19,887)</u>

CITY OF KINGSBURG  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	COPS Grant	Vehicle Abandonment	Low-Moderate Housing	Low and Moderate Income Housing Asset	Total
<b>REVENUES:</b>					
Taxes	\$ -	\$ -	\$ 69,959	\$ -	\$ 69,959
Intergovernmental	100,000	2,108	-	-	1,033,802
Interest	(69)	-	1,450	-	3,684
Other	-	-	-	-	7,919
<b>Total revenues</b>	<u>99,931</u>	<u>2,108</u>	<u>71,409</u>	<u>-</u>	<u>1,115,364</u>
<b>EXPENDITURES:</b>					
Parks and community services	-	-	-	-	70,256
Public work	-	5,421	-	-	461,668
Planning and community development	-	-	1,473	-	1,473
Capital outlay	-	-	237,813	-	428,610
<b>Total expenditures</b>	<u>-</u>	<u>5,421</u>	<u>239,286</u>	<u>-</u>	<u>962,007</u>
Excess (deficiency) of revenues over (under) expenditures	<u>99,931</u>	<u>(3,313)</u>	<u>(167,877)</u>	<u>-</u>	<u>153,357</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	69	-	-	574,389	595,458
Transfers out	(100,000)	(3,224)	(574,389)	-	(743,246)
<b>Total other financing sources (uses)</b>	<u>(99,931)</u>	<u>(3,224)</u>	<u>(574,389)</u>	<u>574,389</u>	<u>(147,788)</u>
<b>EXTRAORDINARY ITEM</b>					
RDA dissolution	-	-	(852,646)	-	(852,646)
<b>Total extraordinary item</b>	<u>-</u>	<u>-</u>	<u>(852,646)</u>	<u>-</u>	<u>(852,646)</u>
Net changes in fund balances	-	(6,537)	(1,594,912)	574,389	(847,077)
Fund balances, July 1, 2011	-	17,468	1,020,523	-	2,411,230
Prior period adjustments	-	-	574,389	-	591,379
<b>Fund balances, June 30, 2012</b>	<u>\$ -</u>	<u>\$ 10,931</u>	<u>\$ -</u>	<u>\$ 574,389</u>	<u>\$ 2,155,532</u>

CITY OF KINGSBURG  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2012

	Capital Facilities	Sewer Connection	Storm Drain	Parks and Recreation
<b>ASSETS</b>				
Cash and investments	\$ 786,014	\$ 647,943	\$ 31,021	\$ 84,599
Accounts and interest receivable	222	217	2	-
Due from other funds	<u>-</u>	<u>260,000</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 786,236</u>	<u>\$ 908,160</u>	<u>\$ 31,023</u>	<u>\$ 84,599</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted:				
Capital improvements	786,236	908,160	31,023	84,599
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total fund balance</b>	<u>786,236</u>	<u>908,160</u>	<u>31,023</u>	<u>84,599</u>
<b>Total liabilities and fund balance</b>	<u>\$ 786,236</u>	<u>\$ 908,160</u>	<u>\$ 31,023</u>	<u>\$ 84,599</u>

CITY OF KINGSBURG  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2012

	Special Assessment Projects	Equipment Replacement	Redevelopment Agency	Total
<b>ASSETS</b>				
Cash and investments	\$ (2,653)	\$ 25,163	\$ -	\$ 1,572,087
Accounts and interest receivable	-	30	-	471
Due from other funds	-	-	-	260,000
Total assets	\$ (2,653)	\$ 25,193	\$ -	\$ 1,832,558
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued expense	\$ 350	\$ -	\$ -	350
Total liabilities	350	-	-	350
 Fund balances:				
Restricted:				
Capital improvements	-	25,193	-	1,835,211
Unassigned	(3,003)	-	-	(3,003)
Total fund balance	(3,003)	25,193	-	1,832,208
Total liabilities and fund balance	\$ (2,653)	\$ 25,193	\$ -	\$ 1,832,558

CITY OF KINGSBURG  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Capital Facilities	Sewer Connection	Storm Drain	Parks and Recreation
REVENUES:				
Development fees	\$ 95,730	\$ 15,974	\$ -	\$ 23,084
Interest	<u>770</u>	<u>612</u>	<u>-</u>	<u>27</u>
Total revenues	<u>96,500</u>	<u>16,586</u>	<u>-</u>	<u>23,111</u>
EXPENDITURES:				
General Government	-	-	-	-
Planning and community development	-	-	22,938	-
Capital outlay	<u>2,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,800</u>	<u>-</u>	<u>22,938</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>93,700</u>	<u>16,586</u>	<u>(22,938)</u>	<u>23,111</u>
OTHER FINANCING SOURCES/(USES):				
Transfers out	<u>(215,059)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(215,059)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXTRAORDINARY ITEM				
RDA dissolution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total extraordinary item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(121,359)	16,586	(22,938)	23,111
Fund balances, July 1, 2011	<u>907,595</u>	<u>891,574</u>	<u>53,961</u>	<u>61,488</u>
Fund balances, June 30, 2012	<u>\$ 786,236</u>	<u>\$ 908,160</u>	<u>\$ 31,023</u>	<u>\$ 84,599</u>

CITY OF KINGSBURG  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Special Assessment Projects	Equipment Replacement	Redevelopment Agency	Total
REVENUES:				
Development fees	\$ -	\$ -	\$ -	\$ 134,788
Interest	-	127	-	1,536
Total revenues	-	127	-	136,324
EXPENDITURES:				
General Government	1,903	-	-	1,903
Planning and community development	-	-	-	22,938
Capital outlay	1,100	-	9,453	13,353
Total expenditures	3,003	-	9,453	38,194
Excess (deficiency) of revenues over (under) expenditures	(3,003)	127	(9,453)	98,130
OTHER FINANCING SOURCES/(USES):				
Transfers out	-	-	-	(215,059)
Total other financing sources (uses)	-	-	-	(215,059)
EXTRAORDINARY ITEM				
RDA dissolution	-	-	(205,792)	(205,792)
Total extraordinary item	-	-	(205,792)	(205,792)
Net changes in fund balances	(3,003)	127	(215,245)	(322,721)
Fund balances, July 1, 2011	-	25,066	215,245	2,154,929
Fund balances, June 30, 2012	\$ (3,003)	\$ 25,193	\$ -	\$ 1,832,208

**CITY OF KINGSBURG  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

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 B_Grants	93.044	12-0131	\$ <u>4,572</u>
Total U.S. Department of Health and Human Services			<u>4,572</u>
U.S. Department of Housing and Urban Development			
Pass-through County of Fresno:			
Community Development Block Grants	14.218	CDBG # 11391	<u>13,821</u>
Total U.S. Department of Housing and Urban Development			<u>13,821</u>
U.S. Department of Transportation			
Pass-through California Department of Transportation:			
Highway Planning and Construction	20.205	RPSTPLE-5170(033)	6,039
Highway Planning and Construction	20.205	CML-5170(041)	960
Highway Planning and Construction	20.205	STPL-5170(049)	320
Highway Planning and Construction	20.205	STPL-5170(034)	228,173
Highway Planning and Construction	20.205	STPL-5170(042)	3,232
Highway Planning and Construction	20.205	CML-5170(044)	320
Highway Planning and Construction	20.205	CML-5170(029)	248,567
Highway Planning and Construction	20.205	CML-5170(048)	320
Highway Planning and Construction	20.205	CML-5170(038)	9,155
Highway Planning and Construction	20.205	CML-5170(031)	354
Highway Planning and Construction	20.205	STPL-5170(043)	12,671
Highway Planning and Construction	20.205	CML-5170(045)	320
Highway Planning and Construction	20.205	CML-5170(039)	3,118
Highway Planning and Construction	20.205	CML-5170(040)	4,515
ARRA - Highway Planning and Construction	20.205	ESPLCML-5170(036)	<u>227,986</u>
Total U.S. Department of Transportation			<u>746,050</u>
U.S. Department of Homeland Security			
Pass-through County of Fresno			
Emergency Operations Center Grant	97.052	09-005	<u>28,820</u>
Total U.S. Department of Homeland Security			<u>28,820</u>
U.S. Department of Justice			
Direct Programs:			
Gang Resistance Education and Training	16.737	2010JVFK0008	<u>26,275</u>
Total U.S. Department of Justice			<u>26,275</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 819,538</u></b>

CITY OF KINGSBURG  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

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.

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OTHER INDEPENDENT AUDITOR'S REPORTS

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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 the financial statements of the governmental activities, the business-type activities, the, each major fund, and the aggregate remaining fund information of City of Kingsburg, California (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 5, 2012. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

We noted certain matters that we reported to management of the City in a separate letter dated December 5, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Price Pugh & Company*

Clovis, California  
December 5, 2012



REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

City Council  
City of Kingsburg, California

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Price Pugh & Company*

Clovis, California  
December 5, 2012

## FINDINGS AND QUESTIONED COSTS

CITY OF KINGSBURG  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2012

**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  X  No  
 Significant deficiencies identified that  
 are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

**FEDERAL AWARDS**

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes  X  No  
 Significant deficiencies identified that  
 are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  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? \_\_\_\_\_ Yes  X  No

CITY OF KINGSBURG  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

No items are reportable.

SECTION III – FEDERAL AWARD FINDINGS

No items are reportable.