

**CITY OF CHOWCHILLA
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2012**

CITY OF CHOWCHILLA
JUNE 30, 2012

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JUNE 30, 2012**

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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, 2012, 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, 2012, or the changes in its financial position or, where applicable, its cash flows for the year then ended.

As discussed in Note 14 to the basic financial statements, the California State Legislature enacted legislation that dissolved redevelopment agencies in the State of California as of February 1, 2012. On February 1, 2012, the City, as the Successor Agency to the Redevelopment Agency of the City of Chowchilla, became responsible for overseeing the dissolution process and the wind down of the redevelopment activity.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Price Pange & Company

Clovis, California
March 27, 2013

BASIC FINANCIAL STATEMENTS

CITY OF CHOWCHILLA

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 8,755,387	\$ 3,176,957	\$ 11,932,344
Restricted cash and investments	3,756,891	-	3,756,891
Accounts receivable, net	4,224,230	526,525	4,750,755
Notes receivable, net	16,047,642	-	16,047,642
Prepaid expenses/deferred charges	744,179	-	744,179
Land held for resale	165,196	-	165,196
Accounts receivable - long-term	51,697	-	51,697
Internal balances	<u>216,285</u>	<u>(216,285)</u>	<u>-</u>
 Total assets	 <u>33,961,507</u>	 <u>3,487,197</u>	 <u>37,448,704</u>
 LIABILITIES			
Accounts payable	4,067,272	365,140	4,432,412
Accrued payroll	29,841	-	29,841
Deposits	5,809	174,843	180,652
Accrued interest	213,053	-	213,053
Deferred revenues	109,363	-	109,363
Long-term liabilities:			
Due within one year	721,687	202,616	924,303
Due in more than one year	<u>24,016,792</u>	<u>2,666,217</u>	<u>26,683,009</u>
 Total liabilities	 <u>29,163,817</u>	 <u>3,408,816</u>	 <u>32,572,633</u>
 NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	(15,713,435)	(2,868,833)	(18,582,268)
Restricted for:			
Highway and streets	2,036,187	-	2,036,187
Culture and recreation	130,193	-	130,193
Community development	4,880,178	-	4,880,178
Capital maintenance	5,005,385	-	5,005,385
Debt service	4,248,057	-	4,248,057
Unrestricted	<u>4,211,125</u>	<u>2,947,214</u>	<u>7,158,339</u>
 Total net assets (deficit)	 <u>\$ 4,797,690</u>	 <u>\$ 78,381</u>	 <u>\$ 4,876,071</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, 2012**

	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
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 1,109,017	\$ 1,291,627	\$ 9,918	\$ -	\$ 192,528	\$ -	\$ 192,528
Public safety	2,572,280	272,477	175,700	30,692	(2,093,411)	-	(2,093,411)
Highways and streets	1,841,568	510,563	1,345,878	566,278	581,151	-	581,151
Culture and recreation	371,250	9,575	10,312	-	(351,363)	-	(351,363)
Community development	5,636,324	-	7,693,326	-	2,057,002	-	2,057,002
Interest and fiscal charges	884,545	-	-	-	(884,545)	-	(884,545)
Total governmental activities	<u>12,414,984</u>	<u>2,084,242</u>	<u>9,235,134</u>	<u>596,970</u>	<u>(498,638)</u>	<u>-</u>	<u>(498,638)</u>
Business-type activities:							
Water	1,489,366	1,467,786	-	-	-	(21,580)	(21,580)
Solid waste	1,177,212	1,301,372	-	-	-	124,160	124,160
Sewer	1,010,998	1,376,714	-	-	-	365,716	365,716
Airport	31,559	15,873	10,000	-	-	(5,686)	(5,686)
Storm drain	44,268	196,289	-	-	-	152,021	152,021
Total business-type activities	<u>3,753,403</u>	<u>4,358,034</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>614,631</u>	<u>614,631</u>
Total	<u>\$ 16,168,387</u>	<u>\$ 6,442,276</u>	<u>\$ 9,245,134</u>	<u>\$ 596,970</u>	<u>(498,638)</u>	<u>614,631</u>	<u>115,993</u>
General revenues:							
Taxes:							
Property					2,079,020	11,362	2,090,382
Sales					926,852	-	926,852
Transient lodging					195,942	-	195,942
Franchises					218,585	-	218,585
Documentary stamp					28,234	-	28,234
Motor vehicle in lieu - unrestricted					1,197,737	-	1,197,737
Investment earnings					192,789	10,806	203,595
Rental income					91,009	-	91,009
Miscellaneous					460,599	-	460,599
Gain/loss on sale of capital assets					81,893	-	81,893
Extraordinary item - RDA dissolution					4,119,978	-	4,119,978
Transfers					22,902	(22,902)	-
Total general revenues, extraordinary item, and transfers					<u>9,615,540</u>	<u>(734)</u>	<u>9,614,806</u>
Changes in net assets					<u>9,116,902</u>	<u>613,897</u>	<u>9,730,799</u>
Net assets (deficit), beginning of year					<u>(4,719,212)</u>	<u>(535,516)</u>	<u>(5,254,728)</u>
Prior period adjustments					<u>400,000</u>	<u>-</u>	<u>400,000</u>
Net assets, beginning of year, as restated					<u>(4,319,212)</u>	<u>(535,516)</u>	<u>(4,854,728)</u>
Net assets (deficit), end of year					<u>\$ 4,797,690</u>	<u>\$ 78,381</u>	<u>\$ 4,876,071</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, 2012**

	General	CDBG Grants Special Revenue	Community Facilities District Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 281,618	\$ 16,555	\$ 623,185	\$ 7,678,310	\$ 8,599,668
Restricted cash and investments	369,706	-	3,133,838	253,347	3,756,891
Accounts receivable	365,610	2,994,593	125,792	738,157	4,224,152
Notes receivable, net	-	15,796,655	-	250,987	16,047,642
Due from other funds	1,611,021	-	-	-	1,611,021
Prepaid expenses	14,524	-	-	-	14,524
Land held for resale	-	61,196	-	104,000	165,196
Accounts receivable - long-term	<u>19,775</u>	<u>-</u>	<u>-</u>	<u>31,923</u>	<u>51,698</u>
 Total assets	 <u>\$ 2,662,254</u>	 <u>\$ 18,868,999</u>	 <u>\$ 3,882,815</u>	 <u>\$ 9,056,724</u>	 <u>\$ 34,470,792</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 843,122	\$ 2,894,759	\$ 5,726	\$ 250,588	\$ 3,994,195
Deposits	5,809	-	-	-	5,809
Deferred revenue	155,711	11,773,227	-	623,974	12,552,912
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,427,964</u>	<u>1,427,964</u>
 Total liabilities	 <u>1,004,642</u>	 <u>14,667,986</u>	 <u>5,726</u>	 <u>2,302,526</u>	 <u>17,980,880</u>
FUND BALANCES					
Nonspendable:				-	-
Prepaid expenses	14,524	-	-	-	14,524
Land held for resale	-	-	-	-	-
Long-term receivable	19,775	-	-	-	19,775
Restricted for:					
Highway and streets	-	-	-	2,036,187	2,036,187
Culture and recreation	-	-	-	130,193	130,193
Community development	-	4,201,013	-	679,165	4,880,178
Capital maintenance	-	-	-	5,005,385	5,005,385
Debt service	369,706	-	3,877,089	1,262	4,248,057
Committed to:					
Emergency contingency	910,223	-	-	-	910,223
Assigned to:					
Continuing appropriations	149,516	-	-	-	149,516
General government	57,982	-	-	-	57,982
Public safety	13,306	-	-	-	13,306
Unassigned	<u>122,580</u>	<u>-</u>	<u>-</u>	<u>(1,097,994)</u>	<u>(975,414)</u>
 Total fund balances	 <u>1,657,612</u>	 <u>4,201,013</u>	 <u>3,877,089</u>	 <u>6,754,198</u>	 <u>16,489,912</u>
 Total liabilities and fund balances	 <u>\$ 2,662,254</u>	 <u>\$ 18,868,999</u>	 <u>\$ 3,882,815</u>	 <u>\$ 9,056,724</u>	 <u>\$ 34,470,792</u>

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

CITY OF CHOWCHILLA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2012**

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

Fund balances - total governmental funds	\$ 16,489,912
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Those liabilities consist of:	
Bonds payable	(14,610,935)
Loans payable	(9,833,056)
Interest payable on long-term debt does not require the use of current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(213,053)
Bond issuance costs are expended in governmental funds when paid; however, such costs are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.	727,856
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	12,443,549
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>(206,583)</u>
Net assets of governmental activities	<u>\$ 4,797,690</u>

CITY OF CHOWCHILLA

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

	General	CDBG Grants Special Revenue	Community Facilities District Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,990,400	\$ -	\$ 627,863	\$ 863,371	\$ 3,481,634
Licenses and permits	424,662	-	-	560	425,222
Fines and penalties	34,480	-	-	-	34,480
Intergovernmental revenues	1,256,470	5,014,015	-	1,645,393	7,915,878
Use of money and property	77,736	924	23,121	25,765	127,546
Charges for services	77,971	-	-	1,589,509	1,667,480
Miscellaneous	260,938	-	-	232,670	493,608
	<u>4,122,657</u>	<u>5,014,939</u>	<u>650,984</u>	<u>4,357,268</u>	<u>14,145,848</u>
Total revenues					
Expenditures:					
Current:					
General government	1,035,101	-	34,052	4,467	1,073,620
Public safety	2,503,610	-	-	9,158	2,512,768
Highways and streets	203,330	-	-	922,123	1,125,453
Culture and recreation	295,927	-	-	-	295,927
Community Development	-	13,133,990	-	248,935	13,382,925
Capital outlay	57,229	-	-	798,482	855,711
Debt service:					
Principal	-	-	160,000	552,546	712,546
Interest	-	-	398,180	493,128	891,308
	<u>4,095,197</u>	<u>13,133,990</u>	<u>592,232</u>	<u>3,028,839</u>	<u>20,850,258</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>27,460</u>	<u>(8,119,051)</u>	<u>58,752</u>	<u>1,328,429</u>	<u>(6,704,410)</u>
Other financing sources (uses):					
Transfers in	100,000	-	-	1,472,931	1,572,931
Transfers out	(466,391)	(32,616)	-	(1,175,398)	(1,674,405)
Proceeds from sales of capital assets	-	-	-	81,893	81,893
Proceeds from promissory note	-	7,748,476	-	-	7,748,476
	<u>(366,391)</u>	<u>7,715,860</u>	<u>-</u>	<u>379,426</u>	<u>7,728,895</u>
Total other financing sources (uses)					
Extraordinary item:					
RDA dissolution	-	-	-	(3,174,355)	(3,174,355)
Net changes in fund balances	<u>(338,931)</u>	<u>(403,191)</u>	<u>58,752</u>	<u>(1,466,500)</u>	<u>(2,149,870)</u>
Fund balances, beginning of year	1,996,543	4,604,204	3,818,337	7,820,698	18,239,782
Prior period adjustments	-	-	-	400,000	400,000
Fund balances, beginning of year, restated	<u>1,996,543</u>	<u>4,604,204</u>	<u>3,818,337</u>	<u>8,220,698</u>	<u>18,639,782</u>
Fund balances, end of year	<u>\$ 1,657,612</u>	<u>\$ 4,201,013</u>	<u>\$ 3,877,089</u>	<u>\$ 6,754,198</u>	<u>\$ 16,489,912</u>

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

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, 2012**

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

Net change in fund balances - total governmental funds \$ (2,149,870)

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	(7,748,476)
Repayment of the principal of long-term debt	712,546
Amortization on bond discounts	(9,197)
Amortization on cost of issuance	(31,029)

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	6,764
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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.

10,162,814

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

746,672

The net revenue of certain activities of internal service funds is reported with governmental activities.

132,345

Long-term assets were not financial resources of the former Redevelopment Agency and the long-term liabilities were not due and payable, and as such of transfers of these liabilities in excess of assets to Successor Agency Trust Funds are not recorded in the governmental funds.

7,294,333

Change in net assets of governmental activities \$ 9,116,902

CITY OF CHOWCHILLA

**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds					Total	Governmental
	Water	Solid Waste	Sewer	Storm Drain	Nonmajor Airport		Internal Service Fund
ASSETS							
Current assets:							
Cash and investments	\$ 1,958,301	\$ 321,157	\$ 897,499	\$ -	\$ -	\$ 3,176,957	\$ 155,720
Accounts receivable, net	173,635	155,894	142,659	44,373	9,963	526,524	78
Prepaid expenses	-	-	-	-	-	-	1,799
Total assets	2,131,936	477,051	1,040,158	44,373	9,963	3,703,481	157,597
LIABILITIES							
Current liabilities:							
Accounts payable	134,837	217,039	12,412	6	844	365,138	73,079
Accrued payroll	-	-	-	-	-	-	29,841
Deposits	174,843	-	-	-	-	174,843	-
Due to other funds	-	-	-	103,938	79,118	183,056	-
Compensated absences	-	-	-	-	-	-	168,321
Current portion of long-term debt	55,000	-	81,116	66,500	-	202,616	-
Total current liabilities	364,680	217,039	93,528	170,444	79,962	925,653	271,241
Noncurrent liabilities:							
Compensated absences	-	-	-	-	-	-	126,167
Long-term debt	2,232,270	-	363,447	70,500	-	2,666,217	-
Total noncurrent liabilities	2,232,270	-	363,447	70,500	-	2,666,217	126,167
Total liabilities	2,596,950	217,039	456,975	240,944	79,962	3,591,870	397,408
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	(2,287,270)	-	(444,563)	(137,000)	-	(2,868,833)	-
Unrestricted (deficit)	1,822,256	260,012	1,027,746	(59,571)	(69,999)	2,980,444	(239,811)
Total net assets (deficit)	\$ (465,014)	\$ 260,012	\$ 583,183	\$ (196,571)	\$ (69,999)	111,611	\$ (239,811)
						Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time	(33,230)
						Net assets of business-type activities	\$ 78,381

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, 2012**

	Business-Type Activities - Enterprise Funds					Total	Governmental
	Water	Solid Waste	Sewer	Storm Drain	Nonmajor Airport		Internal Service Fund
Operating revenues:							
Charges for services	\$ 1,452,648	\$ 1,279,017	\$ 1,375,164	\$ 196,288	\$ 15,874	\$ 4,318,991	\$ 452,255
Miscellaneous	15,139	22,354	1,550	-	-	39,043	(2,153)
Total operating revenues	<u>1,467,787</u>	<u>1,301,371</u>	<u>1,376,714</u>	<u>196,288</u>	<u>15,874</u>	<u>4,358,034</u>	<u>450,102</u>
Operating expenses:							
Personnel services	317,318	7,316	349,043	7,338	18,212	699,227	313,370
Materials, supplies and services	<u>1,132,819</u>	<u>1,169,896</u>	<u>635,460</u>	<u>26,916</u>	<u>13,347</u>	<u>2,978,438</u>	<u>128,429</u>
Total operating expenses	<u>1,450,137</u>	<u>1,177,212</u>	<u>984,503</u>	<u>34,254</u>	<u>31,559</u>	<u>3,677,665</u>	<u>441,799</u>
Operating income (loss)	<u>17,650</u>	<u>124,159</u>	<u>392,211</u>	<u>162,034</u>	<u>(15,685)</u>	<u>680,369</u>	<u>8,303</u>
Non-operating revenues (expenses):							
Interest income	7,147	904	2,971	(146)	(69)	10,807	254
Taxes	-	-	-	-	11,361	11,361	-
Grants	-	-	-	-	10,000	10,000	-
Interest expense	<u>(39,499)</u>	<u>-</u>	<u>(26,816)</u>	<u>(10,011)</u>	<u>-</u>	<u>(76,326)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(32,352)</u>	<u>904</u>	<u>(23,845)</u>	<u>(10,157)</u>	<u>21,292</u>	<u>(44,158)</u>	<u>254</u>
Income (loss) before transfers	<u>(14,702)</u>	<u>125,063</u>	<u>368,366</u>	<u>151,877</u>	<u>5,607</u>	<u>636,211</u>	<u>8,557</u>
Other financing sources (uses):							
Transfers in	91,920	-	103,572	-	-	195,492	127,199
Transfers out	<u>(98,926)</u>	<u>-</u>	<u>(119,467)</u>	<u>-</u>	<u>-</u>	<u>(218,393)</u>	<u>(2,823)</u>
Total other financing sources (uses)	<u>(7,006)</u>	<u>-</u>	<u>(15,895)</u>	<u>-</u>	<u>-</u>	<u>(22,901)</u>	<u>124,376</u>
Changes in net assets	<u>(21,708)</u>	<u>125,063</u>	<u>352,471</u>	<u>151,877</u>	<u>5,607</u>	<u>613,310</u>	<u>132,933</u>
Net assets (deficit), beginning of year	<u>(443,306)</u>	<u>134,949</u>	<u>230,712</u>	<u>(348,448)</u>	<u>(75,606)</u>		<u>(372,744)</u>
Net assets (deficit), end of year	<u>\$ (465,014)</u>	<u>\$ 260,012</u>	<u>\$ 583,183</u>	<u>\$ (196,571)</u>	<u>\$ (69,999)</u>		<u>\$ (239,811)</u>
						Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds	<u>587</u>
						Changes in net assets of business-type activities	<u>\$ 613,897</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, 2012**

	Business-Type Activities - Enterprise Funds					Governmental	
	Water	Solid Waste	Sewer	Storm Drain	Nonmajor Airport	Total	Internal Service Fund
Cash flows from operating activities:							
Receipts from customers and users	\$ 1,452,612	\$ 1,288,248	\$ 1,378,348	\$ 184,427	\$ 12,689	\$ 4,316,324	\$ 452,177
Payments to suppliers	(1,079,366)	(1,014,720)	(649,726)	(26,943)	(12,734)	(2,783,489)	(75,211)
Payments to employees	(317,318)	(7,316)	(349,043)	(7,338)	(18,212)	(699,227)	(388,784)
Net cash provided by (used in) operating activities	<u>55,928</u>	<u>266,212</u>	<u>379,579</u>	<u>150,146</u>	<u>(18,257)</u>	<u>833,608</u>	<u>(11,818)</u>
Cash flows from noncapital financing activities:							
Transfer from other funds	91,920	-	103,572	-	-	195,492	127,199
Transfer to other funds	(98,926)	-	(119,467)	-	-	(218,393)	(2,823)
Loan from other funds	-	-	-	-	-	-	66,878
Loan repayment to other funds	(5,328)	-	(4,976)	(77,489)	(3,035)	(90,828)	(53,270)
Taxes received	-	-	-	-	11,361	11,361	-
Net cash provided by (used in) noncapital financing activities	<u>(12,334)</u>	<u>-</u>	<u>(20,871)</u>	<u>(77,489)</u>	<u>8,326</u>	<u>(102,368)</u>	<u>137,984</u>
Cash flows from capital and related financing activities:							
Principal paid	(55,000)	-	(76,730)	(62,500)	-	(194,230)	-
Interest paid	(39,499)	-	(26,815)	(10,011)	-	(76,325)	-
Grants received	-	-	-	-	10,000	10,000	-
Net cash provided by (used in) capital and related financing activities	<u>(94,499)</u>	<u>-</u>	<u>(103,545)</u>	<u>(72,511)</u>	<u>10,000</u>	<u>(260,555)</u>	<u>-</u>
Cash flows from investing activities:							
Interest received	7,147	904	2,971	(146)	(69)	10,807	254
Net cash provided by (used in) investing activities	<u>7,147</u>	<u>904</u>	<u>2,971</u>	<u>(146)</u>	<u>(69)</u>	<u>10,807</u>	<u>254</u>
Net increase (decrease) in cash and cash equivalents	(43,758)	267,116	258,134	-	-	481,492	126,420
Cash and cash equivalents, beginning of year	<u>2,002,059</u>	<u>54,041</u>	<u>639,365</u>	<u>-</u>	<u>-</u>	<u>2,695,465</u>	<u>29,300</u>
Cash and cash equivalents, end of year	<u>\$ 1,958,301</u>	<u>\$ 321,157</u>	<u>\$ 897,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,176,957</u>	<u>\$ 155,720</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, 2012**

	Business-Type Activities - Enterprise Funds						Governmental
	Water	Solid Waste	Sewer	Storm Drain	Nonmajor Airport	Total	Internal
							Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Operating income (loss)	\$ 17,650	\$ 124,159	\$ 392,211	\$ 162,034	\$ (15,685)	\$ 680,369	\$ 8,303
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	(16,502)	(13,124)	1,633	(11,862)	(3,183)	(43,038)	2,075
(Increase) decrease in prepaid expenses	-	-	-	-	-	-	46,222
Increase (decrease) in accounts payable	53,452	155,177	(14,265)	(26)	611	194,949	6,996
Increase (decrease) in accrued payroll	-	-	-	-	-	-	27,569
Increase (decrease) in deposits	1,328	-	-	-	-	1,328	-
Increase (decrease) in compensated absences	-	-	-	-	-	-	(102,983)
Net cash provided by (used in) operating activities	<u>\$ 55,928</u>	<u>\$ 266,212</u>	<u>\$ 379,579</u>	<u>\$ 150,146</u>	<u>\$ (18,257)</u>	<u>\$ 833,608</u>	<u>\$ (11,818)</u>

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

CITY OF CHOWCHILLA

**STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>Agency Funds</u>	<u>Successor Agency Trust Funds</u>
ASSETS		
Cash and investments (in City investment pool)	\$ 854,847	\$ 456,349
Restricted cash and investments (held by bond trustee)	889,391	549,650
Accounts receivable (net)	50,143	159,026
Deferred charges	-	322,437
Prepaid expenses	-	40,001
Land held for resale	-	486,000
Loan receivable from City of Chowchilla	-	1,647,270
	<u> </u>	<u> </u>
Total assets	<u>\$ 1,794,381</u>	<u>\$ 3,660,733</u>
LIABILITIES		
Accounts payable	\$ -	\$ 314,824
Accrued interest	-	120,208
Deferred revenue	-	60,000
Long-term debt due within one year	-	180,000
Long-term debt due in more than one year	-	7,329,995
Agency obligations	<u>1,794,381</u>	<u>-</u>
	<u> </u>	<u> </u>
Total liabilities	<u>1,794,381</u>	<u>8,005,027</u>
NET ASSETS		
Held in trust for Successor Agency activities	<u>\$ -</u>	<u>\$ (4,344,294)</u>

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

CITY OF CHOWCHILLA

**STATEMENT OF CHANGES IN NET ASSETS – FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>Successor Agency Trust Fund</u>
<u>ADDITIONS</u>	
Taxes	\$ 367,275
Use of money and property	10,924
Miscellaneous	<u>2,050</u>
Total additions	<u>380,249</u>
<u>DEDUCTIONS</u>	
Administrative expenses	352,252
Interest	180,313
Decrease in value on land held for resale	<u>72,000</u>
Total Deductions	<u>604,565</u>
Extraordinary loss from dissolution of the Redevelopment Agency	<u>(4,119,978)</u>
Change in net assets	(4,344,294)
Net assets, beginning of year	<u>-</u>
Net assets, ending of year	<u>\$ (4,344,294)</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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. The funds of the Agency have been included in the governmental activities in the financial statements. The Agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill x1 26. See Note 14 for additional information on the dissolution.

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 **Chowchilla Housing Authority** (Housing Authority) was established on January 24, 2012. The Housing Authority was activated pursuant to State Law Section 34240 of the California Health and Safety Code, which allows for every City to establish a housing authority. The Housing Authority is designed to protect local housing funds and programs, provide new revenue opportunities for affordable housing programs, serve the public interest, promote public safety and welfare, and ensure decent, safe sanitary and affordable housing accommodations to persons of low income.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Unit (Continued)

Since the City Council serves as the governing body of these entities, they are considered blended component units. 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.

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 Statements – The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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, 2012**

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 **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.

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.

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.

Additionally, the government reports the following fund types:

Internal service funds:

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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Internal service funds (Continued):

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

Fiduciary funds:

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

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

Measurement Focus, Basis of Accounting

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

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

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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting (Continued)

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.

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 Low and Moderate Housing Asset Special Revenue Fund. Land held for resale is valued at the lower of cost or estimated net realizable value.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

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.

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 30th, 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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

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.

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*. Fund balances 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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

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.

Property taxes levied for the year ended June 30, 2012, 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, 2012, the City implemented the following GASB Statements:

Governmental Accounting Standards Board Statement No. 64

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

New Pronouncements (Continued)

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

Governmental Accounting Standards Board Statement No. 60

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

Governmental Accounting Standards Board Statement No. 62

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

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

Governmental Accounting Standards Board Statement No. 63

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

Governmental Accounting Standards Board Statement No. 65

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for the City’s fiscal year ending June 30, 2014.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

New Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 66

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

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

Governmental Accounting Standards Board Statement No. 67

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

Governmental Accounting Standards Board Statement No. 68

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 11,932,344
Restricted cash and investments	3,756,891
Statement of Fiduciary Net Assets:	
Cash and investments	1,311,196
Restricted cash and investments	<u>1,439,041</u>
 Total cash and investments	 <u>\$ 18,439,472</u>

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

Cash on hand	\$ 2,700
Deposits with financial institutions	3,010,688
Investments	<u>15,426,084</u>
 Total cash and investments	 <u>\$ 18,439,472</u>

Deposits

The carrying amount of the City's cash deposits was \$3,010,688 at June 30, 2012. Bank balances were \$3,639,846, 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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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.

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	\$ 10,230,152	\$ 10,230,152	\$ -	\$ -	\$ -
Held by bond trustee:					
Money Market Fund	890,046	890,046	-	-	-
Treasury Obligation Fund	3,733,153	3,733,153	-	-	-
Investment Agreement	572,733	-	-	-	572,733
Total	<u>\$ 15,426,084</u>	<u>\$ 14,853,351</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>
State investment pool	\$ 10,230,152	\$ -	\$ -	\$ -	\$ 10,230,152
Held by bond trustee:					
Money Market Fund	890,046	-	890,046	-	-
Treasury Obligation Fund	3,733,153	-	-	3,733,153	-
Investment Agreement	572,733	572,733	-	-	-
Total	<u>\$ 15,426,084</u>	<u>\$ 572,733</u>	<u>\$ 890,046</u>	<u>\$ 3,733,153</u>	<u>\$ 10,230,152</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. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City's investments are as follows:

<u>Issuer</u>	<u>Reported Amount</u>
First American Treasury Obligation	\$ 3,733,153
US Bank Money Market Account	\$ 890,046

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

\$369,706 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.

\$253,347 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.

\$3,133,838 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.

\$549,650 of cash and investments (including amounts held by bond trustee) reported in the Successor Agency Trust Funds are held in the form of the above-described Treasury Obligation Fund.

\$266,993 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.

\$49,655 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 \$10,217,690. The total amount invested by all public agencies in LAIF at June 30, 2012, was \$21,887,750,115. LAIF is part of the State of California Pooled Money Investment Account (PMIA) whose balance at June 30, 2012, was \$60,502,186,417. 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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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:

	<u>General</u>	<u>CDBG Grants Special Revenue</u>	<u>Community Facilities District Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:					
Accounts receivable	\$ 367,191	\$ 2,994,593	\$ 125,792	\$ 738,157	\$ 4,225,733
Accounts receivable - long-term	19,775	-	-	31,923	51,698
Notes receivable	<u>-</u>	<u>15,796,655</u>	<u>-</u>	<u>393,180</u>	<u>16,189,835</u>
Gross receivables	386,966	18,791,248	125,792	1,163,260	20,467,266
Less: allowance for for uncollectibles	<u>(1,581)</u>	<u>-</u>	<u>-</u>	<u>(142,193)</u>	<u>(143,774)</u>
Net receivables	<u>\$ 385,385</u>	<u>\$ 18,791,248</u>	<u>\$ 125,792</u>	<u>\$ 1,021,067</u>	<u>\$ 20,323,492</u>

	<u>Business-Type Activities - Enterprise Funds</u>					
	<u>Water</u>	<u>Solid Waste</u>	<u>Sewer</u>	<u>Storm Drain</u>	<u>Nonmajor Airport</u>	<u>Total</u>
Receivables:						
Accounts receivable	\$ 203,635	\$ 170,393	\$ 159,099	\$ 52,565	\$ 9,963	\$ 595,655
Gross receivables	203,635	170,393	159,099	52,565	9,963	595,655
Less: allowance for for uncollectibles	<u>(30,000)</u>	<u>(14,499)</u>	<u>(16,440)</u>	<u>(8,192)</u>	<u>-</u>	<u>(69,131)</u>
Net receivables	<u>\$ 173,635</u>	<u>\$ 155,894</u>	<u>\$ 142,659</u>	<u>\$ 44,373</u>	<u>\$ 9,963</u>	<u>\$ 526,524</u>

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable, net	\$ 4,224,230	\$ 526,525	\$ 4,750,755
Accounts receivable - long-term, net	51,697	-	51,697
Notes receivable, net	<u>16,047,642</u>	<u>-</u>	<u>16,047,642</u>
	<u>\$ 20,323,569</u>	<u>\$ 526,525</u>	<u>\$ 20,850,094</u>

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	31,923
Notes receivable in CDBG Grants Special Revenue Fund	15,796,655
Notes receivable in EDBG Grants Special Revenue Fund	182,137
Notes receivable in Low and Moderate Income Housing Asset Special Revenue Fund	<u>68,850</u>
	<u>\$ 16,099,340</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 – INTERNAL BALANCES

Due to and due from balances at June 30, 2012, are as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 1,611,020	\$ -
Nonmajor Funds:		
Streets and Roads (LTF) Special Revenue Fund	-	37,854
Transit System Special Revenue Fund	-	246,616
Public Safety Grants Special Revenue Fund	-	83,205
Low and Moderate Low Income Housing Asset Fund	-	21,283
Debt Service Fund	-	252,085
Park Improvements Misc. Capital Projects Fund	-	228,858
Public Building Impact Fees	-	558,063
Enterprise Funds:		
Major Funds:		
Storm Drain Fund	-	103,938
Nonmajor Funds:		
Airport	-	79,118
	<u> </u>	<u> </u>
Total	<u>\$ 1,611,020</u>	<u>\$ 1,611,020</u>

The “due from” balance of \$1,611,020 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, 2012**

NOTE 5 – TRANSFERS

Transfers for the year ended June 30, 2012, are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 100,000	\$ 466,392 (1)
CDBG Grants Special Revenue Fund	-	32,616
Nonmajor Funds:		
State Gas Tax Special Revenue Fund	-	311,824 (2)
RSTP Special Revenue Fund	-	65,664
Street & Road Fund (LTF) Special Revenue Fund	375,468 (2)	1,715
Measure T Special Revenue Fund	-	149,804
Transit System Special Revenue Fund	-	7,588
Public Safety Grants Special Revenue Fund	-	100,000
EDBG Grant Special Revenue Fund	32,616	-
Debt Service Funds	374,220 (1)	-
Redevelopment Agency Debt Service Fund	538,803 (3)	-
Redevelopment Agency Capital Projects Fund	-	538,803 (3)
1994 PFA Street Improvements Capital Projects Fund	151,824	-
Enterprise Funds:		
Major Funds:		
Water Enterprise Fund	91,920	98,926
Sewer Enterprise Fund	103,572	119,467
Internal Service Funds	<u>127,199</u>	<u>2,823</u>
Total	<u>\$ 1,895,622</u>	<u>\$ 1,895,622</u>

- (1) The General Fund transferred \$365,775 to the Debt Service Fund for the Civic Center debt service payments.
- (2) Street maintenance is being recorded in the Local Transportation Fund (LTF). This is a transfer to that Fund.
- (3) The Redevelopment Agency Capital Projects Fund transferred money to the Redevelopment Agency Debt Service Fund for debt service payments.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2012:

	June 30, 2011	Additions	Reductions	June 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 397,471	\$ -	\$ (115,416)	\$ 294,488	\$ 168,321
2000 Refunding of 1994 PFA Revenue Bonds	1,339,532	-	(85,046)	1,254,486	90,866
2005 RDA Bond	7,630,000	-	(7,630,000) (A)	-	-
2005 Civic Center Bond	5,515,000	-	(135,000)	5,380,000	135,000
2007 CFD Series Special Tax Bond	8,310,000	-	(160,000)	8,150,000	170,000
County of Madera RDA Loan	100,000	-	(100,000) (A)	-	-
Measure T Interprogram Loan	1,260,000	-	(157,500)	1,102,500	157,500
State of California NSP Loan	982,080	7,748,476	-	8,730,556	-
Less: Discounts	<u>(227,753)</u>	<u>-</u>	<u>54,202</u>	<u>(173,551)</u>	<u>-</u>
Total Governmental Activities Long-Term Debt	<u>\$ 25,306,330</u>	<u>\$ 7,748,476</u>	<u>\$ (8,328,760)</u>	<u>\$ 24,738,479</u>	<u>\$ 721,687</u>
Business-Type Activities:					
Westside Storm Drain Pond Project Refunding Lease	\$ 199,500	\$ -	\$ (62,500)	\$ 137,000	\$ 66,500
2000 Refunding of 1994 PFA Revenue Bonds	351,293	-	(61,730)	289,563	66,116
2001 USDA Sewer Bond	170,000	-	(15,000)	155,000	15,000
Loan from Successor Agency	1,647,270	-	-	1,647,270	-
2001 Water Certificates of Participation	<u>695,000</u>	<u>-</u>	<u>(55,000)</u>	<u>640,000</u>	<u>55,000</u>
Total Business-Type Activities Long-Term Debt	<u>\$ 3,063,063</u>	<u>\$ -</u>	<u>\$ (194,230)</u>	<u>\$ 2,868,833</u>	<u>\$ 202,616</u>

(A) The retirement of the \$7,630,000 2005 RDA Bond and \$100,000 County of Madera Loan resulted from the dissolution of the Redevelopment Agency of the City of Chowchilla on January 31, 2012.

Long-term debt payable at June 30, 2012, 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, 2012**

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>
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	113,754	35,876	-	-
2018-2021	<u>526,541</u>	<u>67,234</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,254,486</u>	<u>\$ 341,753</u>	<u>\$ 289,563</u>	<u>\$ 36,892</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. As a result of the dissolution of the Redevelopment Agency of the City of Chowchilla as of February 1, 2012, the 2005 RDA Bond of the former redevelopment agency was transferred to the Successor Agency of the Redevelopment Agency of the City of Chowchilla. After the date of dissolution, the bond and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – LONG-TERM DEBT (Continued)

2005 Civic Center Bond (Continued)

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

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 135,000	\$ 228,413
2014	140,000	223,513
2015	145,000	218,256
2016	150,000	212,538
2017	160,000	206,338
2018-2022	890,000	928,703
2023-2027	1,095,000	719,453
2028-2032	1,355,000	451,775
2033-2036	<u>1,310,000</u>	<u>121,388</u>
Total	<u>\$ 5,380,000</u>	<u>\$ 3,310,377</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.

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

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2013	\$ 170,000	\$ 391,580
2014	175,000	384,571
2015	180,000	377,091
2016	190,000	369,041
2017	200,000	360,361
2018-2022	1,130,000	1,655,726
2023-2027	1,430,000	1,354,110
2028-2032	1,820,000	950,000
2033-2037	2,320,000	435,000
2038	<u>535,000</u>	<u>13,375</u>
Total	<u>\$ 8,150,000</u>	<u>\$ 6,290,855</u>

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – LONG-TERM DEBT (Continued)

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. As a result of the dissolution of the Redevelopment Agency of the City of Chowchilla as of February 1, 2012, the County of Madera RDA Loan of the former redevelopment agency was transferred to the Successor Agency of the Redevelopment Agency of the City of Chowchilla. After the date of dissolution, the bond and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

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.

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

Fiscal Year Ending June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 157,500	\$ -
2014	157,500	-
2015	157,500	-
2016	157,500	-
2017	157,500	-
2018-2019	<u>315,000</u>	<u>-</u>
Total	<u>\$ 1,102,500</u>	<u>\$ -</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 55th 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, 2012 was \$8,730,556. 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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – LONG-TERM DEBT (Continued)

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, 2012, are as follows:

Fiscal Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2013	\$ 66,500	\$ 6,173
2014	70,500	2,097
	<u>\$ 137,000</u>	<u>\$ 8,271</u>

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
2013	\$ 15,000	\$ 6,453
2014	15,000	5,797
2015	15,000	5,141
2016	15,000	4,484
2017	15,000	3,828
2018-2021	<u>80,000</u>	<u>7,000</u>
Total	<u>\$ 155,000</u>	<u>\$ 32,703</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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – LONG-TERM DEBT (Continued)

2001 Water Certificate of Participation (Continued)

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

Fiscal Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2013	\$ 55,000	\$ 26,797
2014	60,000	24,281
2015	60,000	21,656
2016	60,000	19,031
2017	65,000	16,297
2018-2022	<u>340,000</u>	<u>37,844</u>
Total	<u>\$ 640,000</u>	<u>\$ 145,906</u>

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, 2012, is \$5,035,000.

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, 2012, is \$5,115,000.

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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.

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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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

Fund Financial Statements (Continued)

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.

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 2011-12 was 15.477% for miscellaneous employees, 32.269% for the police safety group and 36.523% for the fire safety group. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

(c) Annual Pension Costs

For fiscal year 2011-12, the City's annual pension cost of \$620,253 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (1) 7.75% investment rate of return – net of administrative expenses; (2) projected annual salary increases of 3.55% to 14.45% for both miscellaneous and 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, 2010, 2011, and 2012 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>
06/30/10	\$914,503	100%	\$0
06/30/11	\$707,729	100%	\$0
06/30/12	\$620,253	100%	\$0

(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.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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.

The financial position results of operations of the Authority are as follows for June 30, 2012:

Total assets	\$ 70,671,479
Total liabilities	58,388,460
Total net assets	<u>\$ 12,283,019</u>
Revenues	\$ 30,698,619
Expenses	31,914,578
Change in net assets	<u>\$ (1,215,959)</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 – DEFICIT IN FUND EQUITY

Major Enterprise Funds

Water Enterprise Fund – A deficit in fund equity at June 30, 2012, in the amount of \$465,014 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, 2012, in the amount of \$196,571 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, 2012**

NOTE 11 – DEFICIT IN FUND EQUITY (Continued)

Nonmajor Funds

Airport Enterprise Fund – A deficit in fund equity at June 30, 2012, in the amount of \$69,999 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, 2012, in the amount of \$24,041 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 \$6,350 from the American Reconstruction and Recovery Act and \$68,561 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, 2012, in the amount of \$262,062 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, 2012, in the amount of \$24,970 is due to the fact that the 4th Quarter SLESF payment of \$25,000 had not been received within the 60-day measurement period.

Park Improvements – Miscellaneous Capital Projects Fund – A deficit in fund equity at June 30, 2012, in the amount of \$228,858 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.

Public Building Impact Fees Fund Capital Project Fund – A deficit in fund equity at June 30, 2012, in the amount of \$558,063 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.

Internal Service Fund

Employee Benefits Internal Service Fund – A deficit in fund equity at June 30, 2012, in the amount of \$288,688 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.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Federal Awards and Grants

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

Litigation and Claims

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Encumbrances

At June 30, 2012, the General Fund had encumbrances totaling \$119,324.

NOTE 13 – 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	\$ (384,749)
Highways and streets	\$ (28,134)

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

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution Number 5-12.

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

In future years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

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

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

(Continued)

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

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

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

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

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

Total extraordinary gain/(loss) reported in the governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ (3,174,355)
Long-term debt recorded in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	7,509,995
Accrued interest on bonds recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	120,209
Bond issuance costs recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	<u>(335,871)</u>
Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City).	<u>\$ 4,119,978</u>

Loan Receivable from City of Chowchilla

The former redevelopment agency has advanced the Water Fund of the City of Chowchilla, \$1,647,270 on June 27, 2011, for rehabilitation of existing water infrastructure within the Redevelopment Project Area. The note shall earn simple interest equal to 0.5% per annum. This receivable was transferred to the Successor Agency when the redevelopment agency dissolved. The note is payable on July 15th each year to the Successor Agency starting July 15, 2012 until July 15, 2031. The balance outstanding at June 30, 2012 is \$1,647,270.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY
(Continued)

Long-term Debt

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

	February 1, 2012	Additions	Reductions	June 30, 2012	Amounts Due Within One Year
2005 RDA Bond	\$ 7,480,000	\$ -	\$ -	\$ 7,480,000	\$ 155,000
County of Madera RDA Loan	75,000	-	-	75,000	25,000
Less: Discounts	<u>(45,005)</u>	-	-	<u>(45,005)</u>	-
 Total	 <u>\$ 7,509,995</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 7,509,995</u>	 <u>\$ 180,000</u>

2005 RDA Bond

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

Fiscal Years Ending	2005 RDA Bond		
	Principal	Interest	Total
2013	\$ 155,000	\$ 357,275	\$ 512,275
2014	165,000	350,350	515,350
2015	170,000	343,100	513,100
2016	180,000	335,525	515,525
2017	185,000	327,600	512,600
2018-2022	1,060,000	1,501,038	2,561,038
2023-2027	1,330,000	1,224,338	2,554,338
2028-2032	1,680,000	856,500	2,536,500
2033-2037	2,075,000	389,375	2,464,375
2038-2039	<u>480,000</u>	<u>12,000</u>	<u>492,000</u>
 Total	 <u>\$ 7,480,000</u>	 <u>\$ 5,697,101</u>	 <u>\$ 13,177,101</u>

County of Madera RDA Loan

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

Fiscal Year Ending June 30,	Loan Payable to County of Madera		
	Principal	Interest	Total
2013	\$ 25,000	-	\$ 25,000
2014	25,000	-	25,000
2015	<u>25,000</u>	-	<u>25,000</u>
 Total	 <u>\$ 75,000</u>	 <u>\$ -</u>	 <u>\$ 75,000</u>

Insurance

The Successor Agency is covered under the City of Chowchilla's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage can be found in Note 10.

CITY OF CHOWCHILLA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

(Continued)

Contingencies

At June 30, 2012, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The beginning net assets in governmental activities and the beginning fund balance in Storm Drain Capital Projects Fund were understated by \$400,000 due to overstatement of accounts payable in fiscal year 2011. To correct this error, beginning net assets and beginning fund balance were increased by \$400,000.

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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 1,882,068	\$ 1,993,209	\$ 1,990,400	\$ (2,809)
Licenses and permits	351,450	415,056	424,662	9,606
Fines and penalties	37,500	36,200	34,480	(1,720)
Intergovernmental	1,321,911	1,267,157	1,256,470	(10,687)
Use of money and property	44,408	66,978	77,736	10,758
Charges for services	47,440	75,643	77,971	2,328
Miscellaneous	<u>124,036</u>	<u>248,793</u>	<u>260,938</u>	<u>12,145</u>
Total revenues	<u>3,808,813</u>	<u>4,103,036</u>	<u>4,122,657</u>	<u>19,621</u>
Expenditures:				
Current:				
General government	584,767	650,352	1,035,101	(384,749)
Public safety	2,533,277	2,528,356	2,503,610	24,746
Highways and streets	194,618	175,196	203,330	(28,134)
Culture and recreation	312,497	303,518	295,927	7,591
Capital outlay	<u>6,800</u>	<u>58,999</u>	<u>57,229</u>	<u>1,770</u>
Total expenditures	<u>3,631,959</u>	<u>3,716,421</u>	<u>4,095,197</u>	<u>(378,776)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>176,854</u>	<u>386,615</u>	<u>27,460</u>	<u>(359,155)</u>
Other financing sources (uses):				
Transfers in	-	100,000	100,000	-
Transfers out	(459,105)	(476,179)	(466,391)	9,788
Proceeds from sale of capital assets	<u>30,000</u>	<u>44,302</u>	<u>-</u>	<u>(44,302)</u>
Total other financing sources (uses)	<u>(429,105)</u>	<u>(331,877)</u>	<u>(366,391)</u>	<u>(34,514)</u>
Net change in fund balance	(252,251)	54,738	(338,931)	(393,669)
Fund balances, July 1, 2011	<u>1,996,543</u>	<u>1,996,543</u>	<u>1,996,543</u>	<u>-</u>
Fund balances, June 30, 2012	<u>\$ 1,744,292</u>	<u>\$ 2,051,281</u>	<u>\$ 1,657,612</u>	<u>\$ (393,669)</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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 2,408,500	\$ 5,308,500	\$ 5,014,015	\$ (294,485)
Use of money and property	-	-	924	924
Total revenues	<u>2,408,500</u>	<u>5,308,500</u>	<u>5,014,939</u>	<u>(293,561)</u>
Expenditures:				
Current:				
Community development	<u>2,408,500</u>	<u>14,472,320</u>	<u>13,133,990</u>	<u>1,338,330</u>
Total expenditures	<u>2,408,500</u>	<u>14,472,320</u>	<u>13,133,990</u>	<u>1,338,330</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(9,163,820)</u>	<u>(8,119,051)</u>	<u>1,044,769</u>
Other financing sources (uses):				
Transfers out	-	-	(32,616)	(32,616)
Proceeds from promissory note	<u>-</u>	<u>9,017,920</u>	<u>7,748,476</u>	<u>(1,269,444)</u>
Total other financing sources (uses)	<u>-</u>	<u>9,017,920</u>	<u>7,715,860</u>	<u>(1,302,060)</u>
Net change in fund balance	-	(145,900)	(403,191)	(257,291)
Fund balances, July 1, 2011	<u>4,604,204</u>	<u>4,604,204</u>	<u>4,604,204</u>	<u>-</u>
Fund balances, June 30, 2012	<u>\$ 4,604,204</u>	<u>\$ 4,458,304</u>	<u>\$ 4,201,013</u>	<u>\$ (257,291)</u>

CITY OF CHOWCHILLA

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

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, 2012**

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, 2012**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and investments	\$ 2,587,365	\$ -	\$ 5,090,945	\$ 7,678,310
Restricted cash and investments	-	253,347	-	253,347
Accounts receivable	725,447	-	12,710	738,157
Notes receivable, net	250,987	-	-	250,987
Land held for resale	104,000	-	-	104,000
Accounts receivable - long-term	-	-	31,923	31,923
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,667,799</u>	<u>\$ 253,347</u>	<u>\$ 5,135,578</u>	<u>\$ 9,056,724</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 250,588	\$ -	\$ -	\$ 250,588
Deferred revenues	623,974	-	-	623,974
Due to other funds	388,958	252,085	786,921	1,427,964
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,263,520</u>	<u>252,085</u>	<u>786,921</u>	<u>2,302,526</u>
Fund balances (deficit):				
Restricted for:				
Highway and streets	2,036,187	-	-	2,036,187
Culture and recreation	-	-	130,193	130,193
Community development	679,165	-	-	679,165
Capital maintenance	-	-	5,005,385	5,005,385
Debt service	-	1,262	-	1,262
Unassigned	(311,073)	-	(786,921)	(1,097,994)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>2,404,279</u>	<u>1,262</u>	<u>4,348,657</u>	<u>6,754,198</u>
Total liabilities and fund balances	<u>\$ 3,667,799</u>	<u>\$ 253,347</u>	<u>\$ 5,135,578</u>	<u>\$ 9,056,724</u>

CITY OF CHOWCHILLA

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

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Taxes	\$ -	\$ -	\$ 863,371	\$ 863,371
Licenses and permits	560	-	-	560
Intergovernmental	1,645,393	-	-	1,645,393
Use of money and property	9,697	92	15,976	25,765
Charges for services	489,836	-	1,099,673	1,589,509
Miscellaneous	<u>2,315</u>	<u>-</u>	<u>230,355</u>	<u>232,670</u>
Total revenues	<u>2,147,801</u>	<u>92</u>	<u>2,209,375</u>	<u>4,357,268</u>
Expenditures:				
Current:				
General government	-	1,705	2,762	4,467
Public Safety	9,158	-	-	9,158
Highway and streets	922,123	-	-	922,123
Community development	2,524	-	246,411	248,935
Capital outlay	718,026	-	80,456	798,482
Debt service:				
Principal	157,500	310,000	85,046	552,546
Interest	<u>6,584</u>	<u>419,766</u>	<u>66,778</u>	<u>493,128</u>
Total expenditures	<u>1,815,915</u>	<u>731,471</u>	<u>481,453</u>	<u>3,028,839</u>
Excess (deficiency) of revenues over (under) expenditures	<u>331,886</u>	<u>(731,379)</u>	<u>1,727,922</u>	<u>1,328,429</u>
Other financing sources (uses):				
Transfers in	408,084	913,023	151,824	1,472,931
Transfers out	(636,595)	-	(538,803)	(1,175,398)
Proceeds from sale of capital assets	<u>81,893</u>	<u>-</u>	<u>-</u>	<u>81,893</u>
Total other financing sources (uses)	<u>(146,618)</u>	<u>913,023</u>	<u>(386,979)</u>	<u>379,426</u>
Extraordinary item:				
RDA dissolution	<u>151,567</u>	<u>(2,377,239)</u>	<u>(948,683)</u>	<u>(3,174,355)</u>
Net changes in fund balances	<u>336,835</u>	<u>(2,195,595)</u>	<u>392,260</u>	<u>(1,466,500)</u>
Fund balances (deficit), beginning of year	2,067,444	2,196,857	3,556,397	7,820,698
Prior period adjustments	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>
Fund balances (deficit), beginning of year, restated	<u>2,067,444</u>	<u>2,196,857</u>	<u>3,956,397</u>	<u>8,220,698</u>
Fund balances (deficit), end of year	<u>\$ 2,404,279</u>	<u>\$ 1,262</u>	<u>\$ 4,348,657</u>	<u>\$ 6,754,198</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	<u>State Gas Tax</u>	<u>RSTP</u>	<u>Street & Road Fund (LTF)</u>	<u>Measure T Fund</u>	<u>Maintenance Assessment District</u>	<u>LTA Measure A</u>
ASSETS						
Cash and investments	\$ 382,670	\$ 62,318	\$ -	\$ 1,015,410	\$ 780,783	\$ 40
Accounts receivable	-	113,784	108,491	109,306	43,937	-
Notes receivable, net	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 382,670</u>	<u>\$ 176,102</u>	<u>\$ 108,491</u>	<u>\$ 1,124,716</u>	<u>\$ 824,720</u>	<u>\$ 40</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 40,946	\$ -	\$ 19,767	\$ 124,512	\$ 56,223	\$ -
Deferred revenues	-	113,784	74,911	93,998	42,598	-
Due to other funds	-	-	37,854	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>40,946</u>	<u>113,784</u>	<u>132,532</u>	<u>218,510</u>	<u>98,821</u>	<u>-</u>
Fund balances (deficit):						
Restricted for:						
Highway and streets	341,724	62,318	-	906,206	725,899	40
Community development	-	-	-	-	-	-
Unassigned	-	-	(24,041)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances (deficit)	<u>341,724</u>	<u>62,318</u>	<u>(24,041)</u>	<u>906,206</u>	<u>725,899</u>	<u>40</u>
Total liabilities and fund balances	<u>\$ 382,670</u>	<u>\$ 176,102</u>	<u>\$ 108,491</u>	<u>\$ 1,124,716</u>	<u>\$ 824,720</u>	<u>\$ 40</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	Transit System	Public Safety Grants	HOME Grant	EDBG Grant	Ash Slough Arundo Removal	Low and Moderate Income Housing Asset Fund	Total
ASSETS							
Cash and investments	\$ -	\$ -	\$ -	\$ 335,011	\$ 11,133	\$ -	\$ 2,587,365
Accounts receivable	265,331	84,598	-	-	-	-	725,447
Notes receivable, net	-	-	-	182,137	-	68,850	250,987
Land held for resale	-	-	-	-	-	104,000	104,000
Total assets	<u>\$ 265,331</u>	<u>\$ 84,598</u>	<u>\$ -</u>	<u>\$ 517,148</u>	<u>\$ 11,133</u>	<u>\$ 172,850</u>	<u>\$ 3,667,799</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 7,094	\$ 1,363	\$ -	\$ 683	\$ -	\$ -	\$ 250,588
Deferred revenues	273,683	25,000	-	-	-	-	623,974
Due to other funds	246,616	83,205	-	-	-	21,283	388,958
Total liabilities	<u>527,393</u>	<u>109,568</u>	<u>-</u>	<u>683</u>	<u>-</u>	<u>21,283</u>	<u>1,263,520</u>
Fund balances (deficit):							
Restricted for:	-	-	-	-	-	-	-
Highway and streets	-	-	-	-	-	-	2,036,187
Community development	-	-	-	516,465	11,133	151,567	679,165
Unassigned	<u>(262,062)</u>	<u>(24,970)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(311,073)</u>
Total fund balances (deficit)	<u>(262,062)</u>	<u>(24,970)</u>	<u>-</u>	<u>516,465</u>	<u>11,133</u>	<u>151,567</u>	<u>2,404,279</u>
Total liabilities and fund balances	<u>\$ 265,331</u>	<u>\$ 84,598</u>	<u>\$ -</u>	<u>\$ 517,148</u>	<u>\$ 11,133</u>	<u>\$ 172,850</u>	<u>\$ 3,667,799</u>

CITY OF CHOWCHILLA

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

	<u>State Gas Tax</u>	<u>RSTP</u>	<u>Street & Road Fund (LTF)</u>	<u>Measure T Fund</u>	<u>Maintenance Assessment District</u>	<u>LTA Measure A</u>
Revenues:						
Licenses and permits	\$ -	\$ -	\$ 560	\$ -	\$ -	\$ -
Intergovernmental	408,686	111,279	459,082	434,768	-	-
Use of money and property	1,138	292	(230)	3,789	2,033	-
Charges for services	-	-	-	-	479,766	-
Miscellaneous	-	-	2,315	-	-	-
Total revenues	<u>409,824</u>	<u>111,571</u>	<u>461,727</u>	<u>438,557</u>	<u>481,799</u>	<u>-</u>
Expenditures:						
Current:						
Public safety	-	-	-	-	-	-
Highway and streets	1,687	-	436,026	124,511	174,874	-
Community Development	-	-	-	-	-	-
Capital outlay	-	-	411,142	166,035	-	-
Debt service:						
Principal	-	-	-	157,500	-	-
Interest	-	-	-	6,584	-	-
Total expenditures	<u>1,687</u>	<u>-</u>	<u>847,168</u>	<u>454,630</u>	<u>174,874</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>408,137</u>	<u>111,571</u>	<u>(385,441)</u>	<u>(16,073)</u>	<u>306,925</u>	<u>-</u>
Other financing sources (uses):						
Transfers in	-	-	375,468	-	-	-
Transfers out	(311,824)	(65,664)	(1,715)	(149,804)	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>(311,824)</u>	<u>(65,664)</u>	<u>373,753</u>	<u>(149,804)</u>	<u>-</u>	<u>-</u>
Extraordinary item:						
RDA dissolution	-	-	-	-	-	-
Net changes in fund balances	96,313	45,907	(11,688)	(165,877)	306,925	-
Fund balances (deficit), beginning of year	<u>245,411</u>	<u>16,411</u>	<u>(12,353)</u>	<u>1,072,083</u>	<u>418,974</u>	<u>40</u>
Fund balances (deficit), end of year	<u>\$ 341,724</u>	<u>\$ 62,318</u>	<u>\$ (24,041)</u>	<u>\$ 906,206</u>	<u>\$ 725,899</u>	<u>\$ 40</u>

CITY OF CHOWCHILLA

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

	Transit System	Public Safety Grants	HOME Grant	EDBG Grant	Ash Slough Arundo Removal	Low and Moderate Income Housing Asset Fund	Total
Revenues:							
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 560
Intergovernmental	135,525	88,758	-	-	7,295	-	1,645,393
Use of money and property	(165)	40	-	2,778	22	-	9,697
Charges for services	10,070	-	-	-	-	-	489,836
Miscellaneous	-	-	-	-	-	-	2,315
Total revenues	145,430	88,798	-	2,778	7,317	-	2,147,801
Expenditures:							
Current:							
Public safety	-	9,158	-	-	-	-	9,158
Highway and streets	185,025	-	-	-	-	-	922,123
Community Development	-	-	-	2,524	-	-	2,524
Capital outlay	138,182	2,667	-	-	-	-	718,026
Debt service:							
Principal	-	-	-	-	-	-	157,500
Interest	-	-	-	-	-	-	6,584
Total expenditures	323,207	11,825	-	2,524	-	-	1,815,915
Excess (deficiency) of revenues over (under) expenditures	(177,777)	76,973	-	254	7,317	-	331,886
Other financing sources (uses):							
Transfers in	-	-	-	32,616	-	-	408,084
Transfers out	(7,588)	(100,000)	-	-	-	-	(636,595)
Proceeds from sale of capital assets	-	-	-	81,893	-	-	81,893
Total other financing sources (uses)	(7,588)	(100,000)	-	114,509	-	-	(146,618)
Extraordinary Item							
RDA Dissolution	-	-	-	-	-	151,567	151,567
Net changes in fund balances	(185,365)	(23,027)	-	114,763	7,317	151,567	336,835
Fund balances (deficit), beginning of year	(76,697)	(1,943)	-	401,702	3,816	-	2,067,444
Fund balances (deficit), end of year	\$ (262,062)	\$ (24,970)	\$ -	\$ 516,465	\$ 11,133	\$ 151,567	\$ 2,404,279

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2012**

	<u>Debt Service Fund</u>	<u>Redevelopment Agency Debt Service</u>	<u>Total</u>
ASSETS			
Restricted cash and investments	\$ 253,347	\$ -	\$ 253,347
Total assets	<u>\$ 253,347</u>	<u>\$ -</u>	<u>\$ 253,347</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 252,085	\$ -	\$ 252,085
Total liabilities	<u>252,085</u>	<u>-</u>	<u>252,085</u>
Fund balances (deficit):			
Restricted for:			
Debt service	<u>1,262</u>	<u>-</u>	<u>1,262</u>
Total fund balances (deficit)	<u>1,262</u>	<u>-</u>	<u>1,262</u>
Total liabilities and fund balances	<u>\$ 253,347</u>	<u>\$ -</u>	<u>\$ 253,347</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Debt Service Fund</u>	<u>Redevelopment Agency Debt Service</u>	<u>Total</u>
Revenues:			
Use of money and property	\$ 92	\$ -	\$ 92
Total revenues	<u>92</u>	<u>-</u>	<u>92</u>
Expenditures:			
Current:			
General government	1,705	-	1,705
Debt service:			
Principal	135,000	175,000	310,000
Interest	<u>236,397</u>	<u>183,369</u>	<u>419,766</u>
Total expenditures	<u>373,102</u>	<u>358,369</u>	<u>731,471</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(373,010)</u>	<u>(358,369)</u>	<u>(731,379)</u>
Other financing sources (uses):			
Transfers in	<u>374,220</u>	<u>538,803</u>	<u>913,023</u>
Total other financing sources (uses)	<u>374,220</u>	<u>538,803</u>	<u>913,023</u>
Extraordinary item:			
RDA dissolution	<u>-</u>	<u>(2,377,239)</u>	<u>(2,377,239)</u>
Net changes in fund balances	1,210	(2,196,805)	(2,195,595)
Fund balances (deficit), beginning of year	<u>52</u>	<u>2,196,805</u>	<u>2,196,857</u>
Fund balances (deficit), end of year	<u>\$ 1,262</u>	<u>\$ -</u>	<u>\$ 1,262</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012**

	<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>
ASSETS					
Pooled cash and investments	\$ 634,153	\$ 530,718	\$ 12,306	\$ 309,819	\$ 740,954
Accounts receivable	-	-	-	-	-
Accounts receivable - long-term	-	-	-	-	-
 Total assets	 <u>\$ 634,153</u>	 <u>\$ 530,718</u>	 <u>\$ 12,306</u>	 <u>\$ 309,819</u>	 <u>\$ 740,954</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
 Total liabilities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Fund balances (deficit):					
Restricted for:					
Culture and recreation	-	-	-	-	-
Capital maintenance	634,153	530,718	12,306	309,819	740,954
Unassigned	-	-	-	-	-
 Total fund balances (deficit)	 <u>634,153</u>	 <u>530,718</u>	 <u>12,306</u>	 <u>309,819</u>	 <u>740,954</u>
 Total liabilities and fund balances	 <u>\$ 634,153</u>	 <u>\$ 530,718</u>	 <u>\$ 12,306</u>	 <u>\$ 309,819</u>	 <u>\$ 740,954</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012**

	<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>	<u>Park Grants</u>
ASSETS						
Pooled cash and investments	\$ 372,852	\$ 670,310	\$ 3,900	\$ -	\$ 78,367	\$ 130,193
Accounts receivable	-	-	-	-	-	-
Accounts receivable - long-term	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 372,852</u>	<u>\$ 670,310</u>	<u>\$ 3,900</u>	<u>\$ -</u>	<u>\$ 78,367</u>	<u>\$ 130,193</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	228,858	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,858</u>	<u>-</u>	<u>-</u>
Fund balances (deficit):						
Restricted for:						
Culture and recreation	-	-	-	-	-	130,193
Capital maintenance	372,852	670,310	3,900	-	78,367	-
Unassigned	-	-	-	(228,858)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>372,852</u>	<u>670,310</u>	<u>3,900</u>	<u>(228,858)</u>	<u>78,367</u>	<u>130,193</u>
Total liabilities and fund balances	<u>\$ 372,852</u>	<u>\$ 670,310</u>	<u>\$ 3,900</u>	<u>\$ -</u>	<u>\$ 78,367</u>	<u>\$ 130,193</u>

CITY OF CHOWCHILLA

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012**

	<u>Redevelopment Agency</u>	<u>Water Systems Capital</u>	<u>Storm Drain Capital</u>	<u>Public Building Impact Fees</u>	<u>1994 PFA Streets Improvements</u>	<u>RDA Low and Moderate Housing</u>	<u>Total</u>
ASSETS							
Pooled cash and investments	\$ -	\$ 180,789	\$ 1,426,584	\$ -	\$ -	\$ -	\$ 5,090,945
Accounts receivable	-	-	12,710	-	-	-	12,710
Accounts receivable - long-term	-	-	31,923	-	-	-	31,923
	<u>-</u>	<u>-</u>	<u>31,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,923</u>
Total assets	<u>\$ -</u>	<u>\$ 180,789</u>	<u>\$ 1,471,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,135,578</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	558,063	-	-	786,921
	<u>-</u>	<u>-</u>	<u>-</u>	<u>558,063</u>	<u>-</u>	<u>-</u>	<u>786,921</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>558,063</u>	<u>-</u>	<u>-</u>	<u>786,921</u>
Fund balances (deficit):							
Restricted for:							
Culture and recreation	-	-	-	-	-	-	130,193
Capital maintenance	-	180,789	1,471,217	-	-	-	5,005,385
Unassigned	-	-	-	(558,063)	-	-	(786,921)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(558,063)</u>	<u>-</u>	<u>-</u>	<u>(786,921)</u>
Total fund balances (deficit)	<u>-</u>	<u>180,789</u>	<u>1,471,217</u>	<u>(558,063)</u>	<u>-</u>	<u>-</u>	<u>4,348,657</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 180,789</u>	<u>\$ 1,471,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,135,578</u>

CITY OF CHOWCHILLA

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

	Police Impact Fees	Fire Impact Fees	SR99/Ave 26 Interchange	SR99/Road 17 Interchange	Road Improvement
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	2,246	1,733	44	1,110	2,597
Charges for services	79,071	146,427	-	-	50,492
Miscellaneous	-	-	-	-	-
Total revenues	81,317	148,160	44	1,110	53,089
Expenditures:					
Current:					
General government	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	25,693	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	25,693	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	55,624	148,160	44	1,110	53,089
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Extraordinary item:					
RDA dissolution	-	-	-	-	-
Net changes in fund balances	55,624	148,160	44	1,110	53,089
Fund balances (deficit), beginning of year	578,529	382,558	12,262	308,709	687,865
Prior period adjustments	-	-	-	-	-
Fund balances (deficit), end of year	\$ 634,153	\$ 530,718	\$ 12,306	\$ 309,819	\$ 740,954

CITY OF CHOWCHILLA

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

	<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>	<u>Park Grants</u>
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	1,316	2,092	14	(205)	120	568
Charges for services	17,672	268,010	-	-	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,355</u>	<u>-</u>
Total revenues	<u>18,988</u>	<u>270,102</u>	<u>14</u>	<u>(205)</u>	<u>190,475</u>	<u>568</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	54,763
Debt service:						
Principal	-	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,763</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,988</u>	<u>270,102</u>	<u>14</u>	<u>(205)</u>	<u>190,475</u>	<u>(54,195)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary item:						
RDA dissolution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	18,988	270,102	14	(205)	190,475	(54,195)
Fund balances (deficit), beginning of year	353,864	400,208	3,886	(228,653)	(112,108)	184,388
Prior period adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ 372,852</u>	<u>\$ 670,310</u>	<u>\$ 3,900</u>	<u>\$ (228,858)</u>	<u>\$ 78,367</u>	<u>\$ 130,193</u>

CITY OF CHOWCHILLA

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

	Redevelopment Agency	Water Systems Capital	Storm Drain Capital	Public Building Impact Fees	1994 PFA Streets Improvements	RDA Low and Moderate Housing	Total
Revenues:							
Taxes	\$ 863,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 863,371
Use of money and property	-	455	4,137	(251)	-	-	15,976
Charges for services	-	166,624	290,994	80,383	-	-	1,099,673
Miscellaneous	40,000	-	-	-	-	-	230,355
Total revenues	903,371	167,079	295,131	80,132	-	-	2,209,375
Expenditures:							
Current:							
General government	-	-	2,762	-	-	-	2,762
Community development	231,358	-	-	-	-	15,053	246,411
Capital outlay	-	-	-	-	-	-	80,456
Debt service:							
Principal	-	-	-	-	85,046	-	85,046
Interest	-	-	-	-	66,778	-	66,778
Total expenditures	231,358	-	2,762	-	151,824	15,053	481,453
Excess (deficiency) of revenues over (under) expenditures	672,013	167,079	292,369	80,132	(151,824)	(15,053)	1,727,922
Other financing sources (uses):							
Transfers in	-	-	-	-	151,824	-	151,824
Transfers out	(538,803)	-	-	-	-	-	(538,803)
Total other financing sources (uses)	(538,803)	-	-	-	151,824	-	(386,979)
Extraordinary item:							
RDA dissolution	(797,116)	-	-	-	-	(151,567)	(948,683)
Net changes in fund balances	(663,906)	167,079	292,369	80,132	-	(166,620)	392,260
Fund balances (deficit), beginning of year	663,906	13,710	778,848	(638,195)	-	166,620	3,556,397
Prior period adjustments	-	-	400,000	-	-	-	400,000
Fund balances (deficit), end of year	\$ -	\$ 180,789	1,471,217	(558,063)	\$ -	\$ -	\$ 4,348,657

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ 3,265	\$ 56,431	\$ 96,024	\$ 155,720
Accounts receivable, net	-	-	78	78
Prepaid expenses	-	-	1,799	1,799
	<u>3,265</u>	<u>56,431</u>	<u>97,901</u>	<u>157,597</u>
Total assets	<u>3,265</u>	<u>56,431</u>	<u>97,901</u>	<u>157,597</u>
LIABILITIES				
Current liabilities:				
Accounts payable	769	10,050	62,260	73,079
Accrued payroll	-	-	29,841	29,841
Compensated absences	-	-	168,321	168,321
	<u>769</u>	<u>10,050</u>	<u>260,422</u>	<u>271,241</u>
Total current liabilities	<u>769</u>	<u>10,050</u>	<u>260,422</u>	<u>271,241</u>
Noncurrent liabilities:				
Compensated absences	-	-	126,167	126,167
	<u>-</u>	<u>-</u>	<u>126,167</u>	<u>126,167</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>126,167</u>	<u>126,167</u>
Total liabilities	<u>769</u>	<u>10,050</u>	<u>386,589</u>	<u>397,408</u>
NET ASSETS (DEFICIT)				
Unrestricted (deficit)	<u>2,496</u>	<u>46,381</u>	<u>(288,688)</u>	<u>(239,811)</u>
Total net assets (deficit)	<u>\$ 2,496</u>	<u>\$ 46,381</u>	<u>\$ (288,688)</u>	<u>\$ (239,811)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Fleet Maintenance</u>	<u>Information Technology</u>	<u>Employee Benefits</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 159,794	\$ 290,844	\$ 1,617	\$ 452,255
Miscellaneous	<u>-</u>	<u>-</u>	<u>(2,153)</u>	<u>(2,153)</u>
Total operating revenues	<u>159,794</u>	<u>290,844</u>	<u>(536)</u>	<u>450,102</u>
Operating expenses:				
Personnel services	114,415	172,371	26,584	313,370
Materials, supplies and services	<u>43,269</u>	<u>85,160</u>	<u>-</u>	<u>128,429</u>
Total operating expenses	<u>157,684</u>	<u>257,531</u>	<u>26,584</u>	<u>441,799</u>
Operating income (loss)	<u>2,110</u>	<u>33,313</u>	<u>(27,120)</u>	<u>8,303</u>
Non-operating revenues (expenses):				
Interest income	<u>(6)</u>	<u>44</u>	<u>216</u>	<u>254</u>
Total non-operating revenues (expenses)	<u>(6)</u>	<u>44</u>	<u>216</u>	<u>254</u>
Income (loss) before transfers	<u>2,104</u>	<u>33,357</u>	<u>(26,904)</u>	<u>8,557</u>
Other financing sources (uses):				
Transfers in	-	-	127,199	127,199
Transfers out	<u>-</u>	<u>(2,823)</u>	<u>-</u>	<u>(2,823)</u>
Total other financing sources (uses)	<u>-</u>	<u>(2,823)</u>	<u>127,199</u>	<u>124,376</u>
Changes in net assets	2,104	30,534	100,295	132,933
Net assets (deficit), beginning of year	<u>392</u>	<u>15,847</u>	<u>(388,983)</u>	<u>(372,744)</u>
Net assets (deficit), end of year	<u>\$ 2,496</u>	<u>\$ 46,381</u>	<u>\$ (288,688)</u>	<u>\$ (239,811)</u>

CITY OF CHOWCHILLA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<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	\$ 159,794	\$ 290,844	\$ 1,539	\$ 452,177
Payments to suppliers	(47,944)	(78,842)	51,575	(75,211)
Payments to employees	<u>(114,415)</u>	<u>(172,371)</u>	<u>(101,998)</u>	<u>(388,784)</u>
Net cash provided by (used in) operating activities	<u>(2,565)</u>	<u>39,631</u>	<u>(48,884)</u>	<u>(11,818)</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	-	127,199	127,199
Transfer to other funds	-	(2,823)	-	(2,823)
Loan from other funds	-	-	66,878	66,878
Loan repayment to 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>(5,091)</u>	<u>144,692</u>	<u>137,984</u>
Cash flows from investing activities:				
Interest received	<u>(6)</u>	<u>44</u>	<u>216</u>	<u>254</u>
Net cash provided by (used in) investing activities	<u>(6)</u>	<u>44</u>	<u>216</u>	<u>254</u>
Net increase (decrease) in cash and cash equivalents	(4,188)	34,584	96,024	126,420
Cash and cash equivalents, beginning of year	<u>7,453</u>	<u>21,847</u>	<u>-</u>	<u>29,300</u>
Cash and cash equivalents, end of year	<u>\$ 3,265</u>	<u>\$ 56,431</u>	<u>\$ 96,024</u>	<u>\$ 155,720</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 2,110	\$ 33,313	\$ (27,120)	\$ 8,303
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	-	-	2,075	2,075
(Increase) decrease in prepaid expenses	-	-	46,222	46,222
Increase (decrease) in accounts payable	(4,675)	6,318	5,353	6,996
Increase (decrease) in accrued payroll	-	-	27,569	27,569
Increase (decrease) in compensated absences	<u>-</u>	<u>-</u>	<u>(102,983)</u>	<u>(102,983)</u>
Net cash provided by (used in) operating activities	<u>\$ (2,565)</u>	<u>\$ 39,631</u>	<u>\$ (48,884)</u>	<u>\$ (11,818)</u>

CITY OF CHOWCHILLA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012**

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Greenhills Assessment District				
ASSETS				
Cash and investments	\$ 755,870	\$ 842,341	\$ (954,097)	\$ 644,114
Accounts receivable	<u>11,394</u>	<u>16,749</u>	<u>(10,473)</u>	<u>17,670</u>
Total assets	<u>\$ 767,264</u>	<u>\$ 859,090</u>	<u>\$ (964,570)</u>	<u>\$ 661,784</u>
LIABILITIES				
Agency obligations	<u>\$ 767,264</u>	<u>\$ 859,090</u>	<u>\$ (964,570)</u>	<u>\$ 661,784</u>
Pheasant Run Assessment District				
ASSETS				
Cash and investments	\$ 1,011,263	\$ 806,791	\$ (858,890)	\$ 959,164
Accounts receivable	<u>38,457</u>	<u>23,404</u>	<u>(29,388)</u>	<u>32,473</u>
Total assets	<u>\$ 1,049,720</u>	<u>\$ 830,195</u>	<u>\$ (888,278)</u>	<u>\$ 991,637</u>
LIABILITIES				
Agency obligations	<u>\$ 1,049,720</u>	<u>\$ 830,195</u>	<u>\$ (888,278)</u>	<u>\$ 991,637</u>
Developer Deposits				
ASSETS				
Cash and investments	<u>\$ 139,074</u>	<u>\$ 337,934</u>	<u>\$ (336,048)</u>	<u>\$ 140,960</u>
Total assets	<u>\$ 139,074</u>	<u>\$ 337,934</u>	<u>\$ (336,048)</u>	<u>\$ 140,960</u>
LIABILITIES				
Agency obligations	<u>\$ 139,074</u>	<u>\$ 337,934</u>	<u>\$ (336,048)</u>	<u>\$ 140,960</u>
Total Agency Funds				
ASSETS				
Cash and investments	\$ 1,906,207	\$ 1,987,066	\$ (2,149,035)	\$ 1,744,238
Accounts receivable	<u>49,851</u>	<u>40,153</u>	<u>(39,861)</u>	<u>50,143</u>
Total assets	<u>\$ 1,956,058</u>	<u>\$ 2,027,219</u>	<u>\$ (2,188,896)</u>	<u>\$ 1,794,381</u>
LIABILITIES				
Agency obligations	<u>\$ 1,956,058</u>	<u>\$ 2,027,219</u>	<u>\$ (2,188,896)</u>	<u>\$ 1,794,381</u>