

**CITY OF KINGSBURG**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

**JUNE 30, 2011**

## TABLE OF CONTENTS

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	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets	2
Statement of Activities and Changes in Net Assets	3
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	4
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	5
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	6
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities and Changes in Net Assets	7
Statement of Net Assets - Proprietary Funds	8
Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds	9
Statement of Cash Flows - Proprietary Funds	10
Notes to Financial Statements	11 - 29

## TABLE OF CONTENTS (Continued)

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	<u>Page</u>
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	30
<b>Supplemental Only Information</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	31
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	32
Combining Balance Sheet – Nonmajor Special Revenue Funds	33
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Special Revenue Funds	34
Combining Balance Sheet – Nonmajor Capital Projects Funds	35 – 36
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Nonmajor Capital Projects Funds	37 – 38
<b>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	39 - 40
<b>INDEPENDENT AUDITORS' 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</b>	40 – 41
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	42
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	43
<b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</b>	44

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, 2011, 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 an opinion 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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.

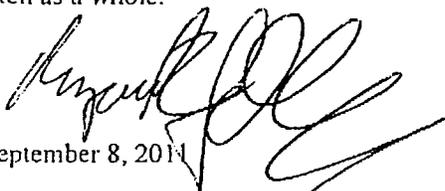
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kingsburg, California, as of June 30, 2011, and the respective changes in the financial position and cash flows, where applicable, 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 September 8, 2011 on our consideration of the City of Kingsburg'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 the 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.

The Budget and Actual Comparison on page 30 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



September 8, 2011

**CITY OF KINGSBURG**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 4,866,035	\$ (475,739)	\$ 4,390,296
Cash and investments held by trustee	1,250,089	-	1,250,089
Accounts and interest receivable, net	989,113	471,169	1,460,282
Advances to other funds	5,579,000	-	5,579,000
Due from other funds	110,000	7,959	117,959
Capital assets, net of allowance for depreciation	<u>13,139,804</u>	<u>8,727,237</u>	<u>21,867,041</u>
Total assets	<u>25,934,041</u>	<u>8,730,626</u>	<u>34,664,667</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expense	134,101	176,933	311,034
Accrued interest payable	219,972	39,830	259,802
Deposits	24,360	6,500	30,860
Due to other funds	117,959	-	117,959
Long-term liabilities			
Due within one year	350,272	77,755	428,027
Due in more than one year	6,603,513	2,592,389	9,195,902
Advances from other funds	1,894,000	3,685,000	5,579,000
Compensated absences	<u>465,406</u>	<u>267,985</u>	<u>733,391</u>
Total liabilities	<u>9,809,583</u>	<u>6,846,392</u>	<u>16,655,975</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	9,531,019	2,372,093	11,903,112
Restricted for debt service and special projects	11,059,895	-	11,059,895
Unrestricted/(deficit)	<u>(4,466,456)</u>	<u>(487,859)</u>	<u>(4,954,315)</u>
Total net assets/(deficit)	<u>\$ 16,124,458</u>	<u>\$ 1,884,234</u>	<u>\$ 18,008,692</u>

# CITY OF KINGSBURG

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenue			Net Revenue/(Expense) and Changes in Net Assets			
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 876,365	\$ 2,890	\$ 3,474	\$ -	\$ (870,001)	\$ -	\$ (870,001)
Parks and community services	410,779	143,987	149,927	20,720	(96,145)	-	(96,145)
Public safety	2,461,622	91,570	142,178	-	(2,227,874)	-	(2,227,874)
Public works	969,681	24,065	829,062	-	(116,554)	-	(116,554)
Planning and community development	836,351	21,680	182,834	991,048	359,211	-	359,211
Tax pass-through	223,174	-	-	-	(223,174)	-	(223,174)
Debt Service							
Interest and fiscal charges	628,210	-	-	-	(628,210)	-	(628,210)
Total governmental activities	6,406,182	284,192	1,307,475	1,011,768	(3,802,747)	-	(3,802,747)
Business-type activities							
Water	1,551,128	1,590,177	-	-	-	39,049	39,049
Disposal	1,306,541	1,578,224	-	-	-	271,683	271,683
Ambulance	2,774,232	1,623,756	-	-	-	(1,150,476)	(1,150,476)
Building Fee	131,387	107,258	-	-	-	(24,129)	(24,129)
Total business-type activities	5,763,288	4,899,415	-	-	-	(863,873)	(863,873)
<b>Total primary government</b>	<b>\$ 12,169,470</b>	<b>\$ 5,183,607</b>	<b>\$ 1,307,475</b>	<b>\$ 1,011,768</b>	<b>(3,802,747)</b>	<b>(863,873)</b>	<b>(4,666,620)</b>
<b>General Revenue</b>							
Property taxes, levied for general purposes					815,993	-	815,993
Property taxes, Redevelopment Agency tax increment					699,721	-	699,721
Special assessments					740,898	-	740,898
Business licenses & Transient occupancy tax					304,558	-	304,558
Franchise tax					335,279	-	335,279
Sales tax					857,746	-	857,746
Motor vehicle in lieu tax					881,333	-	881,333
Interest income					436,021	673	436,694
Other revenues					159,425	-	159,425
Transfers					67,031	(67,031)	-
Total general revenue and transfers					5,298,005	(66,358)	5,231,647
<b>Change in Net Assets</b>					1,495,258	(930,231)	565,027
<b>Net Assets</b>							
Beginning of year					14,629,200	2,814,465	17,443,665
End of year					\$ 16,124,458	\$ 1,884,234	\$ 18,008,692

See accompanying notes.

**CITY OF KINGSBURG**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2011**

	Debt Service Funds						Total Governmental Funds
	General	Kingsburg Public Finance Authority	Assessment Districts	Kingsburg Redevelopment Debt Service	Other Governmental Funds		
<b>ASSETS</b>							
Cash and investments	\$ 759,505	\$ 963,728	\$ 701,865	\$ 13,135	\$ 3,677,891	\$ 6,116,124	
Accounts and interest receivable	122,742	-	-	-	866,371	989,113	
Due from other funds	-	-	-	-	110,000	110,000	
Advances to other funds	-	5,579,000	-	-	-	5,579,000	
Total assets	\$ 882,247	\$ 6,542,728	\$ 701,865	\$ 13,135	\$ 4,654,262	\$ 12,794,237	
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable and accrued expense	\$ 65,780	\$ 20,601	\$ -	\$ -	\$ 47,720	\$ 134,101	
Due to other funds	-	40,037	77,922	-	-	117,959	
Deposits	12,613	-	-	-	11,747	24,360	
Compensated absences	170,062	-	-	-	16,990	187,052	
Advances from other funds	-	-	1,554,000	340,000	-	1,894,000	
Total liabilities	248,455	60,638	1,631,922	340,000	76,457	2,357,472	
<b>Fund Balance</b>							
Restricted							
Capital improvement projects	-	-	-	-	1,939,684	1,939,684	
Circulation improvements	-	-	-	-	1,375,701	1,375,701	
Debt service reserve	-	6,482,090	-	-	-	6,482,090	
Community services activities	-	-	-	-	9,184	9,184	
Public safety programs	-	-	-	-	17,468	17,468	
Low-income housing activities	-	-	-	-	1,020,523	1,020,523	
Redevelopment activities	-	-	-	-	215,245	215,245	
Unassigned	633,792	-	(930,057)	(326,865)	-	(623,130)	
Total fund balance	633,792	6,482,090	(930,057)	(326,865)	4,577,805	10,436,765	
Total liabilities and fund balance	\$ 882,247	\$ 6,542,728	\$ 701,865	\$ 13,135	\$ 4,654,262	\$ 12,794,237	

**CITY OF KINGSBURG**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS  
OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011**

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Total governmental fund balance	\$ 10,436,765
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, are not reported in the funds	13,139,804
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(6,953,785)
The long-term portion of Governmental compensated absences is not due and payable in the current period and, therefore, are not reported in the funds	(278,354)
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>(219,972)</u>
Net assets of governmental activities	<u>\$ 16,124,458</u>

# CITY OF KINGSBURG

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2011

	Debt Service Funds					Total Governmental Funds
	Kingsburg Public Finance Authority	Assessment Districts	Kingsburg Redevelopment Debt Service	Other Governmental Funds		
<b>Revenue</b>						
Taxes	\$ 2,313,576	\$ -	\$ 740,898	\$ 559,777	\$ 139,944	\$ 3,754,195
Licenses and permits	884,223	-	-	-	-	884,223
Intergovernmental	367,960	-	-	-	1,785,417	2,153,377
Charges for services	246,903	-	-	-	-	246,903
Fines and forfeitures	34,399	-	-	-	-	34,399
Development fees	-	-	-	-	165,866	165,866
Interest	1,665	57	-	-	17,300	436,021
Other	148,015	-	-	-	11,410	159,425
<b>Total revenue</b>	<b>3,996,741</b>	<b>740,955</b>	<b>559,777</b>	<b>2,119,937</b>	<b>7,834,409</b>	
<b>Expenditures</b>						
<b>Current</b>						
General government	876,907	-	-	-	-	876,907
Parks and community services	262,032	-	-	91,141	-	353,173
Public safety	2,347,346	-	-	-	-	2,347,346
Public works	508,588	-	-	392,077	-	900,665
Planning and community development	473,237	-	-	152,900	-	626,137
Tax pass-through	-	-	-	223,174	-	223,174
Capital outlay	134,713	-	-	1,573,570	-	1,708,283
Debt Service	-	-	-	-	-	-
Principal	-	-	-	92,641	-	327,641
Interest and fiscal charges	-	164,248	47,217	-	-	635,348
<b>Total expenditures</b>	<b>4,602,823</b>	<b>164,248</b>	<b>363,032</b>	<b>2,209,688</b>	<b>7,998,674</b>	
Revenue over/(under) expenditures	(606,082)	576,707	196,745	(89,751)	(164,265)	
<b>Other Financing Sources/(Uses)</b>						
Transfers in	1,151,439	-	-	-	207,708	1,359,147
Transfers out	(495,085)	-	(304,000)	-	(493,031)	(1,292,116)
	656,354	-	(304,000)	-	(285,323)	67,031
<b>Change in Fund Balance</b>	<b>50,272</b>	<b>(241,884)</b>	<b>576,707</b>	<b>(107,255)</b>	<b>(375,074)</b>	<b>(97,234)</b>
<b>Fund Balance</b>						
Beginning of year	583,520	6,723,974	(1,506,764)	(219,610)	4,952,879	10,533,999
End of year	\$ 633,792	\$ 6,482,090	\$ (930,057)	\$ (326,865)	\$ 4,577,805	\$ 10,436,765

# CITY OF KINGSBURG

## RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2011

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Net change in fund balance - total governmental funds \$ (97,234)

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

Depreciation expense on capital assets is reported in the Statement of  
Activities, but they do not require the use of current financial  
resources. Therefore, depreciation expense is not required as  
expenditures in Governmental Funds (463,778)

Governmental Funds report capital outlay as expenditures. However,  
in the Statement of Activities and Changes in Net Assets the cost of  
those assets are capitalized as an asset and depreciated over the period  
of service 1,708,283

Repayment of long-term debt is an expenditure in governmental funds,  
but the repayment reduces long-term liabilities in the statement of  
net assets 327,641

Long-term portion of compensated absence costs in the Statement of Activities  
does not require the use of current financial resources and, therefore, is  
not reported as expenditures in Governmental Funds 13,208

In the Statement of Activities interest is accrued on long-term debt,  
whereas, in governmental funds interest expenditure is reported  
when due 7,138

Change in net assets of governmental activities \$ 1,495,258

CITY OF KINGSBURG

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
JUNE 30, 2011

	Business-Type Activities - Enterprise Funds					Total Proprietary Funds
	Water	Disposal	Ambulance	Building Fee		
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and investments	\$ 2,275,417	\$ (88,216)	\$ (1,959,617)	\$ (703,323)	\$	(475,739)
Accounts and interest receivable, net	139,195	180,760	151,214	-	-	471,169
Due from other funds	7,959	-	-	-	-	7,959
Total current assets	<u>2,422,571</u>	<u>92,544</u>	<u>(1,808,403)</u>	<u>(703,323)</u>		<u>3,389</u>
<b>Non-current assets</b>						
Property, plant and equipment, net of allowance for depreciation	5,054,824	3,360	3,655,803	13,250		8,727,237
Total noncurrent assets	<u>5,054,824</u>	<u>3,360</u>	<u>3,655,803</u>	<u>13,250</u>		<u>8,727,237</u>
Total assets	<u>7,477,395</u>	<u>95,904</u>	<u>1,847,400</u>	<u>(690,073)</u>		<u>8,730,626</u>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Accounts payable and accrued expenses	24,494	151,357	94	988		176,933
Deposits	-	-	-	6,500		6,500
Accrued interest	39,830	-	-	-		39,830
Compensated absences	25,855	8,681	67,710	10,215		112,461
Current portion of long-term debt	77,755	-	-	-		77,755
Total current liabilities	<u>167,934</u>	<u>160,038</u>	<u>67,804</u>	<u>17,703</u>		<u>413,479</u>
<b>Non-current liabilities</b>						
Long-term debt	2,592,389	-	-	-		2,592,389
Advances from other funds	690,000	-	2,995,000	-		3,685,000
Compensated absences	30,934	11,294	108,252	5,044		155,524
Total noncurrent liabilities	<u>3,313,323</u>	<u>11,294</u>	<u>3,103,252</u>	<u>5,044</u>		<u>6,432,913</u>
Total liabilities	<u>3,481,257</u>	<u>171,332</u>	<u>3,171,056</u>	<u>22,747</u>		<u>6,846,392</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	1,694,680	3,360	660,803	13,250		2,372,093
Unrestricted/(deficit)	2,301,458	(78,788)	(1,984,459)	(726,070)		(487,859)
Total net assets/(deficit)	<u>\$ 3,996,138</u>	<u>\$ (75,428)</u>	<u>\$ (1,323,656)</u>	<u>\$ (712,820)</u>		<u>\$ 1,884,234</u>

See accompanying notes.

**CITY OF KINGSBURG**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011**

	Business-Type Activities - Enterprise Funds				Total Proprietary Funds
	Water	Disposal	Ambulance	Building Fee	
<b>Operating Revenue</b>					
Charges for services	\$ 1,590,177	\$ 1,578,224	\$ 1,623,756	\$ -	\$ 4,792,157
Development fees	-	-	-	107,258	107,258
Total operating income	<u>1,590,177</u>	<u>1,578,224</u>	<u>1,623,756</u>	<u>107,258</u>	<u>4,899,415</u>
<b>Operating Expense</b>					
Contractual services and utilities	612,922	1,096,029	147,539	19,311	1,875,801
Personnel	459,100	174,800	1,344,481	106,669	2,085,050
Supplies and materials	46,409	30,854	74,641	3,192	155,096
Bad debt expense	283	589	960,628	-	961,500
Depreciation	270,515	3,776	104,003	2,215	380,509
Total operating expense	<u>1,389,229</u>	<u>1,306,048</u>	<u>2,631,292</u>	<u>131,387</u>	<u>5,457,956</u>
Operating income/(loss)	<u>200,948</u>	<u>272,176</u>	<u>(1,007,536)</u>	<u>(24,129)</u>	<u>(558,541)</u>
<b>Nonoperating Revenue/(Expense)</b>					
Interest income	673	-	-	-	673
Interest expense	(161,899)	(493)	(142,940)	-	(305,332)
Total nonoperating revenue/(expense)	<u>(161,226)</u>	<u>(493)</u>	<u>(142,940)</u>	<u>-</u>	<u>(304,659)</u>
Net income/(loss) before transfers	<u>39,722</u>	<u>271,683</u>	<u>(1,150,476)</u>	<u>(24,129)</u>	<u>(863,200)</u>
Operating Transfers In/(Out)	<u>(279,000)</u>	<u>(310,000)</u>	<u>521,969</u>	<u>-</u>	<u>(67,031)</u>
Net Income/(Loss)	<u>(239,278)</u>	<u>(38,317)</u>	<u>(628,507)</u>	<u>(24,129)</u>	<u>(930,231)</u>
<b>Net Assets</b>					
Beginning of year	4,235,416	(37,111)	(695,149)	(688,691)	2,814,465
End of year	<u>\$ 3,996,138</u>	<u>\$ (75,428)</u>	<u>\$ (1,323,656)</u>	<u>\$ (712,820)</u>	<u>\$ 1,884,234</u>

See accompanying notes.

CITY OF KINGSBURG

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds				Total Proprietary Funds
	Water	Disposal	Ambulance	Building Fee	
<b>Operating Activities</b>					
Receipts from customers and users	\$ 1,587,684	\$ 1,572,901	\$ 1,606,969	\$ 107,258	\$ 4,874,812
Payment to suppliers	(779,802)	(1,055,670)	(1,191,169)	(24,963)	(3,051,604)
Payment to employees	(458,056)	(173,674)	(1,331,480)	(105,434)	(2,068,644)
Net cash provided (used) by operating activities	349,826	343,557	(915,680)	(23,139)	(245,436)
<b>Non-capital Financial Activities</b>					
Transfers (to)/from other funds	(279,000)	(310,000)	521,969	-	(67,031)
Net cash provided (used) by noncapital financing activities	(279,000)	(310,000)	521,969	-	(67,031)
<b>Capital and Related Financing Activities</b>					
Proceeds from long-term debt	275,930	-	-	-	275,930
Principal paid on long-term debt	(103,871)	-	(70,000)	-	(173,871)
Interest paid on long-term debt	(174,114)	(493)	(142,940)	-	(317,547)
Net cash used in capital and related financing activities	(2,055)	(493)	(212,940)	-	(215,488)
<b>Investing Activities</b>					
Interest received	673	-	-	-	673
Net cash provided by investing activities	673	-	-	-	673
<b>Net Increase (Decrease) in Cash</b>	69,444	33,064	(606,651)	(23,139)	(527,282)
<b>Cash</b>					
Beginning of year	2,205,973	(121,280)	(1,352,966)	(680,184)	51,543
End of year	2,275,417	(88,216)	(1,959,617)	(703,323)	(475,739)
<b>Cash Flows from Operating Activities</b>					
Operating income (loss)	\$ 200,948	\$ 272,176	\$ (1,007,536)	\$ (24,129)	\$ (558,541)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	270,515	3,776	104,003	2,215	380,509
(Increase) Decrease in Accounts Receivable	(2,493)	(5,323)	(16,787)	-	(24,603)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(119,144)	72,928	4,640	(1,225)	(42,801)
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ 349,826	\$ 343,557	\$ (915,680)	\$ (23,139)	\$ (245,436)

See accompanying notes.

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Kingsburg (the City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

#### Reporting Entity

The City 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 Redevelopment Agency of the City of Kingsburg (the Agency). The Agency was established May 3, 1982 to administer the City's redevelopment activities and projects. Members of the City Council automatically sit as the Agency's Board, the City Manager is appointed as Executive Director with the City staff providing all support services. Currently the Agency/City legislative meetings are held concurrently. The annual financial statements for the Agency for the fiscal year ended June 30, 2011 can be obtained through the City's Finance Department.

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 Government-Wide Financial Statements (the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) report information of all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 1 – Summary of Significant Accounting Policies (Continued)

The Statement of Activities and Changes in Net Assets presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net 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 Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds and the blended component unit. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

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

*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 Service 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.

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Basis of Accounting

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

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

For its government-wide activities and Enterprise Funds, the City has elected under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

#### Financial Statement Amounts

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

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 1 – Summary of Significant Accounting Policies (Continued)

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 uncollectibles.

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 year end. Property tax 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.

*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.

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 1 – Summary of Significant Accounting Policies (Continued)

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
Plant system	20 - 50
Machinery and equipment	5 - 10
Infrastructure	40

*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 a liability in the government-wide and enterprise fund financial statements.

*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.

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 1 – Summary of Significant Accounting Policies (Continued)

*Long-Term Obligations* - In the Government-Wide Financial Statements and in the Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type Statement of Net Assets. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. Bond premiums and discounts, as well as issuance 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.

*Non-Current Governmental Assets/Liabilities* - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Assets.

*Net Assets* - The government-wide and business-type activities financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- 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 the balance in this category.
- Restricted Net Assets - This category presents external restrictions on net assets imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets - This category represents net assets of the City not restricted for any project or other purpose.

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 1 – Summary of Significant Accounting Policies (Continued)

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

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.
- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.
- Assigned fund balance are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

*Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

*Implementation of New GASB Pronouncement* – The District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, a new accounting standard which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 2 – Stewardship, Compliance and Accountability

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

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 outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

#### Statement of Net Assets:

Cash and Investments	\$ 4,390,296
Cash and Investments - Held by Trustee	<u>1,250,089</u>
	<u>\$ 5,640,385</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 1,150
Deposits with Financial Institutions	867,823
Local Agency Investment Fund	3,521,323
Held by Fiscal Agent:	
U.S. Treasury Obligations	650,089
Notes, Mortgages, and Contracts	<u>600,000</u>
Total Cash and Investments	<u>\$ 5,640,385</u>

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 3 – Cash and Investments (Continued)

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

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

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
JPA Pools (other investment pools)	N/A	None	None

#### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment in the investment pools are available for withdraw in one business day and have an overall maturity of less than one year.

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 3 – Cash and Investments (Continued)

#### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investments in the investment pools are unrated.

#### Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total City investments.

#### Custodial Credit Risk

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

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

#### Investment in State Investment Pool

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

**CITY OF KINGSBURG**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

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**Note 4 – Interfund Activity**

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

Individual fund interfund receivables and payables balances as of June 30, 2011 are as follows:

	<u>Due From</u>	<u>Due To</u>
Sewer Connection Fund	\$ 110,000	\$ -
Water Fund	7,959	-
Kingsburg Public Finance Authority Fund	-	40,037
Assessment Districts Fund	-	77,922
	<u>\$ 117,959</u>	<u>\$ 117,959</u>

**Advances From/To Other Funds**

Advances receivable and payable constitute long-term borrowing between funds. Advances typically carry a stated interest rate and have scheduled debt service payments. At June 30, 2011, the funds below have made advances that were not expected to be repaid in one year or less.

	<u>Advances Receivable</u>	<u>Advances Payable</u>
Kingsburg public finance authority debt service fund	\$ 5,579,000	\$ -
Assessment district debt service fund	-	1,554,000
Kingsburg redevelopment agency debt service fund	-	340,000
Water Fund	-	690,000
Ambulance Fund	-	2,995,000
	<u>\$ 5,579,000</u>	<u>\$ 5,579,000</u>

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

### Note 4 – Interfund Activity (Continued)

#### Transfers Between Funds

With 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	
	Out	In
<b>Major Funds:</b>		
General fund	\$ (495,085)	\$ 1,151,439
Kingsburg redevelopment agency debt service fund	(304,000)	-
Water fund	(279,000)	-
Disposal fund	(310,000)	-
Ambulance fund	-	521,969
<b>Nonmajor Funds:</b>		
Gas tax special revenue fund	(15,000)	-
Local transportation special revenue fund	(120,411)	-
Measure C special revenue fund	(40,297)	-
Senior center special revenue fund	-	77,000
COPS special revenue fund	(103,695)	-
Vehicle abandonment special revenue fund	(744)	-
Capital facilities capital projects fund	(212,884)	-
Street projects fund	-	130,708
	<u>\$ (1,881,116)</u>	<u>\$ 1,881,116</u>

### Note 5 – Capital Assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure additions in the government-wide statement of net assets. The City elected to use the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following page presents summary information on capital assets.

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

### Note 5 – Capital Assets (Continued)

Capital asset activities for the year ended June 30, 2011 were as follows:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
<b><u>Governmental Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 669,243	\$ 574,389	\$ -	\$ 1,243,632
Construction in progress	431,946	136,481	(201,252)	367,175
Total capital assets, not being depreciated	<u>1,101,189</u>	<u>710,870</u>	<u>(201,252)</u>	<u>1,610,807</u>
Capital assets, being depreciated				
Buildings and improvements	4,419,870	-	-	4,419,870
Infrastructure	8,065,993	1,029,626	-	9,095,619
Machinery and equipment	2,606,418	169,039	-	2,775,457
Total capital assets, being depreciated	<u>15,092,281</u>	<u>1,198,665</u>	<u>-</u>	<u>16,290,946</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,853,601)	(125,193)	-	(1,978,794)
Infrastructure	(567,780)	(210,214)	-	(777,994)
Machinery and equipment	(1,876,790)	(128,371)	-	(2,005,161)
Total accumulated depreciation	<u>(4,298,171)</u>	<u>(463,778)</u>	<u>-</u>	<u>(4,761,949)</u>
Total capital assets, being depreciated, net	<u>10,794,110</u>	<u>734,887</u>	<u>-</u>	<u>11,528,997</u>
Governmental activities capital assets, net	<u>\$ 11,895,299</u>	<u>\$ 1,445,757</u>	<u>\$ (201,252)</u>	<u>\$ 13,139,804</u>
<b><u>Business-Type Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 83,216	\$ -	\$ -	\$ 83,216
Construction in progress	12,602	-	-	12,602
Total capital assets, not being depreciated	<u>95,818</u>	<u>-</u>	<u>-</u>	<u>95,818</u>
Capital assets, being depreciated				
Building and plant	10,282,582	-	-	10,282,582
Machinery and equipment	1,739,482	-	-	1,739,482
Total capital assets, being depreciated	<u>12,022,064</u>	<u>-</u>	<u>-</u>	<u>12,022,064</u>
Less: accumulated depreciation	<u>(3,010,136)</u>	<u>(380,509)</u>	<u>-</u>	<u>(3,390,645)</u>
Total capital assets, being depreciated, net	<u>9,011,928</u>	<u>(380,509)</u>	<u>-</u>	<u>8,631,419</u>
Business-type activities capital assets, net	<u>\$ 9,107,746</u>	<u>\$ (380,509)</u>	<u>\$ -</u>	<u>\$ 8,727,237</u>

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 5 – Capital Assets (Continued)

Depreciation and amortization expense were charged to the following functions in the Statement of Activities:

#### Governmental Functions:

General Government	\$	12,666
Parks and community services		57,606
Public Safety		114,276
Public Works		69,016
Planning and community development		210,214
	\$	<u>463,778</u>

#### Business-Type Functions:

Water	\$	270,515
Disposal		3,776
Ambulance		104,003
Building Fee		2,215
	\$	<u>380,509</u>

### Note 6 – Operating Lease

The City has a non-cancelable lease for the City's Council Chambers. The lease expires on August 31, 2017. For the fiscal year ended June 30, 2011, rent expense was \$25,200. The lease payments range from \$2,100 to \$2,362 per month.

Future minimum lease payments for the lease is as follows:

Years ending June 30,	
2012	25,200
2013	25,830
2014	25,956
2015	27,254
2016	27,513
2017 - 2018	32,925
	<u>\$ 164,678</u>

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

### Note 7 – Long-Term Debt

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

In governmental 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, 2010	Additions	Retirements	Balance June 30, 2011	Current Portion
<b><u>Governmental Activity Long Term Debt</u></b>					
PFA revenue bonds, Series 1991	\$ 1,375,000	\$ -	\$ (65,000)	\$ 1,310,000	\$ 70,000
PFA revenue bonds, Series 1992	2,135,000	-	(100,000)	2,035,000	110,000
PFA fire department lease revenue bond	3,065,000	-	(70,000)	2,995,000	75,000
CIEDB police building loan	706,426	-	(92,641)	613,785	95,272
Total Governmental Activity Debt	<u>\$ 7,281,426</u>	<u>\$ -</u>	<u>\$ (327,641)</u>	<u>\$ 6,953,785</u>	<u>\$ 350,272</u>
<b><u>Business-Type Activity Long Term Debt</u></b>					
CIEDB water loan	<u>\$ 2,463,085</u>	<u>\$ 275,930</u>	<u>\$ (68,871)</u>	<u>\$ 2,670,144</u>	<u>\$ 77,755</u>
Total Business-Type Activity Debt	<u>\$ 2,463,085</u>	<u>\$ 275,930</u>	<u>\$ (68,871)</u>	<u>\$ 2,670,144</u>	<u>\$ 77,755</u>
<b><u>Compensated Absences</u></b>					
Government Activities	<u>\$ 495,638</u>	<u>\$ -</u>	<u>\$ 30,232</u>	<u>\$ 465,406</u>	<u>\$ 187,052</u>
Business-Type Activities	<u>\$ 251,579</u>	<u>\$ 16,406</u>	<u>\$ -</u>	<u>\$ 267,985</u>	<u>\$ 112,461</u>

Long-term debt payable at June 30, 2011 was comprised of the following individual issues:

**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 constructing/improving and equipping, of capital improvements for the City or the Agency. These bonds are payable from assessments on the property owners within the district and are payable from other funds of the City. The principal payments range from \$45,000 to \$205,000 and are due annually through 2023. At June 30, 2011 bonds outstanding amount to \$1,310,000.

**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 7.60% to 7.90% payable semi-annually. The proceeds were used to finance, refinance, or reimburse the cost of acquiring and constructing/improving and equipping, of capital improvements for the City or the Agency. These bonds are payable from assessments on the property owners within the district and are payable from other funds of the City. The principal payments range from \$100,000 to \$305,000 and are due annually through 2023. At June 30, 2011 bonds outstanding amount to \$2,035,000.

**CITY OF KINGSBURG**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**Note 7 – 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 5.0% 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, 2011 bonds outstanding amount to \$2,995,000.

**Building Loan Payable** – During the fiscal year 2001/02, the City 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 annual interest payments at 2.58% through 2017.

**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<sup>st</sup> and February 1<sup>st</sup>. Under the terms of the agreement, CIEDB issued tax exempt bonds to be used for the funding of the project. At June 30, 2011 the loan outstanding amounts to \$2,670,144.

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2011 were as follows:

Years ending June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 350,272	\$ 415,247	\$ 77,755	\$ 78,412
2013	357,977	395,315	80,072	76,060
2014	385,760	374,368	82,459	73,638
2015	403,621	351,230	84,916	71,145
2016	426,564	327,463	87,446	68,577
2017-2021	2,054,591	1,241,554	477,908	301,599
2022-2026	1,450,000	545,990	553,489	224,895
2027-2031	765,000	308,500	641,022	136,055
2032-2035	760,000	97,500	585,077	35,510
	<u>\$ 6,953,785</u>	<u>\$ 4,057,167</u>	<u>\$ 2,670,144</u>	<u>\$ 1,065,891</u>

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 8 – 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, 2011:

Assessment Districts	\$ (930,057)
Kingsburg Redevelopment Agency Debt Service Fund	(326,865)
Disposal Fund	(75,428)
Ambulance Fund	(1,323,656)
Building Fee Fund	(712,820)
	<u>\$ (3,368,826)</u>

The deficit fund balance in the Assessment Districts Fund and the Kingsburg Redevelopment Agency Debt Service Fund is due to reclassification of outstanding debt into the fund as an advance.

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

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

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 9 – 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.

### Note 10 – Pension Plan

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

# CITY OF KINGSBURG

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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### Note 10 – Pension Plan (Continued)

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 age 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 employee’s 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, 2011 was 10.895% for the miscellaneous plan and 13.641% for the safety plan. The contribution requirements of plan members is established by State statute and the employer contribution is established and may be amended by PERS.

**Annual Pension Cost** - For the year ended June 30, 2011, the City's annual pension cost of \$612,217 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009, 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 per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects 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, 2011, was 18 years.

#### THREE YEAR TREND INFORMATION FOR PERS

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<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 577,851	100%	-
June 30, 2010	\$ 518,465	100%	-
June 30, 2011	\$ 612,217	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 all employers of the same risk pool. Participation in the risk pools 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. The first year in 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF KINGSBURG**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive/ (Negative)
<b>Revenue</b>				
Taxes	\$ 2,254,100	\$ 2,254,100	\$ 2,313,576	\$ 59,476
Licenses and permits	880,200	880,200	884,223	4,023
Intergovernmental	252,000	252,000	367,960	115,960
Charges for services	158,430	158,430	246,903	88,473
Fines and forfeitures	50,000	50,000	34,399	(15,601)
Interest	5,000	5,000	1,665	(3,335)
Other	66,000	66,000	148,015	82,015
Total revenue	<u>3,665,730</u>	<u>3,665,730</u>	<u>3,996,741</u>	<u>331,011</u>
<b>Expenditures</b>				
Current				
General government	900,623	885,207	876,907	8,300
Parks and community services	249,317	247,082	262,032	(14,950)
Public safety	2,268,665	2,236,744	2,347,346	(110,602)
Public works	525,218	468,035	508,588	(40,553)
Planning and community development	545,687	482,621	473,237	9,384
Capital outlay	-	-	134,713	(134,713)
Total expenditures	<u>4,489,510</u>	<u>4,319,689</u>	<u>4,602,823</u>	<u>(283,134)</u>
Revenue over (under)expenditure	(823,780)	(653,959)	(606,082)	47,877
<b>Other Financing Sources</b>				
Transfers in (out) - net	<u>601,915</u>	<u>601,915</u>	<u>656,354</u>	<u>54,439</u>
<b>Net Change in Fund Balance</b>	<u>\$ (221,865)</u>	<u>\$ (52,044)</u>	<u>50,272</u>	<u>\$ 102,316</u>
<b>Fund Balance</b>				
Beginning of year			<u>583,520</u>	
End of year			<u>\$ 633,792</u>	

**SUPPLEMENTAL ONLY INFORMATION**

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# CITY OF KINGSBURG

## COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2011

	Special Revenue Funds	Capital Projects Funds	Totals
<b>ASSETS</b>			
Cash and investments	\$ 2,240,328	\$ 1,437,563	\$ 3,677,891
Accounts and interest receivable	202,787	663,584	866,371
Due from other funds	-	110,000	110,000
Total assets	<u>\$ 2,443,115</u>	<u>\$ 2,211,147</u>	<u>\$ 4,654,262</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable and accrued expense	\$ 14,895	\$ 32,825	\$ 47,720
Deposits	-	11,747	11,747
Compensated absences	16,990	-	16,990
Total liabilities	<u>31,885</u>	<u>44,572</u>	<u>76,457</u>
<b>Fund Balance</b>			
<b>Restricted</b>			
Capital improvement projects	-	1,939,684	1,939,684
Circulation improvements	1,364,055	11,646	1,375,701
Community services activities	9,184	-	9,184
Public safety programs	17,468	-	17,468
Low-income housing activities	1,020,523	-	1,020,523
Redevelopment activities	-	215,245	215,245
<b>Unassigned</b>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>2,411,230</u>	<u>2,166,575</u>	<u>4,577,805</u>
Total liabilities and fund balance	<u>\$ 2,443,115</u>	<u>\$ 2,211,147</u>	<u>\$ 4,654,262</u>

# CITY OF KINGSBURG

## COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2011

	Special Revenue Funds	Capital Projects Funds	Totals
<b>Revenue</b>			
Taxes	\$ 139,944	\$ -	\$ 139,944
Intergovernmental	939,515	845,902	1,785,417
Development fees	-	165,866	165,866
Interest	12,265	5,035	17,300
Other	8,030	3,380	11,410
Total revenue	<u>1,099,754</u>	<u>1,020,183</u>	<u>2,119,937</u>
<b>Expenditures</b>			
Current			
Parks and community services	91,141	-	91,141
Public works	392,077	-	392,077
Planning and community development	6,292	146,608	152,900
Capital outlay	574,389	999,181	1,573,570
Total expenditures	<u>1,063,899</u>	<u>1,145,789</u>	<u>2,209,688</u>
Revenue over/(under) expenditures	35,855	(125,606)	(89,751)
<b>Other Financing Sources/(Uses)</b>			
Transfers in	77,000	130,708	207,708
Transfers out	(280,147)	(212,884)	(493,031)
	<u>(203,147)</u>	<u>(82,176)</u>	<u>(285,323)</u>
<b>Change in Fund Balance</b>	(167,292)	(207,782)	(375,074)
<b>Fund Balance</b>			
Beginning of year	2,578,522	2,374,357	4,952,879
End of year	<u>\$ 2,411,230</u>	<u>\$ 2,166,575</u>	<u>\$ 4,577,805</u>

**CITY OF KINGSBURG**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2011**

	Gas Tax	Local Transportation	Measure C	Senior Center	COPS Grant	Vehicle Abandonment	Low-Moderate Housing	Total
<b>ASSETS</b>								
Cash and investments	\$ 34,466	\$ 636,967	\$ 529,897	\$ 13,152	\$ (11,315)	\$ 17,468	\$ 1,019,693	\$ 2,240,328
Accounts and interest receivable	35,616	129,846	19,615	4,740	11,315	-	1,655	202,787
Total assets	\$ 70,082	\$ 766,813	\$ 549,512	\$ 17,892	\$ -	\$ 17,468	\$ 1,021,348	\$ 2,443,115
<b>LIABILITIES AND FUND BALANCE</b>								
<b>Liabilities</b>								
Accounts payable and accrued expense	\$ 10,994	\$ 2,062	\$ -	\$ 1,014	\$ -	\$ -	\$ 825	\$ 14,895
Compensated absences	9,296	-	-	7,694	-	-	-	16,990
Total liabilities	20,290	2,062	-	8,708	-	-	825	31,885
<b>Fund Balance</b>								
<b>Restricted</b>								
Circulation improvements	49,792	764,751	549,512	-	-	-	-	1,364,055
Community services activities	-	-	-	9,184	-	-	-	9,184
Public safety programs	-	-	-	-	-	17,468	-	17,468
Low-income housing activities	-	-	-	-	-	-	1,020,523	1,020,523
Unassigned	-	-	-	-	-	-	-	-
Total fund balance	49,792	764,751	549,512	9,184	-	17,468	1,020,523	2,411,230
Total liabilities and fund balance	\$ 70,082	\$ 766,813	\$ 549,512	\$ 17,892	\$ -	\$ 17,468	\$ 1,021,348	\$ 2,443,115

CITY OF KINGSBURG

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2011

	Gas Tax	Local Transportation	Measure C	Senior Center	COPS Grant	Vehicle Abandonment	Low-Moderate Housing	Total
<b>Revenue</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,944	\$ 139,944
Intergovernmental	285,842	265,731	277,489	8,550	100,043	1,860	-	939,515
Interest	-	2,472	2,021	-	965	-	6,807	12,265
Other	-	-	-	8,030	-	-	-	8,030
Total revenue	<u>285,842</u>	<u>268,203</u>	<u>279,510</u>	<u>16,580</u>	<u>101,008</u>	<u>1,860</u>	<u>146,751</u>	<u>1,099,754</u>
<b>Expenditures</b>								
Parks and community services	-	-	-	91,141	-	-	-	91,141
Public works	247,007	23,596	121,474	-	-	-	-	392,077
Planning and community development	-	-	-	-	-	-	6,292	6,292
Capital outlay	-	-	-	-	-	-	574,389	574,389
Total expenditures	<u>247,007</u>	<u>23,596</u>	<u>121,474</u>	<u>91,141</u>	<u>-</u>	<u>-</u>	<u>580,681</u>	<u>1,063,899</u>
Revenue over (under) expenditures	38,835	244,607	158,036	(74,561)	101,008	1,860	(433,930)	35,855
<b>Other financing sources/(uses)</b>								
Transfers in	-	-	-	77,000	-	-	-	77,000
Transfers out	(15,000)	(120,411)	(40,297)	-	(103,695)	(744)	-	(280,147)
	<u>(15,000)</u>	<u>(120,411)</u>	<u>(40,297)</u>	<u>77,000</u>	<u>(103,695)</u>	<u>(744)</u>	<u>-</u>	<u>(203,147)</u>
Change in Fund Balance	23,835	124,196	117,739	2,439	(2,687)	1,116	(433,930)	(167,292)
<b>Fund Balance</b>								
Beginning of year	25,957	640,555	431,773	6,745	2,687	16,352	1,454,453	2,578,522
End of year	<u>\$ 49,792</u>	<u>\$ 764,751</u>	<u>\$ 549,512</u>	<u>\$ 9,184</u>	<u>\$ -</u>	<u>\$ 17,468</u>	<u>\$ 1,020,523</u>	<u>\$ 2,411,230</u>

CITY OF KINGSBURG

COMBINING BALANCE SHEET  
NON-MAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2011

	Capital Facilities	Sewer Connection	Storm Drain	Parks and Recreation	Street Projects
Cash and investments	\$ 907,037	\$ 781,339	\$ 53,961	\$ 61,487	\$ (618,609)
Accounts and interest receivable	558	235	-	1	662,750
Due from other funds	-	110,000	-	-	-
Total assets	\$ 907,595	\$ 891,574	\$ 53,961	\$ 61,488	\$ 44,141

ASSETS

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable and accrued expense	\$ -
Deposits	-
Total liabilities	\$ -

Fund Balance	
Restricted	
Capital improvement projects	907,595
Circulation improvements	-
Redevelopment activities	-
Unassigned	-
Total fund balance	907,595
Total liabilities and fund balance	\$ 907,595

CITY OF KINGSBURG

COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS (CONTINUED)  
 JUNE 30, 2011

	Special Assessment Projects	Equipment Replacement	Redevelopment Agency	Total
<b>ASSETS</b>				
Cash and investments	\$ 330	\$ 25,026	\$ 226,992	\$ 1,437,563
Accounts and interest receivable	-	40	-	663,584
Due from other funds	-	-	-	110,000
Total assets	\$ 330	\$ 25,066	\$ 226,992	\$ 2,211,147
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable and accrued expense	\$ 330	-	-	\$ 32,825
Deposits	-	-	11,747	11,747
Total liabilities	330	-	11,747	44,572
<b>Fund Balance</b>				
<b>Restricted</b>				
Capital improvement projects	-	25,066	-	1,939,684
Circulation improvements	-	-	-	11,646
Redevelopment activities	-	-	215,245	215,245
Unassigned	-	-	-	-
Total fund balance	-	25,066	215,245	2,166,575
Total liabilities and fund balance	\$ 330	\$ 25,066	\$ 226,992	\$ 2,211,147

# CITY OF KINGSBURG

## COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR CAPITAL PROJECTS FUNDS YEAR ENDED JUNE 30, 2011

	Capital Facilities	Sewer Connection	Storm Drain	Parks and Recreation	Street Projects
<b>Revenue</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 845,902
Development fees	113,200	26,710	-	20,720	5,236
Interest	3,126	1,376	145	28	39
Other	-	-	-	-	-
Total revenue	<u>116,326</u>	<u>28,086</u>	<u>145</u>	<u>20,748</u>	<u>851,177</u>
<b>Expenditures</b>					
Planning and community development	-	727	122,523	-	10,759
Capital outlay	-	-	-	-	977,835
Total expenditures	<u>-</u>	<u>727</u>	<u>122,523</u>	<u>-</u>	<u>988,594</u>
Revenue over (under) expenditures	116,326	27,359	(122,378)	20,748	(137,417)
<b>Other financing sources/(uses)</b>					
Transfers in	-	-	-	-	130,708
Transfers out	(212,884)	-	-	-	-
	<u>(212,884)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,708</u>
Change in Fund Balance	(96,558)	27,359	(122,378)	20,748	(6,709)
<b>Fund Balance</b>					
Beginning of year	1,004,153	864,215	176,339	40,740	18,355
End of year	<u>\$ 907,595</u>	<u>\$ 891,574</u>	<u>\$ 53,961</u>	<u>\$ 61,488</u>	<u>\$ 11,646</u>

# CITY OF KINGSBURG

## COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR CAPITAL PROJECTS FUNDS (CONTINUED) YEAR ENDED JUNE 30, 2011

	Special Assessment Projects	Equipment Replacement	Redevelopment Agency	Total
<b>Revenue</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ 845,902
Development fees	-	-	-	165,866
Interest	1	225	95	5,035
Other	3,380	-	-	3,380
Total revenue	<u>3,381</u>	<u>225</u>	<u>95</u>	<u>1,020,183</u>
<b>Expenditures</b>				
Planning and community development	-	11,384	1,215	146,608
Capital outlay	-	6,000	15,346	999,181
Total expenditures	-	<u>17,384</u>	<u>16,561</u>	<u>1,145,789</u>
Revenue over (under) expenditures	3,381	(17,159)	(16,466)	(125,606)
<b>Other financing sources/(uses)</b>				
Transfers in	-	-	-	130,708
Transfers out	-	-	-	(212,884)
	-	-	-	(82,176)
Change in Fund Balance	3,381	(17,159)	(16,466)	(207,782)
<b>Fund Balance</b>				
Beginning of year	(3,381)	42,225	231,711	2,374,357
End of year	\$ -	\$ 25,066	\$ 215,245	\$ 2,166,575

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

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

We have audited the financial statements of the City of Kingsburg, as of, and for the year ended June 30, 2011, and have issued our report thereon dated September 8, 2011. 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**

In planning and performing our audit, we considered the City of Kingsburg's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our 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.

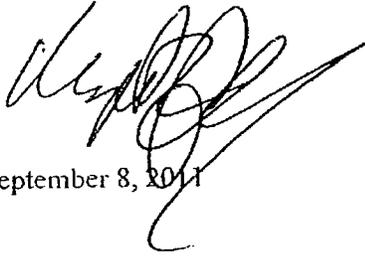
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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 of Kingsburg'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*.

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

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

September 8, 2011

**INDEPENDENT AUDITOR'S 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**

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

We have audited the compliance of the City of Kingsburg (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 on 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, 2011.

**Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 in order 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 the 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.

#### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the City as of June 30, 2011, and for the year then ended, and have issued our report thereon dated September 8, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management 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.

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

September 8, 2011

# CITY OF KINGSBURG

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Health and Human Services Passed through California Department of Aging Special Program for Aging	93.044	11-0131	\$ 8,550
U.S. Department of Housing and Urban Development Passed through County of Fresno Community Development Block Grant	14.218	N/A	93,099
U.S. Department of Justice Public Safety Partnership and Community Policing Grant	16.710	N/A	2,029
U.S. Department of Homeland Security Passed through County of Fresno Emergency Operations Center Grant Program	97.052	N/A	6,869
U.S. Department of Transportation Passed through California Department of Transportation			
Highway Planning and Construction		CML-5170(032)	280,742
Highway Planning and Construction		CML-5170(026)	252,957
Highway Planning and Construction		CML-5170(029)	8,178
Highway Planning and Construction		CML-5170(027)	72,537
Highway Planning and Construction		CML-5170(031)	4,658
Highway Planning and Construction		CML-5170(036)	66,798
Highway Planning and Construction		STPL-5170(034)	22,689
ARRA - Highway Planning and Construction		ESPLE-5170(035)	127,701
Total Highway Planning and Construction	20.205		<u>836,260</u>
<i>Total Federal Expenditures</i>			<u>\$ 946,807</u>

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

#### NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards reports expenditures on the modified accrual basis of accounting. Accordingly, expenditures represent amounts incurred during the fiscal year which meet federal grant eligibility requirements.

**CITY OF KINGSBURG**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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**A. Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported
- Non-compliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  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  No

*Identification of Major Programs*

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning & Construction

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

Auditee qualified as low-risk auditee?  Yes  No

**Section B - Findings – Financial Statements Audit**

None noted.

**Section C - Findings and Questioned Costs – Major Federal Award Programs Audit**

None noted.

**CITY OF KINGSBURG**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2011**

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**Summary Schedule of Prior Audit Findings**

There were no prior year audit findings.