

CITY OF KING CITY, CALIFORNIA

FINANCIAL STATEMENTS

Year Ended June 30, 2010

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**City of King City, California
Financial Statements
Year Ended June 30, 2010**

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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, 2010, 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, 2010, 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.

The accompanying financial statements have been prepared assuming that the City and Community Development Agency (CDA) will continue as going concerns. As discussed in Note IV, item E, the City's General and Landfill Closure funds have negative fund balances and negative changes in fund balance. Also, the Community Development Agency's tax increment revenue is not sufficient to meet the annual debt service on the bonds and notes payable. These conditions raise substantial doubt about the City's and CDA's ability to continue as going concerns. Management's plans regarding these matters also are described at Note IV, item E. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2011 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 43 through 47 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.

Seaman Ramirez & Smith, L. mc.

March 23, 2011

BASIC FINANCIAL STATEMENTS

City of King City
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 1,985,809	\$ 550,074	\$ 2,535,883
Accounts Receivable - Current	625,240	165,908	791,148
Due from Other Governments	524,242	127,049	651,291
Internal Balances	(3,612,877)	3,612,877	-
Notes Receivable	115,084		115,084
Interest Receivable	2,793		2,793
Restricted Assets:			
Cash and Investments		3,026,219	3,026,219
Cash with Fiscal Agent	1,342,024	492,430	1,834,454
Land Held for Resale	1,500,250		1,500,250
Deferred Charges		369,132	369,132
Capital Assets Not Being Depreciated:			
Land	213,539	764,093	977,632
Construction in Progress	43,558	416,964	460,522
Capital Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,904,669	2,324,562	6,229,231
Machinery and Equipment	702,734	115,670	818,404
Infrastructure	12,111,251		12,111,251
	<u>19,458,316</u>	<u>11,964,978</u>	<u>31,423,294</u>
Total Assets			
LIABILITIES			
Accounts Payable	550,172	33,754	583,926
Accrued Liabilities	116,795	8,188	124,983
Matured Notes Payable	97,956		97,956
Interest Payable	208,579	84,829	293,408
Deposits	20,000		20,000
Unearned Revenue	37,548	77,906	115,454
Noncurrent Liabilities:			
Due Within One Year	714,749	85,000	799,749
Due in More Than One Year	11,537,730	4,924,999	16,462,729
	<u>13,283,529</u>	<u>5,214,676</u>	<u>18,498,205</u>
Total Liabilities			
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	16,975,751	3,621,289	20,597,040
Restricted for:			
Community Development	5,180,007		5,180,007
Public Safety	171,334		171,334
Public Works	1,075,277		1,075,277
Culture and Recreation	743		743
Debt Service	1,342,024	492,430	1,834,454
Unrestricted	(18,570,349)	2,636,583	(15,933,766)
	<u>\$ 6,174,787</u>	<u>\$ 6,750,302</u>	<u>\$ 12,925,089</u>
Total Net Assets			

The accompanying notes are an integral part of this statement.

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**City of King City
Statement of Activities
Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 926,313	\$ 15,062	\$ 71,471	\$ 16,776
Public Safety	3,227,008	232,958	289,482	9,533
Public Works	1,420,380	113,450	724,596	2,059,873
Culture and Recreation	348,885	58,625		2,351
Community Development	1,864,705	241,688	256,475	62,463
Interest on Long-Term Debt	700,751			
Total Governmental Activities	8,488,042	661,783	1,342,024	2,150,996
Business-type Activities:				
Sewer Maintenance and Operations	1,412,036	1,190,768		133,242
Transit System	100,281	8,245	80,583	
Total Business-type Activities	1,512,317	1,199,013	80,583	133,242
Total Primary Government	\$ 10,000,359	\$ 1,860,796	\$ 1,422,607	\$ 2,284,238

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

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
\$ (823,004)	\$	\$ (823,004)
(2,695,035)		(2,695,035)
1,477,539		1,477,539
(287,909)		(287,909)
(1,304,079)		(1,304,079)
(700,751)		(700,751)
<u>(4,333,239)</u>	<u>-</u>	<u>(4,333,239)</u>
	(88,026)	(88,026)
	<u>(11,453)</u>	<u>(11,453)</u>
<u>-</u>	<u>(99,479)</u>	<u>(99,479)</u>
<u>(4,333,239)</u>	<u>(99,479)</u>	<u>(4,432,718)</u>
742,502		742,502
1,761,529		1,761,529
308,285		308,285
802,545		802,545
206,812		206,812
275,672		275,672
208,305		208,305
48,266		48,266
67,197		67,197
772,628		772,628
64,291		64,291
9,484	91,571	101,055
<u>5,267,516</u>	<u>91,571</u>	<u>5,359,087</u>
934,277	(7,908)	926,369
5,020,510	6,758,210	11,778,720
<u>220,000</u>		<u>220,000</u>
<u>\$ 6,174,787</u>	<u>\$ 6,750,302</u>	<u>\$ 12,925,089</u>

The accompanying notes are an integral part of this statement.

**City of King City
Balance Sheet
Governmental Funds
June 30, 2010**

	General	Gas Tax	Landfill Closure	CDA Special Revenue	CDA Low/Mod Income Housing
ASSETS					
Cash and Investments	\$	\$	\$	\$	\$ 1,567,788
Restricted Cash and Investments with Fiscal Agent					
Accounts Receivable	2,017				
Due from Other Funds					2,110,677
Due from Other Governments	345,884	19,245			
Notes Receivable	115,084				
Interest Receivable	1,501				1,292
Land Held For Resale				1,500,250	
Advances to Other Funds		1,140,247			
Total Assets	\$ 464,486	\$ 1,159,492	\$ -	\$ 1,500,250	\$ 3,679,757
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 263,815	\$ 9,494	\$	\$ 4,312	\$
Accrued Liabilities	109,520	5,973			
Matured Notes Payable					
Deposits				20,000	
Due to Other Funds	589,552	81,358	801,768	1,668,707	
Deferred Revenue	50,000				
Advances from Other Funds	2,483,641				
Total Liabilities	3,496,528	96,825	801,768	1,693,019	-
Fund Balances:					
Reserved for:					
Advances to Other Funds		1,140,247			
Debt Service					
Land Held for Resale				1,500,250	
Unreserved, Reported In:					
General Fund	(3,032,042)				
Special Revenue Funds		(77,580)	(801,768)	(1,693,019)	3,679,757
Debt Service Funds					
Capital Projects Funds					
Total Fund Balances	(3,032,042)	1,062,667	(801,768)	(192,769)	3,679,757
Total Liabilities and Fund Balances	\$ 464,486	\$ 1,159,492	\$ -	\$ 1,500,250	\$ 3,679,757

CDA Debt Service	Capital Projects	First Street Rehabilitation	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$ 418,021	\$ 1,985,809
1,342,024	218,082	113,458	405,141	1,342,024
			45,655	625,240
				2,110,677
				524,242
				115,084
				2,793
				1,500,250
				1,140,247
<u>\$ 1,342,024</u>	<u>\$ 218,082</u>	<u>\$ 113,458</u>	<u>\$ 868,817</u>	<u>\$ 9,346,366</u>
\$	\$ 177,489	\$ 47,081	\$ 47,981	\$ 550,172
97,956	31,029	336,418	1,302	116,795
441,970	76,629	113,458	429,358	97,956
			128,674	20,000
				4,380,160
				368,761
				2,483,641
<u>539,926</u>	<u>285,147</u>	<u>496,957</u>	<u>607,315</u>	<u>8,017,485</u>
1,249,517				1,140,247
				1,249,517
				1,500,250
				(3,032,042)
(447,419)	(67,065)	(383,499)	375,811	1,483,201
			(114,309)	(447,419)
				(564,873)
<u>802,098</u>	<u>(67,065)</u>	<u>(383,499)</u>	<u>261,502</u>	<u>1,328,881</u>
<u>\$ 1,342,024</u>	<u>\$ 218,082</u>	<u>\$ 113,458</u>	<u>\$ 868,817</u>	<u>\$ 9,346,366</u>

City of King City
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Year Ended June 30, 2010

Fund balances of governmental funds	\$ 1,328,881
 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.	16,975,751
Accrued interest payable on long-term debt is not recorded in the funds.	(208,579)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	331,213
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated Absences	(422,909)
Notes Payable	(641,078)
Bonds Payable	(9,935,000)
Pension Related Debt	(1,069,521)
Claims Payable	(183,971)
	(12,252,488)
Net assets of governmental activities	\$ 6,174,787

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, 2010

	General	Gas Tax	Landfill Closure	CDA Special Revenue	CDA Low/Mod Income Housing
REVENUES					
Taxes	\$ 2,384,081	\$	\$	\$	\$ 352,306
Licenses, Permits and Impact Fees	141,840				
Investment Income	4,958	82		1	11,534
Intergovernmental	907,749	188,475			
Fines and Forfeitures	130,546				
Charges for Services	356,789				
Other Revenues	80,423				
Total Revenues	4,006,386	188,557	-	1	363,840
EXPENDITURES					
Current:					
General Government	914,367				
Public Safety	2,862,245				
Public Works	231,905	303,638	31,148		
Culture and Recreation	130,804				
Community Development	507,656			748,042	710
Capital Outlay					
Debt Service:					
Principal					
Interest & Fiscal Charges					
Total Expenditures	4,646,977	303,638	31,148	748,042	710
Excess (Deficiency) of Revenues over Expenditures	(640,591)	(115,081)	(31,148)	(748,041)	363,130
OTHER FINANCING SOURCES (USES)					
Transfers In	210,000				
Transfers Out					
Total Other Financing Sources (Uses)	210,000	-	-	-	-
Net Change in Fund Balances	(430,591)	(115,081)	(31,148)	(748,041)	363,130
Fund Balances, Beginning	(2,601,451)	1,177,748	(770,620)	555,272	3,316,627
Fund Balances, Ending	\$ (3,032,042)	\$ 1,062,667	\$ (801,768)	\$ (192,769)	\$ 3,679,757

<u>CDA Debt Service</u>	<u>Capital Projects</u>	<u>First Street Rehabilitation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,409,223	\$	\$	\$ 210,158	\$ 4,355,768
40,371			86,050	227,890
	1,599,313	940,676	15,358	72,304
	1,370		738,168	4,374,381
			2,147	132,693
			36,353	394,512
			1,000	81,423
<u>1,449,594</u>	<u>1,600,683</u>	<u>940,676</u>	<u>1,089,234</u>	<u>9,638,971</u>
				914,367
			80,071	2,942,316
	254,459		254,588	1,075,738
308,201				130,804
	1,297,388	324,993	197,276	1,761,885
			55,189	1,677,570
598,814				598,814
<u>709,701</u>				<u>709,701</u>
<u>1,616,716</u>	<u>1,551,847</u>	<u>324,993</u>	<u>587,124</u>	<u>9,811,195</u>
<u>(167,122)</u>	<u>48,836</u>	<u>615,683</u>	<u>502,110</u>	<u>(172,224)</u>
				210,000
			(210,000)	(210,000)
			(210,000)	
(167,122)	48,836	615,683	292,110	(172,224)
969,220	(115,901)	(999,182)	(30,608)	1,501,105
<u>\$ 802,098</u>	<u>\$ (67,065)</u>	<u>\$ (383,499)</u>	<u>\$ 261,502</u>	<u>\$ 1,328,881</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, 2010

Net Change in Fund Balances-Total Governmental Funds \$ (172,224)

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	1,382,955
Depreciation	(696,384)

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. (216,651)

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	654,515
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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	(43,374)
Net Change in Accrued Interest Payable	8,950
Net Change in Claims Payable	16,490
	<hr/>

Change in Net Assets of Governmental Activities \$ 934,277

**City of King City
Statement of Net Assets
Proprietary Funds
June 30, 2010**

	Sewer Maintenance and Operations	Transit System	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 550,074	\$	\$ 550,074
Restricted:			
Cash and Investments	3,026,219		3,026,219
Cash with Fiscal Agent	492,430		492,430
Accounts Receivable - Net	165,859	49	165,908
Due From Other Governments		127,049	127,049
Due From Other Funds	2,371,053		2,371,053
Total Current Assets	6,605,635	127,098	6,732,733
Noncurrent Assets:			
Advances to Other Funds	1,343,394		1,343,394
Deferred Charges	369,132		369,132
Capital Assets:			
Land	764,093		764,093
Construction in Progress	416,964		416,964
Buildings and Improvements	5,699,373		5,699,373
Machinery and Equipment	1,183,279	93,452	1,276,731
Less: Accumulated Depreciation	(4,468,730)	(67,142)	(4,535,872)
Total Noncurrent Assets	5,307,505	26,310	5,333,815
Total Assets	11,913,140	153,408	12,066,548
LIABILITIES			
Current Liabilities:			
Accounts Payable	32,985	769	33,754
Accrued Liabilities	5,309	2,879	8,188
Interest Payable	84,829		84,829
Due to Other Funds		101,570	101,570
Unearned Revenue	77,906		77,906
Total Current Liabilities	201,029	105,218	306,247
Noncurrent Liabilities:			
Bonds Payable:			
Due Within One Year	85,000		85,000
Due in More Than One Year	4,905,000		4,905,000
Compensated Absences Payable	18,506	1,493	19,999
Total Noncurrent Liabilities	5,008,506	1,493	5,009,999
Total Liabilities	5,209,535	106,711	5,316,246
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,594,979	26,310	3,621,289
Restricted for Debt Service	492,430		492,430
Unrestricted	2,616,196	20,387	2,636,583
Total Net Assets	\$ 6,703,605	\$ 46,697	\$ 6,750,302

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, 2010

	Sewer Maintenance and Operations	Transit System	Total
OPERATING REVENUES			
Charges for Services:			
Rents and Concessions	\$ 52,550	\$	\$ 52,550
Sewer Fees	1,138,218		1,138,218
Transit Fares		8,245	8,245
Total Operating Revenues	<u>1,190,768</u>	<u>8,245</u>	<u>1,199,013</u>
OPERATING EXPENSES			
Administration	298,751		298,751
Salaries and Benefits	198,689	73,809	272,498
Supplies and Services	444,729	15,021	459,750
Depreciation	188,093	10,524	198,617
Total Operating Expenses	<u>1,130,262</u>	<u>99,354</u>	<u>1,229,616</u>
Operating Income (Loss)	<u>60,506</u>	<u>(91,109)</u>	<u>(30,603)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental Revenue		80,583	80,583
Investment Income	91,571		91,571
Interest Expense	(272,512)	(927)	(273,439)
Amortization of Bond Issuance Costs	(9,262)		(9,262)
Total Nonoperating Revenues (Expenses)	<u>(190,203)</u>	<u>79,656</u>	<u>(110,547)</u>
Income Before Contributions and Transfers	(129,697)	(11,453)	(141,150)
Capital Contributions	133,242		133,242
Change in Net Assets	3,545	(11,453)	(7,908)
Total Net Assets, Beginning	<u>6,700,060</u>	<u>58,150</u>	<u>6,758,210</u>
Total Net Assets, Ending	<u>\$ 6,703,605</u>	<u>\$ 46,697</u>	<u>\$ 6,750,302</u>

The accompanying notes are an integral part of this statement.

**City of King City
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010**

	Sewer Maintenance and Operations	Transit System	Total
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 1,107,049	\$ 8,196	\$ 1,115,245
Cash Paid to Suppliers	(753,530)	(14,510)	(768,040)
Cash Paid to Employees for Services	(198,770)	(73,173)	(271,943)
Net Cash Provided (Used) by Operating Activities	<u>154,749</u>	<u>(79,487)</u>	<u>75,262</u>
Cash Flows from Noncapital Financing Activities			
Cash Received from Other Governments		85,183	85,183
Cash Received From (Paid to) Other Funds	(2,264,714)	(4,769)	(2,269,483)
Interest Paid		(927)	(927)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,264,714)</u>	<u>79,487</u>	<u>(2,185,227)</u>
Cash Flows from Capital and Related Financing Activities			
Interest Paid	(250,241)		(250,241)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(250,241)</u>	-	<u>(250,241)</u>
Cash Flows from Investing Activities			
Interest Received on Investments	91,571		91,571
Net Cash Provided (Used) by Investing Activities	<u>91,571</u>	-	<u>91,571</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,268,635)</u>	-	<u>(2,268,635)</u>
Cash and Cash Equivalents, Beginning of Fiscal Year	<u>6,337,358</u>	-	<u>6,337,358</u>
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 4,068,723</u>	<u>\$ -</u>	<u>\$ 4,068,723</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Cash Flows from Operating Activities			
Operating income (loss)	\$ 60,506	\$ (91,109)	\$ (30,603)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	188,093	10,524	198,617
(Increase) Decrease in Accounts Receivable	(83,719)	(49)	(83,768)
Increase (Decrease) in Accounts Payable	(10,050)	511	(9,539)
Increase (Decrease) in Accrued Liabilities	843	1,170	2,013
Increase (Decrease) in Compensated Absences Payable	(924)	(534)	(1,458)
Net Cash Provided By Operating Activities	<u>\$ 154,749</u>	<u>\$ (79,487)</u>	<u>\$ 75,262</u>
Noncash Investing, Capital, and Financing Activities			
Capital Contributions	\$ 133,242		
Amortization of Bond Issue Costs	9,262		

The accompanying notes are an integral part of this statement.

City of King City
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2010

ASSETS

Cash and Investments	\$ 77,375
Accounts Receivable	<u>1,434</u>

Total Assets	<u><u>\$ 78,809</u></u>
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LIABILITIES

Accounts Payable	\$ 16,436
Deposits	<u>62,373</u>

Total Liabilities	<u><u>\$ 78,809</u></u>
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The accompanying notes are an integral part of this statement.

City of King City
Notes to Financial Statements
Year Ended June 30, 2010

NOTE	DESCRIPTION	PAGE
I	Summary of Significant Accounting Policies	17 - 23
II	Stewardship, Compliance and Accountability	23
III	Detailed Notes on All Funds	23 - 38
IV	Other Information	38 - 41

City of King City
Notes to Financial Statements
Year Ended June 30, 2010

I) 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, 2010

D) 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.

The *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.

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

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.

The *Capital Projects Fund* accounts for expenditures related to various capital projects within the City.

The *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, 2010

I) 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 *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, 2010**

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 st Installment
	February 1	2 nd Installment
Delinquent Dates	December 10	1 st Installment
	April 10	2 nd 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, 2010

I) 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 and the Authority's Certificates of Participation, 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 debt 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, 2010

D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

5) Deferred Revenue - Continued

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, 2010**

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 following individual non-major funds:

Local Transportation	\$	308,199
Prop 1B	\$	14,180
Development Impact Fees	\$	117,977

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.

**City of King City
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Cash and Investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 2,535,883
Restricted:	
Cash and Investments	3,026,219
Cash with Fiscal Agent	1,834,454
Statement of Fiduciary Assets and Liabilities:	
Cash and Investments	<u>77,375</u>
 Total Cash and Investments	 <u>\$ 7,473,931</u>

Cash and investments as of June 30, 2010 consist of the following:

Petty Cash	\$ 955
Deposits with Financial Institutions	201,965
Local Agency Investment Fund	2,403,463
Certificates of Deposits	1,500,000
Money Market Funds	1,429,750
U.S. Agency Securities	103,344
Held by Fiscal Agent:	
Mutual Fund	1,197,904
Government Investment Contracts	<u>636,550</u>
 Total Cash and Investments	 <u>\$ 7,473,931</u>

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, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
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, 2010

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, 2010 the City had the following investments.

<u>Investment Type</u>		<u>Maturity Date</u>
Local Agency Investment Fund	\$ 2,403,463	N/A
Certificates of Deposits	1,500,000	2010
Money Market Funds	1,429,750	N/A
U.S. Agency Securities	103,344	2011
Held by Bond Trustee:		
Mutual Fund	1,197,904	N/A
Government Investment Contracts	<u>636,550</u>	N/A
Total	\$ <u>7,271,011</u>	

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	\$ 2,403,463	N/A	\$	\$ 2,403,463
Certificates of Deposits	1,500,000	N/A		1,500,000
Money Market Funds	1,429,750	N/A		1,429,750
U.S. Agency Securities	103,344	N/A	103,344	
Held by Bond Trustee:				
Mutual Fund	1,197,904	N/A		1,197,904
Government Investment Contracts	<u>636,550</u>	N/A		<u>636,550</u>
Total	\$ <u>7,271,011</u>		\$ 103,344	\$ <u>7,167,667</u>

Concentration of Credit Risk

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

**City of King City
Notes to Financial Statements
Year Ended June 30, 2010**

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 opinion units are as follows:

\$636,550 of the restricted cash and investments reported in the Debt Service Fund are held in the form of a government investment contract held by Bond Trustee.

\$1,429,750 of the restricted cash and investments reported in the Sewer Fund and Business-Type Activities are invested in Money Market Funds.

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, 2010, City investments in the following investment types were held by the broker-dealer that was used by the City to buy the securities:

Investment Type	Reported Amount
U.S. Treasury Mutual Fund	\$ 1,197,904
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, 2010

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, 2010 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$	\$ 589,552
Gas Tax Fund		81,358
Landfill Closure		801,768
CDA Special Revenue Fund		1,668,707
CDA Low/Moderate Income Housing Fund	2,110,677	
CDA Debt Service		441,970
First Street Rehabilitation		336,418
Sewer Maintenance and Operations Fund	2,371,053	
Transit System Fund		101,570
Nonmajor Governmental Funds		460,387
	<u> </u>	<u> </u>
Total	\$ 4,481,730	\$ 4,481,730

The interfund payable balances due to the Sewer Maintenance and Operations Fund are a result of deficits in certain funds and temporary cash flow assistance in others. The balance due to the CDA Low/Moderate Housing Income Fund resulted from cash deficits in the CDA Special Revenue Fund and Debt Service Fund. The balances due will be repaid as funds are available. However, it is not expected that any of the above amounts will be repaid within one year.

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, 2010 are as follows:

	<u>Advances Receivable</u>	<u>Advances Payable</u>
General Fund	\$	\$ 2,483,641
Sewer Maintenance and Operations Fund	1,343,394	
Gas Tax Fund	1,140,247	
	<u> </u>	<u> </u>
Total	\$ 2,483,641	\$ 2,483,641

The amounts payable to the sewer maintenance and operations and gas tax 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	\$ 210,000	\$
Nonmajor Governmental Funds		210,000
	<u> </u>	<u> </u>
	\$ 210,000	\$ 210,000

**City of King City
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

B) Interfund Receivables, Payables and Transfers - Continued

Transfers are used to move various revenues to finance various programs and projects that the City accounts for in other funds.

C) 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, 2010 the balance of land held for resale of \$1,500,250 is reported in the CDA Special Revenue Fund.

D) Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 213,539	\$	\$	\$ 213,539
Construction in Progress	5,648,273	1,326,624	6,931,339	43,558
Total Capital Assets, Not Being Depreciated	5,861,812	1,326,624	6,931,339	257,097
Capital Assets Being Depreciated:				
Buildings and Improvements	8,503,704	33,782		8,537,486
Infrastructure	6,576,408	6,897,227		13,473,635
Machinery and Equipment	2,680,088	56,661		2,736,749
Total Capital Assets Being Depreciated	17,760,200	6,987,670	-	24,747,870
Less Accumulated Depreciation:				
Buildings and Improvements	(4,387,403)	(245,414)		(4,632,817)
Infrastructure	(1,082,016)	(280,368)		(1,362,384)
Machinery and Equipment	(1,863,413)	(170,602)		(2,034,015)
Total Accumulated Depreciation	(7,332,832)	(696,384)	-	(8,029,216)
Total Capital Assets Being Depreciated, Net	10,427,368	6,291,286	-	16,718,654
Governmental Activities Capital Assets, Net	\$ 16,289,180	\$ 7,617,910	\$ 6,931,339	\$ 16,975,751

City of King City
Notes to Financial Statements
Year Ended June 30, 2010

III) DETAILED NOTES ON ALL FUNDS - Continued

D) Capital Assets - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 764,093			\$ 764,093
Construction in Progress	283,722	133,242		416,964
Total Capital Assets, Not Being Depreciated	1,047,815	133,242	-	1,181,057
Capital Assets Being Depreciated:				
Buildings and Improvements	5,699,373			5,699,373
Machinery and Equipment	1,276,731			1,276,731
Total Capital Assets Being Depreciated	6,976,104		-	6,976,104
Less Accumulated Depreciation:				
Buildings and Improvements	(3,227,870)	(146,941)		(3,374,811)
Machinery and Equipment	(1,109,386)	(51,675)		(1,161,061)
Total Accumulated Depreciation	(4,337,256)	(198,616)	-	(4,535,872)
Total Capital Assets Being Depreciated, Net	2,638,848	(198,616)	-	2,440,232
Business-type Activities Capital Assets, Net	\$ 3,686,663	\$ (65,376)	\$ -	\$ 3,621,289

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

Governmental Activities:	
General Government	\$ 40,026
Community Development	7,521
Culture and Recreation	205,353
Public Safety	157,175
Public Works	286,309
Total Depreciation Expense – Governmental Activities	\$ 696,384
Business-type Activities:	
Sewer	\$ 188,092
Transit	10,524
Total Depreciation Expense – Business-type Activities	\$ 198,616

**City of King City
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) 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
2011	\$ 12,431	\$ 2,689
2012	13,330	1,790
2013	14,294	826
2014	3,982	49
	\$ 44,037	\$ 5,354

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
2011	\$ 13,295	\$ 2,905
2012	14,256	1,944
2013	15,286	914
2014	1,619	63
	\$ 44,456	\$ 5,826

**City of King City
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) 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:

<u>Fiscal Year Ending June 30,</u>	<u>\$1,850,000 Note</u>	
	<u>Principal</u>	<u>Interest</u>
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>\$ 552,585</u>	<u>\$ 91,507</u>

Matured Notes Payable

As of March 2010, the Agency stopped making the principal and interest payments on the Tavernetti-Anderson, Anderson, and Hearne Notes Payable and the Gregory Claim Payable. The amount of principal and interest matured but not paid on the notes as of June 30, 2010 is \$97,956. The Agency is currently negotiating with the noteholders and it is unclear what the outcome will be.

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:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 215,000	\$ 220,746
2012	225,000	206,500
2013	245,000	190,919
2014	260,000	173,875
2015	275,000	155,819
2016-2020	1,670,000	461,856
2021-2022	445,000	24,325
	<u>\$ 3,335,000</u>	<u>\$ 1,434,040</u>

**City of King City
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) 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
2011	\$ 155,000	\$ 167,841
2012	160,000	157,762
2013	175,000	147,041
2014	185,000	135,522
2015	195,000	123,361
2016-2020	1,185,000	401,404
2021-2022	590,000	39,750
	<u>\$ 2,645,000</u>	<u>\$ 1,172,681</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
2011	\$ 95,000	\$ 222,690
2012	110,000	217,100
2013	105,000	211,188
2014	115,000	205,065
2015	130,000	198,175
2016-2020	785,000	868,109
2021-2025	2,615,000	428,807
	<u>\$ 3,955,000</u>	<u>\$ 2,351,134</u>

**City of King City
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Liabilities - Continued

2009 Refunding Certificates of Participation

In May of 2009, the King City Public Financing Authority "the Authority" (a component unit of the City of King City) issued 2009 Refunding Certificates of Participation in the principal amount of \$4,990,000. The Certificates were issued to refund the \$4,000,000 2007 Certificates of Participation, Series A and to satisfy reserve requirements. As a result, the 2007 Certificates of Participation, Series A are considered to be defeased and the liability for those certificates have been removed from the City's books. The Authority refunded the 2007 Certificates of Participation to extend the maturity date of the certificates from September 2010 to September 2039. The refunding increases the total debt service payments over the next 29 years by \$5,947,974 and results in an economic loss of \$328,763.

The Certificates bear an interest rate of 3% to 5.60% payable semi-annually on March 1 and September 1 beginning September 1, 2009, and matures on September 1, 2039. 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 April 1, 2009 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.

Per the bond covenants, the Authority is required to maintain certain amounts on deposit in a reserve fund. Also, the Authority is required to maintain certain net income ratios. For the 2009-10 fiscal year, the Authority was in compliance with these bond covenants.

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2011	\$ 85,000	\$ 253,211
2012	85,000	250,661
2013	90,000	247,811
2014	90,000	244,661
2015	95,000	241,614
2016-2020	525,000	1,153,441
2020-2025	655,000	1,021,875
2025-2030	835,000	825,715
2030-2035	1,095,000	562,100
2035-2040	1,435,000	210,140
	<u>\$ 4,990,000</u>	<u>\$ 5,011,229</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.

**City of King City
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Liabilities - Continued

Claims and Judgments Payable - Continued

The following is a summary of the future debt service requirements:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
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	1,050	6
	<u>\$ 183,970</u>	<u>\$ 57,087</u>

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, 2010. Also there were no other claims payable reported in the 2008-09 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.

**City of King City
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Liabilities - Continued

Pension Related Debt - Continued

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	\$ 260,853	\$ 53,267	\$ 314,120

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	129,688	4,932	134,620
Total	\$ 808,668	\$ 361,997	\$ 1,170,665

**City of King City
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Liabilities - Continued

Changes in Long-Term Liabilities

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 379,535	\$ 43,374	\$	\$ 422,909	\$
Notes Payable	788,402		147,324	641,078	149,059
Tax Allocation Refunding Bonds	3,535,000		200,000	3,335,000	215,000
Tax Allocation Revenue Bonds	6,835,000		235,000	6,600,000	250,000
Claims Payable	200,461		16,490	183,971	17,682
Pension Related Debt	1,141,712		72,191	1,069,521	83,008
Total	\$ 12,880,110	\$ 43,374	\$ 671,005	\$ 12,252,479	\$ 714,749
Business-Type Activities:					
Compensated Absences	\$ 21,457	\$	\$ 1,458	\$ 19,999	\$ -
2009 Refunding COPS	4,990,000			4,990,000	85,000
	\$ 5,011,457	\$	\$ 1,458	\$ 5,009,999	\$ 85,000

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.

F) 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, 2010, the outstanding balance on the COPS was \$1,935,000.

**City of King City
Notes to Financial Statements
Year Ended June 30, 2010**

III) DETAILED NOTES ON ALL FUNDS - Continued

F) Conduit Debt Obligations - Continued

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, 2010 the outstanding balance on both COPS Series was \$10,832,322.

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.

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 2009-2010 was 14.871 percent for Miscellaneous employees and 18.725 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
6/30/08	\$ 436,972	100%
6/30/09	\$ 425,791	100%
6/30/10	\$ 396,621	100%

City of King City
Notes to Financial Statements
Year Ended June 30, 2010

IV) OTHER INFORMATION - Continued

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, 2010, plan members and the City contributed \$19,308 and \$57,195 respectively.

C) Self-Funded Insurance Coverage

The City (and Agency) participates in the Monterey Bay Area Self-Insurance Agency (Authority), a joint powers agency comprising the City and nine other local jurisdictions, created pursuant to California law for liability and workers compensation insurance services. The Monterey Bay Area Self-Insurance Authority's Board of Directors is elected from representatives of the member governments, and controls operations of the fund, including selection of management and approval of operating budgets. It is independent of the individual member influence, except for their representation on the board, and is therefore not a component unit of the City for reporting purposes.

The City is exposed to various risks including worker injuries, tort liability, theft, damage or destruction of assets, errors and omissions, and natural disasters. With respect to risks other than workers' compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity's losses exceed its premiums, there is no individual supplemental assessment, and if a covered entity's losses are lower than its assessment, it does not receive a refund. However, annual budget appropriations are experience-based. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged, and is therefore intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event, and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year end, as reported by the fund, were not material. There was no reduction in the City's insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the three previous years.

Premium payment amounts are determined by the funds Board, and are charged to the City's general fund as expenditures when paid.

In the proper course of operation, the Authority issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The Authority is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member agencies are required by the Amended and Restated Joint Powers Agreement Relating to the Monterey Bay Area Self-Insurance Authority, Article 20 to pay to the Authority their individual debt service amount and associated expenses, as determined by the Authority. Furthermore, the Member Agencies contribution will be payable from any source of available funds of the Member, including amounts on deposit in the general fund of the Member.

**City of King City
Notes to Financial Statements
Year Ended June 30, 2010**

IV) OTHER INFORMATION - Continued

D) 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, 2010. 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.

Proposition 62

The California Supreme Court has 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.

Going Concern and Management's Plans

As shown in the basic financial statements, the City's General and Landfill Closure funds had negative changes in fund balances of \$430,591 and \$31,148, respectively. This resulted in negative fund balances in these funds of \$3,032,042 and \$801,768, respectively, as of June 30, 2010. The City's management is developing a plan to reduce its expenditures and liabilities. The ability of the City to continue as a going concern is dependent on the progress of the plan in subsequent fiscal years. Also, as reported in the basic financial statements, expenditures in the CDA Debt Service fund exceeded revenues by approximately \$167,000 for the 2009-10 fiscal year. The net tax increment received by the CDA Debt Service fund (after pass-through payments) amounted to approximately \$1.1 million, while the annual debt service requirements on outstanding bonds and notes payable amount to \$1.3 million. In order to address the excess of expenditures over revenues, management is considering refinancing the 1994, 1996, and 1998 Tax Allocation Bonds to reduce the annual debt service requirements. It is unclear at this time whether the Agency will be able to successfully refinance the outstanding debt. Also, as described in Note III E to the financial statements, the Agency did not make the scheduled principal and interest payments on outstanding notes payable. These financial statements do not include adjustments that might be necessary if the City and/or CDA are unable to continue as going concerns.

City of King City
Notes to Financial Statements
Year Ended June 30, 2010

IV) OTHER INFORMATION - Continued

E) Contingencies and Commitments - Continued

Excess Surplus

As of June 30, 2010, the Agency's Low and Moderate Income Housing did not expend or encumber \$552,000 and \$941,000 of excess surplus from fiscal years ending June 30, 2006 and June 30, 2007. As defined by Section 33334.12(b) of the Health and Safety Code, the Agency had three years (until June 30, 2009 and June 30, 2010) to expend or encumber the excess surplus from the June 30, 2006 and June 30, 2007 fiscal years, respectively. As a result, the Agency was subject to sanctions on the expenditure of redevelopment funds. Based on the Health and Safety Code, the Agency expended approximately \$5,800 more than allowed by the sanctions. It is unknown at this time what liabilities or penalties may be placed on the Agency. In addition, in June 2010, the Agency entered into an agreement to loan CHISPA \$1,000,000 of Low/Mod housing funds to assist in the development of affordable housing. It is unclear at this time what the effects of the encumbrance of the loan agreement will have on the excess surplus in the future.

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) New Pronouncements

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be required to be adopted and implemented by the City for the fiscal year 2010-11.

H) Subsequent Events

Subsequent to year-end, the State of California has been working to resolve State budget deficits. Included in the Governor's current proposal is the elimination of redevelopment agencies throughout California. It is unknown at this time if the proposal will become part of the State's final budget, or what effect it will have on the City's Redevelopment Agency.

I) Prior Period Adjustments

The prior period adjustment in the Governmental Activities section of the Statement of Activities for \$220,000 is to record an addition to net assets for revenue that was earned in previous years but not recorded as a receivable.

REQUIRED SUPPLEMENTARY INFORMATION

City of King City
Notes to Required Supplementary Information
June 30, 2010

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 2009-2010 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	\$ 42,074
CDA Special Revenue Fund	707,042
CDA Low/Mod Income Housing Fund	710

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,733,000	\$ 2,733,000	\$ 2,384,081	\$ (348,919)
Licenses & Permits	165,200	165,200	141,840	(23,360)
Fines & Forfeitures	116,000	116,000	130,546	14,546
Investment Income	38,500	38,500	4,958	(33,542)
Intergovernmental	976,500	976,500	907,749	(68,751)
Charges for Services	353,250	353,250	356,789	3,539
Other Revenue	5,000	5,000	80,423	75,423
Total Revenues	4,387,450	4,387,450	4,006,386	(381,064)
EXPENDITURES				
Current:				
General Government	877,448	893,798	914,367	(20,569)
Public Safety	2,798,490	2,785,850	2,862,245	(76,395)
Public Works	311,403	310,083	231,905	78,178
Culture and Recreation	170,780	170,110	130,804	39,306
Community Development	441,782	440,062	507,656	(67,594)
Capital Outlay	5,000	5,000		5,000
Total Expenditures	4,604,903	4,604,903	4,646,977	(42,074)
Excess (Deficiency) of Revenues over Expenditures	(217,453)	(217,453)	(640,591)	(423,138)
OTHER FINANCING SOURCES (USES)				
Transfers In	250,000	250,000	210,000	(40,000)
Total Other Financing Sources (Uses)	250,000	250,000	210,000	(40,000)
Net Change in Fund Balances	32,547	32,547	(430,591)	(463,138)
Fund Balances, Beginning	(2,601,451)	(2,601,451)	(2,601,451)	-
Fund Balances, Ending	\$ (2,568,904)	\$ (2,568,904)	\$ (3,032,042)	\$ (463,138)

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Gas Tax
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Income	\$ 4,000	\$ 4,000	\$ 82	\$ (3,918)
Intergovernmental	<u>1,129,000</u>	<u>640,000</u>	<u>188,475</u>	<u>(451,525)</u>
Total Revenues	<u>1,133,000</u>	<u>644,000</u>	<u>188,557</u>	<u>(455,443)</u>
EXPENDITURES				
Current:				
Public Works	<u>316,550</u>	<u>316,550</u>	<u>303,638</u>	<u>12,912</u>
Total Expenditures	<u>316,550</u>	<u>316,550</u>	<u>303,638</u>	<u>12,912</u>
Excess (Deficiency) of Revenues over Expenditures	<u>816,450</u>	<u>327,450</u>	<u>(115,081)</u>	<u>(442,531)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(55,000)</u>	<u>(55,000)</u>	<u>-</u>	<u>55,000</u>
Total Other Financing Sources (Uses)	<u>(55,000)</u>	<u>(55,000)</u>	<u>-</u>	<u>55,000</u>
Net Change in Fund Balance	761,450	272,450	(115,081)	(387,531)
Fund Balance, Beginning	<u>1,177,748</u>	<u>1,177,748</u>	<u>1,177,748</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,939,198</u>	<u>\$ 1,450,198</u>	<u>\$ 1,062,667</u>	<u>\$ (387,531)</u>

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Landfill Closure
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other Revenues	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
Public Works	37,500	37,500	31,148	6,352
Total Expenditures	37,500	37,500	31,148	6,352
Excess (Deficiency) of Revenues over Expenditures	(37,500)	(37,500)	(31,148)	6,352
Fund Balance, Beginning	(770,620)	(770,620)	(770,620)	-
Fund Balance, Ending	<u>\$ (808,120)</u>	<u>\$ (808,120)</u>	<u>\$ (801,768)</u>	<u>\$ 6,352</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Earnings	\$ 1,300	\$ 1,300	\$ 1	\$ (1,299)
Other	2,000	2,000		(2,000)
Total Revenues	<u>3,300</u>	<u>3,300</u>	<u>1</u>	<u>(3,299)</u>
EXPENDITURES				
Current:				
Community Development		41,000	748,042	(707,042)
Total Expenditures	<u>-</u>	<u>41,000</u>	<u>748,042</u>	<u>(707,042)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,300</u>	<u>(37,700)</u>	<u>(748,041)</u>	<u>(710,341)</u>
Fund Balance, Beginning	<u>555,272</u>	<u>555,272</u>	<u>555,272</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 558,572</u>	<u>\$ 517,572</u>	<u>\$ (192,769)</u>	<u>\$ (710,341)</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 350,000	\$ 350,000	\$ 352,306	\$ 2,306
Investment Income			11,534	11,534
Total Revenues	<u>350,000</u>	<u>350,000</u>	<u>363,840</u>	<u>13,840</u>
EXPENDITURES				
Current:				
Community Development			710	(710)
Total Expenditures		-	<u>710</u>	<u>(710)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>350,000</u>	<u>350,000</u>	<u>363,130</u>	<u>13,130</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(50,000)	(50,000)		50,000
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Net Change in Fund Balance	<u>300,000</u>	<u>300,000</u>	<u>363,130</u>	<u>63,130</u>
Fund Balance, Beginning	<u>3,316,627</u>	<u>3,316,627</u>	<u>3,316,627</u>	
Fund Balance, Ending	<u>\$ 3,616,627</u>	<u>\$ 3,616,627</u>	<u>\$ 3,679,757</u>	<u>\$ 63,130</u>

SUPPLEMENTARY INFORMATION

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDA Debt Service Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,409,223	\$ (90,777)
Investment Income			40,371	40,371
Total Revenues	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,449,594</u>	<u>(50,406)</u>
EXPENDITURES				
Current:			308,201	(308,201)
Community Development				
Debt Service:			598,814	12,169,186
Principal	12,768,000	12,768,000		
Interest and Fiscal Charges	<u>77,500</u>	<u>77,500</u>	<u>709,701</u>	<u>(632,201)</u>
Total Expenditures	<u>12,845,500</u>	<u>12,845,500</u>	<u>1,616,716</u>	<u>11,228,784</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(11,345,500)</u>	<u>(11,345,500)</u>	<u>(167,122)</u>	<u>11,178,378</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(700,000)</u>	<u>(700,000)</u>		700,000
Total Other Financing Sources (Uses)	<u>(700,000)</u>	<u>(700,000)</u>	-	<u>700,000</u>
Net Change in Fund Balance	(12,045,500)	(12,045,500)	(167,122)	11,878,378
Fund Balance, Beginning	<u>969,220</u>	<u>969,220</u>	<u>969,220</u>	-
Fund Balance, Ending	<u>\$ (11,076,280)</u>	<u>\$ (11,076,280)</u>	<u>\$ 802,098</u>	<u>\$ 11,878,378</u>

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Projects
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenues	\$	\$	\$ 1,599,313	\$ 1,599,313
Charges for Services			1,370	1,370
Total Revenues	-	-	1,600,683	1,600,683
EXPENDITURES				
Current:				
Public Works			254,459	(254,459)
Capital Outlay			1,297,388	(1,297,388)
Total Expenditures	-	-	1,551,847	(1,551,847)
Excess (Deficiency) of Revenues over Expenditures	-	-	48,836	48,836
Fund Balance, Beginning	(115,901)	(115,901)	(115,901)	-
Fund Balance, Ending	<u>\$ (115,901)</u>	<u>\$ (115,901)</u>	<u>\$ (67,065)</u>	<u>\$ 48,836</u>

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - First Street Rehabilitation
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 250,000	\$ 250,000	\$ 940,676	\$ 690,676
Total Revenues	<u>250,000</u>	<u>250,000</u>	<u>940,676</u>	<u>690,676</u>
EXPENDITURES				
Capital Outlay	250,000	250,000	324,993	(74,993)
Total Expenditures	<u>250,000</u>	<u>250,000</u>	<u>324,993</u>	<u>(74,993)</u>
Excess (Deficiency) of Revenues over Expenditures		-	615,683	615,683
Fund Balance, Beginning	<u>(999,182)</u>	<u>(999,182)</u>	<u>(999,182)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (999,182)</u>	<u>\$ (999,182)</u>	<u>\$ (383,499)</u>	<u>\$ 615,683</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

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

Local Transportation fund - to account 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.

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

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.

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

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.

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

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**City of King City
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010**

	Special Revenue			
	SLESF/COPS Grant	Local Transportation	Traffic Congestion Relief	Asset Seizure
ASSETS				
Cash and Investments	\$ 123,068	\$	\$ 181,167	\$ 10,110
Accounts Receivable		128,674		
Due from Other Funds				
Due from Other Governments	15,253		30,402	
Total Assets	<u>\$ 138,321</u>	<u>\$ 128,674</u>	<u>\$ 211,569</u>	<u>\$ 10,110</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 2,395	\$ 1,093	\$	\$
Accrued Liabilities	12			
Deposits				
Due to Other Funds		307,106		
Deferred Revenue		128,674		
Total Liabilities	<u>2,407</u>	<u>436,873</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved:				
Advances to Other Funds				
Unreserved:				
Undesignated	135,914	(308,199)	211,569	10,110
Total Fund Balances	<u>135,914</u>	<u>(308,199)</u>	<u>211,569</u>	<u>10,110</u>
Total Liabilities and Fund Balances	<u>\$ 138,321</u>	<u>\$ 128,674</u>	<u>\$ 211,569</u>	<u>\$ 10,110</u>

Special Revenue

Riverview Gardens Landscape	Airport Operations	Traffic Safety	CDBG Grant	UUT- Public Safety	Prop IB
\$ 44,726	\$ 4,764 9,995	\$ 22,806 316	\$ 21,612 246,946	\$ 6,100 19,210	\$
<u>\$ 44,726</u>	<u>\$ 14,759</u>	<u>\$ 23,122</u>	<u>\$ 268,558</u>	<u>\$ 25,310</u>	<u>\$ -</u>
\$ 9	\$ 13,191 825	\$	\$ 21,388 465	\$	\$
9	14,016	-	21,853	-	14,180
<u>44,717</u>	<u>743</u>	<u>23,122</u>	<u>246,705</u>	<u>25,310</u>	<u>(14,180)</u>
<u>44,717</u>	<u>743</u>	<u>23,122</u>	<u>246,705</u>	<u>25,310</u>	<u>(14,180)</u>
<u>\$ 44,726</u>	<u>\$ 14,759</u>	<u>\$ 23,122</u>	<u>\$ 268,558</u>	<u>\$ 25,310</u>	<u>\$ -</u>

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City of King City
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2010

	Capital Projects			Total Nonmajor Governmental Funds
	1996 Bond Issue	1998 Bond Issue	Development Impact Fees	
ASSETS				
Cash and Investments	\$ 945	\$ 2,723		\$ 418,021
Accounts Receivable				405,141
Due from Other Funds				-
Due from Other Governments				45,655
Total Assets	\$ 945	\$ 2,723	\$ -	\$ 868,817
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$	\$	\$ 9,905	\$ 47,981
Accrued Liabilities				1,302
Deposits				-
Due to Other Funds			108,072	429,358
Deferred Revenue				128,674
Total Liabilities	-	-	117,977	607,315
Fund Balances:				
Reserved:				
Advances to Other Funds				-
Unreserved:				
Undesignated	945	2,723	(117,977)	261,502
Total Fund Balances	945	2,723	(117,977)	261,502
Total Liabilities and Fund Balances	\$ 945	\$ 2,723	\$ -	\$ 868,817

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City of King City
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended, June 30, 2010

	Special Revenue			
	SLESF/COPS Grant	Local Transportation	Traffic Congestion Relief	Asset Seizure
REVENUES				
Taxes	\$	\$	\$	\$
Licenses, Permits and Impact Fees				
Investment Income	1,205		1,134	133
Intergovernmental	129,071		109,024	
Fines and Forfeitures				
Charges for Services				
Other Revenues				
Total Revenues	<u>130,276</u>	<u>-</u>	<u>110,158</u>	<u>133</u>
EXPENDITURES				
Current:				
General Government				
Public Safety	63,462			3,146
Public Works		81,803		
Community Development				
Capital Outlay	53,408			
Debt Service:				
Interest and Fiscal Charges				
Total Expenditures	<u>116,870</u>	<u>81,803</u>	<u>-</u>	<u>3,146</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>13,406</u>	<u>(81,803)</u>	<u>110,158</u>	<u>(3,013)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	13,406	(81,803)	110,158	(3,013)
Fund Balances - Beginning	<u>122,508</u>	<u>(226,396)</u>	<u>101,411</u>	<u>13,123</u>
Fund Balances - Ending	<u>\$ 135,914</u>	<u>\$ (308,199)</u>	<u>\$ 211,569</u>	<u>\$ 10,110</u>

Special Revenue

Riverview Gardens Landscape	Airport Operations	Traffic Safety	CDBG Grant	UUT - Public Safety	Prop 1B
\$ 1,853	\$	\$	\$	\$ 208,305	\$
476	1,029	238	4,392	1,045	208
		2,147	500,073		
	36,353				
	1,000				
<u>2,329</u>	<u>38,382</u>	<u>2,385</u>	<u>504,465</u>	<u>209,350</u>	<u>208</u>
73	131,894		178,490		309
<u>73</u>	<u>131,894</u>	<u>-</u>	<u>178,490</u>	<u>-</u>	<u>309</u>
2,256	(93,512)	2,385	325,975	209,350	(101)
				(210,000)	
				(210,000)	
2,256	(93,512)	2,385	325,975	(650)	(101)
42,461	94,255	20,737	(79,270)	25,960	(14,079)
<u>\$ 44,717</u>	<u>\$ 743</u>	<u>\$ 23,122</u>	<u>\$ 246,705</u>	<u>\$ 25,310</u>	<u>\$ (14,180)</u>

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City of King City
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
Year Ended, June 30, 2010

	Capital Projects			Total Nonmajor Governmental Funds
	1996 Bond Issue	1998 Bond Issue	Development Impact Fees	
REVENUES				
Taxes	\$	\$		\$ 210,158
Licenses, Permits and Impact Fees			86,050	86,050
Investment Income	10	30	5,458	15,358
Intergovernmental				738,168
Fines and Forfeitures				2,147
Charges for Services				36,353
Other Revenues				1,000
Total Revenues	<u>10</u>	<u>30</u>	<u>91,508</u>	<u>1,089,234</u>
EXPENDITURES				
Current:				
General Government				
Public Safety			13,463	80,071
Public Works			40,818	254,588
Community Development			18,477	197,276
Capital Outlay			1,781	55,189
Debt Service:				
Interest and Fiscal Charges				
Total Expenditures	<u>-</u>	<u>-</u>	<u>74,539</u>	<u>587,124</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10</u>	<u>30</u>	<u>16,969</u>	<u>502,110</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out				(210,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(210,000)</u>
Net Change in Fund Balances	10	30	16,969	292,110
Fund Balances - Beginning	<u>935</u>	<u>2,693</u>	<u>(134,946)</u>	<u>(30,608)</u>
Fund Balances - Ending	<u>\$ 945</u>	<u>\$ 2,723</u>	<u>\$ (117,977)</u>	<u>\$ 261,502</u>

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - SLESF/COPS Grant
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Income	\$	\$	\$ 1,205	\$ 1,205
Intergovernmental	200,000	100,000	129,071	29,071
Total Revenues	<u>200,000</u>	<u>100,000</u>	<u>130,276</u>	<u>30,276</u>
EXPENDITURES				
Current:				
Public Safety	26,000	26,000	63,462	(37,462)
Capital Outlay	74,000	74,000	53,408	20,592
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>116,870</u>	<u>(16,870)</u>
Excess (Deficiency) of Revenues over Expenditures	100,000	-	13,406	13,406
Fund Balance, Beginning	<u>122,508</u>	<u>122,508</u>	<u>122,508</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 222,508</u>	<u>\$ 122,508</u>	<u>\$ 135,914</u>	<u>\$ 13,406</u>

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Local Transportation
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ 40,000	\$ 40,000	\$	\$ (40,000)
Intergovernmental	300,000	300,000		(300,000)
Total Revenues	<u>340,000</u>	<u>340,000</u>	<u>-</u>	<u>(340,000)</u>
EXPENDITURES				
Current:				
Public Works	<u>346,743</u>	<u>346,743</u>	<u>81,803</u>	<u>264,940</u>
Total Expenditures	<u>346,743</u>	<u>346,743</u>	<u>81,803</u>	<u>264,940</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(6,743)</u>	<u>(6,743)</u>	<u>(81,803)</u>	<u>(75,060)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(25,000)</u>	<u>(25,000)</u>		<u>25,000</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>
Net Change in Fund Balance	(31,743)	(31,743)	(81,803)	(50,060)
Fund Balance, Beginning	<u>(226,396)</u>	<u>(226,396)</u>	<u>(226,396)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (258,139)</u>	<u>\$ (258,139)</u>	<u>\$ (308,199)</u>	<u>\$ (50,060)</u>

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Traffic Congestion Relief
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Income	\$	\$	\$ 1,134	\$ 1,134
Intergovernmental			109,024	109,024
Other Revenue				-
Total Revenues			<u>110,158</u>	<u>110,158</u>
EXPENDITURES				
Current:				
Public Works				-
Total Expenditures			<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures			110,158	110,158
Fund Balance, Beginning			<u>101,411</u>	<u>-</u>
Fund Balance, Ending	<u>\$</u>	<u>\$</u>	<u>\$ 211,569</u>	<u>\$ 110,158</u>

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Asset Seizure
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 133	\$ 133
Intergovernmental				-
Total Revenues	-	-	133	133
EXPENDITURES				
Current:				
Public Safety			3,146	(3,146)
Total Expenditures	-	-	3,146	(3,146)
Excess (Deficiency) of Revenues over Expenditures		-	(3,013)	(3,013)
Fund Balance, Beginning	13,123	13,123	13,123	-
Fund Balance, Ending	\$ 13,123	\$ 13,123	\$ 10,110	\$ (3,013)

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Riverview Gardens Landscape
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 10,000	\$ 5,000	\$ 1,853	\$ (3,147)
Investment Income			476	476
Total Revenues	<u>10,000</u>	<u>5,000</u>	<u>2,329</u>	<u>(2,671)</u>
EXPENDITURES				
Current:				
Public Works	<u>5,000</u>	<u>5,000</u>	<u>73</u>	<u>4,927</u>
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>73</u>	<u>4,927</u>
Excess (Deficiency) of Revenues over Expenditures	5,000	-	2,256	2,256
Fund Balance, Beginning	<u>42,461</u>	<u>42,461</u>	<u>42,461</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 47,461</u>	<u>\$ 42,461</u>	<u>\$ 44,717</u>	<u>\$ 2,256</u>

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Airport Operations
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Income	\$ 5,000	\$ 5,000	\$ 1,029	\$ (3,971)
Intergovernmental	20,000	10,000		(10,000)
Charges for Services	89,500	89,500	36,353	(53,147)
Other Revenue	145,000	25,000	1,000	(24,000)
Total Revenues	<u>259,500</u>	<u>129,500</u>	<u>38,382</u>	<u>(91,118)</u>
EXPENDITURES				
Current:				
Public Works	<u>104,485</u>	<u>104,485</u>	<u>131,894</u>	<u>(27,409)</u>
Total Expenditures	<u>104,485</u>	<u>104,485</u>	<u>131,894</u>	<u>(27,409)</u>
Excess (Deficiency) of Revenues over Expenditures	155,015	25,015	(93,512)	(118,527)
Fund Balance, Beginning	<u>94,255</u>	<u>94,255</u>	<u>94,255</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 249,270</u>	<u>\$ 119,270</u>	<u>\$ 743</u>	<u>\$ (118,527)</u>

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Traffic Safety
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Income	\$		\$ 238	\$ 238
Fines & Forfeitures	6,000	3,000	2,147	(853)
Total Revenues	<u>6,000</u>	<u>3,000</u>	<u>2,385</u>	<u>(615)</u>
EXPENDITURES				
Current:				
Public Safety				-
Capital Outlay				-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	6,000	3,000	2,385	(615)
Fund Balance, Beginning	<u>20,737</u>	<u>20,737</u>	<u>20,737</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 26,737</u>	<u>\$ 23,737</u>	<u>\$ 23,122</u>	<u>\$ (615)</u>

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG Grant
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 4,392	\$ 4,392
Intergovernmental Revenues	1,593,000	621,500	500,073	(121,427)
Total Revenues	<u>1,593,000</u>	<u>621,500</u>	<u>504,465</u>	<u>(117,035)</u>
EXPENDITURES				
Current:				
Community Development	621,500	621,500	178,490	443,010
Total Expenditures	<u>621,500</u>	<u>621,500</u>	<u>178,490</u>	<u>443,010</u>
Excess (Deficiency) of Revenues over Expenditures	971,500	-	325,975	325,975
Fund Balance, Beginning	<u>(79,270)</u>	<u>(79,270)</u>	<u>(79,270)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 892,230</u>	<u>\$ (79,270)</u>	<u>\$ 246,705</u>	<u>\$ 325,975</u>

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - UUT - Public Safety
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 270,000	\$ 270,000	\$ 208,305	\$ (61,695)
Investment Income	500	500	1,045	545
Total Revenues	<u>270,500</u>	<u>270,500</u>	<u>209,350</u>	<u>(61,150)</u>
EXPENDITURES				
Current:				
Public Safety				-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>270,500</u>	<u>270,500</u>	<u>209,350</u>	<u>(61,150)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(210,000)</u>	<u>40,000</u>
Total Other Financing Sources (Uses)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(210,000)</u>	<u>40,000</u>
Net Change in Fund Balance	20,500	20,500	(650)	(21,150)
Fund Balance, Beginning	<u>25,960</u>	<u>25,960</u>	<u>25,960</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 46,460</u>	<u>\$ 46,460</u>	<u>\$ 25,310</u>	<u>\$ (21,150)</u>

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Prop 1B
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 208	\$ 208
Intergovernmental Revenues				-
Other Revenues				-
Total Revenues	-	-	208	208
EXPENDITURES				
Current:				
Community Development			309	(309)
Capital Outlay				-
Total Expenditures	-	-	309	(309)
Excess (Deficiency) of Revenues over Expenditures	-	-	(101)	(101)
Fund Balance, Beginning	(14,079)	(14,079)	(14,079)	-
Fund Balance, Ending	<u>\$ (14,079)</u>	<u>\$ (14,079)</u>	<u>\$ (14,180)</u>	<u>\$ (101)</u>

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 10	\$ 10
Total Revenues	-	-	10	10
EXPENDITURES				
Current:				
General Government				-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	10	10
Fund Balance, Beginning	935	935	935	-
Fund Balance, Ending	\$ 935	\$ 935	\$ 945	\$ 10

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 30	\$ 30
Total Revenues	-	-	30	30
EXPENDITURES				
Capital Outlay				-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	30	30
Fund Balance, Beginning	2,693	2,693	2,693	-
Fund Balance, Ending	\$ 2,693	\$ 2,693	\$ 2,723	\$ 30

City of King City
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Development Impact Fees
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses, Permits and Impact Fees	\$ 9,000	\$ 9,000	\$ 86,050	\$ 77,050
Investment Income	2,250	2,250	5,458	3,208
Total Revenues	<u>11,250</u>	<u>11,250</u>	<u>91,508</u>	<u>80,258</u>
EXPENDITURES				
Current:				
Public Safety	5,000	5,000	13,463	(8,463)
Public Works	10,000	10,000	40,818	(30,818)
Community Development	6,500	6,500	18,477	(11,977)
Capital Outlay	1,000	1,000	1,781	(781)
Total Expenditures	<u>22,500</u>	<u>22,500</u>	<u>74,539</u>	<u>(52,039)</u>
Excess (Deficiency) of Revenues over Expenditures	(11,250)	(11,250)	16,969	28,219
Fund Balance, Beginning	<u>(134,946)</u>	<u>(134,946)</u>	<u>(134,946)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (146,196)</u>	<u>\$ (146,196)</u>	<u>\$ (117,977)</u>	<u>\$ 28,219</u>

City of King City
Statement of Changes in Fiduciary Net Assets
Agency Fund
Year Ended June 30, 2010

	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at End of Year</u>
ASSETS				
Cash and Investments	\$ 72,452	\$ 4,923	\$	\$ 77,375
Accounts Receivable	1,943		509	1,434
Total Assets	<u>\$ 74,395</u>	<u>\$ 4,923</u>	<u>\$ 509</u>	<u>\$ 78,809</u>
LIABILITIES				
Accounts Payable	\$ 6,263	\$ 10,173	\$	\$ 16,436
Deposits	68,132		5,759	62,373
Total Liabilities	<u>\$ 74,395</u>	<u>\$ 10,173</u>	<u>\$ 5,759</u>	<u>\$ 78,809</u>