

**CITY OF CHOWCHILLA  
CALIFORNIA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2011**

**CITY OF CHOWCHILLA  
JUNE 30, 2011**

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JUNE 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Chowchilla, 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 City of Chowchilla, California (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 City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements, management has not maintained records of capital assets and, therefore, capital assets and the related depreciation thereon are not reported in the governmental activities, business-type activities, and enterprise fund financial statements. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities, business-type activities, and enterprise fund activities. The amounts by which this departure would affect the assets, net assets, and expenses of the governmental activities, business-type activities, and enterprise funds are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of June 30, 2011, or the changes in its financial position or, where applicable, its cash flows for the year then ended.

As disclosed in Note 15, the State of California adopted Assembly Bill 1X 26 on June 29, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. On December 29, 2011, the Court ruled that Assembly Bill 1X 26, the dissolution measure, is largely upheld and is a proper exercise of the legislative power vested in the Legislature by the State Constitution. Accordingly, the Agency was

dissolved effective January 31, 2012. The financial statements do not include any adjustments as a result of the dissolution of the Agency. The City has adopted a resolution which names it as the Successor Agency to the Redevelopment Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 14 and pages 72 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Price Pange & Company*

Clovis, California  
March 28, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## CITY OF CHOWCHILLA

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011**

Management's Discussion and Analysis (MD&A) provides an overview of the City of Chowchilla's activities and financial performance for the fiscal year ended June 30, 2011. We encourage readers to read the MD&A in conjunction with the basic financial statements that immediately follow and with other portions of this Comprehensive Annual Financial Report.

#### **FINANCIAL HIGHLIGHTS**

- The government-wide statement of net assets for the City's governmental and business-type activities indicates that as of June 30, 2011, total liabilities exceed its total assets by \$5,254,728. Of this amount, \$2,197,897 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$17,889,947 is restricted for specific purposes (restricted net assets), and (\$25,342,572) is invested in capital assets, net of related debt. This is a negative figure due to the fact that the capital assets are not reported in these statements. As explained in Note 1 of the Notes to Basic Financial Statements, the City has not maintained records of capital assets in its general ledger; therefore, capital assets are not reported in the statements of net assets of government-wide and enterprise fund financial statements. The City will be undertaking an appraisal of its inventory of capital assets in order to comply with GASB Statement No.34.
- Total net assets increased by \$976,828 or 16% during 2010-2011 from \$6,231,556 deficit to \$5,254,728 deficit.
- Governmental funds reported a combined ending fund balance of \$18,239,782 at June 30, 2011, which is \$616,928 or 3% less than the June 30, 2010 balance. Governmental funds that experienced increases in fund balance include General Fund (\$1,826,577), CDBG Special Revenue Fund (\$206,921), Public Build Impact Fees Capital Projects Fund (\$6,866), Storm Drain Capital Projects Fund (\$211,853), and Redevelopment Agency Debt Service Fund (\$1,748,864).
- Unassigned fund deficit totals \$949,421, which is -5% percent of governmental fund balances at June 30, 2011.
- Total obligations increased by \$136,407 during 2010-2011 to \$26,722,123 at June 30, 2011, which represented an increase of 1% compared to \$26,585,716 outstanding as of June 30, 2010. Primary factors leading to this decrease include an addition of \$982,080 in loan payable and principal payments of \$883,524 on outstanding bonds and loans related to governmental and business-type activities.

#### **THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Chowchilla (City) and its component units using the integrated approach as prescribed by GASB Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the three categories of activities — governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

## CITY OF CHOWCHILLA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

#### OVERVIEW OF THE FINANCIAL STATEMENTS

##### Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we separate the City's activities as follows:

*Governmental Activities*—Most of the City's basic services are reported in this category, including the General Government, Public Safety, Highway and Streets, Culture and Recreation and Community Development. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

*Business-Type Activities*—The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Water system, Wastewater system, Solid Waste system, Storm Drain system and Airport Services activities are reported in this category.

The Government-Wide Financial Statements can be found on the pages immediately following this section as the first section of the Basic Financial Statements.

##### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

*Governmental Funds*—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental funds financial statements to those in the government-wide financial statements are explained in a reconciliation schedule following the governmental funds financial statements.

The Governmental Funds Financial Statements can be found on pages 20-27 of this report.

CITY OF CHOWCHILLA

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

*Proprietary Funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities—such as the City's employee benefits fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

The Proprietary Fund Financial Statements can be found on pages 28-35 of this report.

*Fiduciary Funds*—The City is the trustee, or *fiduciary*, for certain funds held to account for activities reported in this category which include the receipt of special taxes and assessments used to pay principal and interest on related bonded debt that has no direct City liability, as well as receipt and disbursement of developer deposits. The City's fiduciary activities are reported in separate statements of fiduciary net assets and combining statement of changes in assets and liabilities.

The Fiduciary Fund Financial statements can be found on page 36 this report.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Notes can be found on pages 38-69 of this report.

**Required Supplementary Information** includes the budgetary schedules for the general fund and each major special revenue fund. In addition, pension schedules present the City of Chowchilla's progress towards funding its obligations to provide future pension benefits for its active and retired employees.

Required Supplementary Information can be found on pages 72-74 of this report.

**Combining and Individual Fund Statements and Schedules** referred to earlier provide information for nonmajor governmental funds and fiduciary funds and are presented immediately following the required supplementary information.

Combining and Individual Fund Statements and Schedules can be found on pages 78-92 of this report.

**CITY OF CHOWCHILLA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring the City's overall financial position. The City's liabilities exceeded its assets by \$5,254,728 at June 30, 2011.

The following table is a condensed summary of the City's net assets for governmental and business-type activities:

	<b>Statements of Net Assets</b>					
	<b>June 30, 2011 and 2010</b>					
	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and other assets	\$ 22,443,271	\$ 22,199,298	\$ 1,223,981	\$ 393,762	\$ 23,667,252	\$ 22,593,060
Capital assets	-	-	-	-	-	-
Total assets	<u>22,443,271</u>	<u>22,199,298</u>	<u>1,223,981</u>	<u>393,762</u>	<u>23,667,252</u>	<u>22,593,060</u>
<b>Liabilities:</b>						
Current and other liabilities	1,856,153	1,873,336	343,704	365,564	2,199,857	2,238,900
Long-term liabilities	25,306,330	24,983,172	1,415,793	1,602,544	26,722,123	26,585,716
Total liabilities	<u>27,162,483</u>	<u>26,856,508</u>	<u>1,759,497</u>	<u>1,968,108</u>	<u>28,921,980</u>	<u>28,824,616</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	(23,926,779)	(24,614,355)	(1,415,793)	(1,602,544)	(25,342,572)	(26,216,899)
Restricted net assets	17,889,947	14,528,103	-	-	17,889,947	14,528,103
Unrestricted net assets	1,317,620	5,429,042	880,277	28,198	2,197,897	5,457,240
Total net assets	<u>\$ (4,719,212)</u>	<u>\$ (4,657,210)</u>	<u>\$ (535,516)</u>	<u>\$ (1,574,346)</u>	<u>\$ (5,254,728)</u>	<u>\$ (6,231,556)</u>

The City's total net assets are divided into three portions: investment in capital assets less any related debt, restricted net assets, and unrestricted net assets.

Of the total net assets, \$2,197,897 represents unrestricted net assets, which comprises a positive balance of \$1,317,620 for governmental activities and \$880,277 for business-type activities. A large portion of the City's net assets, \$17,889,947 is subject to legal restrictions on their use.

Also as previously stated, the City has not maintained records of capital assets in its general ledger; therefore, capital assets are not reported in the statements of net assets of the government-wide and enterprise fund financial statements. The City's capital assets include land and easements, buildings and improvements, infrastructure, and equipment. Future reports will include the investment value of these assets, as the City uses these capital assets to provide services to citizens.

**CITY OF CHOWCHILLA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

As indicated earlier, the City's overall financial position has improved by \$976,828, or 16%, in FY 2010-11 with \$62,002 decrease from governmental activities and \$1,038,830 increase from business-type activities. Reclassifications were made to the FY2009-2010 expenses to conform to the current year's presentation.

The following table indicates the changes in net assets for governmental and business-type activities:

	<b>Statements of Activities</b>					
	<b>For the Years Ended June 30, 2011 and 2010</b>					
	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,025,799	\$ 810,787	\$ 4,252,379	\$ 4,081,110	\$ 5,278,178	\$ 4,891,897
Operating grants and contributions	2,409,056	2,594,872	10,000	266,016	2,419,056	2,860,888
Capital grants and contributions	111,472	115,675	-	-	111,472	115,675
General revenues:						
Property taxes	2,389,927	2,908,107	7,902	6,628	2,397,829	2,914,735
Sales taxes	863,025	765,642	-	-	863,025	765,642
Transient lodging taxes	186,897	159,193	-	-	186,897	159,193
Franchises fees	199,435	200,183	-	-	199,435	200,183
Documentary stamp	18,973	33,280	-	-	18,973	33,280
Motor vehicle in lieu - unrestricted	1,257,904	1,370,240	-	-	1,257,904	1,370,240
Investment earnings	56,459	52,351	5,925	12,701	62,384	65,052
Rental income	91,894	89,843	-	2,100	91,894	91,943
Miscellaneous	258,865	233,953	-	12,594	258,865	246,547
Gain/loss on sale of capital assets	621,926	-	-	-	621,926	-
Total revenues	<u>9,491,632</u>	<u>9,334,126</u>	<u>4,276,206</u>	<u>4,381,149</u>	<u>13,767,838</u>	<u>13,715,275</u>
<b>Expenses:</b>						
General government	1,152,412	1,833,565	-	-	1,152,412	1,833,565
Public safety	2,507,423	2,744,364	-	-	2,507,423	2,744,364
Highways and streets	2,132,001	1,492,047	-	-	2,132,001	1,492,047
Culture and recreation	301,880	511,363	-	-	301,880	511,363
Community development	2,355,310	2,794,774	-	-	2,355,310	2,794,774
Interest and fiscal charges	1,103,831	1,113,528	-	-	1,103,831	1,113,528
Water	-	-	1,144,097	1,185,243	1,144,097	1,185,243
Solid waste	-	-	1,151,550	1,104,143	1,151,550	1,104,143
Sewer	-	-	899,198	1,109,457	899,198	1,109,457
Airport	-	-	13,361	275,627	13,361	275,627
Storm drain	-	-	29,947	86,201	29,947	86,201
Total expenses	<u>9,552,857</u>	<u>10,489,641</u>	<u>3,238,153</u>	<u>3,760,671</u>	<u>12,791,010</u>	<u>14,250,312</u>
Transfers	(777)	86,830	777	(86,830)	-	-
Changes in net assets	(62,002)	(1,068,685)	1,038,830	533,648	976,828	(535,037)
Net assets at beginning of year	(4,657,210)	(4,574,550)	(1,574,346)	(2,133,991)	(6,231,556)	(6,708,541)
Prior period adjustments	-	986,025	-	25,997	-	1,012,022
Net assets at end of year	<u>\$ (4,719,212)</u>	<u>\$ (4,657,210)</u>	<u>\$ (535,516)</u>	<u>\$ (1,574,346)</u>	<u>\$ (5,254,728)</u>	<u>\$ (6,231,556)</u>

**Governmental Activities:** Net assets for governmental activities decreased by \$62,002 or 1% during 2010-2011 from \$4,657,210 deficit to \$4,719,212 deficit. Total revenues increased by 2% compared to expenses that decreased by 9%.

**CITY OF CHOWCHILLA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

Significant elements of the decrease in net assets for governmental activities from June 30, 2010 to June 30, 2011, are as follows:

***Revenues for Governmental Activities***

*Charges for Services* increased by \$215,012 or 27% primarily as the result of a new Solid Waste Franchise fee that was implemented during the year. The annual fee is \$235,000.

*Operating Grants and Contributions* decreased by \$185,816 or 7%. The prior year revenues for this category included a one-time Workforce Housing Grant in the amount of \$275,979. When this is removed from the analysis, the revenues actually reflect a slight increase of \$90,000.00 which reflects the change in year over year spending for which the City is able to draw reimbursement revenues to fund these activities.

*Property Taxes* decreased by \$518,180 or 18% primarily as the result of a lower collection rate for both current and delinquent Community Facility assessments which were down \$106,000 and \$225,000 respectively from the prior year; Redevelopment Tax Increment was lower in the current year by \$230,000 due to the drop in assessed values which was implemented by the Madera County Assessor.

*Motor vehicle in lieu - unrestricted* decreased by \$112,336 or 8% due to the decline in assessed real property values and the effect it had on the amount of In-Lieu Vehicle License fees that were allocated during the year.

*Gain/loss on sale of capital assets* increased by \$621,926 or 100% due to the one-time sale of property owned by the City. One parcel was sold for development of the Rite Aid store (\$179,926) and the second parcel sold was the City's corporation yard (\$442,000) which was purchased by the Redevelopment Agency.

***Expenses for Governmental Activities***

*General Government* decreased by \$681,153 or 37%, primarily due to the following: A reorganization of the General Fund led to the creation of two new Internal Service Funds and removed the cost of the Fleet Maintenance Program (\$325,875 in the prior year) and the Information Technology Program (\$133,651 prior year expense) from the General Government spending category; additional savings came from the continuation of a staff furlough program which requires 8 hours of unpaid leave each pay period and the carryover of reduced program budgets from the prior year. Finally, a change in the methodology for allocating overhead costs using reasonable allocation bases is credited with creating further offsets to the costs borne by the General Fund in this spending category.

*Public Safety* decreased by \$236,941 or 9% due to the limited amount of activity that was carried out on the Police Facility remodeling project compared to the prior year.

*Highway and Streets* increased by \$639,954 or 43%, primarily as the result of the value of work completed on the city-wide street paving project which totaled in excess of \$1,010,000. Decreases in spending on other projects which were either still in the design phase or were completed in the prior year offset this increase in project spending.

*Culture and Recreation* decreased by \$209,483 or 41% due to the prior year layoff of most staff from the Parks and Recreation Department which remained in effect this year, coupled with the elimination of most recreation programs that were previously run by the City.

*Community Development* decreased by \$439,464 or 16% due to the fact that the prior year's total included a number of one-time charges such as the SERAF payment made to the State from Redevelopment monies in the amount of \$442,093 and other large adjustments that were made to outstanding receivable balances to reflect allowances for doubtful collections.

## CITY OF CHOWCHILLA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

**Business-Type Activities:** Net assets for business-type activities increased by \$1,038,830 or 66% during the 2010-2011 fiscal year, from a deficit of \$1,574,346 to a deficit value of \$535,516. Total revenues decreased by 2% while expenses decreased by 14%.

Significant elements of the increase in net assets for business-type activities from June 30, 2010 to June 30, 2011, are as follows:

#### ***Revenues for Business-Type Activities***

*Charges for Services* revenue increased by \$171,269 or 4% due in part to an increase in the number of active utility accounts which is the result of previously foreclosed properties being resold and occupied by new residents; adjustments made to the allowance for doubtful accounts which reflected stronger collection trends also helped increase this revenue category in the amount of \$70,000.

*Operating Grants and Contributions* decreased by \$256,016 or 96%. The prior year revenue included the grant reimbursement that was received for the airport pavement project which had been completed prior to the start of the current year.

#### ***Expenses for Business-Type Activities***

*Sewer* decreased by \$210,259 or 19% as the result of a change in allocating staff salaries. This change in methodology no longer allows salaries to be charged for staff members who do little or no work for the program that is being charged.

*Airport* decreased by \$262,266 or 95% because no new reconstruction projects were undertaken during the year, while the prior year spending reflected the cost of a large paving project.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental Funds.** The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The general government's functions are reported in general, special revenue, debt service, and capital projects funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of unrestricted resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance at the end of the fiscal year can serve as a useful measure of the City's net resources available for spending.

As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$18,239,782 at year-end, a decrease of \$616,928, or 3%, compared to the prior fiscal year. In accordance with GASB 54, the governmental fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned.

**CITY OF CHOWCHILLA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

Total fund balance of the governmental funds consists of the following:

- Nonspendable fund balance of \$120,193. This amount represents \$56,116 in prepaid items, \$44,302 in land held for resale, and \$19,775 in long-term receivable.
- Restricted fund balance of \$17,889,947, which includes restrictions imposed by external parties or enabling legislation.
- Committed fund balance of \$910,223, which includes the City Council's commitment to Emergency Contingency.
- Assigned fund balance of \$268,840, which includes the amounts to be used for specific purposes of the City, but do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance reports a deficit of \$949,421. This amount represents the residual classification for the City's General Fund and negative balances in all other funds.

The *General Fund* is the primary operating fund of the City. As of June 30, 2011, unrestricted fund balance was \$1,299,591 while total fund balance reached \$1,996,543. As a measure of liquidity, both unrestricted fund balance and total fund balance can be compared to total fund expenditures. Unrestricted fund balance represents 33% while total fund balance represents 51% of the same amount. The fund balance of the City's General Fund has increased by \$1,826,577, or 1075%, during FY2010-11.

For the fiscal years ended June 30, 2011 and 2010, revenues for the General Fund are distributed as follows:

**General Fund - Revenues by Source**

	FY2011		FY2010		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 1,887,149	47.42%	\$ 1,742,367	47.15%	\$ 144,782	8.31%
Licenses and permits	354,707	8.91%	136,258	3.69%	218,449	160.32%
Fines and penalties	35,888	0.90%	42,074	1.14%	(6,186)	-14.70%
Intergovernmental revenues	1,324,940	33.30%	1,460,780	39.53%	(135,840)	-9.30%
Use of money and property	66,965	1.68%	61,518	1.66%	5,447	8.85%
Charges for services	39,487	0.99%	89,691	2.43%	(50,204)	-55.97%
Miscellaneous	270,240	6.79%	162,786	4.41%	107,454	66.01%
	<u>\$ 3,979,376</u>	<u>100.00%</u>	<u>\$ 3,695,474</u>	<u>100.00%</u>	<u>\$ 283,902</u>	<u>7.68%</u>

*General Fund Revenues.* Significant changes in revenues are as follows:

*Taxes* increased by \$144,782 or 8% as the result of an increase in sales taxes received. This increase is due in part to an increase in the collection of delinquent amounts owed by a former business owner.

*Licenses and permits* increased by \$218,449 or 160% due to the new Solid Waste Franchise fee that was implemented during the year. This fee generates \$235,000 in revenue annually.

*Intergovernmental Revenue* decreased by \$135,840 or 9% as the result of the decrease in assessed real property values implemented by the Madera County Assessor and the effect this had on the allocation formula used in determining how much In-lieu Vehicle License fees the city receives each year.

*Charges for Services* decreased by \$50,204 or 56%. This is partly due to the program cuts that eliminated most of the fee-generating recreation programs that were not self-supporting. In addition, the Community Development division's revenue from fees has been severely limited due to the lack of construction activity that occurred during the year.

**CITY OF CHOWCHILLA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

*Miscellaneous* revenue increased by \$107,454 or 66% due to the increase in donations received and spent from the McCombs (\$22,473) and the Chukchansi Casino (\$33,184). In addition, more cost recovery was received for special services provided to outside agencies.

For the fiscal years ended June 30, 2011 and 2010, expenditures for the General Fund are distributed as follows:

**General Fund - Expenditures by Function**

	FY2011		FY2010		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General government	\$ 963,905	24.54%	\$ 1,312,633	30.83%	\$ (348,728)	-26.57%
Public safety	2,442,001	62.17%	2,319,004	54.47%	122,997	5.30%
Highways and streets	198,641	5.06%	153,859	3.61%	44,782	29.11%
Culture and recreation	259,961	6.62%	466,706	10.96%	(206,745)	-44.30%
Capital outlay	63,259	1.61%	5,229	0.12%	58,030	1109.77%
	<u>\$ 3,927,767</u>	<u>100.00%</u>	<u>\$ 4,257,431</u>	<u>100.00%</u>	<u>\$ (329,664)</u>	<u>-7.74%</u>

*General Fund Expenditures.* Significant changes in expenditures are as follows:

*General Government* spending decreased by \$348,728 or 26%. The decrease is primarily the result of a change in the General Fund structure which caused the Fleet Maintenance and Information Technology programs to be moved outside the General Fund and into separate Internal Service Funds. In the prior year, these costs were \$325,875 and \$133,651 respectively.

*Public Safety* spending increased by \$122,997 or 5% due to the combining of all public safety expenses in the General Fund. This is a departure from prior years when public safety costs were charged to a variety of different funds.

*Culture and Recreation* decreased by \$206,745 or 44% due to the prior year layoff of most staff from the Parks and Recreation Department which remained in effect this year, coupled with the elimination of most recreation programs that were previously run by the City.

*Capital Outlay* increased by \$58,030 or 1110% due to the spending that was funded by one-time donations received during the year.

The *CDBG Special Revenue Fund* shows an increase in fund balance of \$206,921 from the prior year which is attributed to the recognition of loans receivable that result from grant monies received from the State. The loans are not expensed but the reimbursements are recognized as current year revenue.

The *Public Building Impact Fees Capital Projects Fund* reflects an increase in fund balance of \$6,866 which is the result of new impact fees being received during the year.

The *Community Facilities District Capital Projects Fund* shows a decrease in fund balance of \$101,498 as the result of assessment collections running behind current costs, including debt service. Capital outlay of approximately \$60,000 has not been reimbursed by the bond trustee as of June 30, 2011.

The *Storm Drain Capital Projects Fund* shows an increase in fund balance of \$211,853 which is the result of lower spending on projects and the receipt of monies from the Redevelopment Agency that were set-aside to support future projects in the amount of \$111,581.

## CITY OF CHOWCHILLA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

The *Redevelopment Agency Capital Projects Fund* shows a decrease in fund balance of \$3,940,811. The sharp decrease in the amount of tax increment that resulted from the lowering of assessed real property values by the Madera County Assessor set the stage for the Agency to use its reserves as it sought to wrap up its involvement in a number of projects and support on-going expenses. Of the total amount drawn from reserves, \$1.1M was used to repay a prior obligation to the General Fund involving real property received by the Agency in the past. The fund also transferred approximately \$900,000 to the Debt Service Fund in order to provide the resources needed to create a loan to the Water Enterprise fund to pay for system improvements within the redevelopment project area.

The *Redevelopment Agency Debt Service Fund* shows an increase in fund balance of \$1,748,864 which is primarily due to the receipt of monies that allowed the fund to create an advance to the Water Enterprise Fund of the City in the amount of \$1.647M.

*Proprietary Funds.* The City's proprietary funds provide the same type of information that can be found in the government-wide financial statements, but in more detail.

*Enterprise Funds* include four major funds (Water, Solid Waste, Sewer, and Storm Drain) and one nonmajor funds (Airports). Discussion on major fund activities can be found in the City's business-type activities section.

*Internal Service Funds.* Total net assets of internal service funds decreased by \$4,705 due to adjustments within the Employee Benefits Fund that increased compensated leave liabilities over the prior year amount.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's final General Fund budget differs from the originally adopted budget primarily because the earlier budget was intended to serve as an interim spending plan for a period of only 90 days. The City Council approved a final adopted budget for the remainder of the year in September 2010, and as a result of that document reflecting both revenues and expenditures for a full twelve months, the final budget contains significant variances from the original budget. Throughout the year there were updates provided to the budgeted amounts to reflect new spending assumptions.

The City realized revenue in the General Fund that was only \$31,776 above the amount that was budgeted for the 2010-2011 fiscal year. This is a variance of less than 1%.

The comparison between budget and actual expenditures in the General Fund for the 2010-2011 fiscal year shows that overall actual expenditures were \$17,232 below the budgeted appropriations. This is a variance of less than 1%.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:** As noted in Note 1 of the Notes to Basic Financial Statements, the City has not maintained records of capital assets in its general ledger; therefore, capital assets are not reported in the statements of net assets of the government-wide and enterprise fund financial statements. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011 (although not presented) includes land and easements, buildings and improvements, machinery and equipment, and park facilities. The City will be undertaking an appraisal of its inventory of capital assets in order to comply with GASB Statement No. 34 during the 2012-2013 fiscal year.

**CITY OF CHOWCHILLA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Long-Term Debt:** At the end of the current fiscal year, the City has total debt outstanding of \$26,722,123. Of this amount, \$25,306,330 is the liability of governmental activities and \$1,415,793 is the liability of business-type activities.

**Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Compensated absences	\$ 397,471	\$ 368,817	\$ -	\$ -	\$ 397,471	\$ 368,817
Lease revenue bonds	6,854,532	7,068,805	351,293	408,544	7,205,825	7,477,349
Revenue bonds	-	-	170,000	185,000	170,000	185,000
Tax allocation bonds	7,630,000	7,775,000	-	-	7,630,000	7,775,000
Special tax bonds	8,310,000	8,465,000	-	-	8,310,000	8,465,000
Loans payable	2,342,080	1,542,500	695,000	750,000	3,037,080	2,292,500
Capital leases	-	-	199,500	259,000	199,500	259,000
Less: discounts	(227,753)	(236,950)	-	-	(227,753)	(236,950)
	<u>\$ 25,306,330</u>	<u>\$ 24,983,172</u>	<u>\$ 1,415,793</u>	<u>\$ 1,602,544</u>	<u>\$ 26,722,123</u>	<u>\$ 26,585,716</u>

Additional information on the City's long-term debt can be found in Note 6 of the financial statements on pages 55-61 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

In preparing the City's budget for the 2011-2012 fiscal year, the City considered various factors and chief among them was the realization that the current economic recession is not a short-term condition and care must be taken to maintain a balanced spending plan. To that end, the City negotiated once again with its labor groups to retain the 26-day furlough plan which equates to a 10% wage reduction for staff. The negotiations also provided for increased employee contributions for retirement and health insurance benefits.

In addition to the negotiated salary and benefit cost reductions, the City continued to keep most vacant positions unfilled. Departmental budgets were largely held to the prior year spending levels with some additional reductions implemented to keep the imbalance between revenues and expenditures minimal for all funds. The General Fund budget includes appropriations to fund the entire debt service amount for the 2005 Refunding Lease Revenue bonds. During the 2010-2011 fiscal year, the City utilized the debt service reserve to make these payments, which created national headlines. At June 30, 2011 the debt service reserve had been fully funded along with the installment payment due on July 2, 2011.

A water and wastewater rate study was completed and will be considered at a public hearing to be held later this year in order to provide a much needed increase in user fees that will allow both systems to implement adequate maintenance programs.

The changes affecting the Redevelopment Agency that were brought about by the adoption of AB 1x-26 are being identified by staff. The City has adopted a resolution which names it as the Successor Agency to the Redevelopment Agency and also as the successor housing agency.

**REQUEST FOR INFORMATION**

The report is designed to provide an overview of the City's finances for those with an interest in this area. Any questions concerning this information found in this report or requests for additional information should be directed to the Administrative Services Department of the City of Chowchilla at City Hall, 130 S. Second Street, Chowchilla, CA 93610.

## BASIC FINANCIAL STATEMENTS

**CITY OF CHOWCHILLA**

**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	\$ 6,744,043	\$ 2,695,465	\$ 9,439,508
Restricted cash and investments	4,385,751	-	4,385,751
Accounts receivable, net	1,269,900	483,486	1,753,386
Notes receivable, net	5,834,990	-	5,834,990
Prepaid expenses/deferred charges	1,198,892	-	1,198,892
Land held for resale	706,302	-	706,302
Accounts receivable - long-term	348,423	-	348,423
Internal balances	<u>1,954,970</u>	<u>(1,954,970)</u>	<u>-</u>
 Total assets	 <u>22,443,271</u>	 <u>1,223,981</u>	 <u>23,667,252</u>
 <b>LIABILITIES</b>			
Accounts payable	1,339,757	170,189	1,509,946
Accrued payroll	2,272	-	2,272
Deposits	5,809	173,515	179,324
Accrued interest	340,025	-	340,025
Deferred revenues	168,290	-	168,290
Long-term liabilities:			
Due within one year	856,815	194,230	1,051,045
Due in more than one year	<u>24,449,515</u>	<u>1,221,563</u>	<u>25,671,078</u>
 Total liabilities	 <u>27,162,483</u>	 <u>1,759,497</u>	 <u>28,921,980</u>
 <b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt	(23,926,779)	(1,415,793)	(25,342,572)
Restricted for:			
Highway and streets	1,752,919	-	1,752,919
Culture and recreation	184,388	-	184,388
Community development	5,176,342	-	5,176,342
Capital maintenance	3,520,439	-	3,520,439
Debt service	7,255,859	-	7,255,859
Unrestricted	<u>1,317,620</u>	<u>880,277</u>	<u>2,197,897</u>
 Total net assets (deficit)	 <u>\$ (4,719,212)</u>	 <u>\$ (535,516)</u>	 <u>\$ (5,254,728)</u>

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

**CITY OF CHOWCHILLA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS:</b>							
Governmental activities:							
General government	\$ 1,152,412	\$ 542,068	\$ 7,066	\$ -	\$ (603,278)	\$ -	\$ (603,278)
Public safety	2,507,423	67,570	146,013	69,472	(2,224,368)	-	(2,224,368)
Highways and streets	2,132,001	406,061	885,933	42,000	(798,007)	-	(798,007)
Culture and recreation	301,880	10,100	22,348	-	(269,432)	-	(269,432)
Community development	2,355,310	-	1,347,696	-	(1,007,614)	-	(1,007,614)
Interest and fiscal charges	1,103,831	-	-	-	(1,103,831)	-	(1,103,831)
Total governmental activities	<u>9,552,857</u>	<u>1,025,799</u>	<u>2,409,056</u>	<u>111,472</u>	<u>(6,006,530)</u>	<u>-</u>	<u>(6,006,530)</u>
Business-type activities:							
Water	1,144,097	1,349,874	-	-	-	205,777	205,777
Solid waste	1,151,550	1,295,815	-	-	-	144,265	144,265
Sewer	899,198	1,401,531	-	-	-	502,333	502,333
Airport	13,361	11,953	10,000	-	-	8,592	8,592
Storm drain	29,947	193,206	-	-	-	163,259	163,259
Total business-type activities	<u>3,238,153</u>	<u>4,252,379</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>1,024,226</u>	<u>1,024,226</u>
Total	<u>\$ 12,791,010</u>	<u>\$ 5,278,178</u>	<u>\$ 2,419,056</u>	<u>\$ 111,472</u>	<u>(6,006,530)</u>	<u>1,024,226</u>	<u>(4,982,304)</u>
General revenues:							
Taxes:							
Property					2,389,927	7,902	2,397,829
Sales					863,025	-	863,025
Transient lodging					186,897	-	186,897
Franchises					199,435	-	199,435
Documentary stamp					18,973	-	18,973
Motor vehicle in lieu - unrestricted					1,257,904	-	1,257,904
Investment earnings					56,459	5,925	62,384
Rental income					91,894	-	91,894
Miscellaneous					258,865	-	258,865
Gain/loss on sale of capital assets					621,926	-	621,926
Transfers					(777)	777	-
Total general revenues and transfers					<u>5,944,528</u>	<u>14,604</u>	<u>5,959,132</u>
Change in net assets					(62,002)	1,038,830	976,828
Net assets (deficit), beginning of year					<u>(4,657,210)</u>	<u>(1,574,346)</u>	<u>(6,231,556)</u>
Net assets (deficit), end of year					<u>\$ (4,719,212)</u>	<u>\$ (535,516)</u>	<u>\$ (5,254,728)</u>

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

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## FUND FINANCIAL STATEMENTS

**CITY OF CHOWCHILLA**

**BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2011**

		CDBG Grants Special Revenue	Capital Projects Funds		
	General		Public Building Impact Fees	Community Facilities District	Storm Drain Capital
<b>ASSETS</b>					
Cash and investments	\$ 35,496	\$ 207,954	\$ -	\$ 553,900	\$ 818,934
Restricted cash and investments	620,093	-	-	3,215,967	-
Accounts receivable	343,463	182,531	-	108,277	11,491
Notes receivable, net	-	5,559,964	-	-	-
Due from other funds	1,594,871	-	-	-	-
Prepaid expenses	12,782	-	-	-	-
Land held for resale	44,302	-	-	-	-
Advances to other funds	-	-	-	-	-
Accounts receivable - long-term	-	-	-	-	348,423
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,651,007</u>	<u>\$ 5,950,449</u>	<u>\$ -</u>	<u>\$ 3,878,144</u>	<u>\$ 1,178,848</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 480,455	\$ 204,034	\$ -	\$ 7,520	\$ 400,000
Deposits	5,809	-	-	-	-
Deferred revenue	121,960	1,142,211	-	52,287	-
Due to other funds	46,240	-	638,195	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>654,464</u>	<u>1,346,245</u>	<u>638,195</u>	<u>59,807</u>	<u>400,000</u>
<b>FUND BALANCES</b>					
<b>Nonspendable:</b>					
Prepaid expenses	12,782	-	-	-	-
Land held for resale	44,302	-	-	-	-
Long-term receivable	19,775	-	-	-	-
<b>Restricted for:</b>					
Highway and streets	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	4,604,204	-	-	-
Capital maintenance	-	-	-	-	778,848
Debt service	620,093	-	-	3,818,337	-
<b>Committed to:</b>					
Emergency contingency	910,223	-	-	-	-
<b>Assigned to:</b>					
Continuing appropriations	149,516	-	-	-	-
General government	64,083	-	-	-	-
Public safety	55,241	-	-	-	-
Unassigned	120,528	-	(638,195)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>1,996,543</u>	<u>4,604,204</u>	<u>(638,195)</u>	<u>3,818,337</u>	<u>778,848</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 2,651,007</u>	<u>\$ 5,950,449</u>	<u>\$ -</u>	<u>\$ 3,878,144</u>	<u>\$ 1,178,848</u>

**CITY OF CHOWCHILLA**

**BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>Capital Project Funds</u>			
	Redevelopment Agency	Redevelopment Agency Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 133,592	\$ -	\$ 4,964,867	\$ 6,714,743
Restricted cash and investments	-	549,656	35	4,385,751
Accounts receivable	73,750	-	548,235	1,267,747
Notes receivable, net	-	-	275,026	5,834,990
Due from other funds	-	-	-	1,594,871
Prepaid expenses	43,334	-	-	56,116
Land held for resale	558,000	-	104,000	706,302
Advances to other funds	-	1,647,270	-	1,647,270
Accounts receivable - long-term	-	-	-	348,423
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 808,676</u>	<u>\$ 2,196,926</u>	<u>\$ 5,892,163</u>	<u>\$ 22,556,213</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 51,616	\$ -	\$ 130,049	\$ 1,273,674
Deposits	-	-	-	5,809
Deferred revenue	90,000	-	295,895	1,702,353
Due to other funds	3,154	121	646,885	1,334,595
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	144,770	121	1,072,829	4,316,431
<b>FUND BALANCES</b>				
<b>Nonspendable:</b>				
Prepaid expenses	43,334	-	-	56,116
Land held for resale	-	-	-	44,302
Long-term receivable	-	-	-	19,775
<b>Restricted for:</b>				
Highway and streets	-	-	1,752,919	1,752,919
Culture and recreation	-	-	184,388	184,388
Community development	-	-	572,138	5,176,342
Capital maintenance	-	-	2,741,591	3,520,439
Debt service	620,572	2,196,805	52	7,255,859
<b>Committed to:</b>				
Emergency contingency	-	-	-	910,223
<b>Assigned to:</b>				
Continuing appropriations	-	-	-	149,516
General government	-	-	-	64,083
Public safety	-	-	-	55,241
Unassigned	-	-	(431,754)	(949,421)
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>663,906</u>	<u>2,196,805</u>	<u>4,819,334</u>	<u>18,239,782</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 808,676</u>	<u>\$ 2,196,926</u>	<u>\$ 5,892,163</u>	<u>\$ 22,556,213</u>

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CITY OF CHOWCHILLA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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

Fund balances - total governmental funds	\$ 18,239,782
Long-term liabilities, including bonds payable and loans payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds as follows:	
Bonds payable	(22,566,779)
Loans payable	(2,342,080)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental fund balance sheet.	(340,025)
Deferred charges are amortized over the life of the debt.	1,094,755
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,534,063
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>(338,928)</u>
Net assets of governmental activities	<u>\$ (4,719,212)</u>

**CITY OF CHOWCHILLA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	General	CDBG Grants Special Revenue	Public Building Impact Fees	Capital Projects Funds Community Facilities District	Storm Drain Capital
<b>Revenues:</b>					
Taxes	\$ 1,887,149	\$ -	\$ -	\$ 529,941	\$ -
Licenses and permits	354,707	-	-	-	-
Fines and penalties	35,888	-	-	-	-
Intergovernmental revenues	1,324,940	245,960	-	-	-
Use of money and property	66,965	854	(433)	25,226	2,793
Charges for services	39,487	-	7,299	-	127,728
Miscellaneous	<u>270,240</u>	<u>22,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenues</b>	<u>3,979,376</u>	<u>269,214</u>	<u>6,866</u>	<u>555,167</u>	<u>130,521</u>
<b>Expenditures:</b>					
Current:					
General government	963,905	-	-	37,227	89
Public safety	2,442,001	-	-	-	-
Highways and streets	198,641	-	-	-	-
Culture and recreation	259,961	-	-	-	-
Community Development	-	1,229,376	-	-	-
Capital outlay	63,259	-	-	59,958	30,160
Debt service:					
Principal	-	-	-	155,000	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>404,480</u>	<u>-</u>
<b>Total expenditures</b>	<u>3,927,767</u>	<u>1,229,376</u>	<u>-</u>	<u>656,665</u>	<u>30,249</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>51,609</u>	<u>(960,162)</u>	<u>6,866</u>	<u>(101,498)</u>	<u>100,272</u>
<b>Other financing sources (uses):</b>					
Transfers in	1,199,999	185,003	-	-	111,581
Transfers out	(46,957)	-	-	-	-
Proceeds from sales of capital assets	621,926	-	-	-	-
Proceeds from promissory note	<u>-</u>	<u>982,080</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>1,774,968</u>	<u>1,167,083</u>	<u>-</u>	<u>-</u>	<u>111,581</u>
<b>Net change in fund balances</b>	1,826,577	206,921	6,866	(101,498)	211,853
<b>Fund balances, beginning of year</b>	<u>169,966</u>	<u>4,397,283</u>	<u>(645,061)</u>	<u>3,919,835</u>	<u>566,995</u>
<b>Fund balances, end of year</b>	<u>\$ 1,996,543</u>	<u>\$ 4,604,204</u>	<u>\$ (638,195)</u>	<u>\$ 3,818,337</u>	<u>\$ 778,848</u>

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

**CITY OF CHOWCHILLA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Capital Projects Funds</u>			
	Redevelopment Agency	Redevelopment Agency Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,102,612	\$ -	\$ -	\$ 3,519,702
Licenses and permits	-	-	375	355,082
Fines and penalties	-	-	-	35,888
Intergovernmental revenues	-	-	1,474,948	3,045,848
Use of money and property	13,765	10,483	28,713	148,366
Charges for services	-	-	385,877	560,391
Miscellaneous	<u>10,108</u>	<u>-</u>	<u>11,787</u>	<u>314,535</u>
Total revenues	<u>1,126,485</u>	<u>10,483</u>	<u>1,901,700</u>	<u>7,979,812</u>
Expenditures:				
Current:				
General government	-	-	22,260	1,023,481
Public safety	-	-	4,608	2,446,609
Highways and streets	-	-	775,747	974,388
Culture and recreation	-	-	25,194	285,155
Community Development	1,053,840	3,310	53,157	2,339,683
Capital outlay	-	-	1,169,016	1,322,393
Debt service:				
Principal	-	170,000	371,773	696,773
Interest	<u>-</u>	<u>369,663</u>	<u>337,344</u>	<u>1,111,487</u>
Total expenditures	<u>1,053,840</u>	<u>542,973</u>	<u>2,759,099</u>	<u>10,199,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>72,645</u>	<u>(532,490)</u>	<u>(857,399)</u>	<u>(2,220,157)</u>
Other financing sources (uses):				
Transfers in	-	3,381,353	1,162,617	6,040,553
Transfers out	(4,013,456)	(1,099,999)	(880,918)	(6,041,330)
Proceeds from sales of capital assets	-	-	-	621,926
Proceeds from promissory note	<u>-</u>	<u>-</u>	<u>-</u>	<u>982,080</u>
Total other financing sources (uses)	<u>(4,013,456)</u>	<u>2,281,354</u>	<u>281,699</u>	<u>1,603,229</u>
Net change in fund balances	(3,940,811)	1,748,864	(575,700)	(616,928)
Fund balances, beginning of year	<u>4,604,717</u>	<u>447,941</u>	<u>5,395,034</u>	<u>18,856,710</u>
Fund balances, end of year	<u>\$ 663,906</u>	<u>\$ 2,196,805</u>	<u>\$ 4,819,334</u>	<u>\$ 18,239,782</u>

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

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CITY OF CHOWCHILLA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

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

Net change in fund balances - total governmental funds \$ (616,928)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from long-term debt	(982,080)
Repayment of the principal of long-term debt	696,773
Amortization on bond discounts	(9,197)
Amortization on cost of issuance	(44,464)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest from prior year	7,656
--	-------

New loans made included in the statement of activities do not provide the use of current financial resources and, therefore, are not reported as revenue in governmental funds. 982,080

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (92,163)

The net loss of certain activities of internal service funds is reported with governmental activities. (3,679)

Change in net assets of governmental activities \$ (62,002)

**CITY OF CHOWCHILLA**

**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS  
JUNE 30, 2011**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Storm Drain</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 2,002,059	\$ 54,041	\$ 639,365	\$ -
Accounts receivable, net	157,133	142,770	144,293	32,511
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
	<u>2,159,192</u>	<u>196,811</u>	<u>783,658</u>	<u>32,511</u>
Total assets				
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	81,385	61,862	26,677	32
Accrued payroll	-	-	-	-
Deposits	173,515	-	-	-
Due to other funds	5,328	-	4,976	181,427
Advances from other funds	1,647,270	-	-	-
Compensated absences	-	-	-	-
Current portion of long-term debt	55,000	-	76,730	62,500
	<u>1,962,498</u>	<u>61,862</u>	<u>108,383</u>	<u>243,959</u>
Total current liabilities				
Noncurrent liabilities:				
Compensated absences	-	-	-	-
Long-term debt	640,000	-	444,563	137,000
	<u>640,000</u>	<u>-</u>	<u>444,563</u>	<u>137,000</u>
Total noncurrent liabilities				
Total liabilities	<u>2,602,498</u>	<u>61,862</u>	<u>552,946</u>	<u>380,959</u>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	(695,000)	-	(521,293)	(199,500)
Unrestricted (deficit)	251,694	134,949	752,005	(148,948)
	<u>(443,306)</u>	<u>134,949</u>	<u>230,712</u>	<u>(348,448)</u>
Total net assets (deficit)				

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

**CITY OF CHOWCHILLA**

**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS  
JUNE 30, 2011**

	<u>Nonmajor Airport</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ -	\$ 2,695,465	\$ 29,300
Accounts receivable, net	6,779	483,486	2,153
Due from other funds	-	-	66,878
Prepaid expenses	-	-	48,021
	<u>6,779</u>	<u>3,178,951</u>	<u>146,352</u>
Total assets			
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	232	170,188	66,083
Accrued payroll	-	-	2,272
Deposits	-	173,515	-
Due to other funds	82,153	273,884	53,270
Advances from other funds	-	1,647,270	-
Compensated absences	-	-	149,269
Current portion of long-term debt	-	194,230	-
	<u>82,385</u>	<u>2,459,087</u>	<u>270,894</u>
Total current liabilities			
Noncurrent liabilities:			
Compensated absences	-	-	248,202
Long-term debt	-	1,221,563	-
	<u>-</u>	<u>1,221,563</u>	<u>248,202</u>
Total noncurrent liabilities			
Total liabilities	<u>82,385</u>	<u>3,680,650</u>	<u>519,096</u>
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets, net of related debt	-	(1,415,793)	-
Unrestricted (deficit)	(75,606)	914,094	(372,744)
	<u>(75,606)</u>	<u>914,094</u>	<u>(372,744)</u>
Total net assets (deficit)	<u>\$ (75,606)</u>	<u>\$ (501,699)</u>	<u>\$ (372,744)</u>

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

**CITY OF CHOWCHILLA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET ASSETS – PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Storm Drain</u>
Operating revenues:				
Charges for services	\$ 1,336,009	\$ 1,295,815	\$ 1,401,351	\$ 193,206
Miscellaneous	<u>13,865</u>	<u>-</u>	<u>180</u>	<u>-</u>
Total operating revenues	<u>1,349,874</u>	<u>1,295,815</u>	<u>1,401,531</u>	<u>193,206</u>
Operating expenses:				
Personnel services	298,504	-	369,805	257
Materials, supplies and services	<u>813,528</u>	<u>1,151,550</u>	<u>497,703</u>	<u>16,048</u>
Total operating expenses	<u>1,112,032</u>	<u>1,151,550</u>	<u>867,508</u>	<u>16,305</u>
Operating income (loss)	<u>237,842</u>	<u>144,265</u>	<u>534,023</u>	<u>176,901</u>
Non-operating revenues (expenses):				
Interest income	3,738	541	1,954	(218)
Taxes	-	-	-	-
Grants	-	-	-	-
Interest expense	<u>(31,609)</u>	<u>-</u>	<u>(31,131)</u>	<u>(13,640)</u>
Total non-operating revenues (expenses)	<u>(27,871)</u>	<u>541</u>	<u>(29,177)</u>	<u>(13,858)</u>
Income (loss) before transfers	<u>209,971</u>	<u>144,806</u>	<u>504,846</u>	<u>163,043</u>
Other financing sources (uses):				
Transfers in	97,589	-	107,851	-
Transfers out	<u>(96,812)</u>	<u>-</u>	<u>(107,851)</u>	<u>-</u>
Total other financing sources (uses)	<u>777</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	210,748	144,806	504,846	163,043
Net assets (deficit), beginning of year	<u>(654,054)</u>	<u>(9,857)</u>	<u>(274,134)</u>	<u>(511,491)</u>
Net assets (deficit), end of year	<u>\$ (443,306)</u>	<u>\$ 134,949</u>	<u>\$ 230,712</u>	<u>\$ (348,448)</u>

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

**CITY OF CHOWCHILLA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET ASSETS – PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Nonmajor</u>		<u>Governmental</u>
	<u>Airport</u>	<u>Total</u>	<u>Activities</u>
			<u>Internal</u>
			<u>Service</u>
			<u>Fund</u>
Operating revenues:			
Charges for services	\$ 11,953	\$ 4,238,334	\$ 532,713
Miscellaneous	<u>-</u>	<u>14,045</u>	<u>7,739</u>
Total operating revenues	<u>11,953</u>	<u>4,252,379</u>	<u>540,452</u>
Operating expenses:			
Personnel services	-	668,566	409,175
Materials, supplies and services	<u>13,361</u>	<u>2,492,190</u>	<u>135,952</u>
Total operating expenses	<u>13,361</u>	<u>3,160,756</u>	<u>545,127</u>
Operating income (loss)	<u>(1,408)</u>	<u>1,091,623</u>	<u>(4,675)</u>
Non-operating revenues (expenses):			
Interest income	(90)	5,925	(30)
Taxes	7,902	7,902	-
Grants	10,000	10,000	-
Interest expense	<u>-</u>	<u>(76,380)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>17,812</u>	<u>(52,553)</u>	<u>(30)</u>
Income (loss) before transfers	<u>16,404</u>	<u>1,039,070</u>	<u>(4,705)</u>
Other financing sources (uses):			
Transfers in	-	205,440	-
Transfers out	<u>-</u>	<u>(204,663)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>777</u>	<u>-</u>
Change in net assets	16,404	1,039,847	(4,705)
Net assets (deficit), beginning of year	<u>(92,010)</u>	<u>(1,541,546)</u>	<u>(368,039)</u>
Net assets (deficit), end of year	<u>\$ (75,606)</u>	<u>\$ (501,699)</u>	<u>\$ (372,744)</u>

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

**CITY OF CHOWCHILLA**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Storm Drain</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,314,545	\$ 1,253,171	\$ 1,354,589	\$ 175,647
Payments to suppliers	(780,323)	(1,161,181)	(493,346)	(16,052)
Payments to employees	<u>(298,504)</u>	<u>-</u>	<u>(369,805)</u>	<u>(257)</u>
Net cash provided by (used in) operating activities	<u>235,718</u>	<u>91,990</u>	<u>491,438</u>	<u>159,338</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	97,589	-	107,851	-
Transfer to other funds	(96,812)	-	(107,851)	-
Loan from other funds	5,328	-	4,976	181,427
Loan repayment to other funds	-	(38,490)	-	(267,407)
Advances from other funds	1,647,270	-	-	-
Taxes received	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>1,653,375</u>	<u>(38,490)</u>	<u>4,976</u>	<u>(85,980)</u>
Cash flows from capital and related financing activities:				
Principal paid	(55,000)	-	(72,251)	(59,500)
Interest paid	(31,609)	-	(31,130)	(13,640)
Grants received	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(86,609)</u>	<u>-</u>	<u>(103,381)</u>	<u>(73,140)</u>
Cash flows from investing activities:				
Interest received	<u>3,738</u>	<u>541</u>	<u>1,954</u>	<u>(218)</u>
Net cash provided by (used in) investing activities	<u>3,738</u>	<u>541</u>	<u>1,954</u>	<u>(218)</u>
Net increase (decrease) in cash and cash equivalents	1,806,222	54,041	394,987	-
Cash and cash equivalents, beginning of year	<u>195,837</u>	<u>-</u>	<u>244,378</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 2,002,059</u>	<u>\$ 54,041</u>	<u>\$ 639,365</u>	<u>\$ -</u>

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

**CITY OF CHOWCHILLA**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Nonmajor</u>		<u>Governmental</u>
	<u>Airport</u>	<u>Total</u>	<u>Activities</u>
			<u>Internal</u>
			<u>Service</u>
			<u>Fund</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 20,596	\$ 4,118,548	\$ 538,299
Payments to suppliers	(35,437)	(2,486,339)	(69,350)
Payments to employees	<u>-</u>	<u>(668,566)</u>	<u>(566,136)</u>
Net cash provided by (used in) operating activities	<u>(14,841)</u>	<u>963,643</u>	<u>(97,187)</u>
Cash flows from noncapital financing activities:			
Transfer from other funds	-	205,440	(66,878)
Transfer to other funds	-	(204,663)	-
Loan from other funds	82,153	273,884	53,270
Loan repayment to other funds	(85,124)	(391,021)	-
Advances from other funds	-	1,647,270	-
Taxes received	<u>7,902</u>	<u>7,902</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>4,931</u>	<u>1,538,812</u>	<u>(13,608)</u>
Cash flows from capital and related financing activities:			
Principal paid	-	(186,751)	-
Interest paid	-	(76,379)	-
Grants received	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>10,000</u>	<u>(253,130)</u>	<u>-</u>
Cash flows from investing activities:			
Interest received	<u>(90)</u>	<u>5,925</u>	<u>(30)</u>
Net cash provided by (used in) investing activities	<u>(90)</u>	<u>5,925</u>	<u>(30)</u>
Net increase (decrease) in cash and cash equivalents	-	2,255,250	(110,825)
Cash and cash equivalents, beginning of year	<u>-</u>	<u>440,215</u>	<u>140,125</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 2,695,465</u>	<u>\$ 29,300</u>

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

**CITY OF CHOWCHILLA**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Storm Drain</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 237,842	\$ 144,265	\$ 534,023	\$ 176,901
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(40,416)	(42,644)	(46,941)	(17,559)
(Increase) decrease in prepaid expenses	-	-	-	-
Increase (decrease) in accounts payable	33,204	(9,631)	4,356	(4)
Increase (decrease) in accrued payroll	-	-	-	-
Increase (decrease) in deposits	5,088	-	-	-
Increase (decrease) in compensated absences	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 235,718</u>	<u>\$ 91,990</u>	<u>\$ 491,438</u>	<u>\$ 159,338</u>

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

**CITY OF CHOWCHILLA**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Nonmajor</u>		<u>Governmental</u>
	<u>Airport</u>	<u>Total</u>	<u>Activities</u>
			<u>Internal</u>
			<u>Service</u>
			<u>Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,408)	\$ 1,091,623	\$ (4,675)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	8,642	(138,918)	(2,153)
(Increase) decrease in prepaid expenses	-	-	519
Increase (decrease) in accounts payable	(22,075)	5,850	66,083
Increase (decrease) in accrued payroll	-	-	(185,615)
Increase (decrease) in deposits	-	5,088	-
Increase (decrease) in compensated absences	-	-	28,654
Net cash provided by (used in) operating activities	<u>\$ (14,841)</u>	<u>\$ 963,643</u>	<u>\$ (97,187)</u>

**CITY OF CHOWCHILLA**

**STATEMENT OF FIDUCIARY NET ASSETS – AGENCY FUND  
JUNE 30, 2011**

**ASSETS**

Cash and investments (in City investment pool)	\$ 243,933
Cash and investments (held by bond trustee)	1,662,274
Accounts receivable	<u>49,851</u>
Total assets	<u>\$ 1,956,058</u>

**LIABILITIES**

Agency obligations	<u>\$ 1,956,058</u>
Total liabilities	<u>1,956,058</u>

**NET ASSETS**

\$ -

## NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**Reporting Entity**

The City of Chowchilla (City) was incorporated on February 7, 1923, as a municipal corporation under the General Laws of the State of California. The City operates as a self-governing local government unit within the State of California. A five-member City Council appoints a City Administrator who administers the daily affairs under the policy guidance of the City Council. The City has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. Voters elect a City Council that passes laws and determines broad policies. The council also oversees the operations of the City and approves all budgets, fund transfers, and fund balance reserves. Services provided by the City include public safety, streets and roads, water, sanitation, public improvements, culture and recreation, parks, building inspections, planning and zoning, redevelopment, and general administration.

As required by generally accepted accounting principles (GAAP) in the United States and Governmental Accounting Standards Board (GASB) Statement 14, these financial statements present the City and its component units. Component units are legally separate entities for which the government is considered to be financially accountable. Additionally, blended component units can be organizations for which the exclusion from the financial statement would cause the reporting entity's financial statements to be misleading or incomplete. Each blended component unit has a June 30 year-end.

**Blended Component Unit**

The following is a brief overview of the component units included in the City's accompanying financial statements. Financial information for these component units can be obtained from the City's Administrative Services Department and from the City's website at <http://ci.chowchilla.ca.us>.

The **Redevelopment Agency** (Agency) is an independent public entity created in 1991 by the Chowchilla City Council under the California Community Redevelopment Law. The California redevelopment process provides communities at a local level with a comprehensive tool for economic development. These tools are the powers of land assembly and site preparation for private development, the ability to finance necessary public improvements, the authority to impose conditions and restrictions for the quality of developments of an area and the capability to broaden financing capabilities utilizing a variety of public and private sources.

The Agency is a separate legal entity, distinct from the City itself; however, the City Council members serve as the Agency's Board of Directors and, therefore, are financially accountable for the operations of the Agency. The Redevelopment Agency of the City of Chowchilla operates under an annual budget approved by the Agency's Board. The Agency provides services entirely for the benefit of the City. Intergovernmental receivables and payables between the Agency and the City have been presented in the basic financial statements as due to/due from other funds. Separate financial statements are prepared for the Redevelopment Agency of the City of Chowchilla and may be obtained at the City of Chowchilla Finance Department, 130 S. Second Street, Civic Center Plaza, Chowchilla, California 93610.

The **Public Financing Authority** (Authority) of the City of Chowchilla was formed on August 14, 1989, for the purpose of assisting the City in the financing of the acquisition, construction and installation of public capital improvements for the use, benefit and enjoyment of the citizens served by the City. The City Council serves as the governing board of the Authority and, therefore, is financially accountable for the operations of the Authority.

The City Council serves as the governing body of the Agency and the Authority. As a result, the financial activities of these entities are integrally related to those of the City and are "blended" with those of the City.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**Basis of Presentation**

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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

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

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

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

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**Basis of Presentation (Continued)**

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City except for those required to be accounted for in another fund.

The **Community Development Block Grant Special Revenue Fund** accounts for the revenues received by the various CDBG grants, the uses of those funds (i.e., grants and loans for housing rehabilitation projects), as well as the receipt and re-use of program income generated by the repayment of CDBG loans.

The **Public Building Impact Fees Capital Projects Fund** accounts for the impact fee revenues generated by development and used for future public building projects.

The **Community Facilities District Capital Projects Fund** accounts for the capital projects of the City's Community Facilities District that was formed for the purpose of providing essential public facilities, such as wastewater treatment facilities and related pipelines; streets and bridges; signalization; water wells and related pipelines; and storm drainage facilities and related pipelines.

The **Storm Drain Capital Projects Fund** is used to accumulate AB 1600 developer fees collected for use in future storm drain projects that benefit new development areas.

The **Redevelopment Agency Capital Projects Fund** accounts for the tax increment revenues generated from the Agency's redevelopment activities and which will be used for future commercial and industrial redevelopment projects, as well as increasing, improving and preserving the City's supply of low and moderate income housing.

The **Redevelopment Debt Service Fund** is used to account for the accumulation of resources for the payment of principal and interest on general debt of the Redevelopment Agency.

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

The City has five enterprise funds – water, sewer, solid waste, storm drain and airport – which are used to account for operations that are financed and operated in a manner similar to private business enterprise. In an enterprise fund, the intent of the City Council is that the costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

The **Water Enterprise Fund** accounts for the provision of water to the residents of the City. All activities to provide such services are accounted for in this fund, including, but not limited to, administration, operations, distribution, maintenance, and debt service.

The **Solid Waste Enterprise Fund** accounts for the revenues and expenses for operation and maintenance of the solid waste system.

The **Sewer Enterprise Fund** accounts for the provision of wastewater collection and treatment services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and debt service.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**Basis of Presentation (Continued)**

The **Storm Drain Enterprise Fund** records the accumulation of the storm drain fees that are billed to utility customers monthly. The expenditure of these monies along with other amounts accumulated for the maintenance and reconstruction of existing storm drain facilities is reported in this fund.

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

The City reports the following fund type:

The **Agency Fund** accounts for assets held by the City as a trustee or as an agent for special districts.

Additionally, the City reports the following fund:

The **Fleet Management Internal Service Fund** accounts for the costs associated with maintaining the city-wide fleet of vehicles and rolling stock heavy equipment. Charges are assessed to each department on the basis of time/materials necessary to maintain their equipment.

The **Information Technology Internal Service Fund** accounts for the costs of providing computer and information services. User charges are recovered from other City departments that utilized the services provided.

The **Employee Benefits Internal Service Fund** accounts for compensated absences and other employee benefits that are provided by the City.

**Measurement Focus, Basis of Accounting**

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

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**Measurement Focus, Basis of Accounting (Continued)**

With the exception of GASB No. 34, the City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

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

**Assets, Liabilities and Equity**

**Cash and Cash Equivalents**

For purposes of reporting cash flow, the City considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents.

**Cash and Investments**

The City maintains a cash and investment pool that is available for all funds. Each fund-type balance in the pool is reflected on the combined balance sheet as cash and investments. The City apportions interest earnings to all funds based on their quarterly cash balances.

The City pools cash and investments with the City Treasurer except for investments managed by fiscal agents under bonded debt agreements. Interest from bank accounts and investments are allocated quarterly to the various funds based on the fund's contribution to the pool. The City has stated required investments at fair value in the statement of net assets and balance sheet. The fair value of investments is based on published market prices and quotations from major investment brokers.

Cash and investments with fiscal agent represents funds held by various trustees from proceeds of the issuance of bonds in order to establish required reserve funds and to pay bond issuance costs per the respective trust agreements.

*Credit Risk:* The City's investment policy limits certain types of investments to various ratings.

*Custodial Credit Risk—Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a deposit policy for custodial risk that requires collateralization on certificates of deposit and repurchase (and reverse) agreements. In addition, the City maintains custodial agreements with certain independent third parties.

*Concentration of Credit Risk:* The City places no limit on the amount the City may invest in any one issuer.

*Interest Rate Risk:* Reserve funds may be invested in securities exceeding 10 years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**Assets, Liabilities and Equity (Continued)**

**Restricted Assets**

Certain proceeds of the general obligation debt and enterprise debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. "Restricted cash and investments" is used to report resources set aside for potential deficiencies in the repayment ability of the debt service fund and for payment of construction projects undertaken by the City.

**Land Held for Resale**

Land held for resale is recorded in the General Fund, Redevelopment Agency Capital Projects Fund and RDA Low and Moderate Housing Capital Project Fund. Land held for resale is valued at the lower of cost or estimated net realizable value.

**Internal Balances**

Interfund transactions are reflected as loans, services provided or used, or reimbursements or transfers. Loans reported as receivables and payables, as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the fund financial statements, and are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**Notes Receivable**

The City engages in programs designed to encourage construction or improvement of housing for persons with low- to moderate-income and also to encourage business development. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. For financial statement purposes, the City has established an estimated allowance for potentially uncollectible loans. The balance of notes receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

**Capital Assets**

GAAP requires the reporting of capital assets in the financial statements. GASB Statement No. 34 added the requirement that the City report infrastructure including roads, bridges, sidewalks and traffic signals, in the financial statements. Prospective reporting of general infrastructure assets was required upon implementation of GASB Statement No. 34. However, the City has not maintained records of capital assets in its general ledger; therefore, capital assets and the related depreciation thereon are not reported in the government-wide or enterprise fund financial statements.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**Assets, Liabilities and Equity (Continued)**

**Compensated Absences**

It is the City's policy to permit employees to accumulate a limited amount of earned but unused leave time. Permanent employees earn from 12 to 30 vacation days per year depending upon their length of employment. Accumulated vacation days can be carried forward up to 2 years. Each year, by September 30<sup>th</sup>, certain employees may request to receive a cash payment for the value of all or a portion of their accumulated vacation leave. Upon termination or retirement, employees are compensated for the value of accrued vacation leave.

For full-time employees, sick leave is accumulated at the rate of 12 days per year up to a maximum of 250 days. Employees may convert 25% of unused sick leave to vacation time during a fiscal year up to the limit of the employee's maximum vacation accrual level. Upon retirement, employees may also convert a portion of their unused sick leave into service credit through the California Public Employees Retirement System.

The vacation and sick leave balances, along with compensatory leave and holiday hours are reflected in the Employee Benefits Internal Service Fund in the Statement of Net Assets.

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, 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.

**Interest Payable**

In the government-wide financial statements, interest payable on long-term debt is recognized as a liability when incurred and is not recognized in the governmental funds financial statements.

**Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**Assets, Liabilities and Equity (Continued)**

**Transfers**

In the fund financial statements, interfund transfers are recorded as transfers in (out) except for transactions that are described below:

Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of the fiscal year.

Reimbursements for expenditures, initially made by one fund that is properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as other revenue in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

**Fund Equity**

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balance in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Please refer to Note 7 for additional information.

**Use of Restricted and Unrestricted Net Assets**

When both restricted and unrestricted net assets are available, circumstances existing at the time determine whether restricted resources are depleted first before the unrestricted resources are used.

**Risk Management**

The City participates with other public entities in a joint venture under a joint powers agreement which established 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.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Property Tax Calendar**

Madera County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling legislation. Revenue received is based on an allocations factor calculated by the County under the provisions of Proposition 13 plus a percentage of the increase in market value in specific areas. The City's property tax is liened based on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Property sold after the assessment date (January 1) is reassessed and the amount of property tax assessed is prorated.

Secured property taxes are levied on October 1 and are due in two installments on November 1 and February 1. The tax becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is levied on July 1, due on July 31, and becomes delinquent after August 31.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**Assets, Liabilities and Equity (Continued)**

**Property Tax Calendar (Continued)**

Property taxes levied for the year ended June 30, 2011, are recorded as receivables, net of estimated uncollectible amounts. Property taxes paid to the City by the County within 60 days of the fiscal year-end are considered “available” and are, therefore, recognized as revenue.

The City participates in the Teeter Plan adopted by Madera County in 1993-94. The Teeter Plan is an alternative method of apportioning property tax money that pays out 100% of the annual tax levy. As part of the agreement, the County keeps the penalties and interest on the delinquent taxes that have not been paid in any year.

**New Pronouncements**

During the year ended June 30, 2011, the City implemented the following GASB Statements:

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The objective of this Statement is to enhance 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. Under previous reporting standards, the City’s governmental fund balances were reported under three categories: reserved, unreserved, and designated. The new reporting standard replaces these three fund balance categories with five new classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Additional disclosure concerning the implementation of GASB 54 is available in Note 7.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investments pools which improve financial reporting by providing more complete information, by providing consistency of measurements, and by providing clarifications of existing standards.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

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

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

**Assets, Liabilities and Equity (Continued)**

**New Pronouncements (Continued)**

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

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

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

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This Statement sets forth criteria to establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2012.

**NOTE 2 – CASH AND INVESTMENTS**

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

Statement of Net Assets:	
Cash and investments	\$ 11,129,794
Restricted cash and investments	2,695,465
Fiduciary Funds Statement of Net Assets:	
Agency Fund	<u>1,906,207</u>
 Total cash and investments	 <u>\$ 15,731,466</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

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

Cash on hand	\$ 2,700
Deposits with financial institutions	963,577
Investments	<u>14,765,189</u>
 Total cash and investments	 <u>\$ 15,731,466</u>

**Deposits**

The carrying amount of the City's cash deposit was \$963,577 at June 30, 2011. Bank balances were \$1,524,750, the total amount of which was insured and/or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

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

In accordance with Section 53601 of the California Government Code and the City's investment policy, the City is authorized to invest in Certificates of Deposit, the California Local Agency Investment Fund (LAIF), U.S. Treasury Obligations, U.S. Government Agencies, Medium-Term Notes, Bankers' Acceptances, and Commercial Paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Moody's Investor Services, Inc. or Standards and Poor's Corporation. In accordance with the City's investment policy, the City will not invest in repurchase agreements, reverse repurchase agreements, or any other type of investments prohibited by California Government Code Section 53601.

**Disclosure 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.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Disclosure Relating to Interest Rate Risk (Continued)**

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

<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
State investment pool	\$ 8,717,164	\$ 8,717,164	\$ -	\$ -	\$ -
Held by bond trustee:					
Money Market Fund	1,337,557	1,337,557	-	-	-
Treasury Obligation Fund	4,137,735	4,137,735	-	-	-
Investment Agreement	<u>572,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>572,733</u>
Total	<u>\$ 14,765,189</u>	<u>\$ 14,192,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572,733</u>

**Disclosure Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type:

<u>Investment Type</u>	<u>Total</u>	<u>Exempt from Disclosure</u>	<u>Ratings as of Year-End</u>		
			<u>A-1+</u>	<u>AAAm</u>	<u>Not Rated</u>
Held by bond trustee:					
Money Market Fund	\$ 1,337,557	\$ -	\$ 1,337,557	\$ -	\$ -
Treasury Obligation Fund	4,137,735	-	-	4,137,735	-
Investment Agreement	<u>572,733</u>	<u>572,733</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,048,025</u>	<u>\$ 572,733</u>	<u>\$ 1,337,557</u>	<u>\$ 4,137,735</u>	<u>\$ -</u>

**Concentration of Credit Risk**

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City holds investments in First American Treasury Obligation Money Market Fund, which represents 5% or more of total City's investments.

Investment in any one issuer that represent 5% or more of total investments by reporting unit (primary government, government activities, major funds, non major funds in aggregate, etc.) are as follows:

\$620,093 of cash and investments (including amounts held by bond trustee) reported in the General Fund are held in the form of the above-described Money Market Fund.

\$35 of cash and investments (including amounts held by bond trustee) reported in the Debt Service Fund are held in the form of the above-described Money Market Fund.

\$3,215,967 of cash and investments (including amounts held by bond trustee) reported in the Community Facilities District Capital Projects Fund are held in the form of the above-described Treasury Obligation Fund.

\$549,656 of cash and investments (including amounts held by bond trustee) reported in the Redevelopment Debt Service Funds are held in the form of the above-described Treasury Obligation Fund.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Concentration of Credit Risk (Continued)**

\$717,429 of cash and investments (including amounts held by bond trustee) reported in the Greenhills Agency Fund are held in the form of the above-described Money Market Fund.

\$372,112 of cash and investments (including amounts held by bond trustee) reported in the Pheasant Run Agency Fund are held in the form of the above-described Treasury Obligation Fund.

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amount based upon the City's investment in this pool is reported in the accompanying financial statements at amount 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 the portfolio). The balance available for withdrawal is based in the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Although the City did not participate in any securities lending transactions or enter into any reverse repurchase agreements during the year, the City does have an investment in LAIF in the amount of \$8,717,164. The total amount invested by all public agencies in LAIF at June 30, 2011, was \$23,983,771,875. LAIF is part of the State of California Pooled Money Investment Account (PMIA) whose balance at June 30, 2011, was \$66,352,783,817. PMIA is not SEC-registered, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different from the fair value of the City's position in the pool.

**NOTE 3 – RECEIVABLES**

Receivables as of year-end for the City's individual major funds and aggregate nonmajor, including applicable allowances for uncollectible accounts, are as follows:

	General	CDBG Grants Special Revenue	Capital Projects Funds			Other Governmental Funds	Total Governmental Funds
			Community Facilities District	Storm Drain Capital	Redevelopment Agency		
Receivables:							
Accounts receivable	\$ 345,044	\$ 182,531	\$ 108,277	\$ 14,373	\$ 215,852	\$ 548,235	\$ 1,414,312
Notes receivable	-	5,559,964	-	-	-	605,000	6,164,964
Gross receivables	345,044	5,742,495	108,277	14,373	215,852	1,153,235	7,579,276
Less: allowance for for uncollectibles	(1,581)	-	-	(2,882)	(142,102)	(329,974)	(476,539)
Net receivables	<u>\$ 343,463</u>	<u>\$ 5,742,495</u>	<u>\$ 108,277</u>	<u>\$ 11,491</u>	<u>\$ 73,750</u>	<u>\$ 823,261</u>	<u>\$ 7,102,737</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 3 – RECEIVABLES (Continued)**

	Business-Type Activities - Enterprise Funds					Total
	Water	Solid Waste	Sewer	Storm Drain	Nonmajor Airport	
Receivables:						
Accounts receivable	\$ 187,133	\$ 157,269	\$ 160,733	\$ 40,703	\$ 6,779	\$ 552,617
Gross receivables	187,133	157,269	160,733	40,703	6,779	552,617
Less: allowance for for uncollectibles	(30,000)	(14,499)	(16,440)	(8,192)	-	(69,131)
Net receivables	\$ 157,133	\$ 142,770	\$ 144,293	\$ 32,511	\$ 6,779	\$ 483,486

Receivables are presented on the Statement of Net Assets as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable, net	\$ 1,269,900	\$ 483,486	\$ 1,753,386
Notes receivable, net	5,834,990	-	5,834,990
	\$ 7,104,890	\$ 483,486	\$ 7,588,376

The only receivables in governmental funds which are not expected to be collected in one year are as follows:

Accounts receivable in General Fund	\$ 19,775
Accounts receivable in Storm Drain Capital Reserve Capital Projects Fund	348,423
Notes receivable in CDBG Grants Special Revenue Fund	5,559,964
Notes receivable in EDBG Grants Special Revenue Fund	206,176
Notes receivable in RDA Low and Moderate Housing Capital Projects Fund	68,850
	<u>\$ 6,203,188</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 4 – INTERNAL BALANCES**

Due to and due from balances at June 30, 2011, are as follows:

	<u>Due From</u>	<u>Due To</u>
<b>Governmental Funds:</b>		
Major Funds:		
General Fund	\$ 1,594,871	\$ 46,240
Public Building Impact Fee Capital Projects Fund	-	638,195
Redevelopment Agency Capital Projects Fund	-	3,154
Redevelopment Agency Debt Service Funds	-	121
Nonmajor Funds:		
Streets and Roads (LTF) Special Revenue Fund	-	90,243
Maintenance Assessment District Special Revenue Fund	-	988
Transit System Special Revenue Fund	-	209,136
Public Safety Grants Special Revenue Fund	-	1,943
Ash Slough Arundo Removal Special Revenue Fund	-	768
Park Improvements Misc. Capital Projects Fund	-	228,653
Park Development (IF) Capital Projects Fund	-	112,108
RDA Low and Moderate Housing Capital Projects Fund	-	3,046
<b>Enterprise Funds:</b>		
Major Funds:		
Water Fund	-	5,328
Solid Waste Fund	-	-
Sewer Fund	-	4,976
Storm Drain Fund	-	181,427
Nonmajor Funds:		
Airport	-	82,153
<b>Internal Service Funds</b>	<u>66,878</u>	<u>53,270</u>
 Total	 <u>\$ 1,661,749</u>	 <u>\$ 1,661,749</u>

The “due from” balance of \$1,594,871 in the General Fund represents loans made to other funds to cover operating cash deficits.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 4 – INTERNAL BALANCES** (Continued)

“Advances from” and advances to” balances are recorded when there are long-term loans between funds. Advances from and advances to balances at June 30, 2011, are as follows:

	<u>Advances To</u>	<u>Advances From</u>
<b>Governmental Funds:</b>		
Major Funds:		
Redevelopment Agency Debt Service Fund	\$ 1,647,270	\$ -
<b>Enterprise Funds:</b>	-	-
Major Funds:		
Water Fund	<u>-</u>	<u>1,647,270</u>
 Total	 <u>\$ 1,647,270</u>	 <u>\$ 1,647,270</u>

The balance of \$1,647,270 advance to Water Fund from Redevelopment Agency Debt Service Fund resulted from a loan made to provide rehabilitation of existing water infrastructure within the Redevelopment Project Area. Repayments terms have not been determined as of June 30, 2011.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 5 – TRANSFERS**

Transfers for the year ended June 30, 2011, are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds:</b>		
Major Funds:		
General Fund	\$ 1,199,999 (1)	\$ 46,957
CDBG Grants Special Revenue Fund	185,003 (2)	-
Public Building Impact Fees Capital Projects Fund		
Storm Drain Capital Projects Fund	111,581 (2)	-
Redevelopment Agency Capital Projects Fund	-	4,013,456 (2)
Redevelopment Debt Service Funds	3,381,353 (2)	1,099,999 (1)
Nonmajor Funds:		
State Gas Tax Special Revenue Fund	-	204,810
RSTP Special Revenue Fund	5,275	64,719
Street & Road Fund (LTF) Special Revenue Fund	276,091	304,739
Measure T Special Revenue Fund	299,464	131,774
LTA Measure A Special Revenue Fund	-	39,096
Transit System Special Revenue Fund	8,000	-
Public Safety Grants Special Revenue Fund	-	100,000
HOME Grants Special Revenue Fund	-	3
EDBG Grant Special Revenue Fund	150,000 (2)	-
Ash Slough Arundo Removal Special Revenue Fund	-	777
Debt Service Funds	30,464	-
Park Improvements Miscellaneous Capital Projects Fund	16,493	-
1994 PFA Street Improvements Capital Projects Fund	156,308	-
RDA Low and Moderate Housing Capital Projects Fund	220,522 (2)	35,000
<b>Enterprise Funds:</b>		
Major Funds:		
Water Enterprise Fund	97,589	96,812
Solid Waste Enterprise Fund	-	-
Sewer Enterprise Fund	107,851	107,851
<b>Internal Service Funds</b>		
	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 6,245,993</u></b>	<b><u>\$ 6,245,993</u></b>

(1) Redevelopment Debt Service Fund has transferred \$1,099,999 to General Fund for repayment of previously donated property.

(2) Transfers out of \$4,013,456 in Redevelopment Agency Capital Projects Fund consisted of the following:

- \$220,522 transfer to RDA Low and Moderate Capital Projects Fund for the required 20% set-aside deposit.
- \$150,000 transfer to CDBG Grant Special Revenue Fund to provide grant match monies.
- \$150,000 transfer to EDBG Grant Special Revenue Fund to provide grant match monies.
- \$514,658 transfer to Redevelopment Agency Debt Service Fund to fund debt service payments on 2005 TAB.
- \$2,841,695 transfer to Redevelopment Agency Debt Service Fund to support advance to Water Enterprise Fund and repayment for donated property.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 5 – TRANSFERS (Continued)**

- \$25,000 transfer to Redevelopment Debt Service Fund for annual installment on Library purchase agreement.
- \$111,581 transfer to Storm Drain Capital Reserve Capital Projects Fund to support for storm drain projects.

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended June 30, 2011:

	June 30, 2010	Additions	Reductions	June 30, 2011	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 368,817	\$ 28,654	\$ -	\$ 397,471	\$ 149,269
2000 Refunding of 1994 PFA Revenue Bonds	1,423,805	-	(84,273)	1,339,532	85,046
2005 RDA Bond	7,775,000	-	(145,000)	7,630,000	150,000
2005 Civic Center Bond	5,645,000	-	(130,000)	5,515,000	130,000
2007 CFD Series Special Tax Bond	8,465,000	-	(155,000)	8,310,000	160,000
County of Madera RDA Loan	125,000	-	(25,000)	100,000	25,000
Measure T Interprogram Loan	1,417,500	-	(157,500)	1,260,000	157,500
State of California NSP Loan	-	982,080	-	982,080	-
Less: Discounts	<u>(236,950)</u>	<u>-</u>	<u>9,197</u>	<u>(227,753)</u>	<u>-</u>
<b>Total Governmental Activities Long-Term Debt</b>	<b><u>\$ 24,983,172</u></b>	<b><u>\$ 1,010,734</u></b>	<b><u>\$ (687,576)</u></b>	<b><u>\$ 25,306,330</u></b>	<b><u>\$ 856,815</u></b>
<b>Business-Type Activities:</b>					
Westside Storm Drain Pond Project Refunding Lease	\$ 259,000	\$ -	\$ (59,500)	\$ 199,500	\$ 62,500
2000 Refunding of 1994 PFA Revenue Bonds	408,544	-	(57,251)	351,293	61,730
2001 USDA Sewer Bond	185,000	-	(15,000)	170,000	15,000
2001 Water Certificates of Participation	<u>750,000</u>	<u>-</u>	<u>(55,000)</u>	<u>695,000</u>	<u>55,000</u>
<b>Total Business-Type Activities Long-Term Debt</b>	<b><u>\$ 1,602,544</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (186,751)</u></b>	<b><u>\$ 1,415,793</u></b>	<b><u>\$ 194,230</u></b>

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

**2000 Refunding of 1994 Public Financing Authority (PFA) Revenue Bonds**

In 1994, the City issued Revenue Bonds in the aggregate principal amount of \$3,670,000 to finance the acquisition and construction of three projects: (1) capital improvements to the City Hall (the Land Acquisition/Facilities Rehabilitation Project) in the amount of \$495,000; (2) Street/Road Improvement Project in the amount of \$1,890,000; and (3) Wastewater Improvement Project in the amount of \$920,000. The original amount of the note (\$3,670,000) was secured by each project's pledged sources of revenue, including the Street/Road Improvement Project's pledge of the City's net revenues from the state gas tax, and Measure A Funds; the Wastewater Plant Improvement Project's net revenues from user fees collected by the Sewer Enterprise Fund; and General Fund revenues pledged for the Land Acquisition Project in the amount of \$3,106,000, to take advantage of lower interest rates and reduce the total future debt service payments. Semiannual payments range from \$4,433 to \$288,668 and are payable each March 15 and September 15 through 2021.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6 – LONG-TERM DEBT (Continued)**

**2000 Refunding of 1994 Public Financing Authority (PFA) Revenue Bonds (Continued)**

Annual debt service requirements to maturity of the 2000 Refunding of 1994 PFA Revenue Bonds are as follows:

Fiscal Year 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	\$ 85,046	\$ 75,223	\$ 61,730	\$ 19,706
2013	90,866	69,814	66,116	15,775
2014	96,645	64,048	70,372	11,578
2015	113,524	57,927	74,520	7,123
2016	313,156	46,854	78,555	2,416
2017-2021	<u>640,295</u>	<u>103,110</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,339,532</u>	<u>\$ 416,976</u>	<u>\$ 351,293</u>	<u>\$ 56,598</u>

**2005 RDA Bond**

In 2005, the City issued Tax Allocation Bonds in the aggregate principal amount of \$7,945,000 to finance the acquisition and construction of public capital improvements within the Redevelopment Project Area. The original amount of the note (\$7,945,000) was secured by a pledge of tax revenues consisting of tax increment payments to be received by the RDA. Semiannual payments range from \$12,000 to \$492,000 and are payable each February 1 and August 1 through 2037.

Annual debt service requirements to maturity of the 2005 RDA Bond are as follows:

Fiscal Year Ending June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 150,000	\$ 363,688
2013	155,000	357,275
2014	165,000	350,350
2015	170,000	343,100
2016	180,000	335,525
2017-2021	1,015,000	1,548,388
2022-2026	1,270,000	1,285,588
2027-2031	1,605,000	938,625
2032-2036	1,985,000	490,875
2037-2039	<u>935,000</u>	<u>47,375</u>
Total	<u>\$ 7,630,000</u>	<u>\$ 6,060,789</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6 – LONG-TERM DEBT (Continued)**

**2005 Civic Center Bond**

In 2005, the City issued Revenue Bonds in the aggregate principal amount of \$5,890,000 to refund the 2002 \$1,900,000 Civic Center Project Private Placement Financing and to finance certain public improvements. The original amount of the note (\$5,890,000) was secured by revenues of the Public Financing Authority consisting primarily of lease payments to be received by the Authority from the City under a lease agreement dated July 1, 2005, by and between the Authority and the City which are payable from the City's general fund for lease by the City of certain real property and public facilities located in the City and then constituting the Civic Center Project. Annual payments range from \$7,875 to \$362,953 and are payable each January 1 and July 1 through 2035.

Annual debt service requirements to maturity of the 2005 Civic Center Bond are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2012	\$ 130,000	\$ 232,953
2013	135,000	228,413
2014	140,000	223,513
2015	145,000	218,256
2016	150,000	212,538
2017-2021	860,000	964,172
2022-2026	1,050,000	766,006
2027-2031	1,295,000	510,278
2032-2036	<u>1,610,000</u>	<u>187,200</u>
Total	<u>\$ 5,515,000</u>	<u>\$ 3,543,329</u>

**2007 Community Facilities District (CFD) Special Tax Bond**

In 2007, the City issued Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Bonds in the aggregate principal amount of \$8,615,000 to finance certain capital expenses of the District, to pay costs of issuance of the Bonds, and to fund two years' capitalized interest on the Bonds. The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The Bonds (\$8,615,000) are secured under the Trust indenture by a pledge and lien upon Net Taxes levied on parcels within the District and all moneys in the Special Tax Fund. The Bonds were issued for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of facilities to serve the area within the District and its neighboring areas. Annual payments range from \$13,375 to \$560,486 and are payable each March 1 and September 1 through 2037.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6 – LONG-TERM DEBT (Continued)**

**2007 Community Facilities District (CFD) Special Tax Bond (Continued)**

Annual debt service payments to maturity of the CFD Special Tax Bond are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 160,000	\$ 398,180
2013	170,000	391,580
2014	175,000	384,571
2015	180,000	377,091
2016	190,000	369,041
2017-2021	1,085,000	1,705,951
2022-2026	1,360,000	1,422,621
2027-2031	1,735,000	1,038,875
2032-2036	2,210,000	548,250
2037-2038	<u>1,045,000</u>	<u>52,875</u>
Total	<u>\$ 8,310,000</u>	<u>\$ 6,689,035</u>

**County of Madera RDA Loan**

The City entered into a loan agreement in 2008, with the County of Madera for the purpose of obtaining real property for redevelopment purposes. Principal is payable annually on September 1 in the amount \$25,000, with no interest due, and matures on September 1, 2015.

Annual debt service requirements to maturity of the County of Madera RDA loan are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 25,000	\$ -
2013	25,000	-
2014	25,000	-
2015	<u>25,000</u>	<u>-</u>
Total	<u>\$ 100,000</u>	<u>\$ -</u>

**Measure T Interprogram Loan**

The City entered into a loan agreement in 2009, with the Madera County Transportation Commission to receive an advance of Measure T revenues. The loan will be a lien of the City's portion of the Regional Rehabilitation/Reconstruction/Maintenance Program and Safe Routes to School and Job Program which is 4.71% of the total Measure T Sales Tax Revenues. Principal is payable annually on June 30 in the amount of \$157,500, with interest payment calculated as the total principal outstanding times the average LAIF rate for the prior calendar year, and matures on June 30, 2019.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6 – LONG-TERM DEBT (Continued)**

**Measure T Interprogram Loan (Continued)**

Annual debt service requirements to maturity of the Measure T Interprogram loan are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 157,500	\$ 5,160
2013	157,500	-
2014	157,500	-
2015	157,500	-
2016	157,500	-
2017-2019	<u>472,500</u>	<u>-</u>
Total	<u>\$ 1,260,000</u>	<u>\$ 5,160</u>

**State of California Neighborhood Stabilization Program (NSP) Loan**

In fiscal year 2010-11, the City entered into a loan agreement with the Department of Housing and Community Development. The City could borrow up to \$10,000,000 to assist Olivero Ranch, LLC, in financing construction of 31 multi-family units, of which 30 units will be restricted to households at or below 50% of the AMI households in the City. Interest is accrued on the outstanding principal balance at the annual rate of 3% compounded annually. The entire outstanding principal balance plus all accrued but unpaid interest are due in full on the 55<sup>th</sup> anniversary of the date of the Project's receipt of certificates of occupancy. The loan will be secured on the property on which the Project is located. The outstanding loan balance as of June 30, 2011 was \$982,080. All loan payments will be generated by the operation of the housing development by the private developer which will pass through the City and back to the State.

**Westside Storm Drain Pond Project Refunding**

The City has entered into lease agreements as lessee for financing the acquisition of various equipment and capital improvements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of inception date.

The present values of future minimum capital lease payments as of June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2012	\$ 62,500	\$ 10,011
2013	66,500	6,173
2014	<u>70,500</u>	<u>2,097</u>
	<u>\$ 199,500</u>	<u>\$ 18,281</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6 – LONG-TERM DEBT (Continued)**

**2001 USDA Sewer Bond**

The City entered into a loan agreement in 2001 for \$268,325, with the United States Department of Agriculture-Rural Development (USDA-RD) for the purpose of constructing capital improvements for the City's wastewater system. Principal is payable annually on October 1 in amounts from \$10,000 to \$20,000, with interest due semi-annually at 4.375%, and matures on September 1, 2020.

Annual debt service requirements to maturity of the 2001 USDA Sewer Bond are as follows:

Fiscal Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2012	\$ 15,000	\$ 7,109
2013	15,000	6,453
2014	15,000	5,797
2015	15,000	5,141
2016	15,000	4,484
2017-2021	<u>95,000</u>	<u>10,828</u>
Total	<u>\$ 170,000</u>	<u>\$ 39,812</u>

**2001 Water Certificate of Participation**

Certificates of Participation (2000 Water System Improvement Project) in the amount of \$1,114,558 were issued on August 30, 2001, for the purpose of financing the acquisition and construction of certain modifications, improvements and additions to the City's water treatment storage and distribution facilities systems. Loan proceeds are utilized for the construction period only and are repaid with a United States Department of Agriculture Rural Development (USDA-RD) Bond Anticipation Note when the project is complete. The amount of the note is secured by the pledge of user fees collected by the Water Enterprise Fund. Principal is payable annually on August 1 in amounts from \$50,000 to \$70,000 with final payment due August 1, 2021.

Annual debt service requirements to maturity for certificates of participation are as follows:

Fiscal Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2012	\$ 55,000	\$ 29,203
2013	55,000	26,797
2014	60,000	24,281
2015	60,000	21,656
2016	60,000	19,031
2017-2021	335,000	52,609
2022	<u>70,000</u>	<u>1,531</u>
Total	<u>\$ 695,000</u>	<u>\$ 175,108</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6 – LONG-TERM DEBT (Continued)**

**Special Assessment District Debt**

The City issued \$6,750,000 Limited Obligation Improvement Bonds on June 5, 2002, for the City of Chowchilla Assessment District No. 2002-1 (Pheasant Run), pursuant to the provisions of the Improvement Bond Act of 1915 for the purpose of financing the construction and acquisition of public improvements within the City's Assessment District No. 2002-1. The Bonds are fully-secured by the unpaid special assessments levied on privately owned properties within the District. These Bonds have no governmental commitment. The Bonds are not secured by the general taxing power of the City, the State of California, or any political subdivision of the State. The City acts as agent for the property owners in collecting assessment installments of principal and interest and forwarding collections to the bond trustee. The City's liability in the event of delinquent assessments shall not exceed the balance of the established Reserve Fund. The amount outstanding as of June 30, 2011, is \$5,120,000.

On August 26, 2003, the City issued \$6,595,000 of 2003-1 Limited Obligation Refunding Bonds (the "2003 Local Obligations") pursuant to the provisions of the Improvement Bond Act of 1915 to refund the outstanding 1994-1 Local Obligations Series A and B (collectively, the "1994-1 Local Obligations"), for the purpose of creating annual debt savings. The 2003 Local Obligations are secured by assessments levied against private property owners in the Greenhills Assessment District No. 2003-1. The Authority will receive the reserve fund upon final maturity. The City acts as agent for the property owners in collecting assessment installments of principal and interest and forwarding collections to the bond trustee. The City's liability in the event of delinquent assessments shall not exceed the balance of the established Reserve Fund. The outstanding balance as of June 30, 2011, is \$5,460,000.

Since the City is not obligated in any manner for special assessment debt, the debt is not recorded in these financial statements.

**NOTE 7 – CLASSIFICATION OF NET ASSETS AND FUND BALANCES**

**Government-Wide Financial Statements**

The government-wide and enterprise fund financial statements utilize a net assets presentation. Net assets are capitalized as invested in capital assets, net of related debt, restricted and unrestricted.

- ♦ *Invested in capital assets, net of related debt* – 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 net asset balance. The City has not maintained records of capital assets in its general ledger.
- ♦ *Restricted* – represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ♦ *Unrestricted* – represents net assets of the City, not restricted for any project or other purpose.

The City considers restricted net assets to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted net assets are available.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 7 – CLASSIFICATION OF NET ASSETS AND FUND BALANCES (Continued)**

**Fund Financial Statements**

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in fiscal year 2010-11. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance

Amounts cannot be spent either because they are in nonspendable form (such as inventory or prepaid expense, and long-term loans and notes receivable) or because they are legally or contractually required to be maintained intact (such as principal of a permanent fund).

Restricted Fund Balance

Amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, contributors, or laws or regulations of other governments, etc.) or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by City Council, the City's highest level of decision-making authority, through an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified uses through the same type of formal action taken to establish the commitment. The City's committed fund balance includes:

*General Fund Emergency Contingency:*

The City's General Fund balance committed for emergency contingencies has been set by resolution and is for specific uses listed in the resolution.

Assigned Fund Balance

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. For all governmental funds other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed must be designated as assigned fund balance.

Unassigned Fund Balance

These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative balances in all other funds.

In circumstances when expenditures are made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

**(a) Plan Description**

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

**(b) Funding Policy**

Participants are required to contribute a portion of the total cost of the plan (Safety Police 9%, Safety Fire 9% and Miscellaneous 8%). Under the terms of the existing bargaining agreements, the City has agreed to pay a portion of the employees' share of the plan cost.

In addition, the City is required to contribute amounts necessary to fund the benefit for its members, at an actuarially determined rate applied to annual covered payroll. The required employer contribution rate for fiscal year 2010-11 was 12.430% for miscellaneous employees, 28.366% for the police safety group and 32.324% for the fire safety group. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

**(c) Annual Pension Costs**

For fiscal year 2010-11, the City's annual pension cost of \$707,729 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (1) 7.75% investment rate of return – net of administrative expenses; (2) projected annual salary increases of 3.25% to 14.45% for safety employees (police and fire) depending on age, service, and type of employment; (3) 3.25% payroll growth; and (4) 3.0% inflation. 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 15-year period (smoothed market value). The City's unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis.

**(d) Trend Information**

The City's contributions to CalPERS for the Miscellaneous Plan, the Safety Fire Plan and the Safety Police Plan for the three years ending June 30, 2011, 2010, and 2009 are presented below:

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/09	\$956,744	100%	\$0
06/30/10	\$914,503	100%	\$0
06/30/11	\$707,729	100%	\$0

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)**

**(e) Funded Status and Funding Progress**

<u>Valuation Date</u>	<u>Accrued Liabilities (AL)</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio (AVA/AL)</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
Safety Police Plan:						
06/30/10	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%
Safety Fire Plan:						
06/30/10	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%
Miscellaneous Plan:						
06/30/10	\$ 1,972,910,641	\$ 1,603,482,152	\$ 369,428,489	81.3%	\$ 352,637,380	104.8%

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

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

**NOTE 9 – POST-RETIREMENT HEALTH CARE BENEFITS**

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

**NOTE 10 – RISK MANAGEMENT**

The City is a member, along with fifty-eight other public entities, of Central San Joaquin Valley Risk Management Authority (the Authority) organized under a joint powers agreement pursuant to the California Government Code for the purpose of operating and maintaining a cooperative program of self-insurance and risk management which benefits its member cities through cost reductions, insurance coverage stability, and loss control techniques. The Authority is governed by a Board of Directors, consisting of one member appointed by each member city. The Authority maintains pooled coverage programs for its member cities for workers' compensation, liability, auto-physical damage, property, employment practices liability, and errors and omissions coverage. For workers' compensation and liability programs, each program and program year is accounted for and administered as a separate operation.

Under the pooled liability program, expected claims are actuarially determined as are required deposits to cover those claims along with all estimated operating costs. Each year is retrospectively adjusted five years following its conclusion and any funds remaining are returned to the member city. Likewise, funds paid out in excess of their original deposits are collected from the member city.

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers' compensation claim through the Authority. The City has the right to receive refunds or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$1,000,000 and workers' compensation losses under \$500,000. The Authority is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for the purpose of providing excess coverage. Any claims of \$500,000 up to \$150,000,000 are covered under a purchased policy through the membership with the LAWCX. The Authority is a member of the California Affiliated Risk Management Authorities (CARMA) for the purpose of providing excess coverage in a risk sharing pool. The CARMA program provided coverage in excess of the Authority's retained limit up to \$19,000,000.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 – RISK MANAGEMENT (Continued)**

The financial position results of operations of the Authority are as follows for June 30, 2011:

Total assets	\$ 69,444,059
Total liabilities	<u>55,945,081</u>
Total net assets	<u>\$ 13,498,978</u>
Revenues	\$ 28,377,519
Expenses	<u>26,762,465</u>
Change in net assets	<u>\$ 1,615,054</u>

At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with its governing documents.

The City has established the following retained limits for the coverages shown: \$25,000 for liability; \$100,000 for worker's compensation; \$1,000 for property damage; \$500 deductible on vehicles.

**NOTE 11 – SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAF)**

The Supplemental Educational Revenue Augmentation Fund (SERAF) was enacted by California State Assembly Bill AB26 4X to meet the State's mandatory funding requirements of California public schools under Proposition 98. The Bill requires that \$2.05 billion in property tax increment, previously collected and remitted to redevelopment agencies across the State, be redirected to public schools which function within an agency's redevelopment project area. The \$2.05 billion is payable in proportion by all California redevelopment agencies over a two-year period, with \$1.70 billion payable by May 10, 2010, and \$350 million payable by May 10, 2011. The California State Department of Finance has determined the amounts due from each of California's redevelopment agencies comprising the \$2.05 billion payment.

As determined by the Department of Finance, the Chowchilla Redevelopment Agency SERAF payment of \$90,932 was transferred to the County of Madera on May 7, 2011, for redistribution to the school districts. The expenditure was paid by the Agency's capital projects fund.

**NOTE 12 – DEFICIT IN FUND EQUITY**

**Major Governmental Funds**

Public Building Impact Fees Fund Capital Project Fund – A deficit in fund equity at June 30, 2011, in the amount of \$638,195 in the fund is primarily due to the fact that prior management overspent the account in order to construct the new Civic Center complex. Future deposits received from developer fee payments will eliminate the deficit over a period of several years.

**Major Enterprise Funds**

Water Enterprise Fund – A deficit in fund equity at June 30, 2011, in the amount of \$443,306 in the fund is primarily due to the recording of long-term debt without recording of the related capital assets. Once capital assets are recorded, the deficit balance should be eliminated.

Storm Drain Enterprise Fund – A deficit in fund equity at June 30, 2011, in the amount of \$348,448 in the fund is primarily due to the recording of long-term debt without recording of the related capital assets. Once capital assets are recorded, the deficit balance should be eliminated.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 12 – DEFICIT IN FUND EQUITY (Continued)**

**Nonmajor Funds**

Airport Enterprise Fund – A deficit in fund equity at June 30, 2011, in the amount of \$75,606 is due to the prior management’s application of excessive overhead charges year after year. While the overhead charges are no longer being applied, a plan to generate additional revenues from airport operations is needed to eliminate the deficit.

Street & Road (LTF) Special Revenue Fund – The deficit in fund equity at June 30, 2011, in the amount of \$12,353 is due to the recognition of revenue owed to the fund as deferred revenue as the result of these monies not being received within the 60-day window as prescribed by the GASB. The amounts owed to the fund include \$6,004 from the American Reconstruction and Recovery Act and \$6,349 from TDA funding sources. Claims have been filed to secure both amounts.

Transit System Special Revenue Fund – A deficit in fund equity at June 30, 2011, in the amount of \$76,697 is due solely to the fact that revenues were recorded but not received within 60 days from the end of the year and, therefore, were treated as deferred revenue in the financial statements.

Public Safety Grants Special Revenue Fund – A deficit in fund equity at June 30, 2011, in the amount of \$1,943 is due to the fact that a claim for a bullet proof vest purchase had not been received within the 60-day measurement period.

Park Improvements – Miscellaneous Capital Projects Fund – A deficit in fund equity at June 30, 2011, in the amount of \$228,653 is due primarily to the fact that prior management expended more money than was available on projects. Staff is trying to determine whether there are other funds available to transfer into this account in order to offset the deficit. A transfer from the General Fund may be required in the future to permanently eliminate the deficit.

Park Develop (IF) Capital Projects Fund – A deficit in fund equity at June 30, 2011, in the amount of \$112,108 is due to the fact that prior management expended more money than was available on projects. The deficit will be eliminated through the future deposit of impact fee monies as new development takes place.

**Internal Service Fund**

Employee Benefits Internal Service Fund – A deficit in fund equity at June 30, 2011, in the amount of \$388,983 exists because the fund was established on a pay-as-you go basis for the purpose of funding the annual accrued leave liability. As employees are paid for their accumulated leave in the future, the home program of the employee makes a transfer to the Employee Benefit Fund to offset the expense.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**Litigation and Claims**

The City is a defendant in several lawsuits arising in the normal course of business. The City is also a party to a lawsuit with its former Chief of Police. At this time, both parties have filed an appeal from various findings of the lower court; the City had previously offered to resolve the matter by way of a one-time payment \$55,072. While this offer has not been accepted, the two parties are in the process of negotiating a settlement of this claim. To the extent the outcome of such litigation has been determined to result in probable loss to the City, such loss has been accrued in the accompanying financial statements. The outcome of the remaining claims cannot be determined at this time.

**Encumbrances**

At June 30, 2011, the General Fund had encumbrances totaling \$119,324.

**NOTE 14 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following funds had an excess of expenditures over appropriations at the legal level of budgetary control:

<u>Fund</u>	<u>Excess Expenditures</u>
<u>General Fund</u>	
Current:	
General government	\$ (8,967)
Public safety	\$ (13,662)
Culture and recreation	\$ (4,033)
 <u>Community Development Block Grants Special Revenue Fund</u>	
Current:	
Community development	\$ (730,789)

In most cases, additional revenues were received in excess of budget to provide for the excess expenditures.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 15 – SUBSEQUENT EVENTS**

**Recent Changes in Legislation Affecting California Redevelopment Agencies**

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1X 26 and 27 as part of the State's budget package. Assembly Bill 1X 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1X 27 provides a means for redevelopment agencies to continue to exist and operate by means of a voluntary alternative redevelopment program.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011, on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court (Court) to overturn Assembly Bills 1X 26 and 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the Court ruled that Assembly Bill 1X 26, the dissolution measure, is largely upheld and is a proper exercise of the legislative power vested in the Legislature by the State Constitution. A different conclusion was rendered with respect to Assembly Bill 1X 27, which was invalidated in its entirety by the Court. Accordingly, the Agency was dissolved effective January 31, 2012. The financial statements do not include any adjustments as a result of the dissolution of the Agency.

The following is a summary of the significant provisions of Assembly Bill 1X 26:

*Suspends Redevelopment Activity* - As of June 29, 2011, the Agency cannot incur new obligations and debt. More specifically, the Agency cannot enter into or amend contracts, renew or extend leases or other agreements, and dispose of or transfer real property or other assets. Agencies are required to continue to make scheduled payments on bonds and other legally binding agreements, and to manage existing contracts, projects, and other agreements.

*Dissolves Redevelopment Agencies* - Assembly Bill 1X 26 dissolves all redevelopment agencies and community development agencies. All assets and responsibilities for closing out the activities of the former agency are transferred to a "Successor Agency."

*Creates Successor Agencies* - The Successor Agency is presumed to be the sponsoring community of the redevelopment agency (i.e. the City). The responsibility of a Successor Agency includes making payments and performing obligations of the former redevelopment agency in accordance with a schedule of enforceable obligations. Enforceable obligations include; bonds, loans, legally required payments, including payments for pension obligations, judgments or settlements, and other legally binding and enforceable agreements. A Successor Agency is required to dispose of the former agency's assets in an expeditious fashion, to transfer the housing functions to its sponsoring community, to wind down the affairs of the former agency (including the payment of debt and completion of obligated projects), to prepare administrative budgets, and to provide support to the "Oversight Board."

*Transfer of Housing Functions* - The sponsoring community may choose to assume the housing functions and the housing assets of the dissolved agency. Should the sponsoring community choose not to assume these responsibilities, all assets and functions would be transferred to the local housing authority.

**CITY OF CHOWCHILLA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 15 – SUBSEQUENT EVENTS (Continued)**

**Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued)**

*Creation of Oversight Boards* - The Oversight Board, which is comprised of seven member representatives from local government bodies, is tasked with reviewing and approving the actions of the Successor Agency. Two of the seven members would be City representatives appointed by the City Council - one of which must be an employee from the recognized employee organization representing the largest number of employees working for the redevelopment agency as of the date of dissolution. The remaining members are appointed by the County (2), the County Superintendent of Education (1), the Chancellor of California Community Colleges (1), and the largest special district taxing entity in the territorial jurisdiction of the former redevelopment agency which is eligible to receive property tax revenues pursuant to Section 34188.

The Chowchilla City Council adopted Resolution 05-12 on January 10, 2012, to name the City of Chowchilla as the successor agency to the Redevelopment Agency and also as the successor housing agency.

Management has evaluated subsequent events through March 28, 2012, the date the financial statements were available to be issued. Except as described above, no other events requiring recognition or disclosure in the financial statements were identified.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CHOWCHILLA**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 203,503	\$ 1,822,477	\$ 1,887,149	\$ 64,672
Licenses and permits	86,995	368,125	354,707	(13,418)
Fines and penalties	3,125	37,500	35,888	(1,612)
Intergovernmental	21,000	1,313,425	1,324,940	11,515
Use of money and property	17,375	70,369	66,965	(3,404)
Charges for services	8,775	56,936	39,487	(17,449)
Miscellaneous	<u>14,625</u>	<u>278,768</u>	<u>270,240</u>	<u>(8,528)</u>
Total revenues	<u>355,398</u>	<u>3,947,600</u>	<u>3,979,376</u>	<u>31,776</u>
Expenditures:				
Current:				
General government	151,621	954,938	963,905	(8,967)
Public safety	606,885	2,428,339	2,442,001	(13,662)
Highways and streets	76,010	210,020	198,641	11,379
Culture and recreation	66,197	255,928	259,961	(4,033)
Capital outlay	<u>7,500</u>	<u>95,774</u>	<u>63,259</u>	<u>32,515</u>
Total expenditures	<u>908,213</u>	<u>3,944,999</u>	<u>3,927,767</u>	<u>17,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(552,815)</u>	<u>2,601</u>	<u>51,609</u>	<u>49,008</u>
Other financing sources (uses):				
Transfers in	25,000	1,199,999	1,199,999	-
Transfers out	(96,388)	(129,022)	(46,957)	82,065
Proceeds from sale of capital assets	<u>-</u>	<u>621,926</u>	<u>621,926</u>	<u>-</u>
Total other financing sources (uses)	<u>(71,388)</u>	<u>1,692,903</u>	<u>1,774,968</u>	<u>82,065</u>
Net change in fund balance	(624,203)	1,695,504	1,826,577	131,073
Fund balances, July 1, 2010	<u>169,966</u>	<u>169,966</u>	<u>169,966</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ (454,237)</u>	<u>\$ 1,865,470</u>	<u>\$ 1,996,543</u>	<u>\$ 131,073</u>

**CITY OF CHOWCHILLA**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET TO ACTUAL  
CDBG GRANTS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 444,065	\$ 481,706	\$ 245,960	\$ (235,746)
Use of money and property	-	116,556	854	(115,702)
Miscellaneous	-	-	22,400	22,400
	<u>444,065</u>	<u>598,262</u>	<u>269,214</u>	<u>(329,048)</u>
Total revenues				
Expenditures:				
Current:				
Community development	444,065	498,587	1,229,376	(730,789)
	<u>444,065</u>	<u>498,587</u>	<u>1,229,376</u>	<u>(730,789)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	-	99,675	(960,162)	(1,059,837)
Other financing sources (uses):				
Transfers in	-	185,000	185,003	3
Proceeds from promissory note	-	-	982,080	982,080
	<u>-</u>	<u>185,000</u>	<u>1,167,083</u>	<u>982,083</u>
Total other financing sources (uses)				
Net change in fund balance	-	284,675	206,921	(77,754)
Fund balances, July 1, 2010	<u>4,397,283</u>	<u>4,397,283</u>	<u>4,397,283</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 4,397,283</u>	<u>\$ 4,681,958</u>	<u>\$ 4,604,204</u>	<u>\$ (77,754)</u>

**CITY OF CHOWCHILLA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2011**

**NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

The City establishes annual budgets for the General, Special Revenue Funds, and Capital Projects Funds. Except for encumbrances and long-term projects in progress, which are carried forward to the following year, all appropriations remaining will lapse at year-end. The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedules:

- 1) The department heads prepare a budget request based upon the previous year's expenditures.
- 2) A meeting is held between the department heads, Finance Director and the City Administrator for the purpose of reviewing and prioritizing the budget requests.
- 3) The City Administrator submits the proposed City Budget to the City Council, who makes decisions regarding department budgets.
- 4) The approved budget is placed in the City accounting system and monitored by the Finance Department as well as by the department heads.

Department heads may, with the City Administrator's authorization, transfer amounts between line items which do not change the original operational budget appropriation limit of the department. The transfers between departments and funds require approval of the City Council.

- 5) Budgets are adopted on the modified accrual basis. Revenues are budgeted in the year receipt is expected, and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. Budgeted amounts are maintained as originally adopted and as further amended by the City Council. The level of control (level at which expenditures may not exceed budget) is at fund level for the General Fund, fund level for the Special Revenue Funds, and project level for the Capital Projects Funds.

**CITY OF CHOWCHILLA**

**SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

<u>Valuation Date</u>	<u>Accrued Liabilities (AL)</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio (AVA/AL)</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
Safety Police Plan:						
06/30/08	\$ 1,755,559,311	\$ 1,517,609,609	\$ 237,949,702	86.4%	\$ 210,590,567	113.0%
06/30/09	\$ 1,802,882,330	\$ 1,520,081,328	\$ 282,801,002	84.3%	\$ 221,600,192	127.6%
06/30/10	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%
Safety Fire Plan:						
06/30/08	\$ 1,755,559,311	\$ 1,517,609,609	\$ 237,949,702	86.4%	\$ 210,590,567	113.0%
06/30/09	\$ 1,802,882,330	\$ 1,520,081,328	\$ 282,801,002	84.3%	\$ 221,600,192	127.6%
06/30/10	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%
Miscellaneous Plan:						
06/30/08	\$ 1,537,909,933	\$ 1,337,707,835	\$ 200,202,098	87.0%	\$ 333,307,600	60.1%
06/30/09	\$ 1,834,424,640	\$ 1,493,430,831	\$ 340,993,809	81.4%	\$ 355,150,151	96.0%
06/30/10	\$ 1,972,910,641	\$ 1,603,482,152	\$ 369,428,489	81.3%	\$ 352,637,380	104.8%

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## OTHER SUPPLEMENTARY INFORMATION

**CITY OF CHOWCHILLA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 2,021,324	\$ 17,564	\$ 2,925,979	\$ 4,964,867
Restricted cash and investments	-	35	-	35
Accounts receivable	548,235	-	-	548,235
Notes receivable, net	206,176	-	68,850	275,026
Land held for resale	-	-	104,000	104,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 2,775,735</u>	<u>\$ 17,599</u>	<u>\$ 3,098,829</u>	<u>\$ 5,892,163</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 109,318	\$ 17,547	\$ 3,184	\$ 130,049
Deferred revenues	295,895	-	-	295,895
Due to other funds	303,078	-	343,807	646,885
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>708,291</u>	<u>17,547</u>	<u>346,991</u>	<u>1,072,829</u>
Fund balances (deficit):				
Restricted for:				
Highway and streets	1,752,919	-	-	1,752,919
Culture and recreation	-	-	184,388	184,388
Community development	405,518	-	166,620	572,138
Capital maintenance	-	-	2,741,591	2,741,591
Debt service	-	52	-	52
Unassigned	(90,993)	-	(340,761)	(431,754)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances (deficit)	<u>2,067,444</u>	<u>52</u>	<u>2,751,838</u>	<u>4,819,334</u>
Total liabilities and fund balances	<u>\$ 2,775,735</u>	<u>\$ 17,599</u>	<u>\$ 3,098,829</u>	<u>\$ 5,892,163</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Licenses and permits	\$ 375	\$ -	\$ -	\$ 375
Intergovernmental	1,457,327	-	17,621	1,474,948
Use of money and property	18,198	78	10,437	28,713
Charges for services	299,088	-	86,789	385,877
Miscellaneous	<u>9,695</u>	<u>-</u>	<u>2,092</u>	<u>11,787</u>
Total revenues	<u>1,784,683</u>	<u>78</u>	<u>116,939</u>	<u>1,901,700</u>
Expenditures:				
Current:				
General government	-	22,260	-	22,260
Public Safety	3,782	-	826	4,608
Highway and streets	775,747	-	-	775,747
Culture and recreation	-	-	25,194	25,194
Community development	2,532	-	50,625	53,157
Capital outlay	1,158,706	-	10,310	1,169,016
Debt service:				
Principal	157,500	130,000	84,273	371,773
Interest	<u>17,435</u>	<u>247,924</u>	<u>71,985</u>	<u>337,344</u>
Total expenditures	<u>2,115,702</u>	<u>400,184</u>	<u>243,213</u>	<u>2,759,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(331,019)</u>	<u>(400,106)</u>	<u>(126,274)</u>	<u>(857,399)</u>
Other financing sources (uses):				
Transfers in	738,830	30,464	393,323	1,162,617
Transfers out	<u>(845,918)</u>	<u>-</u>	<u>(35,000)</u>	<u>(880,918)</u>
Total other financing sources (uses)	<u>(107,088)</u>	<u>30,464</u>	<u>358,323</u>	<u>281,699</u>
Net changes in fund balances	(438,107)	(369,642)	232,049	(575,700)
Fund balances (deficit), beginning	<u>2,505,551</u>	<u>369,694</u>	<u>2,519,789</u>	<u>5,395,034</u>
Fund balances (deficit), end	<u>\$ 2,067,444</u>	<u>\$ 52</u>	<u>\$ 2,751,838</u>	<u>\$ 4,819,334</u>

**CITY OF CHOWCHILLA**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011**

	<u>State Gas Tax</u>	<u>RSTP</u>	<u>Street &amp; Road Fund (LTF)</u>	<u>Measure T Fund</u>	<u>Maintenance Assessment District</u>	<u>LTA Measure A</u>
<b>ASSETS</b>						
Cash and investments	\$ 205,934	\$ 16,411	\$ -	\$ 1,076,978	\$ 526,435	\$ 40
Accounts receivable	60,187	-	102,800	91,339	78,243	-
Notes receivable, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 266,121</u>	 <u>\$ 16,411</u>	 <u>\$ 102,800</u>	 <u>\$ 1,168,317</u>	 <u>\$ 604,678</u>	 <u>\$ 40</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 20,710	\$ -	\$ 12,556	\$ 6,253	\$ 67,681	\$ -
Deferred revenues	-	-	12,354	89,981	117,035	-
Due to other funds	<u>-</u>	<u>-</u>	<u>90,243</u>	<u>-</u>	<u>988</u>	<u>-</u>
 Total liabilities	 <u>20,710</u>	 <u>-</u>	 <u>115,153</u>	 <u>96,234</u>	 <u>185,704</u>	 <u>-</u>
Fund balances (deficit):						
Restricted for:						
Highway and streets	245,411	16,411	-	1,072,083	418,974	40
Community development	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(12,353)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balances (deficit)	 <u>245,411</u>	 <u>16,411</u>	 <u>(12,353)</u>	 <u>1,072,083</u>	 <u>418,974</u>	 <u>40</u>
 Total liabilities and fund balances	 <u>\$ 266,121</u>	 <u>\$ 16,411</u>	 <u>\$ 102,800</u>	 <u>\$ 1,168,317</u>	 <u>\$ 604,678</u>	 <u>\$ 40</u>

**CITY OF CHOWCHILLA**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011**

	<u>Transit System</u>	<u>Public Safety Grants</u>	<u>HOME Grant</u>	<u>EDBG Grant</u>	<u>Ash Slough Arundo Removal</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and investments	\$ -	\$ -	\$ -	\$ 195,526	\$ -	\$ 2,021,324
Accounts receivable	211,082	-	-	-	4,584	548,235
Notes receivable, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,176</u>	<u>-</u>	<u>206,176</u>
 Total assets	 <u>\$ 211,082</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 401,702</u>	 <u>\$ 4,584</u>	 <u>\$ 2,775,735</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 2,118	\$ -	\$ -	\$ -	\$ -	\$ 109,318
Deferred revenues	76,525	-	-	-	-	295,895
Due to other funds	<u>209,136</u>	<u>1,943</u>	<u>-</u>	<u>-</u>	<u>768</u>	<u>303,078</u>
 Total liabilities	 <u>287,779</u>	 <u>1,943</u>	 <u>-</u>	 <u>-</u>	 <u>768</u>	 <u>708,291</u>
Fund balances (deficit):						
Restricted for:	-					
Highway and streets	-	-	-	-		1,752,919
Community development	-	-	-	401,702	3,816	405,518
Unassigned	<u>(76,697)</u>	<u>(1,943)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,993)</u>
 Total fund balances (deficit)	 <u>(76,697)</u>	 <u>(1,943)</u>	 <u>-</u>	 <u>401,702</u>	 <u>3,816</u>	 <u>2,067,444</u>
 Total liabilities and fund balances	 <u>\$ 211,082</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 401,702</u>	 <u>\$ 4,584</u>	 <u>\$ 2,775,735</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	State Gas Tax	RSTP	Street & Road Fund (LTF)	Measure T Fund	Maintenance Assessment District	LTA Measure A
<b>Revenues:</b>						
Licenses and permits	\$ -	\$ -	\$ 375	\$ -	\$ -	\$ -
Intergovernmental	412,604	-	346,120	297,884	-	-
Use of money and property	591	294	37	6,795	1,728	127
Charges for services	-	-	-	-	287,889	-
Miscellaneous	-	-	9,682	13	-	-
<b>Total revenues</b>	<b>413,195</b>	<b>294</b>	<b>356,214</b>	<b>304,692</b>	<b>289,617</b>	<b>127</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Public safety	-	-	-	-	-	-
Highway and streets	1,765	-	245,920	146,417	236,909	-
Community Development	-	-	-	-	-	-
Capital outlay	-	-	185,711	970,972	-	-
<b>Debt service:</b>						
Principal	-	-	-	157,500	-	-
Interest	-	-	-	17,435	-	-
<b>Total expenditures</b>	<b>1,765</b>	<b>-</b>	<b>431,631</b>	<b>1,292,324</b>	<b>236,909</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	411,430	294	(75,417)	(987,632)	52,708	127
<b>Other financing sources (uses):</b>						
Transfers in	-	5,275	276,091	299,464	-	-
Transfers out	(204,810)	(64,719)	(304,739)	(131,774)	-	(39,096)
<b>Total other financing sources (uses)</b>	<b>(204,810)</b>	<b>(59,444)</b>	<b>(28,648)</b>	<b>167,690</b>	<b>-</b>	<b>(39,096)</b>
<b>Net change in fund balances</b>	<b>206,620</b>	<b>(59,150)</b>	<b>(104,065)</b>	<b>(819,942)</b>	<b>52,708</b>	<b>(38,969)</b>
Fund balances (deficit), beginning of year	38,791	75,561	91,712	1,892,025	366,266	39,009
Fund balances (deficit), end of year	\$ 245,411	\$ 16,411	\$ (12,353)	\$ 1,072,083	\$ 418,974	\$ 40

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Transit System	Public Safety Grants	HOME Grant	EDBG Grant	Ash Slough Arundo Removal	Total
<b>Revenues:</b>						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 375
Intergovernmental	251,135	100,000	-	45,000	4,584	1,457,327
Use of money and property	(109)	80	-	8,647	8	18,198
Charges for services	11,199	-	-	-	-	299,088
Miscellaneous	-	-	-	-	-	9,695
<b>Total revenues</b>	<b>262,225</b>	<b>100,080</b>	<b>-</b>	<b>53,647</b>	<b>4,592</b>	<b>1,784,683</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Public safety	-	-	-	-	3,782	3,782
Highway and streets	144,736	-	-	-	-	775,747
Community Development	-	-	-	2,532	-	2,532
Capital outlay	-	2,023	-	-	-	1,158,706
<b>Debt service:</b>						
Principal	-	-	-	-	-	157,500
Interest	-	-	-	-	-	17,435
<b>Total expenditures</b>	<b>144,736</b>	<b>2,023</b>	<b>-</b>	<b>2,532</b>	<b>3,782</b>	<b>2,115,702</b>
Excess (deficiency) of revenues over (under) expenditures	117,489	98,057	-	51,115	810	(331,019)
<b>Other financing sources (uses):</b>						
Transfers in	8,000	-	-	150,000	-	738,830
Transfers out	-	(100,000)	(3)	-	(777)	(845,918)
<b>Total other financing sources (uses)</b>	<b>8,000</b>	<b>(100,000)</b>	<b>(3)</b>	<b>150,000</b>	<b>(777)</b>	<b>(107,088)</b>
Net change in fund balances	125,489	(1,943)	(3)	201,115	33	(438,107)
Fund balances (deficit), beginning of year	(202,186)	-	3	200,587	3,783	2,505,551
Fund balances (deficit), end of year	\$ (76,697)	\$ (1,943)	\$ -	\$ 401,702	\$ 3,816	\$ 2,067,444

**CITY OF CHOWCHILLA**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2011**

	<u>Police Impact Fees</u>	<u>Fire Impact Fees</u>	<u>SR99/Ave 26 Interchange</u>	<u>SR99/Road 17 Interchange</u>	<u>Road Improvement</u>
<b>ASSETS</b>					
Pooled cash and investments	\$ 578,529	\$ 382,558	\$ 12,262	\$ 308,709	\$ 687,865
Notes receivable	-	-	-	-	-
Land held for resale	-	-	-	-	-
Total assets	<u>\$ 578,529</u>	<u>\$ 382,558</u>	<u>\$ 12,262</u>	<u>\$ 308,709</u>	<u>\$ 687,865</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund balances (deficit):					
Restricted for:					
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital maintenance	578,529	382,558	12,262	308,709	687,865
Unassigned	-	-	-	-	-
Total fund balances (deficit)	<u>578,529</u>	<u>382,558</u>	<u>12,262</u>	<u>308,709</u>	<u>687,865</u>
Total liabilities and fund balances	<u>\$ 578,529</u>	<u>\$ 382,558</u>	<u>\$ 12,262</u>	<u>\$ 308,709</u>	<u>\$ 687,865</u>

**CITY OF CHOWCHILLA**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2011**

	<u>Signalization Impact Fees</u>	<u>Waste Water System Capital</u>	<u>Park Improvements Soccer Field</u>	<u>Park Improvements Misc.</u>	<u>Park Development (IF)</u>
<b>ASSETS</b>					
Pooled cash and investments	\$ 353,864	\$ 400,208	\$ 3,886	\$ -	\$ -
Notes receivable	-	-	-	-	-
Land held for resale	-	-	-	-	-
Total assets	<u>\$ 353,864</u>	<u>\$ 400,208</u>	<u>\$ 3,886</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	228,653	112,108
Total liabilities	-	-	-	<u>228,653</u>	<u>112,108</u>
Fund balances (deficit):					
Restricted for:					
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital maintenance	353,864	400,208	3,886	-	-
Unassigned	-	-	-	(228,653)	(112,108)
Total fund balances (deficit)	<u>353,864</u>	<u>400,208</u>	<u>3,886</u>	<u>(228,653)</u>	<u>(112,108)</u>
Total liabilities and fund balances	<u>\$ 353,864</u>	<u>\$ 400,208</u>	<u>\$ 3,886</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF CHOWCHILLA**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2011**

	<u>Park Grants</u>	<u>Water Systems Capital</u>	<u>1994 PFA Streets Improvements</u>	<u>RDA Low and Moderate Housing</u>	<u>Total</u>
<b>ASSETS</b>					
Pooled cash and investments	\$ 184,388	\$ 13,710	\$ -	\$ -	\$ 2,925,979
Notes receivable	-	-	-	68,850	68,850
Land held for resale	-	-	-	104,000	104,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 184,388</u>	<u>\$ 13,710</u>	<u>\$ -</u>	<u>\$ 172,850</u>	<u>\$ 3,098,829</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 3,184	\$ 3,184
Due to other funds	-	-	-	3,046	343,807
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<hr/>	<hr/>	<hr/>	6,230	346,991
Fund balances (deficit):					
Restricted for:					
Culture and recreation	184,388	-	-	-	184,388
Community development	-	-	-	166,620	166,620
Capital maintenance	-	13,710	-	-	2,741,591
Unassigned	-	-	-	-	(340,761)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances (deficit)	<u>184,388</u>	<u>13,710</u>	<u>-</u>	<u>166,620</u>	<u>2,751,838</u>
Total liabilities and fund balances	<u>\$ 184,388</u>	<u>\$ 13,710</u>	<u>\$ -</u>	<u>\$ 172,850</u>	<u>\$ 3,098,829</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Police Impact Fees</u>	<u>Fire Impact Fees</u>	<u>SR99/Ave 26 Interchange</u>	<u>SR99/Road 17 Interchange</u>	<u>Road Improvement</u>
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	2,255	1,250	52	1,310	2,833
Charges for services	7,285	13,400	-	-	26,957
Miscellaneous	-	-	-	-	-
	<u>9,540</u>	<u>14,650</u>	<u>52</u>	<u>1,310</u>	<u>29,790</u>
Total revenues					
Expenditures:					
Current:					
Public Safety	413	413	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	1,390	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
	<u>1,803</u>	<u>413</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>7,737</u>	<u>14,237</u>	<u>52</u>	<u>1,310</u>	<u>29,790</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)					
Net changes in fund balances	7,737	14,237	52	1,310	29,790
Fund balances (deficit), beginning of year	<u>570,792</u>	<u>368,321</u>	<u>12,210</u>	<u>307,399</u>	<u>658,075</u>
Fund balances (deficit), end of year	<u>\$ 578,529</u>	<u>\$ 382,558</u>	<u>\$ 12,262</u>	<u>\$ 308,709</u>	<u>\$ 687,865</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Signalization Impact Fees</u>	<u>Waste Water System Capital</u>	<u>Park Improvements Soccer Field</u>	<u>Park Improvements Misc.</u>	<u>Park Development (IF)</u>
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ 17,621	\$ -
Use of money and property	1,451	1,011	17	(222)	(192)
Charges for services	3,315	24,447	-	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,092</u>
Total revenues	<u>4,766</u>	<u>25,458</u>	<u>17</u>	<u>17,399</u>	<u>1,900</u>
Expenditures:					
Current:					
Public Safety	-	-	-	-	-
Culture and recreation	-	-	-	25,194	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	8,920	-
Debt service:					
Principal	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,114</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,766</u>	<u>25,458</u>	<u>17</u>	<u>(16,715)</u>	<u>1,900</u>
Other financing sources (uses):					
Transfers in	-	-	-	16,493	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,493</u>	<u>-</u>
Net changes in fund balances	4,766	25,458	17	(222)	1,900
Fund balances (deficit), beginning of year	<u>349,098</u>	<u>374,750</u>	<u>3,869</u>	<u>(228,431)</u>	<u>(114,008)</u>
Fund balances (deficit), end of year	<u>\$ 353,864</u>	<u>\$ 400,208</u>	<u>\$ 3,886</u>	<u>\$ (228,653)</u>	<u>\$ (112,108)</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Park Grants</u>	<u>Water Systems Capital</u>	<u>1994 PFA Streets Improvements</u>	<u>RDA Low and Moderate Housing</u>	<u>Total</u>
<b>Revenues:</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 17,621
Use of money and property	782	(38)	(46)	(26)	10,437
Charges for services	-	11,385	-	-	86,789
Miscellaneous	-	-	-	-	2,092
<b>Total revenues</b>	<u>782</u>	<u>11,347</u>	<u>(46)</u>	<u>(26)</u>	<u>116,939</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Public Safety	-	-	-	-	826
Culture and recreation	-	-	-	-	25,194
Community development	-	-	-	50,625	50,625
Capital outlay	-	-	-	-	10,310
<b>Debt service:</b>					
Principal	-	-	84,273	-	84,273
Interest	-	-	71,985	-	71,985
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>156,258</u>	<u>50,625</u>	<u>243,213</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>782</u>	<u>11,347</u>	<u>(156,304)</u>	<u>(50,651)</u>	<u>(126,274)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	156,308	220,522	393,323
Transfers out	-	-	-	(35,000)	(35,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>156,308</u>	<u>185,522</u>	<u>358,323</u>
<b>Net changes in fund balances</b>	782	11,347	4	134,871	232,049
<b>Fund balances (deficit), beginning of year</b>	<u>183,606</u>	<u>2,363</u>	<u>(4)</u>	<u>31,749</u>	<u>2,519,789</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ 184,388</u>	<u>\$ 13,710</u>	<u>\$ -</u>	<u>\$ 166,620</u>	<u>\$ 2,751,838</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2011**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 7,453	\$ 21,847	\$ -	\$ 29,300
Accounts receivable, net	-	-	2,153	2,153
Due from other funds	-	-	66,878	66,878
Prepaid expenses	<u>-</u>	<u>-</u>	<u>48,021</u>	<u>48,021</u>
Total assets	<u>7,453</u>	<u>21,847</u>	<u>117,052</u>	<u>146,352</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	5,444	3,732	56,907	66,083
Accrued payroll	-	-	2,272	2,272
Due to other funds	1,617	2,268	49,385	53,270
Compensated absences	<u>-</u>	<u>-</u>	<u>149,269</u>	<u>149,269</u>
Total current liabilities	<u>7,061</u>	<u>6,000</u>	<u>257,833</u>	<u>270,894</u>
Noncurrent liabilities:				
Compensated absences	<u>-</u>	<u>-</u>	<u>248,202</u>	<u>248,202</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>248,202</u>	<u>248,202</u>
Total liabilities	<u>7,061</u>	<u>6,000</u>	<u>506,035</u>	<u>519,096</u>
<b>NET ASSETS (DEFICIT)</b>				
Unrestricted (deficit)	<u>392</u>	<u>15,847</u>	<u>(388,983)</u>	<u>(372,744)</u>
Total net assets (deficit)	<u>\$ 392</u>	<u>\$ 15,847</u>	<u>\$ (388,983)</u>	<u>\$ (372,744)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 167,908	\$ 267,611	\$ 97,194	\$ 532,713
Miscellaneous	<u>-</u>	<u>-</u>	<u>7,739</u>	<u>7,739</u>
Total operating revenues	<u>167,908</u>	<u>267,611</u>	<u>104,933</u>	<u>540,452</u>
Operating expenses:				
Personnel services	111,248	172,080	125,847	409,175
Materials, supplies and services	<u>56,268</u>	<u>79,684</u>	<u>-</u>	<u>135,952</u>
Total operating expenses	<u>167,516</u>	<u>251,764</u>	<u>125,847</u>	<u>545,127</u>
Operating income (loss)	<u>392</u>	<u>15,847</u>	<u>(20,914)</u>	<u>(4,675)</u>
Non-operating revenues (expenses):				
Interest income	<u>-</u>	<u>-</u>	<u>(30)</u>	<u>(30)</u>
Total non-operating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(30)</u>	<u>(30)</u>
Changes in net assets	392	15,847	(20,944)	(4,705)
Net assets (deficit), beginning of year	<u>-</u>	<u>-</u>	<u>(368,039)</u>	<u>(368,039)</u>
Net assets (deficit), end of year	<u>\$ 392</u>	<u>\$ 15,847</u>	<u>\$ (388,983)</u>	<u>\$ (372,744)</u>

**CITY OF CHOWCHILLA**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 167,908	\$ 267,611	\$ 102,780	\$ 538,299
Payments to suppliers	(50,824)	(75,952)	57,426	(69,350)
Payments to employees	<u>(111,248)</u>	<u>(172,080)</u>	<u>(282,808)</u>	<u>(566,136)</u>
Net cash provided by (used in) operating activities	<u>5,836</u>	<u>19,579</u>	<u>(122,602)</u>	<u>(97,187)</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	-	(66,878)	(66,878)
Transfer to other funds	-	-	-	-
Loan from other funds	<u>1,617</u>	<u>2,268</u>	<u>49,385</u>	<u>53,270</u>
Net cash provided by (used in) noncapital financing activities	<u>1,617</u>	<u>2,268</u>	<u>(17,493)</u>	<u>(13,608)</u>
Cash flows from investing activities:				
Interest received	<u>-</u>	<u>-</u>	<u>(30)</u>	<u>(30)</u>
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>(30)</u>	<u>(30)</u>
Net increase (decrease) in cash and cash equivalents	7,453	21,847	(140,125)	(110,825)
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>140,125</u>	<u>140,125</u>
Cash and cash equivalents, end of year	<u>\$ 7,453</u>	<u>\$ 21,847</u>	<u>\$ -</u>	<u>\$ 29,300</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 392	\$ 15,847	\$ (20,914)	\$ (4,675)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	(2,153)	(2,153)
(Increase) decrease in prepaid expenses	-	-	519	519
Increase (decrease) in accounts payable	5,444	3,732	56,907	66,083
Increase (decrease) in accrued payroll	-	-	(185,615)	(185,615)
Increase (decrease) in compensated absences	<u>-</u>	<u>-</u>	<u>28,654</u>	<u>28,654</u>
Net cash provided by (used in) operating activities	<u>\$ 5,836</u>	<u>\$ 19,579</u>	<u>\$ (122,602)</u>	<u>\$ (97,187)</u>

**CITY OF CHOWCHILLA**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2011**

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
<b>Greenhills Assessment District</b>				
ASSETS				
Cash and investments	\$ 644,559	\$ 1,809,528	\$ (1,698,217)	\$ 755,870
Accounts receivable	<u>60,835</u>	<u>10,474</u>	<u>(59,915)</u>	<u>11,394</u>
Total assets	<u>\$ 705,394</u>	<u>\$ 1,820,002</u>	<u>\$ (1,758,132)</u>	<u>\$ 767,264</u>
LIABILITIES				
Agency obligations	<u>\$ 705,394</u>	<u>\$ 1,820,002</u>	<u>\$ (1,758,132)</u>	<u>\$ 767,264</u>
<b>Pheasant Run Assessment District</b>				
ASSETS				
Cash and investments	\$ 1,208,356	\$ 1,689,410	\$ (1,886,503)	\$ 1,011,263
Accounts receivable	<u>16,912</u>	<u>38,457</u>	<u>(16,912)</u>	<u>38,457</u>
Total assets	<u>\$ 1,225,268</u>	<u>\$ 1,727,867</u>	<u>\$ (1,903,415)</u>	<u>\$ 1,049,720</u>
LIABILITIES				
Agency obligations	<u>\$ 1,225,268</u>	<u>\$ 1,727,867</u>	<u>\$ (1,903,415)</u>	<u>\$ 1,049,720</u>
<b>Developer Deposits</b>				
ASSETS				
Cash and investments	<u>\$ 176,858</u>	<u>\$ 2,617,104</u>	<u>\$ (2,654,888)</u>	<u>\$ 139,074</u>
Total assets	<u>\$ 176,858</u>	<u>\$ 2,617,104</u>	<u>\$ (2,654,888)</u>	<u>\$ 139,074</u>
LIABILITIES				
Agency obligations	<u>\$ 176,858</u>	<u>\$ 2,617,104</u>	<u>\$ (2,654,888)</u>	<u>\$ 139,074</u>
<b>Total Agency Funds</b>				
ASSETS				
Cash and investments	\$ 2,029,773	\$ 6,116,042	\$ (6,239,608)	\$ 1,906,207
Accounts receivable	<u>77,747</u>	<u>48,931</u>	<u>(76,827)</u>	<u>49,851</u>
Total assets	<u>\$ 2,107,520</u>	<u>\$ 6,164,973</u>	<u>\$ (6,316,435)</u>	<u>\$ 1,956,058</u>
LIABILITIES				
Agency obligations	<u>\$ 2,107,520</u>	<u>\$ 6,164,973</u>	<u>\$ (6,316,435)</u>	<u>\$ 1,956,058</u>