

**CITY OF KING CITY, CALIFORNIA**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2008**

**City of King City, California**  
**Financial Statements**  
Year Ended June 30, 2008

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## INDEPENDENT AUDITORS' REPORT

Honorable City Council of  
the City of King City

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of King City, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note IV, the City has not estimated and reported a liability for landfill postclosure care costs or included the related note disclosures as required by accounting principles generally accepted in the United States of America.

In our opinion, except for the effect of the matters described in the preceding paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information of the City of King City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note IV, item E, the City of King City's General and Landfill Closure funds have negative fund balances. These conditions raise questions about the ability of the City to meet its debts and other liabilities as they come due. The financial statements do not include any adjustment relating to the amounts and classification of liabilities that might be necessary if the City is not able to meet its debts as they come due.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2009 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Budget and Actual Comparisons on pages 44 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Securon Hamings & Smith*

October 8, 2009

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**BASIC FINANCIAL STATEMENTS**

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**City of King City**  
**Statement of Net Assets**  
**June 30, 2008**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 1,338,929	\$ 2,293,478	\$ 3,632,407
Accounts Receivable - Current	284,170	76,820	360,990
Due from Other Governments	1,235,309	134,518	1,369,827
Internal Balances	(1,331,994)	1,331,994	-
Loans Receivable	70,136		70,136
Notes Receivable	568,128		568,128
Restricted Assets:			
Cash and Investments		3,521,115	3,521,115
Cash with Fiscal Agent	1,269,019		1,269,019
Land Held for Resale	1,500,250		1,500,250
Debt Issuance Costs, Net of Amortized Costs		113,274	113,274
Capital Assets Not Being Depreciated:			
Land	155,834	822,046	977,880
Construction in Progress	1,091,035	183,718	1,274,753
Capital Assets Net of Accumulated Depreciation:			
Buildings and Improvements	2,472,333	4,397,725	6,870,058
Machinery and Equipment	944,581	160,806	1,105,387
Infrastructure	3,810,948		3,810,948
	<u>13,408,678</u>	<u>13,035,494</u>	<u>26,444,172</u>
<b>Total Assets</b>			
<b>LIABILITIES</b>			
Accounts Payable	782,644	23,193	805,837
Accrued Liabilities	118,877	5,722	124,599
Interest Payable	225,904	58,333	284,237
Deposits	20,000		20,000
Deferred Revenue	520,136	77,906	598,042
Noncurrent Liabilities:			
Due Within One Year	633,392		633,392
Due in More Than One Year	12,868,673	4,022,833	16,891,506
	<u>15,169,626</u>	<u>4,187,987</u>	<u>19,357,613</u>
<b>Total Liabilities</b>			
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	8,474,731	5,564,295	14,039,026
Restricted for:			
Community Development	4,427,701		4,427,701
Public Safety	96,845		96,845
Public Works	2,230,191		2,230,191
Culture and Recreation	36,872		36,872
Sewer Mains Project		3,521,115	3,521,115
Debt Service	1,269,019		1,269,019
Unrestricted	(18,296,307)	(237,903)	(18,534,210)
	<u>\$ (1,760,948)</u>	<u>\$ 8,847,507</u>	<u>\$ 7,086,559</u>
<b>Total Net Assets</b>			

The accompanying notes are an integral part of this statement.

**City of King City  
Statement of Activities  
Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General Government	\$ 1,029,673	\$ 13,151	\$ 9,665
Public Safety	2,965,021	200,373	5,888
Public Works	1,174,878	20,787	1,074,930
Culture and Recreation	406,176	63,292	55,195
Community Development	2,019,118	404,479	279,761
Interest on Long-Term Debt	877,481		
<b>Total Governmental Activities</b>	<b>8,472,347</b>	<b>702,082</b>	<b>1,501,500</b>
<b>Business-type Activities:</b>			
Airport Operations	227,216	112,208	
Sewer Maintenance and Operations	1,058,691	1,064,562	143,203
Transit System	101,819	9,151	137,859
<b>Total Business-type Activities</b>	<b>1,387,726</b>	<b>1,185,921</b>	<b>137,859</b>
<b>Total Primary Government</b>	<b>\$ 9,860,073</b>	<b>\$ 1,888,003</b>	<b>\$ 1,639,359</b>

**General Revenues:**

**Taxes:**

- Property Taxes
- Tax Increment
- Franchise Taxes
- Sales Taxes
- In-lieu Sales Tax
- Transient Occupancy Taxes
- Utility Users Tax
- Property Transfer Tax
- Business Licenses
- Motor Vehicle In-Lieu
- Miscellaneous Revenues
- Investment Income
- Transfers

**Total General Revenues and Transfers**

**Change in Net Assets**

**Net Assets - Beginning**

**Prior Period Adjustment**

**Net Assets - Ending**

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (1,006,857)	\$	\$ (1,006,857)
(2,611,951)		(2,611,951)
894,180		894,180
(287,689)		(287,689)
(427,126)		(427,126)
(877,481)		(877,481)
<u>(4,316,924)</u>	-	<u>(4,316,924)</u>
	(115,008)	(115,008)
	149,074	149,074
	45,191	45,191
-	<u>79,257</u>	<u>79,257</u>
<u>(4,316,924)</u>	<u>79,257</u>	<u>(4,237,667)</u>
842,394		842,394
1,781,635		1,781,635
318,223		318,223
985,738		985,738
344,288		344,288
315,132		315,132
225,055		225,055
16,154		16,154
66,284		66,284
902,894		902,894
4,327		4,327
13,830	151,017	164,847
193,949	(193,949)	-
<u>6,009,903</u>	<u>(42,932)</u>	<u>5,966,971</u>
1,692,979	36,325	1,729,304
(2,196,631)	8,754,866	6,558,235
<u>(1,257,296)</u>	<u>56,316</u>	<u>(1,200,980)</u>
<u>\$ (1,760,948)</u>	<u>\$ 8,847,507</u>	<u>\$ 7,086,559</u>

The accompanying notes are an integral part of this statement.

**City of King City  
Balance Sheet  
Governmental Funds  
June 30, 2008**

	General	Gas Tax	CDBG Grant	CDA Special Revenue
<b>ASSETS</b>				
Cash and Investments	\$ 68,988	\$ 9,441	\$ 228,949	\$
Restricted Cash and Investments with Fiscal Agent				
Accounts Receivable	185		261,313	
Due from Other Funds	233,745	50,261		
Due from Other Governments	316,379	66,427		
Notes Receivable	118,128			450,000
Land Held For Resale				1,500,250
Loans Receivable				
Advances to Other Funds		1,140,246		
	<u>\$ 737,425</u>	<u>\$ 1,266,375</u>	<u>\$ 490,262</u>	<u>\$ 1,950,250</u>
<b>Total Assets</b>				
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 270,755	\$ 10,515	\$ 147,529	\$ 14,501
Accrued Liabilities	111,408	3,513		107
Deposits				20,000
Due to Other Funds			415,963	1,170,595
Deferred Revenue	50,000		236,679	450,000
Advances from Other Funds	2,483,640			
	<u>2,915,803</u>	<u>14,028</u>	<u>800,171</u>	<u>1,655,203</u>
<b>Total Liabilities</b>				
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Advances to Other Funds		1,140,246		
Debt Service				
Land Held for Resale				1,500,250
<b>Unreserved, Reported In:</b>				
General Fund	(2,178,378)			
Special Revenue Funds		112,101	(309,909)	(1,205,203)
Capital Projects Funds				
	<u>(2,178,378)</u>	<u>1,252,347</u>	<u>(309,909)</u>	<u>295,047</u>
<b>Total Fund Balances</b>				
	<u>\$ 737,425</u>	<u>\$ 1,266,375</u>	<u>\$ 490,262</u>	<u>\$ 1,950,250</u>
<b>Total Liabilities and Fund Balances</b>				

<u>CDA Low/Mod Income Housing</u>	<u>CDA Debt Service</u>	<u>First Street Rehabilitation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 294,497	\$	\$	\$ 737,054	\$ 1,338,929
	1,269,019			1,269,019
2,632,954			22,672	284,170
		852,503	545,998	3,462,958
				1,235,309
				568,128
70,136				1,500,250
				70,136
				1,140,246
<u>\$ 2,997,587</u>	<u>\$ 1,269,019</u>	<u>\$ 852,503</u>	<u>\$ 1,305,724</u>	<u>\$ 10,869,145</u>
\$	\$	\$ 312,748	\$ 26,596	\$ 782,644
			3,849	118,877
				20,000
	226,707	621,293	1,017,000	3,451,558
70,136		277,864		1,084,679
				2,483,640
<u>70,136</u>	<u>226,707</u>	<u>1,211,905</u>	<u>1,047,445</u>	<u>7,941,398</u>
				1,140,246
	1,042,312			1,042,312
				1,500,250
				(2,178,378)
2,927,451			(188,667)	1,335,773
		(359,402)	446,946	87,544
<u>2,927,451</u>	<u>1,042,312</u>	<u>(359,402)</u>	<u>258,279</u>	<u>2,927,747</u>
<u>\$ 2,997,587</u>	<u>\$ 1,269,019</u>	<u>\$ 852,503</u>	<u>\$ 1,305,724</u>	<u>\$ 10,869,145</u>

**City of King City**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**Year Ended June 30, 2008**

Fund balances of governmental funds		\$ 2,927,747
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		8,474,731
Accrued interest payable on long-term debt is not recorded in the funds.		(225,904)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		564,543
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Compensated Absences		(365,231)
Notes Payable		(936,977)
Bonds Payable		(10,780,000)
Pension Related Debt		(1,204,018)
Claims Payable		(215,839)
		<hr/>
Net assets of governmental activities		<u>\$ (1,760,948)</u>

The accompanying notes are an integral part of this statement.

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**City of King City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2008**

	General	Gas Tax	CDGB Grant	CDA Special Revenue
<b>REVENUES</b>				
Taxes	\$ 2,821,930	\$	\$	\$
Licenses, Permits and Impact Fees	150,642			
Fines & Forfeitures	123,134			
Investment Income	12,224	4,807	7,173	
Intergovernmental	952,139	297,290	188,418	
Charges for Services	209,918			
Other Revenues	5,918			73,729
<b>Total Revenues</b>	<u>4,275,905</u>	<u>302,097</u>	<u>195,591</u>	<u>73,729</u>
<b>EXPENDITURES</b>				
Current:				
General Government	958,890			
Public Safety	2,764,045			
Public Works	392,519	365,222		
Culture and Recreation	190,616			
Community Development	798,729		260,659	273,746
Capital Outlay	37,423	989	526,528	
Debt Service:				
Principal				
Interest & Fiscal Charges			1,675	35,943
<b>Total Expenditures</b>	<u>5,142,222</u>	<u>366,211</u>	<u>788,862</u>	<u>309,689</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(866,317)</u>	<u>(64,114)</u>	<u>(593,271)</u>	<u>(235,960)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	240,000		228,949	
Transfers Out	(9,000)	(101,537)		
Gain on Sale of Assets	1,408			
<b>Total Other Financing Sources (Uses)</b>	<u>232,408</u>	<u>(101,537)</u>	<u>228,949</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(633,909)</u>	<u>(165,651)</u>	<u>(364,322)</u>	<u>(235,960)</u>
Fund Balances, Beginning	<u>(1,544,469)</u>	<u>1,417,998</u>	<u>54,413</u>	<u>531,007</u>
<b>Fund Balances, Ending</b>	<u>\$ (2,178,378)</u>	<u>\$ 1,252,347</u>	<u>\$ (309,909)</u>	<u>\$ 295,047</u>

<u>CDA Low/Mod Income Housing</u>	<u>CDA Debt Service</u>	<u>First Street Rehabilitation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 352,278	\$ 1,429,357	\$	\$ 230,029	\$ 4,833,594
			374,518	525,160
			2,773	125,907
94,574	62,143		73,540	254,461
		812,657	1,521,969	3,772,473
				209,918
		400	35,655	115,702
<u>446,852</u>	<u>1,491,500</u>	<u>813,057</u>	<u>2,238,484</u>	<u>9,837,215</u>
			10,000	968,890
			44,665	2,808,710
			322,862	1,080,603
				190,616
78,000	423,527		163,312	1,997,973
		1,584,417	184,803	2,334,160
	536,692			536,692
	779,688	18,715	49,246	885,267
<u>78,000</u>	<u>1,739,907</u>	<u>1,603,132</u>	<u>774,888</u>	<u>10,802,911</u>
<u>368,852</u>	<u>(248,407)</u>	<u>(790,075)</u>	<u>1,463,596</u>	<u>(965,696)</u>
		740,283	204,799	1,414,031
			(1,109,545)	(1,220,082)
				1,408
		<u>740,283</u>	<u>(904,746)</u>	<u>195,357</u>
368,852	(248,407)	(49,792)	558,850	(770,339)
<u>2,558,599</u>	<u>1,290,719</u>	<u>(309,610)</u>	<u>(300,571)</u>	<u>3,698,086</u>
<u>\$ 2,927,451</u>	<u>\$ 1,042,312</u>	<u>\$ (359,402)</u>	<u>\$ 258,279</u>	<u>\$ 2,927,747</u>

**City of King City**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2008**

Net Change in Fund Balances-Total Governmental Funds \$ (770,339)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	2,325,118
Depreciation	(466,122)

The net effect of disposals of capital assets is to decrease net assets. (10,190)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period. 131,108

The repayment of the principal on long-term debt, as well as payments to escrow agents, consumes the current financial resources of governmental funds. However, neither of these transactions have any effect on net assets.

Principal Paid on Long-term Debt	582,675
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as governmental fund expenditures.

Net Change in Compensated Absences	(49,647)
Net Change in Accrued Interest Payable	7,786
Net Change in Claims Payable	<u>(57,410)</u>

Change in Net Assets of Governmental Activities \$ 1,692,979

**City of King City**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2008**

	Airport Operations	Sewer Maintenance and Operations	Transit System	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 128,097	\$ 2,165,381	\$	\$ 2,293,478
Restricted:				
Cash and Investments		3,521,115		3,521,115
Accounts Receivable--Net	8,750	68,032	38	76,820
Due From Other Governments			134,518	134,518
Due From Other Funds		110,621		110,621
Total Current Assets	136,847	5,865,149	134,556	6,136,552
Noncurrent Assets:				
Advances to Other Funds		1,343,394		1,343,394
Debt Issuance Costs, Net of Amortized Costs		113,274		113,274
Capital Assets:				
Land	57,953	764,093		822,046
Construction in Progress		183,718		183,718
Buildings and Improvements	4,052,038	5,590,313		9,642,351
Machinery and Equipment	6,477	1,129,884	134,069	1,270,430
Less: Accumulated Depreciation	(2,168,072)	(4,099,467)	(86,711)	(6,354,250)
Total Noncurrent Assets	1,948,396	5,025,209	47,358	7,020,963
Total Assets	2,085,243	10,890,358	181,914	13,157,515
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	4,065	17,666	1,462	23,193
Accrued Liabilities	254	3,794	1,674	5,722
Interest Payable		58,333		58,333
Due to Other Funds	11,400		110,621	122,021
Unearned Revenue		77,906		77,906
Total Current Liabilities	15,719	157,699	113,757	287,175
Noncurrent Liabilities:				
Bonds Payable		4,000,000		4,000,000
Compensated Absences Payable		16,930	5,903	22,833
Total Noncurrent Liabilities	-	4,016,930	5,903	4,022,833
Total Liabilities	15,719	4,174,629	119,660	4,310,008
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	1,948,396	3,568,541	47,358	5,564,295
Restricted for Sewer Mains Project		3,521,115		3,521,115
Unrestricted	121,128	(373,927)	14,896	(237,903)
Total Net Assets	\$ 2,069,524	\$ 6,715,729	\$ 62,254	\$ 8,847,507

The accompanying notes are an integral part of this statement.

**City of King City**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2008**

	Airport Operations	Sewer Maintenance and Operations	Transit System	Total
<b>OPERATING REVENUES</b>				
Charges for Services:				
Rents and Concessions	\$ 112,208	\$ 58,350	\$	\$ 170,558
Sewer Fees		1,006,212		1,006,212
Transit Fares			9,151	9,151
Total Operating Revenues	<u>112,208</u>	<u>1,064,562</u>	<u>9,151</u>	<u>1,185,921</u>
<b>OPERATING EXPENSES</b>				
Administration	11,400	209,280		220,680
Salaries and Benefits	3,001	155,049	77,528	235,578
Supplies and Services	68,080	391,582	19,029	478,691
Depreciation	144,735	175,785	5,262	325,782
Total Operating Expenses	<u>227,216</u>	<u>931,696</u>	<u>101,819</u>	<u>1,260,731</u>
Operating Income (Loss)	<u>(115,008)</u>	<u>132,866</u>	<u>(92,668)</u>	<u>(74,810)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental Revenue			137,859	137,859
Investment Income	4,127	146,890		151,017
Interest Expense		(99,653)		(99,653)
Bond Issuance Costs		(27,342)		(27,342)
Total Nonoperating Revenues (Expenses)	<u>4,127</u>	<u>19,895</u>	<u>137,859</u>	<u>161,881</u>
Income Before Contributions and Transfers	(110,881)	152,761	45,191	87,071
Capital Contributions		143,203		143,203
Transfers Out		(193,949)		(193,949)
Change in Net Assets	(110,881)	102,015	45,191	36,325
Total Net Assets, Beginning	2,180,405	6,548,469	25,992	8,754,866
Prior Period Adjustment		65,245	(8,929)	56,316
Total Net Assets, Ending	<u>\$ 2,069,524</u>	<u>\$ 6,715,729</u>	<u>\$ 62,254</u>	<u>\$ 8,847,507</u>

The accompanying notes are an integral part of this statement.

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**City of King City  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2008**

	Airport Operations	Sewer Maintenance and Operations
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$ 107,966	\$ 1,058,654
Cash Paid to Suppliers	(78,796)	(724,014)
Cash Paid to Employees for Services		(154,382)
	29,170	180,258
<b>Cash Flows from Noncapital Financing Activities</b>		
Cash Received from Other Governments		
Cash Received From (Paid to) Other Funds	11,400	(199,557)
	11,400	(199,557)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital Asset Purchases		(35,990)
Bond Proceeds		3,859,384
Interest Paid		(41,320)
	-	3,782,074
<b>Cash Flows from Investing Activities</b>		
Interest Received on Investments	4,127	146,890
	4,127	146,890
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	44,697	3,909,665
Cash and Cash Equivalents, Beginning of Fiscal Year	83,400	1,776,831
<b>Cash and Cash Equivalents, End of Fiscal Year</b>	\$ 128,097	\$ 5,686,496
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
<b>Cash Flows from Operating Activities</b>		
Operating income (loss)	\$ (115,008)	\$ 132,866
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	144,735	175,785
(Increase) Decrease in Accounts Receivable	(4,242)	(5,908)
Increase (Decrease) in Accounts Payable	3,431	(123,152)
Increase (Decrease) in Accrued Liabilities	254	667
<b>Net Cash Provided By Operating Activities</b>	\$ 29,170	\$ 180,258
<b>Noncash Investing, Capital, and Financing Activities</b>		
Capital Contributions		143,203

The accompanying notes are an integral part of this statement.

Transit System	Total
\$ 9,151	\$ 1,175,771
(18,996)	(821,806)
(77,341)	(231,723)
<u>(87,186)</u>	<u>122,242</u>
134,198	134,198
5,608	(182,549)
<u>139,806</u>	<u>(48,351)</u>
(52,620)	(88,610)
	3,859,384
	<u>(41,320)</u>
<u>(52,620)</u>	<u>3,729,454</u>
	<u>151,017</u>
	<u>151,017</u>
-	3,954,362
-	1,860,231
<u>\$ -</u>	<u>\$ 5,814,593</u>

\$ (92,668)      \$ (74,810)

5,262	325,782
(38)	(10,188)
71	(119,650)
187	1,108
<u>\$ (87,186)</u>	<u>\$ 122,242</u>

The accompanying notes are an integral part of this statement.

**City of King City**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Fund**  
**June 30, 2008**

**ASSETS**

Cash and Investments	\$ 111,271
Accounts Receivable	<u>4,062</u>
Total Assets	<u><u>\$ 115,333</u></u>

**LIABILITIES**

Accounts Payable	\$ 7,749
Deposits	<u>107,584</u>
Total Liabilities	<u><u>\$ 115,333</u></u>

The accompanying notes are an integral part of this statement.

**City of King City**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
I	Summary of Significant Accounting Policies	18 - 24
II	Stewardship, Compliance and Accountability	24
III	Detailed Notes on All Funds	24 - 37
IV	Other Information	37 - 40

**City of King City**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) Description of Reporting Entity**

The City of King City (the "City") was incorporated in 1911, and is a general law city, governed by a City Council of five members. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of King City (the primary government) and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the City. Currently, there are no discretely presented component units presented in these financial statements.

**Blended Component Unit**

The Community Development Agency of the City of King City (the "Agency") is governed by the City Council of the City of King City. Although it is legally separate from the City, the Agency is reported as if it were part of the primary government because the City Council is the governing board of the Agency. The Agency's activities are reported in governmental funds. Separate financial statements are available at the City of King City.

**B) Accounting Policies**

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

**C) Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and therefore have been recognized as revenues within the current fiscal period. Only that portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue within the current period. All other revenue items are considered to be measurable and available only when cash is received.

The government reports the following major governmental funds:

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

*State Gasoline Tax Fund* accounts for the revenues received from State apportionments of the gasoline tax and for the expenditure of those funds. Revenues are received under four different sections: 2105, 2106, 2107 and 2107.5; each of which has its own requirements.

*CDBG Grant Funds* account for revenues received from CDBG grants and for the expenditure of those funds.

The *CDA Special Revenue Fund* was established to account for the funding source used for the planning, administration, and operations of the Agency.

The *CDA Low/Moderate Income Housing Fund* accounts for that portion of the Agency's property tax allocations (20%) required to be set aside for the purpose of increasing or improving the community's supply of low or moderate income housing, pursuant to Health and Safety Code Section 33334.2.

The *CDA Debt Service Fund* accounts for the accumulation of resources for the payment of long-term debt principal, interest and related costs.

*First Street Rehabilitation Fund* accounts for expenditures and revenues related to First Street Rehabilitation.

**City of King City**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

The government reports the following major proprietary funds:

The *Airport Operations Fund* accounts for the maintenance, operation and capital expenditures of the Mesa Del Rey Municipal Airport. Financing is provided by user fees from rentals and leases.

The *Sewer Maintenance and Operations Fund* accounts for the maintenance, operation and capital improvements of the municipal sewage system. Financing is provided by user fees from residences, businesses and industries.

The *Transit System Fund* accounts for the maintenance and operation of the City's demand-response transit system. Financing is provided in part by bus fares, but mostly subsidized by funds received from the Transportation Development Act which is administered by the Monterey County Transportation Commission.

The *Agency Fund* is used to account for assets held by the City as an agent for individuals, private organizations, and/or other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E) Assets, Liabilities, and Net Assets or Equity**

**1) Cash and Investments**

For purposes of presentation in the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of change in value because of changes in interest rates. Investments purchased within three months of original maturity are considered to be cash equivalents.

Investments are reported at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

**2) Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	March 1	
Levy Year	July 1 to June 30	
Due Dates	November 1	1 <sup>st</sup> Installment
	February 1	2 <sup>nd</sup> Installment
Delinquent Dates	December 10	1 <sup>st</sup> Installment
	April 10	2 <sup>nd</sup> Installment

Under California law, property taxes are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to cities based on complex formulas prescribed by state statutes.

**City of King City**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E) Assets, Liabilities, and Net Assets or Equity - Continued**

**3) Restricted Assets**

Certain proceeds of the Agency's Tax Allocation Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by bond covenants. Additional cash is reported as restricted on the Statement of Net Assets for various grant funds.

**4) Capital Assets**

Capital assets, which include land, structures, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Assets purchased in excess of \$5,000 are capitalized, if they have an expected useful life of two years or more. The cost of normal maintenance and repairs that do not add to the value of the asset's lives are not capitalized.

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. For debt-financed capital assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Donated capital assets are valued at their estimated fair market value at the date of donation.

The City has elected not to report infrastructure assets acquired prior to the implementation of GASB Statement No. 34, as allowed by the Statement.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in both the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation is charged as an expense against operations; accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

Infrastructure	20 to 50 Years
Structures and Improvements	10 to 50 Years
Equipment	5 to 30 Years

**5) Deferred Revenue**

Revenues received, but not yet earned, are deferred until such time as those monies meet the revenue recognition criteria. In the case of intergovernmental revenues in the fund financial statements, e.g., grants, entitlements and shared revenue, the basis of accounting for such revenue is determined according to the procedures common to each fund type in which the grant, entitlement, or shared revenue is recorded. Grants, entitlements and shared revenues received earlier than the time established by the revenue recognition criteria are reported as deferred revenues.

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E) Assets, Liabilities, and Net Assets or Equity - Continued**

**5) Deferred Revenue**

Revenues earned, but not yet received, may not be available in a timely manner to pay current expenditures or obligations. Such receivables, not meeting the availability criteria necessary for accrual under modified accrual basis accounting principles, are reclassified as deferred revenues for that period in the fund financial statements. In the government-wide financial statements, however, availability criteria are not considered. Instead, revenues become, and remain receivable from the point in time when revenue is earned through performance or similar recognition standards, until received.

**6) Use of Estimates**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

**7) Compensated Absences**

Vacation time may be accumulated up to two years entitlement plus the current years' leave allowance. Cash compensation for accrued vacations is generally not payable until the employee terminates employment with the City. Sick leave may be accumulated to a maximum of 960 hours. Cash compensation for unused sick leave is payable to an employee only upon termination of employment with the City. At that time the employee is compensated at the rate of 50% of their daily rate.

All accumulated vacation leave and applicable sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Leave benefits are generally liquidated by the general fund.

**8) Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Debt issuance costs which include bond discounts and legal and other issuance costs are deferred and amortized on a straight-line basis over the terms of the bonds.

Unamortized refunding costs, if applicable, represent the difference between the reacquisition price of debt (outstanding principal of the debt, as well as the call premium) and its net carrying value (face value of the debt, adjusted for unamortized premiums, discounts or issuance costs). The difference is amortized over the shorter of 1) the life of the refunding debt or 2) the life of the refunded debt. The amortization is treated as an adjustment to interest expense of the current period.

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E) Assets, Liabilities, and Net Assets or Equity - Continued**

**8) Long-Term Obligations - Continued**

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.

**9) Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**10) Transfers**

Transfers are reported as other financing sources and uses in the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds and in the Statement of Revenues, Expenses and Changes in Net Assets for the proprietary funds.

**II) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Deficit Fund Equity**

Deficit fund balances exists in the general fund and the following special revenue funds due to costs exceeding revenues:

General Fund	\$	2,178,378
Landfill Closure Fund	\$	726,255
Local Transportation	\$	5,468
CDBG	\$	309,909

Deficit fund balances exists in the following capital projects funds due to project expenditures exceeding project revenues:

Development Impact Fees	\$	78,565
Capital Projects	\$	42,994
First Street Rehabilitation Fund	\$	359,402

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS**

**A) Cash and Investments**

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures.

Interest income earned on pooled cash is allocated to the various funds based on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and Investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 3,743,678
Restricted:	
Cash and Investments	3,521,115
Cash with Fiscal Agent	<u>1,269,019</u>
<b>Total Cash and Investments</b>	<b><u>\$ 8,533,812</u></b>

Cash and investments as of June 30, 2008 consist of the following:

Petty Cash	\$ 905
Deposits with Financial Institutions	140,754
Local Agency Investment Fund	3,602,019
Certificates of Deposits	1,100,000
U.S. Agency Securities	2,421,115
Held by Fiscal Agent:	
Mutual Fund	632,469
Government Investment Contracts	<u>636,550</u>
<b>Total Cash and Investments</b>	<b><u>\$ 8,533,812</u></b>

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

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

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS**

**A) Cash and Investments - Continued**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds	1 year	None	5%
U.S. Treasury Obligations	1 year	None	None
U.S. Agency Securities	1 year	None	None
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	1 year	30%	None
Medium-Term Notes	1 year	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	1 year	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None

**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the bond documents, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptance	1 year	None	None
Commercial Paper	None	None	None
Money Market Mutual Funds	None	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund	N/A	None	None
Municipal Bonds	None	None	None

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**A) Cash and Investments - Continued**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2008 the City had the following investments.

<u>Investment Type</u>		<u>Maturity Date</u>
Local Agency Investment Fund	\$ 3,602,019	N/A
Certificates of Deposits	1,100,000	2009
U.S. Agency Securities	2,421,115	2008
Held by Bond Trustee:		
Mutual Fund	632,469	N/A
Government Investment Contracts	<u>636,550</u>	N/A
<b>Total</b>	<b>\$ <u>8,392,153</u></b>	

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>Aaa</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 3,602,019	N/A	\$	\$ 3,602,019
Certificates of Deposits	1,100,000	N/A		1,100,000
U.S. Agency Securities	2,421,115	N/A	2,421,115	
Held by Bond Trustee:				
Mutual Fund	632,469	N/A		632,469
Government Investment Contracts	<u>636,550</u>	N/A		<u>636,550</u>
<b>Total</b>	<b>\$ <u>8,392,153</u></b>		<b>\$ <u>2,421,115</u></b>	<b>\$ <u>8,392,153</u></b>

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Held by Bond Trustee:		
U.S. Bank	Mutual Fund	\$ 632,469
U.S. Bank	Government Investment Contract	\$ 636,550
FHLB	U.S. Agency Securities	\$ 2,421,115

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**A) Cash and Investments - Continued**

**Concentration of Credit Risk - Continued**

Investments in any one issuer that represent 5% or more of total investments by major fund are as follows:

\$1,269,019 of the restricted cash and investments reported in the Debt Service Fund are held in the form of a mutual fund and government investment contract held by Bond Trustee.

**Custodial Credit Risk**

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: The City did not have any deposits with financial institutions in excess of federal depository insurance limits and held in uncollateralized accounts. As of June 30, 2008, City investments in the following investment types were held by the broker-dealer that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury Mutual Fund	\$ 632,469
Government Investment Contracts	636,550

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 amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**B) Interfund Receivables, Payables and Transfers**

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

Individual fund interfund receivables and payables balances as of June 30, 2008 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 233,745	\$
Gas Tax	50,261	
CDA Special Revenue Fund		1,170,595
CDA Low/Moderate Income Housing Fund	2,632,954	
Development Impact Fees		66,625
CDA Debt Service		226,707
Sewer Maintenance and Operations Fund	110,621	
Airport Operations		11,400
Transit System Fund		110,621
Nonmajor Governmental Funds	<u>545,998</u>	<u>1,987,631</u>
Total	<u>\$ 3,573,579</u>	<u>\$ 3,573,579</u>

**Advances From/To Other Funds**

Advances receivable and payable constitute long-term borrowing between funds. Advances typically carry a stated interest rate and have scheduled debt service payments. Interfund advances receivable and payable balances at June 30, 2008 are as follows:

	<u>Advances Receivable</u>	<u>Advances Payable</u>
General Fund	\$	\$ 2,483,640
Sewer Maintenance and Operations Fund	1,343,394	
Gas Tax Fund	<u>1,140,246</u>	
Total	<u>\$ 2,483,640</u>	<u>\$ 2,483,640</u>

The amounts payable to the sewer maintenance and operations fund and nonmajor governmental funds by the general fund relate to current litigation and settlements. None of these advances are expected to be collected in the subsequent year.

**Transfers**

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 240,000	\$ 9,000
Gas Tax		101,537
Local Transportation	101,537	740,283
Development Impact Fees		129,262
Sewer Maintenance and Operations		193,949
Nonmajor Governmental Funds	<u>1,072,494</u>	<u>240,000</u>
	<u>\$ 1,414,031</u>	<u>\$ 1,414,031</u>

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**B) Interfund Receivables, Payables and Transfers - Continued**

Transfers are used to move revenues from authorized funds to the CDA Debt Service Fund as debt service principal and interest payments become due and to move various revenues to finance various programs and projects that the City accounts for in other funds.

**C) Community Development Agency Disposition and Development Agreements and Notes Receivable**

The Community Development Agency has entered into Disposition and Development Agreements (DDA) with various developers. These agreements involve the acquisition and development of property by the developers for the operation of business enterprises. Payment of the purchase price of the various properties has been made in the form of promissory notes executed by the developers in favor of the Agency. These promissory notes are secured by deeds of trust recorded against the properties.

The acquisition and development of the various properties is undertaken by the developers pursuant to a performance incentive program adopted and implemented by the Agency, which enables qualifying projects to receive credits against the purchase price of the properties, based upon the level of performance achieved. These credits are credited directly toward any outstanding amounts owed under the promissory notes. The potential value of all credits is generally expected to offset the entire purchase price of the properties. As a result, any outstanding notes receivable are offset by deferred revenue in these financial statements. So long as the developers are not in default under the promissory notes or DDAs, the promissory notes do not bear interest.

The following is a summary of the outstanding DDAs and related notes receivable:

<u>Developer</u>	<u>Date of DDA</u>	<u>Date of Promissory Note</u>	<u>June 30, 2008 Balance</u>
EcoTerra Global, Limited <sup>(1)</sup>	January 2003	January 2003	\$ 450,000
Total Agency Notes Receivable			<u>\$ 450,000</u>

<sup>(1)</sup>During the 2004-05 fiscal year, the developer defaulted on the DDA and the Agency has been pursuing perfecting the default.

Notes receivable consisted of the following at June 30, 2008:

**Housing Assistance Loans**

Through the fiscal year ended June 30, 2007, the Agency has loaned \$543,960 to 99 families at 0% interest. The loan proceeds were used by these low/moderate income families to purchase homes in the redevelopment area. The terms of the agreements specify that the families are not required to make annual payments on the loans. Once a family has lived in the house for six years, the Agency will forgive 20% of the loan balance each year thereafter until the loan is forgiven. If a family moves or transfers the property, the remaining loan balance becomes immediately payable to the City, unless the property is transferred to another "eligible household". At June 30, 2008, the outstanding cumulative loan balances of \$70,136 are reported in the Low/Moderate Income Housing Fund. They are offset by deferred revenue.

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**E) Land Held for Resale**

The Agency has purchased various parcels of land within the redevelopment project area with the intent of selling them in the future in order to improve the project area. Land held for resale is valued at the lower of cost or estimated net realizable value.

At June 30, 2008 the balance of land held for resale of \$1,500,250 is reported in the CDA Special Revenue Fund.

**F) Capital Assets**

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases*</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 155,834	\$	\$	\$ 155,834
Construction in Progress	<u>455,370</u>	<u>645,621</u>	<u>(9,956)</u>	<u>1,091,035</u>
Total Capital Assets, Not Being Depreciated	<u>611,204</u>	<u>645,621</u>	<u>(9,956)</u>	<u>1,246,869</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	3,810,648	641,018		4,451,666
Infrastructure	3,739,928	946,555		4,686,483
Machinery and Equipment	<u>2,679,756</u>	<u>101,880</u>	<u>(173,860)</u>	<u>2,607,776</u>
Total Capital Assets Being Depreciated	<u>10,230,332</u>	<u>1,689,453</u>	<u>(173,860)</u>	<u>11,745,925</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,870,435)	(108,898)		(1,979,333)
Infrastructure	(713,331)	(162,204)		(875,535)
Machinery and Equipment	<u>(1,631,845)</u>	<u>(195,020)</u>	<u>163,670</u>	<u>(1,663,195)</u>
Total Accumulated Depreciation	<u>(4,215,611)</u>	<u>(466,122)</u>	<u>163,670</u>	<u>(4,518,063)</u>
Total Capital Assets Being Depreciated, Net	<u>6,014,721</u>	<u>1,223,331</u>	<u>(10,190)</u>	<u>7,227,862</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,625,925</u>	<u>\$ 1,868,952</u>	<u>\$ (20,146)</u>	<u>\$ 8,474,731</u>

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**F) Capital Assets - Continued**

	Beginning Balance	Increases*	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 822,046			\$ 822,046
Construction in Progress		183,718		183,718
Total Capital Assets, Not Being Depreciated	822,046	183,718	-	1,005,764
Capital Assets Being Depreciated:				
Buildings and Improvements	9,602,909	60,720	(21,278)	9,642,351
Machinery and Equipment	1,196,532	73,898		1,270,430
Total Capital Assets Being Depreciated	10,799,441	134,618	(21,278)	10,912,781
Less Accumulated Depreciation:				
Buildings and Improvements	(4,957,203)	(287,423)		(5,244,626)
Machinery and Equipment	(1,071,265)	(38,359)		(1,109,624)
Total Accumulated Depreciation	(6,028,468)	(325,782)	-	(6,354,250)
Total Capital Assets Being Depreciated, Net	4,770,973	(191,164)	(21,278)	4,558,531
Business-type Activities Capital Assets, Net	\$ 5,593,019	\$ (7,446)	\$ (21,278)	\$ 5,564,295

\* Increases to Capital Assets for the Business Type Activities include \$65,245 additions in construction in progress from prior years that are shown as prior period adjustments in the Proprietary Funds statements and the Statement of Activities.

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 21,860
Community Development	5,760
Culture and Recreation	200,179
Public Safety	155,209
Public Works	83,114
Total Depreciation Expense – Governmental Activities	\$ 466,122
<b>Business-type Activities:</b>	
Airport	\$ 144,735
Sewer	175,785
Transit	5,262
Total Depreciation Expense – Business-type Activities	\$ 325,782

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**G) Long-Term Liabilities**

**Notes Payable**

Tavernetti - Anderson Note

On October 12, 1998, the Agency entered into an agreement with Ramon C. and Marianne Campos to finance the purchase of land. The original amount of the note was \$132,000 with 8.00% interest to be paid monthly for 10 years.

Subsequently, in March 2000, the note was sold to Tavernetti - Anderson. The new terms call for an 8.00% interest rate to be paid monthly through November 2013.

The following is a summary of principal and interest to be paid in future years:

Fiscal Year Ending June 30,	Principal	Interest
2009	\$ 10,812	\$ 4,308
2010	11,593	3,527
2011	12,431	2,689
2012	13,330	1,790
2013	14,294	826
2014	<u>3,977</u>	<u>49</u>
	<u>\$ 66,437</u>	<u>\$ 13,189</u>

Anderson Note

On October 22, 1999, the Agency entered into an agreement with Peter D. and Jacqueline J. Anderson to finance the purchase of land. The original amount of the note was \$125,900 with 10% interest to be paid monthly for 15 years.

The following is a summary of principal and interest payments to be paid in future years:

Fiscal Year Ending June 30,	Principal	Interest
2009	\$ 11,563	\$ 4,637
2010	12,398	3,802
2011	13,295	2,905
2012	14,256	1,944
2013	15,286	914
2014	<u>4,491</u>	<u>63</u>
	<u>\$ 71,289</u>	<u>\$ 14,265</u>

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**G) Long-Term Liabilities - Continued**

**Notes Payable - Continued**

Hearne Note

In December of 2001, the Agency entered into an agreement to finance a portion of the purchase of vacant land. \$1,850,000 to be repaid over a fifteen year period in equal annual installments in the amount of \$123,333, with interest to be accrued and paid annually on the outstanding principle balance at a variable rate equal to the prime rate reported in the Wall Street Journal during the week immediately preceding the date of the Note, and each subsequent anniversary date thereafter, plus 1%.

The following is a summary of future principal and interest payments:

Fiscal Year Ending June 30,	\$1,850,000 Note	
	Principal	Interest
2009	\$ 123,333	\$ 52,710
2010	123,333	44,077
2011	123,333	35,443
2012	123,333	26,810
2013	123,333	18,177
2014	123,333	9,543
2015	59,253	1,534
	<u>\$ 799,251</u>	<u>\$ 188,294</u>

**1994 Tax Allocation Refunding Bonds**

On March 1, 1994, the Agency adopted a Resolution authorizing the sale of \$5,500,000 aggregate principal amount of King City Redevelopment 1994 Tax Allocation Refunding Bonds at interest rates ranging from 3.75% to 7.00% for the purpose of retiring \$4,745,000 of tax allocation notes issued on December 27, 1990. The bonds mature on September 1 of each year to 2021 with interest payable semi-annually in March and September as follows:

Fiscal Year Ending June 30,	Principal	Interest
2009	\$ 190,000	\$ 246,513
2010	200,000	234,080
2011	215,000	220,746
2012	225,000	206,500
2013	245,000	190,919
2014-2018	1,470,000	677,645
2019-2022	1,180,000	133,898
	<u>\$ 3,725,000</u>	<u>\$ 1,910,301</u>

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**G) Long-Term Liabilities - Continued**

**1996 Tax Allocation Revenue Bonds**

On October 3, 1996, the Agency adopted a Resolution authorizing the sale of \$4,000,000 aggregate principal amount of the King City Redevelopment 1996 Tax Allocation Revenue Bonds for the purpose of financing capital improvements within the Agency's project area. The Bonds carry interest rates ranging from 4.40% to 6.00%. Interest is payable semi-annually on March 1 and September 1 of each year. Principal matures on September 1 of each year to 2021 as follows:

Fiscal Year Ending June 30,	Principal	Interest
2009	\$ 135,000	\$ 186,401
2010	145,000	177,441
2011	155,000	167,841
2012	160,000	157,761
2013	175,000	147,041
2014-2018	1,045,000	546,999
2019-2022	<u>1,110,000</u>	<u>153,039</u>
	<u>\$ 2,925,000</u>	<u>\$ 1,536,523</u>

**1998 Tax Allocation Revenue Bonds**

The Agency adopted a Resolution authorizing the sale of \$4,730,000 aggregate principal amount of the King City Redevelopment 1998 Tax Allocation Revenue Bonds for the purpose of financing capital improvements within the Agency's project area. The Bonds carry interest rates ranging from 3.9% to 5.75%. Interest is payable semi-annually on March 1 and September 1 of each year. Principal matures on September 1 of each year to 2025 as follows:

Fiscal Year Ending June 30,	Principal	Interest
2009	\$ 85,000	\$ 232,235
2010	90,000	227,640
2011	95,000	222,690
2012	110,000	217,100
2013	105,000	211,188
2014-2018	685,000	951,078
2019-2023	1,680,000	674,328
2024-2025	<u>1,280,000</u>	<u>74,750</u>
	<u>\$ 4,130,000</u>	<u>\$ 2,811,009</u>

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**G) Long-Term Liabilities - Continued**

**2007 Certificate of Participation, Series A**

On November 27, 2008, the King City Public Financing Authority "the Authority" (a component unit of the City of King City) issued 2007 Certificate of Participation, Series A in the principal amount of \$4,000,000. The Certificates were issued to provide funds for the City's sewer mains improvement project.

The Certificates bear an interest rate of 4.375% payable semi-annually on March 1 and September 1 beginning March 1, 2008, and matures on September 1, 2010. The Certificates are a special obligation of the Authority, payable solely from certain pledged revenues under the Trust Agreement, and do not constitute a pledge of the full faith and credit or taxing power of the Authority or City. "Revenues" are derived of installment payments to be made by the City pursuant to an Installment Sale Agreement dated October 23, 2008 between the City and the Authority. Installment payments are payable from net revenues, defined generally as gross revenues received from the sewer system, less maintenance and operation costs. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$	\$ 175,000
2010		175,000
2011	<u>4,000,000</u>	<u>87,500</u>
	<u>\$ 4,000,000</u>	<u>\$ 437,500</u>

**Claims and Judgments Payable**

During the 2006-07 and 2007-08 fiscal years, the courts issued a ruling against the Agency in the amount of \$223,135. The ruling is in connection with the Gregory Note. Therefore, amounts reported as Notes Payable in previous years have been reclassified as Claims and Judgments Payable. The judgment is payable on a monthly basis, both principal and interest, at an interest rate of 7%, through July 2018. The following is a summary of the future debt service requirements:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 15,378	\$ 14,622
2010	16,490	13,510
2011	17,682	12,318
2012	18,961	11,040
2013	20,331	9,669
2014	21,801	8,199
2015	23,377	6,623
2016	25,067	4,933
2017	26,879	3,121
2018	28,822	1,178
2019	<u>1,051</u>	<u>6</u>
	<u>\$ 215,839</u>	<u>\$ 85,219</u>

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**G) Long-Term Liabilities - Continued**

**Claims and Judgments Payable - Continued**

In the City's and Agency's estimation, there are no other significant claims payable (including incurred but not reported claims) to accrue as of June 30, 2008. Also there were no other claims payable reported in the 2006-07 fiscal year.

**Pension-Related Debt**

As of June 30, 2003, CalPERS implemented risk pooling for the City's multiple-employer public employee defined benefit pension plan. At that point, in accordance with generally accepted accounting principles, the City's Miscellaneous and Safety Plans converted from an "agent" multiple-employer plan to a "cost-sharing" multiple-employer plan. Although a portion of the City's annual required contributions are actuarially determined and shared by all employers of the risk pool, the City is also required to make annual payments on a "Side Fund" which was created when the City entered the risk pool. The responsibility for funding the Side Fund is specific to the City and is not shared by all employers in the plan. Therefore, the Side Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27. The annual payments on the Side Fund represent principal and interest payments on the pension-related debt. Principal and interest are included in the retirement expenditures in the various functions.

The future debt service requirements for the Safety Plan Side Fund are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 31,836	\$ 23,386	\$ 55,222
2010	36,167	20,857	57,018
2011	40,893	17,977	58,870
2012	46,047	14,737	60,784
2013	51,668	11,092	62,760
2014	57,790	7,010	64,800
2015	64,455	2,451	66,906
Total	\$ 328,856	\$ 97,504	\$ 426,360

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**G) Long-Term Liabilities - Continued**

**Pension-Related Debt - Continued**

The future debt service requirements for the Miscellaneous Plan Side Fund are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 30,470	\$ 64,223	\$ 94,693
2010	36,024	61,746	97,770
2011	42,115	58,833	100,948
2012	48,784	55,444	104,228
2013	56,081	51,535	107,616
2014	64,058	47,056	111,114
2015	72,771	41,954	114,725
2016	82,280	36,173	118,453
2017	92,654	29,649	122,303
2018	103,960	22,317	126,277
2019	116,277	14,104	130,381
2020	<u>129,688</u>	<u>4,932</u>	<u>134,620</u>
<b>Total</b>	<b><u>\$ 875,162</u></b>	<b><u>\$ 487,966</u></b>	<b><u>\$ 1,363,128</u></b>

**Changes in Long-Term Liabilities**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 315,584	\$ 49,647	\$	\$ 365,231	\$
Notes Payable	1,081,374		144,397	936,977	145,708
Tax Allocation Refunding Bonds	3,900,000		175,000	3,725,000	190,000
Tax Allocation Revenue Bonds	7,265,000		210,000	7,055,000	220,000
Claims Payable	158,429	64,706	7,296	215,839	15,378
Pension Related Debt		<u>1,257,296*</u>	<u>53,278</u>	<u>1,204,018</u>	<u>62,306</u>
<b>Total</b>	<b><u>\$ 12,720,387</u></b>	<b><u>\$ 1,371,649</u></b>	<b><u>\$ 589,971</u></b>	<b><u>\$ 13,502,065</u></b>	<b><u>\$ 633,392</u></b>
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 22,833	\$	\$	\$ 22,833	\$ -
2007 COPS Series A		<u>4,000,000</u>		<u>4,000,000</u>	<u>-</u>
	<b><u>\$ 22,833</u></b>	<b><u>\$ 4,000,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,022,833</u></b>	<b><u>\$ -</u></b>

\*This addition represents a prior period adjustment to record pension related debt.

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**III) DETAILED NOTES ON ALL FUNDS - Continued**

**G) Long-Term Liabilities - Continued**

**Defeased Debt**

On December 27, 1990, \$5,000,000 in Series 1990 Tax Allocation Bonds were issued at interest rates which varied from 6.25% to 8.5%.

In March of 1994, the outstanding bonds totaling \$4,745,000 were defeased by placing proceeds of the 1994 redevelopment bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Agency's financial statements.

**H) Conduit Debt Obligations**

To assist in the acquisition and construction of an education and training center, and in cooperation with the Hartnell Community College District (the "District"), the City has issued Certificates of Participation (the "COPS"). These COPS are payable solely from and secured by a pledge of lease payments to be received from a lease agreement between the City and the District. The COPS do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements. At June 30, 2008, the outstanding balance on the COPS was \$2,155,000.

To provide financing for health facilities of Southern Monterey County Memorial Hospital (the "Corporation"), the City has issued \$5,265,000 aggregate principal amount of Health Facilities Revenue Certificates of Participation, 1998 Series A, and \$7,735,000 aggregate principal amount of Health Facilities Revenue Certificates of Participation, 1999 Series B (the "COPS"). These COPS are payable solely from purchase payments received by the City from the Corporation pursuant to an installment purchase agreement. The COPS do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements. At June 30, 2008 the outstanding balance on both COPS Series was \$11,379,211.

**IV) OTHER INFORMATION**

**A) City Employees' Retirement Plan (Defined Benefit Pension Plan)**

**Plan Description**

The City of King City's defined pension plans, the Miscellaneous Plan and the Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan and the Safety Plan are a part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law.

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**IV) OTHER INFORMATION - Continued**

**A) City Employees' Retirement Plan (Defined Benefit Pension Plan) - Continued**

**Plan Description - Continued**

The City of King City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS's annual financial report may be obtained from the CalPERS executive Office-400 P Street-Sacramento, California, 95814.

**Funding Policy**

Active plan members in the Miscellaneous Plan and the Safety Plan are required to contribute between 7 percent and 9 percent of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for Fiscal Year 2007-2008 was 18.617 percent for Miscellaneous employees and 19.963 percent for Safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

**Three Year Trend Information for the Miscellaneous and Safety Plan**

Fiscal Year	Required Contribution	Percent Contributed
6/30/06	\$ 243,470	100%
6/30/07	\$ 325,896	100%
6/30/08	\$ 436,972	100%

**B) Defined Contribution Retirement Plan**

The City established a defined contribution profit sharing retirement plan in the form of 401 Governmental Profit Sharing Plan and Trust for the benefit of its employees as allowed by the Internal Revenue Code of 1986. The plan provides employees with funds for retirement and for their beneficiaries in the event of death. The plan is administered by ICMA Retirement Corporation (ICMA-RC) with its assets invested in VantageTrust Company. Under the plan, City employees can voluntarily contribute a maximum of up to 5% of their wages with a City maximum match of 2%. The contribution requirement for employees and the employer are established and may be amended by the agreements between employee unions and the City.

For the year ended June 30, 2008, plan members and the City contributed \$5,073 and \$2,493 respectively.

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**IV) OTHER INFORMATION - Continued**

**C) Postemployment Benefits Other than Pension Benefits**

The City currently pays all or a portion of the health insurance premiums for certain retirees based on agreements at the time of retirement. The City's contribution for each retiree is the amount necessary to pay the cost of his or her enrollment, including the enrollment of family members, in a health benefits plan up to a maximum of one dollar (\$1) per month, increased annually by five percent (5%) of the monthly contribution for employees, until such time as the contributions are equal.

For the 2007-08 fiscal year, there were eleven retirees receiving such benefits, with total expenditures of \$59,404.

**D) Self-Funded Insurance Coverage**

The City provided for workers' compensation and liability coverage through a self-funded joint powers agency (JPA), the Monterey Bay Area Insurance Authority. JPA accounts are not separately maintained for each participant.

The Authority covers losses in excess of \$10,000 for members of the liability group and carries excess insurance for losses between \$300,000 and \$9,500,000. Members of the workers' compensation group pay temporary disability claims directly, while the Authority pays for permanent disability claims, medical costs, rehabilitation and legal costs.

The City purchases a separate policy for the Airport operations, which provides \$5,000,000 in liability insurance, \$1,000,000 in personal injury, \$50,000 in fire legal liability, and \$200,000 in hangerkeeper's liability for any one aircraft with an aggregate of \$500,000 per occurrence.

**E) Contingencies and Commitments**

**Litigation**

The City is currently involved in various lawsuits, for which the outcome is not presently determinable, whether favorable or unfavorable.

**State and Federal Funds**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**Workers' Compensation JPA**

The City and Agency participate in the workers' compensation program of the Monterey Bay Area Self Insurance Authority. This program had negative net assets as of June 30, 2008. It should be noted that the Authority accrued approximately \$10 million in long-term liabilities for claim and claim adjustment reserves in previous years which contributed to the negative net assets. The effect this may have on the City (and Agency) is currently unknown. The City contributes approximately three percent of the Authority's revenue for the workers' compensation program.

**City of King City**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**IV) OTHER INFORMATION - Continued**

**E) Contingencies and Commitments**

**Proposition 62**

The California Supreme Court recently upheld the constitutionality of Proposition 62, an initiative which requires voter approval of new or increased taxes. The likelihood and amount of such an adverse effect upon the financial position of the City is currently unknown and has not been reflected in the general purpose financial statements.

**Declining Fund Balance**

The City's fund balance in the General fund has declined by approximately \$633,000 over the past fiscal year while that of the Landfill Closure fund declined by \$100,539 during the same period resulting in a negative fund balance of \$2,178,378 and \$726,255 respectively at June 30, 2008. The General fund has received advances from the Gas Tax and Sewer Maintenance funds to maintain its operations. It is unclear if future revenues from operations will be sufficient to enable the City to meet its debts and other liabilities as they come due considering current economic conditions. The financial statements do not include any adjustment relating to the amounts and classification of liabilities that might be necessary if the City is not able to meet its debts as they come due.

**F) Landfill Postclosure Costs**

Since the closure of the City's landfill in previous fiscal years, the City has been incurring postclosure care costs. In accordance with generally accepted accounting principles, the City was required to estimate and recognize an accrued liability for both closure and postclosure costs related to the landfill. Because the City accounts for the postclosure costs in a governmental fund, this liability of total estimated costs should be reported in the government-wide statement of net assets, and be adjusted each year as necessary. However, the City has not estimated and recorded this liability as required. In addition, certain required note disclosures relating to the landfill postclosure costs have not been included in these financial statements.

**G) Prior Period Adjustments**

The prior period adjustment of \$1,257,296 in the statement of activities is to record pension-related debt for the City's "Side Fund" at CalPERS which should have been recorded in prior years when CalPERS moved the City into a "Risk Pool" (Cost-Sharing Plan).

The prior period adjustments in the Proprietary Funds and the business-type activities were as follows: The Sewer Maintenance and Operations net assets was increased by \$65,245 to record construction in progress that was not recorded in prior years. The Transit net assets were decreased by \$8,929 to correct the balance of receivables from other governments which should not have been accrued in prior years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of King City**  
**Notes to Required Supplementary Information**  
June 30, 2007

**BUDGETS AND BUDGETARY ACCOUNTING**

The City Council has the responsibility for adoption of a City budget. Budgets are adopted for governmental funds and proprietary funds.

From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during each fiscal year. The City Manager may transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended.

Budgetary comparison is provided in the accompanying financial statements for the General Fund and Major Special Revenue Funds. Budgeted revenue and expenditure amounts shown represent the City's originally-adopted budget and the final budget adjusted for supplemental revenues and appropriations during the course of the fiscal year. Budget amounts, as adjusted, are adopted on a basis consistent with accounting principles generally accepted in the United States of America. During the 2007-2008 fiscal year, the City Council made several supplemental budgetary appropriations.

Excess of expenditures over appropriations in individual major funds are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund	\$ 297,675
Gas Tax	989
CDA Special Revenue Fund	150,584

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,863,700	\$ 2,863,700	\$ 2,821,930	\$ (41,770)
Licenses & Permits	408,500	408,500	150,642	(257,858)
Fines & Forfeitures	105,000	105,000	123,134	18,134
Investment Income	1,300	1,300	12,224	10,924
Intergovernmental	987,400	987,400	952,139	(35,261)
Charges for Services	567,550	570,050	209,918	(360,132)
Other Revenue	1,000	1,000	5,918	4,918
Total Revenues	<u>4,934,450</u>	<u>4,936,950</u>	<u>4,275,905</u>	<u>(661,045)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	909,137	909,137	958,890	(49,753)
Public Safety	2,297,130	2,297,130	2,764,045	(466,915)
Public Works	340,670	340,670	392,519	(51,849)
Culture and Recreation	148,280	150,780	190,616	(39,836)
Community Development	1,146,830	1,146,830	798,729	348,101
Capital Outlay			37,423	(37,423)
Total Expenditures	<u>4,842,047</u>	<u>4,844,547</u>	<u>5,142,222</u>	<u>(297,675)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>92,403</u>	<u>92,403</u>	<u>(866,317)</u>	<u>(958,720)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	584,000	584,000	240,000	(344,000)
Transfers Out		(50,000)	(9,000)	41,000
Gain on Sale of Assets			1,408	1,408
Total Other Financing Sources (Uses)	<u>584,000</u>	<u>534,000</u>	<u>232,408</u>	<u>(301,592)</u>
Net Change in Fund Balances	676,403	626,403	(633,909)	(1,260,312)
Fund Balances, Beginning	<u>(1,544,469)</u>	<u>(1,544,469)</u>	<u>(1,544,469)</u>	
Fund Balances, Ending	<u>\$ (868,066)</u>	<u>\$ (918,066)</u>	<u>\$ (2,178,378)</u>	<u>\$ (1,260,312)</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Gas Tax**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$ 40,000	\$ 40,000	\$ 4,807	\$ (35,193)
Intergovernmental	<u>243,000</u>	<u>243,000</u>	<u>297,290</u>	<u>54,290</u>
Total Revenues	<u>283,000</u>	<u>283,000</u>	<u>302,097</u>	<u>19,097</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	199,980	199,980	365,222	(165,242)
Capital Outlay			<u>989</u>	<u>(989)</u>
Total Expenditures	<u>199,980</u>	<u>199,980</u>	<u>366,211</u>	<u>(989)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>83,020</u>	<u>83,020</u>	<u>(64,114)</u>	<u>18,108</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(52,000)</u>	<u>(52,000)</u>	<u>(101,537)</u>	<u>(49,537)</u>
Total Other Financing Sources (Uses)	<u>(52,000)</u>	<u>(52,000)</u>	<u>(101,537)</u>	<u>(49,537)</u>
Net Change in Fund Balance	31,020	31,020	(165,651)	(196,671)
Fund Balance, Beginning	<u>1,417,998</u>	<u>1,417,998</u>	<u>1,417,998</u>	
Fund Balance, Ending	<u>\$ 1,449,018</u>	<u>\$ 1,449,018</u>	<u>\$ 1,252,347</u>	<u>\$ (196,671)</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - CDBG Grant**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$ 100	\$ 100	\$ 7,173	\$ 7,073
Intergovernmental Revenues	500,000	520,000	188,418	(331,582)
Total Revenues	<u>500,100</u>	<u>520,100</u>	<u>195,591</u>	<u>(324,509)</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	814,370	834,370	260,659	573,711
Capital Outlay	200,000	200,000	526,528	(326,528)
Interest and Fiscal Charges			1,675	(1,675)
Total Expenditures	<u>1,014,370</u>	<u>1,034,370</u>	<u>788,862</u>	<u>245,508</u>
Excess (Deficiency) of Revenues over Expenditures	(514,270)	(514,270)	(593,271)	(79,001)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			228,949	228,949
Net Change in Fund Balance	(514,270)	(514,270)	(364,322)	149,948
Fund Balance, Beginning	54,413	54,413	54,413	
Fund Balance, Ending	<u>\$ (459,857)</u>	<u>\$ (459,857)</u>	<u>\$ (309,909)</u>	<u>\$ 149,948</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - CDA Special Revenue Fund**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Earnings	\$ 15,000	\$ 15,000	\$	\$ (15,000)
Other	5,000	5,000	73,729	68,729
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>73,729</u>	<u>53,729</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	159,105	159,105	273,746	(114,641)
Debt Service:				
Interest and Fiscal Charges			35,943	(35,943)
Total Expenditures	<u>159,105</u>	<u>159,105</u>	<u>309,689</u>	<u>(150,584)</u>
Excess (Deficiency) of Revenues over Expenditures	(139,105)	(139,105)	(235,960)	(96,855)
Fund Balances, Beginning	<u>531,007</u>	<u>531,007</u>	<u>531,007</u>	
Fund Balances, Ending	<u>\$ 391,902</u>	<u>\$ 391,902</u>	<u>\$ 295,047</u>	<u>\$ (96,855)</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - CDA Low/Moderate Income Housing Fund**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 380,000	\$ 380,000	\$ 352,278	\$ (27,722)
Investment Income	20,000	20,000	94,574	74,574
Total Revenues	<u>400,000</u>	<u>400,000</u>	<u>446,852</u>	<u>46,852</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	93,000	93,000	78,000	15,000
Total Expenditures	<u>93,000</u>	<u>93,000</u>	<u>78,000</u>	<u>15,000</u>
Excess (Deficiency) of Revenues over Expenditures	307,000	307,000	368,852	61,852
Fund Balance, Beginning	<u>2,558,599</u>	<u>2,558,599</u>	<u>2,558,599</u>	
Fund Balance, Ending	<u>\$ 2,865,599</u>	<u>\$ 2,865,599</u>	<u>\$ 2,927,451</u>	<u>\$ 61,852</u>

**SUPPLEMENTARY INFORMATION**

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Community Development Agency Debt Service Fund**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,429,357	\$ 29,357
Investment Income	65,000	65,000	62,143	(2,857)
Total Revenues	<u>1,465,000</u>	<u>1,465,000</u>	<u>1,491,500</u>	<u>26,500</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	466,870	466,870	423,527	43,343
Debt Service:				
Principal	728,623	728,623	536,692	191,931
Interest and Fiscal Charges	704,101	704,101	779,688	(75,587)
Total Expenditures	<u>1,899,594</u>	<u>1,899,594</u>	<u>1,739,907</u>	<u>159,687</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(434,594)</u>	<u>(434,594)</u>	<u>(248,407)</u>	<u>186,187</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	500,000	500,000		(500,000)
Transfers Out	(350,000)	(350,000)		350,000
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
Net Change in Fund Balance	(284,594)	(284,594)	(248,407)	36,187
Fund Balance, Beginning	<u>1,290,719</u>	<u>1,290,719</u>	<u>1,290,719</u>	
Fund Balance, Ending	<u>\$ 1,006,125</u>	<u>\$ 1,006,125</u>	<u>\$ 1,042,312</u>	<u>\$ 36,187</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - First Street Rehabilitation**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$	\$	\$	\$ -
Intergovernmental	5,100,000	5,100,000	812,657	(4,287,343)
Other Revenue			400	400
Total Revenues	<u>5,100,000</u>	<u>5,100,000</u>	<u>813,057</u>	<u>(4,286,943)</u>
<b>EXPENDITURES</b>				
Capital Outlay	6,950,000	6,950,000	1,584,417	5,365,583
Interest and Fiscal Charges			18,715	(18,715)
Total Expenditures	<u>6,950,000</u>	<u>6,950,000</u>	<u>1,603,132</u>	<u>5,346,868</u>
Excess (Deficiency) of Revenues over Expenditures	(1,850,000)	(1,850,000)	(790,075)	1,059,925
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>1,950,000</u>	<u>1,950,000</u>	<u>740,283</u>	<u>(1,209,717)</u>
Net Change in Fund Balance	100,000	100,000	(49,792)	(149,792)
Fund Balance, Beginning	<u>(309,610)</u>	<u>(309,610)</u>	<u>(309,610)</u>	
Fund Balance, Ending	<u>\$ (209,610)</u>	<u>\$ (209,610)</u>	<u>\$ (359,402)</u>	<u>\$ (149,792)</u>

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds:

SLESF/COPS Police Grant Fund - to account for State COPS Grants for Public Safety.

Local Transportation fund - accounts for Transportation funds received from the State of California.

Traffic Congestion Relief Fund - to account for revenues received from the State of California exclusively for street or road purposes.

Asset Seizure Fund - to account for the revenues received from asset forfeiture fines and for the expenditure of these funds.

Riverview Gardens Landscape Fund - to account for monies received from property tax assessments received under a Landscape Lighting and Maintenance district for the Riverview Gardens Subdivision. Funds are used to pay for landscape maintenance.

Traffic Safety Fund - to account for revenues received from fines resulting from traffic violations and expenditures on traffic signs, signals and control devices, equipment and supplies for traffic law enforcement and accident prevention.

Landfill Closure Fund - to account for post-closure costs for the City's landfill.

UUT-Public Safety - to account for the utility users tax designated for public safety expenditures.

Proposition 1B Fund - to account for funds received from the State of California for specific transportation programs.

### Capital Projects Funds:

1996 Bond Issue Fund - to account for expenditures to acquire, construct and improve land, facilities and equipment from the proceeds to the 1996 Bond Issue.

1998 Bond Issue Fund - to account for the proceeds from the 1998 Tax Allocation Bonds which were used to acquire, construct and improve land, facilities and programs of the Agency.

Park Bonds Grant Fund - to account for the receipt and expenditure of grant funds for park and recreation purposes.

The Development Impact Fees Fund - accounts for mitigation fees received from new construction which are to be used according to the City's approved Master Facilities Plan.

**City of King City  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2008**

	Special Revenue			
	SLESF/COPS Grant	Local Transportation	Traffic Congestion Relief	
<b>ASSETS</b>				
Cash and Investments	\$ 69,019	\$	\$	\$ 3,170
Accounts Receivable				
Due from Other Funds				
Due from Other Governments				
<b>Total Assets</b>	<u>\$ 69,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,170</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$	\$ 1,619	\$	\$
Accrued Liabilities		3,849		
Due to Other Funds				
Deferred Revenue				
<b>Total Liabilities</b>	<u>-</u>	<u>5,468</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Reserved:				
Advances to Other Funds				
Unreserved:				
Undesignated	69,019	(5,468)		3,170
<b>Total Fund Balances</b>	<u>69,019</u>	<u>(5,468)</u>	<u>-</u>	<u>3,170</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 69,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,170</u>

Riverview Gardens Landscape	Special Revenue				Capital Projects	
	Traffic Safety	Landfill Closure	UUT- Public Safety	Prop 1B	1996 Bond Issue	1998 Bond Issue
\$ 36,881	\$ 14,858 373	\$	\$ 87,357 22,299	\$ 400,000	\$	\$ 22,507
					145,998	400,000
<u>\$ 36,881</u>	<u>\$ 15,231</u>	<u>\$ -</u>	<u>\$ 109,656</u>	<u>\$ 400,000</u>	<u>\$ 145,998</u>	<u>\$ 422,507</u>
\$ 9	\$	\$ 77	\$	\$ 5,892	\$	\$
		726,178	85,000			
<u>9</u>	<u>-</u>	<u>726,255</u>	<u>85,000</u>	<u>5,892</u>	<u>-</u>	<u>-</u>
36,872	15,231	(726,255)	24,656	394,108	145,998	422,507
<u>36,872</u>	<u>15,231</u>	<u>(726,255)</u>	<u>24,656</u>	<u>394,108</u>	<u>145,998</u>	<u>422,507</u>
<u>\$ 36,881</u>	<u>\$ 15,231</u>	<u>\$ -</u>	<u>\$ 109,656</u>	<u>\$ 400,000</u>	<u>\$ 145,998</u>	<u>\$ 422,507</u>

CONTINUED

**City of King City**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds (Continued)**  
**June 30, 2008**

	Capital Projects			Total Nonmajor Governmental Funds
	Capital Projects	Park Bonds Grant	Development Impact Fees	
<b>ASSETS</b>				
Cash and Investments	\$	\$ 103,262	\$	\$ 737,054
Accounts Receivable				22,672
Due from Other Funds				545,998
Due from Other Governments				-
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 103,262</u>	<u>\$ -</u>	<u>\$ 1,305,724</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 7,059	\$	\$ 11,940	\$ 26,596
Accrued Liabilities				3,849
Due to Other Funds	35,935	103,262	66,625	1,017,000
Deferred Revenue				-
<b>Total Liabilities</b>	<u>42,994</u>	<u>103,262</u>	<u>78,565</u>	<u>1,047,445</u>
<b>Fund Balances:</b>				
Reserved:				
Advances to Other Funds				
Unreserved:				
Undesignated	(42,994)		(78,565)	258,279
<b>Total Fund Balances</b>	<u>(42,994)</u>	<u>-</u>	<u>(78,565)</u>	<u>258,279</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 103,262</u>	<u>\$ -</u>	<u>\$ 1,305,724</u>

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**City of King City**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**June 30, 2008**

	Special Revenue			
	SLESF/COPS Grant	Local Transportation	Traffic Congestion Relief	Asset Seizure
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$
Licenses, Permits and Impact Fees				
Investment Income	2,488	20,387	5,301	126
Intergovernmental	100,307	766,679	145,383	
Fines and Forfeitures			10,000	
Other Revenues				
Total Revenues	<u>102,795</u>	<u>787,066</u>	<u>160,684</u>	<u>126</u>
<b>EXPENDITURES</b>				
Current:				
General Government				
Public Safety	32,383			700
Public Works		43,250	152,218	
Community Development				
Capital Outlay	47,017	51,500	8,466	
Debt Service:				
Interest and Fiscal Charges				
Total Expenditures	<u>79,400</u>	<u>94,750</u>	<u>160,684</u>	<u>700</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,395</u>	<u>692,316</u>	<u>-</u>	<u>(574)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		101,537		
Transfers Out		(740,283)		
Total Other Financing Sources (Uses)	<u>-</u>	<u>(638,746)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	23,395	53,570	-	(574)
Fund Balances - Beginning	45,624	(59,038)	-	3,744
Fund Balances - Ending	<u>\$ 69,019</u>	<u>\$ (5,468)</u>	<u>\$ -</u>	<u>\$ 3,170</u>

Riverview Gardens Landscape	Special Revenue				Capital Projects	
	Traffic Safety	Landfill Closure	UUT - Public Safety	Prop 1B	1996 Bond Issue	1998 Bond Issue
\$ 4,974	\$	\$	\$ 225,055	\$	\$	\$
1,180	478		1,606		5,195	14,170
	2,773			400,000		
6,154	3,251	-	226,661	400,000	5,195	14,170
					10,000	
142		63,547		5,892		
		13,500				
		23,492				
142	-	100,539	-	5,892	10,000	-
6,012	3,251	(100,539)	226,661	394,108	(4,805)	14,170
			(240,000)			
			(240,000)			
6,012	3,251	(100,539)	(13,339)	394,108	(4,805)	14,170
30,860	11,980	(625,716)	37,995	-	150,803	408,337
\$ 36,872	\$ 15,231	\$ (726,255)	\$ 24,656	\$ 394,108	\$ 145,998	\$ 422,507

CONTINUED

**City of King City**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds (Continued)**  
**June 30, 2008**

	Capital Projects			Total Nonmajor Governmental Funds
	Capital Projects	Park Bonds Grant	Development Impact Fees	
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$ 230,029
Licenses, Permits and Impact Fees			374,518	374,518
Investment Income			22,609	73,540
Intergovernmental		109,600		1,521,969
Fines and Forfeitures				2,773
Other Revenues		220	25,435	35,655
<b>Total Revenues</b>	-	109,820	422,562	2,238,484
<b>EXPENDITURES</b>				
Current:				10,000
General Government			11,582	44,665
Public Safety	42,994		20,711	322,862
Public Works		147,481	9,939	163,312
Community Development		38,367	25,953	184,803
Capital Outlay				
Debt Service:				49,246
Interest and Fiscal Charges		3,192	22,562	
<b>Total Expenditures</b>	42,994	189,040	90,747	774,888
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(42,994)	(79,220)	331,815	1,463,596
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		103,262		204,799
Transfers Out			(129,262)	(1,109,545)
<b>Total Other Financing Sources (Uses)</b>	-	103,262	(129,262)	(904,746)
<b>Net Change in Fund Balances</b>	(42,994)	24,042	202,553	558,850
<b>Fund Balances - Beginning</b>	-	(24,042)	(281,118)	(300,571)
<b>Fund Balances - Ending</b>	\$ (42,994)	\$ -	\$ (78,565)	\$ 258,279

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - SLESF/COPS Grant**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 2,488	\$ 2,488
Intergovernmental	100,000	100,000	100,307	307
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>102,795</u>	<u>2,795</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety			32,383	(32,383)
Capital Outlay	100,000	100,000	47,017	52,983
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>79,400</u>	<u>20,600</u>
Excess (Deficiency) of Revenues over Expenditures			23,395	23,395
Fund Balance, Beginning	45,624	45,624	45,624	
Fund Balance, Ending	<u>\$ 45,624</u>	<u>\$ 45,624</u>	<u>\$ 69,019</u>	<u>\$ 23,395</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Local Transportation**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 20,387	\$ 20,387
Intergovernmental	500,000	500,000	766,679	266,679
Total Revenues	<u>500,000</u>	<u>500,000</u>	<u>787,066</u>	<u>287,066</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	193,100	193,100	43,250	149,850
Capital Outlay			51,500	(51,500)
Total Expenditures	<u>193,100</u>	<u>193,100</u>	<u>94,750</u>	<u>98,350</u>
Excess (Deficiency) of Revenues over Expenditures	<u>306,900</u>	<u>306,900</u>	<u>692,316</u>	<u>385,416</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			101,537	101,537
Transfers Out	(24,000)	(24,000)	(740,283)	(716,283)
Total Other Financing Sources (Uses)	<u>(24,000)</u>	<u>(24,000)</u>	<u>(638,746)</u>	<u>(614,746)</u>
Net Change in Fund Balance	282,900	282,900	53,570	(229,330)
Fund Balance, Beginning	<u>(59,038)</u>	<u>(59,038)</u>	<u>(59,038)</u>	
Fund Balance, Ending	<u>\$ 223,862</u>	<u>\$ 223,862</u>	<u>\$ (5,468)</u>	<u>\$ (229,330)</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Traffic Congestion Relief**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 5,301	\$ 5,301
Intergovernmental	85,000	85,000	145,383	60,383
Other Revenue			10,000	10,000
Total Revenues	85,000	85,000	160,684	75,684
<b>EXPENDITURES</b>				
Current:				
Public Works	55,080	55,080	152,218	(97,138)
Capital Outlay			8,466	(8,466)
Total Expenditures	55,080	55,080	160,684	(105,604)
Excess (Deficiency) of Revenues over Expenditures	29,920	29,920	-	(29,920)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ 29,920	\$ 29,920	\$ -	\$ (29,920)

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Asset Seizure**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 126	\$ 237
Total Revenues	-	-	126	237
<b>EXPENDITURES</b>				
Current:				
Public Safety			700	(700)
Total Expenditures	-	-	700	(700)
Excess (Deficiency) of Revenues over Expenditures			(574)	(463)
Fund Balance, Beginning	3,744	3,744	3,744	
Fund Balance, Ending	<u>\$ 3,744</u>	<u>\$ 3,744</u>	<u>\$ 3,170</u>	<u>\$ (463)</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Riverview Gardens Landscape**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,000	\$ 5,000	\$ 4,974	\$ (26)
Investment Income			1,180	1,180
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>6,154</u>	<u>1,154</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	<u>4,210</u>	<u>4,210</u>	<u>142</u>	<u>4,068</u>
Total Expenditures	<u>4,210</u>	<u>4,210</u>	<u>142</u>	<u>4,068</u>
Excess (Deficiency) of Revenues over Expenditures	790	790	6,012	5,222
Fund Balance, Beginning	<u>30,860</u>	<u>30,860</u>	<u>30,860</u>	
Fund Balance, Ending	<u>\$ 31,650</u>	<u>\$ 31,650</u>	<u>\$ 36,872</u>	<u>\$ 5,222</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Traffic Safety**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 478	\$ 478
Fines & Forfeitures	5,000	5,000	2,773	(2,227)
Total Revenues	5,000	5,000	3,251	(1,749)
<b>EXPENDITURES</b>				
Public Safety				-
Capital Outlay				-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	5,000	5,000	3,251	(1,749)
Fund Balance, Beginning	11,980	11,980	11,980	
Fund Balance, Ending	<u>\$ 16,980</u>	<u>\$ 16,980</u>	<u>\$ 15,231</u>	<u>\$ (1,749)</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Landfill Closure**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other Revenues	\$	\$	\$	\$ -
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
Public Works	85,820	85,820	63,547	22,273
Capital Outlay			13,500	(13,500)
Interest and Fiscal Charges			23,492	(23,492)
Total Expenditures	85,820	85,820	100,539	(14,719)
Excess (Deficiency) of Revenues over Expenditures	(85,820)	(85,820)	(100,539)	(14,719)
Fund Balance, Beginning	(625,716)	(625,716)	(625,716)	
Fund Balance, Ending	<u>\$ (711,536)</u>	<u>\$ (711,536)</u>	<u>\$ (726,255)</u>	<u>\$ (14,719)</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - UUT - Public Safety**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 226,800	\$ 226,800	\$ 225,055	\$ (1,745)
Investment Income			1,606	543
Total Revenues	<u>226,800</u>	<u>226,800</u>	<u>226,661</u>	<u>(1,202)</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety				-
Total Expenditures				-
Excess (Deficiency) of Revenues over Expenditures	226,800	226,800	226,661	(1,202)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(225,000)</u>	<u>(225,000)</u>	<u>(240,000)</u>	<u>(15,000)</u>
Net Change in Fund Balance	1,800	1,800	(13,339)	(15,139)
Fund Balance, Beginning	<u>37,995</u>	<u>37,995</u>	<u>37,995</u>	
Fund Balance, Ending	<u>\$ 39,795</u>	<u>\$ 39,795</u>	<u>\$ 24,656</u>	<u>\$ (1,202)</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Prop 1B**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$	\$	\$	\$ -
Intergovernmental Revenues		400,000	400,000	-
Total Revenues	-	400,000	400,000	-
<b>EXPENDITURES</b>				
Community Development			5,892	(5,892)
Total Expenditures	-	-	5,892	(5,892)
Excess (Deficiency) of Revenues over Expenditures	-	400,000	394,108	(5,892)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ 400,000	\$ 394,108	\$ (5,892)

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - 1996 Bond Issue Capital Project**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$ 4,000	\$ 4,000	\$ 5,195	\$ 1,195
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>5,195</u>	<u>1,195</u>
<b>EXPENDITURES</b>				
General Government			10,000	(10,000)
Total Expenditures		-	<u>10,000</u>	<u>(10,000)</u>
Excess (Deficiency) of Revenues over Expenditures	4,000	4,000	(4,805)	(8,805)
Fund Balance, Beginning	<u>150,803</u>	<u>150,803</u>	<u>150,803</u>	
Fund Balance, Ending	<u>\$ 154,803</u>	<u>\$ 154,803</u>	<u>\$ 145,998</u>	<u>\$ (8,805)</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - 1998 Bond Issue Capital Project**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$ 20,000	\$ 20,000	\$ 14,170	\$ (5,830)
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>14,170</u>	<u>(5,830)</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Expenditures	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Excess (Deficiency) of Revenues over Expenditures	20,000	20,000	14,170	(5,830)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(250,000)</u>	<u>(250,000)</u>	<u>                    </u>	<u>250,000</u>
Net Change in Fund Balance	(230,000)	(230,000)	14,170	244,170
Fund Balance, Beginning	<u>408,337</u>	<u>408,337</u>	<u>408,337</u>	<u>                    </u>
Fund Balance, Ending	<u>\$ 178,337</u>	<u>\$ 178,337</u>	<u>\$ 422,507</u>	<u>\$ 244,170</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Capital Projects**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
<b>EXPENDITURES</b>				
Public Works			42,994	(42,994)
Total Expenditures	-	-	42,994	(42,994)
Excess (Deficiency) of Revenues over Expenditures	-	-	(42,994)	(42,994)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ (42,994)	\$ (42,994)

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Park Bonds Grant**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$	\$	\$	\$ -
Intergovernmental	20,000	120,000	109,600	\$ (10,400)
Other Revenues			220	220
Total Revenues	<u>20,000</u>	<u>120,000</u>	<u>109,820</u>	<u>(10,180)</u>
<b>EXPENDITURES</b>				
Community Development		150,000	147,481	2,519
Capital Outlay			38,367	(38,367)
Interest and Fiscal Charges			3,192	(11,109)
Total Expenditures	<u>-</u>	<u>150,000</u>	<u>189,040</u>	<u>(46,957)</u>
Excess (Deficiency) of Revenues over Expenditures	20,000	(30,000)	(79,220)	(49,220)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		50,000	103,262	53,262
Net Change in Fund Balance	20,000	20,000	24,042	4,042
Fund Balance, Beginning	(24,042)	(24,042)	(24,042)	
Fund Balance, Ending	<u>\$ (4,042)</u>	<u>\$ (4,042)</u>	<u>\$ -</u>	<u>\$ 4,042</u>

**City of King City**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Development Impact Fees**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<b>REVENUES</b>				
Licenses, Permits and Impact Fees	\$ 607,000	\$ 607,000	\$ 374,518	\$ (232,482)
Investment Income	36,000	36,000	22,609	(13,391)
Other Income		35,000	25,435	(9,565)
	<u>643,000</u>	<u>678,000</u>	<u>422,562</u>	<u>(255,438)</u>
<b>EXPENDITURES</b>				
Public Safety	25,000	25,000	11,582	13,418
Public Works	213,700	213,700	20,711	192,989
Community Development	19,190	18,190	9,939	8,251
Capital Outlay	100	35,100	25,953	9,147
Debt Service:				
Lease Payments	70,000	70,000		70,000
Interest and Fiscal Charges			22,562	(22,562)
	<u>327,990</u>	<u>291,990</u>	<u>90,747</u>	<u>271,243</u>
Excess (Deficiency) of Revenues over Expenditures	<u>315,010</u>	<u>386,010</u>	<u>331,815</u>	<u>(54,195)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In				-
Transfers Out			(129,262)	(129,262)
	<u>-</u>	<u>-</u>	<u>(129,262)</u>	<u>(129,262)</u>
Net Change in Fund Balance	315,010	386,010	202,553	(183,457)
Fund Balance, Beginning	(281,118)	(281,118)	(281,118)	
Fund Balance, Ending	<u>\$ 33,892</u>	<u>\$ 104,892</u>	<u>\$ (78,565)</u>	<u>\$ (183,457)</u>

**City of King City**  
**Statement of Changes in Fiduciary Net Assets**  
**Agency Fund**  
**Year Ended June 30, 2008**

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
<b>ASSETS</b>				
Cash and Investments	\$ 33,888	\$ 77,383	\$	\$ 111,271
Accounts Receivable	150,694		146,632	4,062
Total Assets	<u>\$ 184,582</u>	<u>\$ 77,383</u>	<u>\$ 146,632</u>	<u>\$ 115,333</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 27,183	\$	\$ 19,434	\$ 7,749
Deposits	157,399		49,815	107,584
Total Liabilities	<u>\$ 184,582</u>	<u>\$ -</u>	<u>\$ 69,249</u>	<u>\$ 115,333</u>

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