

CITY OF KING CITY, CALIFORNIA

FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

Prepared by:

Finance Department

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CITY OF KING CITY, CALIFORNIA

FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

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CITY OF KING CITY, CALIFORNIA

FINANCIAL STATEMENTS

Fiscal year ended June 30, 2011

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BURR PILGER MAYER

60 South Market Street, Suite 800, San Jose, CA 95113
Phone 408.961.6380 Fax 408.961.6324 Email bpm@bpmcpa.com Web bpmcpa.com

INDEPENDENT AUDITORS' REPORT

City Council
City of King City, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of King City, California (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of King City. 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 standard 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 7, the City could not provide documentation to support the legal ownership or the net realizable value for the properties classified as Land Held for Resale as required by accounting principles generally accepted in the United States of America.

As more fully described in Note 13, 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 as noted in the preceding two paragraphs, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of King City as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, of the City of King City 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 the City will continue as a going concern. As discussed in Note 2 to the financial statements, the City has many funds with negative fund balances. This condition raises substantial doubt about the City's ability to continue as a going concern.

As discussed in Note 3 to the financial statements, the Community Development Agency of the City of King City was dissolved on January 31, 2012 as a result of legislative acts enacted by the California State Legislature. Management's plans regarding those matters are also described in Note 3.

As described in Note 10, during the year ended June 30, 2011, the City adopted the provisions of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting*.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of King City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Burr Pilger Mayer, Inc.

San Jose, California
October 12, 2012

BASIC FINANCIAL STATEMENTS

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CITY OF KING CITY, CALIFORNIA

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 2,523,839	\$ 2,456,482	\$ 4,980,321
Restricted cash and investments	1,110,023	340,071	1,450,094
Accounts receivable, net	420,398	473	420,871
Interest receivable	-	3,140	3,140
Notes receivable	111,813	-	111,813
Due from other governments	113,424	116,722	230,146
Land held for resale	1,500,250	-	1,500,250
Internal balances	(5,659,098)	5,659,098	-
Deferred charges	-	354,940	354,940
Capital assets, non-depreciable	213,539	764,093	977,632
Capital assets, net of accumulated depreciation	15,892,925	2,689,611	18,582,536
Total assets	<u>16,227,113</u>	<u>12,384,630</u>	<u>28,611,743</u>
LIABILITIES			
Accounts payable	385,556	16,682	402,238
Accrued liabilities	96,903	6,476	103,379
Matured notes payable	318,052	-	318,052
Interest payable	208,579	84,829	293,408
Due to other governments	734	-	734
Unearned revenue	39,082	1,196	40,278
Noncurrent liabilities:			
Due within one year	375,325	85,000	460,325
Due in more than one year	11,263,986	4,821,493	16,085,479
Total liabilities	<u>12,688,217</u>	<u>5,015,676</u>	<u>17,703,893</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,616,025	(1,111,225)	4,504,800
Restricted for:			
Public works	311,658	-	311,658
Public safety	414,469	-	414,469
Debt service	2,166,107	340,071	2,506,178
Unrestricted (deficit)	(4,969,363)	8,140,108	3,170,745
Total net assets	<u>\$ 3,538,896</u>	<u>\$ 7,368,954</u>	<u>\$ 10,907,850</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KING CITY, CALIFORNIA

STATEMENT OF ACTIVITIES

Fiscal year ended June 30, 2011

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 1,151,728	\$ 13,659	\$ -	\$ -
Public safety	3,215,609	282,251	238,335	20,000
Public works	1,585,264	214,870	571,742	-
Culture and recreation	343,950	70,028	-	-
Community development	2,123,482	611,394	-	-
Interest on long-term debt	1,245,243	-	-	-
Total governmental activities	<u>9,665,276</u>	<u>1,192,202</u>	<u>810,077</u>	<u>20,000</u>
Business-type activities:				
Sewer maintenance and operations	968,971	1,596,657	-	-
Transit system	102,388	7,940	-	-
Total business-type activities	<u>1,071,359</u>	<u>1,604,597</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,736,635</u>	<u>\$ 2,796,799</u>	<u>\$ 810,077</u>	<u>\$ 20,000</u>

General revenues:

Taxes:

- Property taxes
- Tax increment
- Franchise taxes
- Sales taxes
- Transient occupancy taxes
- Utility users tax
- Business licenses
- Motor vehicle in lieu, unrestricted
- Investment income
- Miscellaneous revenues

Total general revenues

Change in net assets

Net assets, beginning of year, as restated

Net assets, end of year

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues
and Change in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,138,069)	\$	\$ (1,138,069)
(2,675,023)		(2,675,023)
(798,652)		(798,652)
(273,922)		(273,922)
(1,512,088)		(1,512,088)
(1,245,243)		(1,245,243)
<u>(7,642,997)</u>	<u>-</u>	<u>(7,642,997)</u>
-	627,686	627,686
<u>-</u>	<u>(94,448)</u>	<u>(94,448)</u>
-	533,238	533,238
<u>(7,642,997)</u>	<u>533,238</u>	<u>(7,109,759)</u>
1,414,174		1,414,174
1,306,300		1,306,300
282,825		282,825
1,134,340		1,134,340
278,739		278,739
96,714		96,714
137,984		137,984
64,970		64,970
6,388	57,690	64,078
125,681	9,666	135,347
<u>4,848,115</u>	<u>67,356</u>	<u>4,915,471</u>
(2,794,882)	600,594	(2,194,288)
<u>6,333,778</u>	<u>6,768,360</u>	<u>13,102,138</u>
<u>\$ 3,538,896</u>	<u>\$ 7,368,954</u>	<u>\$ 10,907,850</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KING CITY, CALIFORNIA

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2011

	General Fund	Gas Tax	Landfill Closure	CDA Special Revenue
ASSETS				
Cash and investments	\$ -	\$ 924,226	\$ -	\$ -
Restricted cash and investments	-	-	-	-
Accounts receivable	289,434	39,007	-	-
Notes receivable	111,813	-	-	-
Due from other funds	-	-	-	-
Due from other governments	113,424	-	-	1,500,250
Land held for resale	-	-	-	-
Total assets	\$ 514,671	\$ 963,233	\$ -	\$ 1,500,250
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 297,339	16,436	\$ -	\$ 3,690
Accrued liabilities	90,011	5,516	-	-
Matured notes payable	-	-	-	-
Due to other funds	2,723,917	-	824,847	1,840,282
Due to other governments	734	-	-	-
Deferred revenue	-	-	-	-
Advances from other funds	1,343,394	-	-	-
Total liabilities	4,455,395	21,952	824,847	1,843,972
Fund balances:				
Nonspendable	111,813	-	-	1,500,250
Restricted	-	-	-	-
Assigned	(4,052,537)	-	-	-
Unassigned	-	941,281	(824,847)	(1,843,972)
Total fund balances (deficits)	(3,940,724)	941,281	(824,847)	(343,722)
Total liabilities and fund balances	\$ 514,671	\$ 963,233	\$ -	\$ 1,500,250

The accompanying notes are an integral part of these financial statements.

CDA Low/Mod Income Housing	CDA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,013,880	\$ -	\$ 585,733	\$ 2,523,839
-	1,110,023	-	1,110,023
-	-	91,957	420,398
-	-	-	111,813
2,933,524	-	-	2,933,524
-	-	-	113,424
-	-	-	1,500,250
<u>\$ 3,947,404</u>	<u>\$ 1,110,023</u>	<u>\$ 677,690</u>	<u>\$ 8,713,271</u>
\$ -	\$ 15,567	\$ 52,524	\$ 385,556
-	-	1,376	96,903
-	318,052	-	318,052
-	1,093,242	766,940	7,249,228
-	-	-	734
-	-	39,082	39,082
-	-	-	1,343,394
<u>-</u>	<u>1,426,861</u>	<u>859,922</u>	<u>9,432,949</u>
-	97,956	-	1,710,019
-	1,342,024	726,127	2,068,151
-	-	-	(4,052,537)
<u>3,947,404</u>	<u>(1,756,818)</u>	<u>(908,359)</u>	<u>(445,311)</u>
<u>3,947,404</u>	<u>(316,838)</u>	<u>(182,232)</u>	<u>(719,678)</u>
<u>\$ 3,947,404</u>	<u>\$ 1,110,023</u>	<u>\$ 677,690</u>	<u>\$ 8,713,271</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF KING CITY, CALIFORNIA

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2011

Fund balances (deficits) of governmental funds	\$	(719,678)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets have not been included as financial resources in governmental fund activity:		
Capital assets		25,111,318
Accumulated depreciation		(9,004,854)
Accrued interest payable on long-term debt is not recorded in the funds		(208,579)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds payable		(10,252,529)
Claims payable		(166,289)
Compensated absences		(728,474)
Notes payable		(492,019)
Net assets of governmental activities	\$	<u>3,538,896</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KING CITY, CALIFORNIA

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Fiscal year ended June 30, 2011

	General Fund	Gas Tax	Landfill Closure	CDA Special Revenue
Revenues:				
Taxes	\$ 2,391,168	\$ -	\$ -	\$ -
License and permits	137,664	-	-	-
Intergovernmental	947,577	300,282	-	-
Charges for services	285,030	-	-	-
Fines and forfeitures	127,571	-	-	-
Investment income	-	-	-	-
Other revenues	71,668	-	-	500
Total revenues	3,960,678	300,282	-	500
Expenditures:				
Current:				
General government	1,027,880	-	-	-
Public safety	2,828,776	-	-	-
Public works	249,684	421,668	23,079	-
Culture and recreation	143,098	-	-	-
Community development	721,366	-	-	171,453
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	4,970,804	421,668	23,079	171,453
Excess (deficiency) of revenues over (under) expenditures	(1,010,126)	(121,386)	(23,079)	(170,953)
Other financing sources (uses):				
Issuance of refunding bonds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(1,010,126)	(121,386)	(23,079)	(170,953)
Fund balances (deficits), beginning of year, as restated	(2,930,598)	1,062,667	(801,768)	(172,769)
Fund balances (deficits), end of year	\$ (3,940,724)	\$ 941,281	\$ (824,847)	\$ (343,722)

The accompanying notes are an integral part of these financial statements.

CDA Low/Mod Income Housing	CDA Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ 261,260	\$ 1,045,040	\$ 96,714	\$ 3,794,182
-	-	50,366	188,030
-	-	1,010	1,248,869
-	-	1,304,586	1,589,616
-	-	18,625	146,196
6,387	-	155,037	161,424
-	-	1,122	73,290
<u>267,647</u>	<u>1,045,040</u>	<u>1,627,460</u>	<u>7,201,607</u>
-	-	-	1,027,880
-	-	48,052	2,876,828
-	-	171,542	865,973
-	-	-	143,098
-	-	1,223,142	2,115,961
-	-	215,441	215,441
-	6,241,741	-	6,241,741
-	1,162,235	-	1,162,235
-	<u>7,403,976</u>	<u>1,658,177</u>	<u>14,649,157</u>
<u>267,647</u>	<u>(6,358,936)</u>	<u>(30,717)</u>	<u>(7,447,550)</u>
-	5,240,000	-	5,240,000
-	5,240,000	-	5,240,000
267,647	(1,118,936)	(30,717)	(2,207,550)
3,679,757	802,098	(151,515)	1,487,872
<u>\$ 3,947,404</u>	<u>\$ (316,838)</u>	<u>\$ (182,232)</u>	<u>\$ (719,678)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KING CITY, CALIFORNIA

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Fiscal year ended June 30, 2011

Net change in fund balances - total governmental funds \$ (2,207,550)

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	106,351
Depreciation	(975,638)

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. (331,213)

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	6,224,059
Interest paid on long-term debt	(83,008)

Debt proceeds provide current financial resources to governmental funds, but
issuing debt increases long-term liabilities in the Statement of Net Assets. (5,240,000)

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	(305,565)
Net change in claims payable	17,682

Changes in net assets of governmental activities \$ (2,794,882)

The accompanying notes are an integral part of these financial statements.

CITY OF KING CITY, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2011

	Sewer Maintenance and Operations	Transit System	Total
ASSETS			
Current assets:			
Cash and investments	\$ 2,456,482	\$ -	\$ 2,456,482
Restricted cash and investments	340,071	-	340,071
Account receivable, net	473	-	473
Interest receivable	3,140	-	3,140
Due from other governments	-	116,722	116,722
Due from other funds	4,481,888	-	4,481,888
Total current assets	<u>7,282,054</u>	<u>116,722</u>	<u>7,398,776</u>
Noncurrent assets:			
Advances to other funds	1,343,394	-	1,343,394
Deferred charges	354,940	-	354,940
Capital assets, non-depreciable	764,093	-	764,093
Capital assets, net of depreciation	2,673,825	15,786	2,689,611
Total noncurrent assets	<u>5,136,252</u>	<u>15,786</u>	<u>5,152,038</u>
Total assets	<u>12,418,306</u>	<u>132,508</u>	<u>12,550,814</u>
LIABILITIES			
Current liabilities:			
Accounts payable	16,066	616	16,682
Accrued liabilities	4,176	2,300	6,476
Interest payable	84,829	-	84,829
Due to other funds	-	166,184	166,184
Unearned revenue	1,196	-	1,196
Total current liabilities	<u>106,267</u>	<u>169,100</u>	<u>275,367</u>
Noncurrent liabilities:			
Bonds payable:			
Due within one year	85,000	-	85,000
Due in more than one year	4,820,000	-	4,820,000
Compensated absences payable	-	1,493	1,493
Total noncurrent liabilities	<u>4,905,000</u>	<u>1,493</u>	<u>4,906,493</u>
Total liabilities	<u>5,011,267</u>	<u>170,593</u>	<u>5,181,860</u>
NET ASSETS			
Invested in capital assets, net of related debt	(1,127,011)	15,786	(1,111,225)
Restricted for debt service	340,071	-	340,071
Unrestricted (deficit)	8,193,979	(53,871)	8,140,108
Total net assets (deficit)	<u>\$ 7,407,039</u>	<u>\$ (38,085)</u>	<u>\$ 7,368,954</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KING CITY, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Fiscal year ended June 30, 2011

	Sewer Maintenance and Operations	Transit System	Total
Operating revenues:			
Rents and concessions	\$ 52,550	\$ -	\$ 52,550
Sewer fees	1,544,107	-	1,544,107
Transit fares		7,940	7,940
Total operating revenues	1,596,657	7,940	1,604,597
Operating expenses:			
Salaries and benefits	151,459	75,689	227,148
Supplies and services	404,698	16,175	420,873
Depreciation	207,429	10,524	217,953
Total operating expenses	763,586	102,388	865,974
Operating income (loss)	833,071	(94,448)	738,623
Nonoperating revenues (expenses)			
Intergovernmental revenue	-	9,666	9,666
Investment income	57,690	-	57,690
Interest expense	(193,146)	-	(193,146)
Amortization of bond issuance costs	(12,239)	-	(12,239)
Total nonoperating revenues (expenses)	(147,695)	9,666	(138,029)
Change in net assets	685,376	(84,782)	600,594
Net assets, beginning of year, restated	6,721,663	46,697	6,768,360
Net assets, end of year	\$ 7,407,039	\$ (38,085)	\$ 7,368,954

The accompanying notes are an integral part of these financial statements.

CITY OF KING CITY, CALIFORNIA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Fiscal year ended June 30, 2011

	Sewer Maintenance and Operations	Transit System	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,682,193	\$ 7,989	\$ 1,690,182
Cash paid to suppliers	(421,617)	(16,328)	(437,945)
Cash paid to employees for services	(171,098)	(76,268)	(247,366)
Net cash provided by (used for) operating activities	1,089,478	(84,607)	1,004,871
Cash flows from noncapital financing activities:			
Cash received from other governments	2,371,053	9,666	2,380,719
Cash received from (paid to) other funds	(4,481,888)	74,941	(4,406,947)
Net cash provided by noncapital financing activities	(2,110,835)	84,607	(2,026,228)
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(50,368)	-	(50,368)
Principal paid on debt	(85,000)	-	(85,000)
Interest paid	(173,135)	-	(173,135)
Net cash (used for) capital and related financing activities	(308,503)	-	(308,503)
Cash flows from investing activities:			
Interest received on investments	57,690	-	57,690
Net cash provided by investing activities	57,690	-	57,690
Net increase in cash and cash equivalents	(1,272,170)	-	(1,272,170)
Cash and cash equivalents, beginning of year	4,068,723	-	4,068,723
Cash and cash equivalents, end of year	\$ 2,796,553	\$ -	\$ 2,796,553

The accompanying notes are an integral part of these financial statements.

CITY OF KING CITY, CALIFORNIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)

Fiscal year ended June 30, 2011

	Sewer Maintenance and Operations	Transit System	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Cash flows from operating activities:			
Operating income (loss)	\$ 833,071	\$ (94,448)	\$ 738,623
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	207,429	10,524	217,953
(Increase) decrease in accounts receivable	165,386	49	165,435
(Increase) decrease in interest receivable	(3,140)	-	(3,140)
Increase (decrease) in accounts payable	(16,919)	(153)	(17,072)
Increase (decrease) in accrued liabilities	(1,133)	(579)	(1,712)
Increase (decrease) in deferred revenue	(76,710)	-	(76,710)
Increase (decrease) in compensated absences payable	(18,506)	-	(18,506)
Net cash provided by (used for) operating activities	<u>\$ 1,089,478</u>	<u>\$ (84,607)</u>	<u>\$ 1,004,871</u>
Noncash investing, capital, and financing activities:			
Amortization of bond issue costs	<u>\$ 12,239</u>	<u>\$ -</u>	<u>\$ 12,239</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KING CITY, CALIFORNIA
AGENCY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2011

ASSETS

Cash and investments	\$ 133,544
	<u> </u>
Total assets	\$ 133,544
	<u> </u>

LIABILITIES

Accounts payable	\$ 131,685
Deposits	1,859
	<u> </u>
Total liabilities	\$ 133,544
	<u> </u>

The accompanying notes are an integral part of these financial statements.

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

1. 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.

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 ("GASB") 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 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, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

1. 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.

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

1. 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 GASB. 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, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 Fiscal Year Ended June 30, 2011

1. Summary of Significant Accounting Policies, continued

E) 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.

F) 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 noncurrent 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	1st Installment
	February 1	2nd Installment
Delinquent Dates	December 10	1st Installment
	April 10	2nd 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, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

1. Summary of Significant Accounting Policies, continued

G) Restricted Assets

Certain proceeds of the Agency's Tax Allocation Bonds and the King City Public Financing 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.

H) 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, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, 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

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

1. Summary of Significant Accounting Policies, continued

I) 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.

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 offset by deferred revenue and revenue is not recognized 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.

J) 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.

K) 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.

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2011

1. Summary of Significant Accounting Policies, continued

L) 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.

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.

2. 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 \$1,010,126 and \$23,079, respectively. This resulted in negative fund balances in these funds of \$3,940,724 and \$824,847, respectively, as of June 30, 2011. 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 described in Note 9A 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 is unable to continue as going concerns.

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

3. Recent Changes in Legislation Affecting California Redevelopment Agencies

On December 29, 2011, the California Supreme court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "Successor Agency" to hold the assets until they are distributed to other units of state and local government.

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

On January 24, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-4377. All California redevelopment agencies are suggested to change the name of their entities from Redevelopment Agency to the Successor Redevelopment Agency as of February 1, 2012.

4. Stewardship, Compliance and Accountability

Deficit Fund Equity

Deficit fund balances exists in the following individual nonmajor funds:

Local Transportation	\$ (204,124)
CDBG	(26,243)
Prop 1 B	(14,180)
Development Impact Fees	(73,454)

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2011

5. Cash and Investments

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

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

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

Statement of net assets:	
Cash and investments	\$ 4,980,321
Restricted:	
Cash with fiscal agent	1,450,094
Statement of fiduciary assets and liabilities:	
Cash and investments	<u>133,544</u>
Total cash and investments	<u>\$ 6,563,959</u>

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

Petty cash	\$ 905
Deposits with financial institutions	988,983
Local Agency Investment Fund	1,948,546
Certificates of deposits	980,784
Money market mutual funds	1,194,647
Held by Fiscal Agent:	
Money market mutual funds	1,141,345
Government investment contracts	<u>308,749</u>
Total cash and investments	<u>\$ 6,563,959</u>

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

5. **Cash and Investments, continued**

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

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

Authorized Investment Type	Maximum Maturity	Minimum Percentage of Portfolio	Maximum Percentage of Portfolio
Local Agency Bonds	1 year	None	None
U.S. Treasury Obligations	1 year	A	None
U.S. Agency Securities	1 year	None	None
Banker's Acceptances	180 days	None	40%
Commercial Paper	270 days	None	25%
Negotiable Certificates of Deposit	1 year	None	30%
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	None	20% of base value
Medium-Term Notes	5 years	A	30%
Mutual Funds	N/A	A	20%
Money Market Mutual Funds	N/A	A	20%
Mortgage Pass-Through Securities	5 years	AA	20%

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2011

5. Cash and Investments, continued

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	Minimum Credit Quality	Maximum Percentage Allowed
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	AAA	None
Banker's Acceptance	1 year	None	None
Commercial paper	None	A-1	None
Money Market Mutual Funds	None	A	None
Investment Contracts	None	None	None
Certificates of Deposit	1 year	A-1	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund	N/A	None	None
Municipal Bonds	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2011 the City had the following investments.

Investment Type	Remaining Maturity				Total
	12 Months Or Less	13 to 24 Months	25-60 Months	More Than 60 Months	
Available for operations:					
Local Agency Investment Funds	\$ 1,948,546	\$ -	F \$ -	\$ -	\$ 1,948,546
Certificates of deposits	980,784	-	-	-	980,784
Money market mutual funds	1,194,647	-	-	-	1,194,647
Restricted investments:					
Money market mutual funds	1,141,345	-	-	-	1,141,345
Government investment contract	-	-	-	308,749	308,749
Total investments	\$ 5,265,322	\$ -	\$ -	\$ 308,749	5,574,071
Demand Deposits and Cash on Hand					989,888
					Total cash and investments \$ 6,563,959

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

5. Cash and Investments, continued

Disclosures Relating to Interest Rate Risk, continued

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.

Investment Type		Minimum Legal Rating	Ratings as of Year End			
			AAA	A	Ba	Not Rated
Available for operations:						
Local Agency Investment Funds	\$ 1,948,546	N/A	\$ -	\$ -	\$ -	\$ 1,948,546
Certificates of deposits	980,784	A	-	-	980,784	-
Money market mutual funds	1,194,647	A	1,194,647	-	-	-
Restricted investments:						
Money market mutual funds	1,141,345	A	576,009	565,276	-	-
Government investment contract	308,749	N/A	-	-	-	308,749
Total	\$ 5,574,071		\$ 1,770,656	\$ 565,276	\$ 980,784	\$ 2,257,295

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.

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

- \$308,749 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.
- \$1,141,285 of the restricted cash and investments reported in the Sewer Fund and Business-Type Activities are invested in Money Market Mutual Funds.

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 Fiscal Year Ended June 30, 2011

5. Cash and Investments, continued

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, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*, 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, 2011, 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
Money market mutual funds	\$ 1,141,345
Government Investment Contracts	308,749

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, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

6. Interfund Receivables, Payables and Transfers

A) Due To/Due From

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

Due From Fund	Due To Fund	Amount
Low Moderate Income Housing Fund	CDA Special Revenue	\$ 1,840,284
	CDA Debt Services	1,093,242
		<u>2,933,526</u>
Sewer Maintenance and Operations	General Fund	2,723,917
	Landfill Closure	824,847
	Nonmajor Governmental Funds	766,940
	Transit	166,184
		<u>4,481,888</u>
Total		<u>\$ 7,415,414</u>

The interfund payable balances due to the Landfill Closure, Nonmajor Governmental Funds and Transit Fund are a result of deficits in those funds. 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.

B) 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, 2011 are as follows:

	Advances Receivable	Advances Payable
General Fund	\$ -	\$ 1,343,394
Sewer Maintenance and Operations Fund	1,343,394	-
Total	<u>\$ 1,343,394</u>	<u>\$ 1,343,394</u>

The amount payable to the Sewer Maintenance Fund by the General Fund relates to current litigation and settlements. None of these advances are expected to be collected in the subsequent year.

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2011

7. Land Held for Sale

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 required to be valued at the lower of cost or estimated net realizable value. However, the City has not determined the net realizable value as required by generally accepted accounting principles.

At June 30, 2011, the balance of land held for resale of \$1,500,250 is reported in the CDA Special Revenue Fund.

8. Capital Assets

The following is a summary of capital assets for governmental activities for the year ended June 30, 2011:

	Balances at July 1, 2010	Increases	Decreases	Balances at June 30, 2011
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 213,539	\$ -	\$ -	\$ 213,539
Construction in progress	43,558	-	(43,558)	-
Total capital assets, not being depreciated	257,097	-	(43,558)	213,539
Capital assets being depreciated:				
Buildings and improvements	8,537,486	-	43,558	8,581,044
Infrastructure	13,473,635	87,553	-	13,561,188
Machinery and equipment	2,736,749	18,798	-	2,755,547
Total capital assets being depreciated	24,747,870	106,351	43,558	24,897,779
Less accumulated depreciation:				
Buildings and improvements	(4,632,817)	(242,838)	-	(4,875,655)
Infrastructure	(1,362,384)	(597,349)	-	(1,959,733)
Machinery and equipment	(2,034,015)	(135,451)	-	(2,169,466)
Total accumulated depreciation	(8,029,216)	(975,638)	-	(9,004,854)
Total capital assets being depreciated, net	16,718,654	(869,287)	43,558	15,892,925
Governmental activities capital assets, net	<u>\$ 16,975,751</u>	<u>\$ (869,287)</u>	<u>\$ -</u>	<u>\$ 16,106,464</u>

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2011

8. Capital Assets, continued

The following is a summary of capital assets for business-type activities for the year ended June 30, 2011:

<u>Business Activities</u>	<u>Balances at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances at June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 764,093	\$ -	\$ -	\$ 764,093
Construction in progress	416,964	-	(416,964)	-
Total capital assets, not being depreciated	<u>1,181,057</u>	<u>-</u>	<u>(416,964)</u>	<u>764,093</u>
Capital assets being depreciated:				
Buildings and improvements	5,699,373	50,368	416,964	6,166,705
Machinery and equipment	1,276,731	-	-	1,276,731
Total capital assets being depreciated	<u>6,976,104</u>	<u>50,368</u>	<u>416,964</u>	<u>7,443,436</u>
Less accumulated depreciation:				
Buildings and improvements	(3,374,811)	(165,238)	-	(3,540,049)
Machinery and equipment	(1,161,061)	(52,715)	-	(1,213,776)
Total accumulated depreciation	<u>(4,535,872)</u>	<u>(217,953)</u>	<u>-</u>	<u>(4,753,825)</u>
Total capital assets being depreciated, net	<u>2,440,232</u>	<u>(167,585)</u>	<u>416,964</u>	<u>2,689,611</u>
Business-type activities capital assets, net	<u>\$ 3,621,289</u>	<u>\$ (167,585)</u>	<u>\$ -</u>	<u>\$ 3,453,704</u>

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

8. Capital Assets, continued

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

Governmental activities:	\$	53,676
General government		7,521
Community development		200,852
Culture and recreation		172,038
Public safety		541,551
Public works		<u>975,638</u>
Total depreciation expense - governmental activities	\$	<u>975,638</u>
Business-type activities:	\$	207,429
Sewer		10,524
Transit		<u>217,953</u>
Total depreciation expense - business-type activities	\$	<u>217,953</u>

9. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 is as follows:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011	Amounts Due Within One Year
<u>Government Activities</u>					
Tax allocation bonds:					
1994 Tax Allocation Refunding Bonds	\$ 3,335,000	\$ -	\$ 3,335,000	\$ -	\$ -
1996 Tax Allocation Revenue Bonds	2,645,000	-	2,645,000	-	110,000
1998 Tax Allocation Revenue Bonds	3,955,000	-	95,000	3,860,000	-
2011 Tax Allocation Refunding Bonds	-	5,240,000	-	5,240,000	-
Pension related debt	1,069,521	-	83,008	986,513	94,831
Notes payable:					
Tavernetti-Anderson Note	44,037	-	12,431	31,606	13,330
Anderson Note	44,456	-	13,295	31,161	14,256
Hearne Note	552,585	-	123,333	429,252	123,333
Compensated absences	422,909	305,565	-	728,474	-
Claims and judgment payable	183,971	-	17,682	166,289	18,961
Total	<u>\$ 12,252,479</u>	<u>\$ 5,545,565</u>	<u>\$ 6,324,749</u>	<u>\$ 11,473,295</u>	<u>\$ 374,711</u>
<u>Business-type Activities</u>					
2009 Refunding Certificates of Participation	\$ 4,990,000	\$ -	\$ 85,000	\$ 4,905,000	\$ 85,000
Compensated absences	19,999	-	18,506	1,493	-
Total	<u>\$ 5,009,999</u>	<u>\$ -</u>	<u>\$ 103,506</u>	<u>\$ 4,906,493</u>	<u>\$ 85,000</u>

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 Fiscal Year Ended June 30, 2011

9. **Long-Term Liabilities, continued**

A) 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 Claim and Judgment Payable. The amount of principal and interest matured but not paid on the notes as of June 30, 2011 is \$318,052. The Agency is currently negotiating with the note holders and it is unclear what the outcome will be. The matured notes payable amount is not included in the summary on the preceding page.

B) 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
2012	\$ 13,330	\$ 1,790
2013	14,294	826
2014	3,982	49
Total	\$ 31,606	\$ 2,665

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
2012	\$ 14,256	\$ 1,944
2013	15,286	914
2014	1,619	63
Total	\$ 31,161	\$ 2,921

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2011

9. **Long-Term Liabilities, continued**

B) 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 is 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 principal balance at a variable rate equal to the prime rate reported in the Wall Street Journal during the week immediately preceding the date of the Note, and each subsequent anniversary date thereafter, plus 1%.

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

Fiscal year ending June 30,	Principal	Interest
2012	\$ 123,333	\$ 26,810
2013	123,333	18,177
2014	123,333	9,543
2015	59,253	1,534
Total	\$ 429,252	\$ 56,064

C) 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 of each year to 2021, with interest payable semi-annually in March and September. On June 20, 2011, this bond was refunded with the 2011 Tax Allocation Refunding Bonds.

D) 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 King City Redevelopment 1996 Tax Allocation Revenue Bonds for the purpose of financing capital improvements within the Agency's project areas. 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. The principal matures on September 1 of each year to 2021. On June 20, 2011, this bond was refunded with the 2011 Tax Allocation Refunding Bonds.

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2011

9. Long-Term Liabilities, continued

E) 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
2012	\$ 110,000	\$ 217,100
2013	105,000	211,188
2014	115,000	205,066
2015	130,000	198,175
2016	135,000	190,722
2017-2021	920,000	819,988
2022-2025	2,345,000	286,206
Total	<u>\$ 3,860,000</u>	<u>\$ 2,128,445</u>

F) 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 has 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 2010-11 fiscal year, the Authority was in compliance with these bond covenants.

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

9. Long-Term Liabilities, continued

F) 2009 Refunding Certificates of Participation, continued

Annual debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2012	\$ 85,000	\$ 250,661	\$ 335,661
2013	90,000	247,811	337,811
2014	90,000	244,661	334,661
2015	95,000	241,614	336,614
2016	95,000	238,526	333,526
2017-2021	550,000	1,131,684	1,681,684
2022-2026	685,000	987,825	1,672,825
2027-2031	880,000	779,215	1,659,215
2032-2036	1,155,000	499,100	1,654,100
2037-2039	1,180,000	136,920	1,316,920
Total	<u>\$ 4,905,000</u>	<u>\$ 4,758,018</u>	<u>\$ 9,663,018</u>

G) 2011 Tax Allocation Refunding Bonds

On June, 20, 2011, the Agency adopted a Resolution authorizing the sale of \$5,240,000 aggregate principal amount of Tax Allocation Refunding Bonds, Series 2011 at an interest rate of 7.25%. Net proceeds of the bonds were used to advance refund the remaining outstanding balance of the Agency's 1994 Tax Allocation Refunding Bonds with an outstanding principal balance of \$3,120,000 and 1996 Tax Allocation Revenue Bonds with outstanding principal balance of \$2,490,000. The bonds mature on August 1 of each year to 2034, with interest payments payable semi-annually in February 1 and August 1 as follows:

Fiscal year ending June 30,	Principal	Interest
2012	\$ -	\$ 233,216
2013	55,000	377,906
2014	105,000	372,106
2015	110,000	364,313
2016	120,000	355,975
2017-2021	725,000	1,633,969
2022-2026	1,040,000	1,317,325
2027-2031	1,475,000	865,469
2032-2034	1,610,000	243,600
Total	<u>\$ 5,240,000</u>	<u>\$ 5,763,879</u>

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

9. Long-Term Liabilities, continued

H) Claims and Judgments Payable

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

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

Fiscal year ending June 30,	Principal	Interest
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 - 2019	56,752	4,305
Total	<u>\$ 166,289</u>	<u>\$ 44,769</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, 2011.

I) 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, *Accounting for Pensions by State and Local Governmental Employers*. 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, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 Fiscal Year Ended June 30, 2011

9. Long-Term Liabilities, continued

J) Pension-Related Debt, continued

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

Fiscal year ending June 30,	Principal	Interest	Total
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	<u>\$ 219,960</u>	<u>\$ 35,290</u>	<u>\$ 255,250</u>

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

Fiscal year ending June 30,	Principal	Interest	Total
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	<u>\$ 766,553</u>	<u>\$ 303,164</u>	<u>\$ 1,069,717</u>

J) Defeased Debt

On December 27, 1990, \$5,000,000 in Series 1990 Tax Allocation Bonds was 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.

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

9. **Long-Term Liabilities, continued**

K) Conduit Debt Obligations

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, 2011 the outstanding balance on both COPS Series was \$10,583,838.

10. **Net Assets and Fund Balances**

A) Net Assets

- *Invested in Capital Assets, Net of Related Debt* groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* reflects net assets that are subject to constraints either: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandates payment of resources and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor.
- *Unrestricted Net Assets* represents net assets of the City that are not restricted for any project or purpose.

B) Fund Balances

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balances for government funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are: (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash; for example: inventories, prepaid amounts, and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 Fiscal Year Ended June 30, 2011

10. Net Assets and Fund Balances, continued

B) Fund Balances, continued

- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally. As of June 30, 2011, the City does not have committed fund balance.
- *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the City Council or (2) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

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

Fund balances for all the major and nonmajor governmental funds as of June 30, 2011 were distributed as follows:

	General Fund	Gas Tax	Landfill Closure	CDA Special Revenue	CDA Low/Moderate Income Housing	CDA Debt Service	Nonmajor Governmental	Total
Nonspendable:								
Land held for resale	\$ -	\$ -	\$ -	\$ 1,500,250	\$ -	\$ -	\$ -	\$ 1,500,250
Notes and loans receivable	111,813	-	-	-	-	97,956	-	209,769
Total nonspendable	111,813	-	-	1,500,250	-	97,956	-	1,710,019
Restricted:							726,127	726,127
Public safety	-	-	-	-	-	1,342,024	-	1,342,024
Debt Services	-	-	-	-	-	1,342,024	726,127	2,068,151
Total restricted	-	-	-	-	-	1,342,024	726,127	2,068,151
Assigned	(4,052,537)	-	-	-	-	-	-	(4,052,537)
Unassigned	-	941,281	(824,847)	(1,843,972)	3,947,404	(1,756,818)	(908,359)	(445,311)
Total fund balances (deficit)	\$ (3,940,724)	\$ 941,281	\$ (824,847)	\$ (343,722)	\$ 3,947,404	\$ (316,838)	\$ (182,232)	\$ (719,678)

C) Fund Balance Classifications

In the fund financial statements, governmental funds report the following classifications: nonspendable, restricted, assigned, and unassigned. The City Council, as the highest level of decision making authority for the City, has the ability to *commit* fund balances through the adoption of a formal resolution. The same action must be taken to modify or rescind the commitment. The City Council has approved a policy authorizing the City Manager to *assign* fund balances.

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 Fiscal Year Ended June 30, 2011

10. Net Assets and Fund Balances, continued

D) Policies

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes of which both restricted and unrestricted fund balance is available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes of which committed, assigned, and unassigned fund balance is available.

11. City Employees' Retirement Plan (Defined Benefit Pension Plan)

A) 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, is 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 located at 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 % and 9 % 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 2010-2011 was 15.671% for Miscellaneous employees and 18.663% 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 Contribution
06/30/09	\$ 425,791	100%
06/30/10	396,621	100%
06/30/11	505,216	100%

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

11. City Employees' Retirement Plan (Defined Benefit Pension Plan), continued

B) Defined Contribution Retirement Plan

The City established a defined contribution profit sharing retirement plan in the form of a 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, 2011, the City contributed \$505,216.

C) Self-Funded Insurance Coverage

The City (and Agency) participates in the Monterey Bay Area Self-Insurance Authority (MBASIA), 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 MBASIA'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 fund's Board and are charged to the City's general fund as expenditures when paid.

In the proper course of operation, the MBASIA issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The MBASIA 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 MBASIA, Article 20 to pay to the MBASIA their individual debt service amount and associated expenses, as determined by the MBASIA. 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, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

12. 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 of expenditures, if any, which 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 MBASIA. This program had negative net assets as of June 30, 2011. It should be noted that the MBASIA 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 3% of the MBASIA's revenue for the workers' compensation program.

13. 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.

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2011

14. Prior Period Adjustments

During the fiscal year 2010-11, beginning fund balances/net assets were adjusted by the following:

- A) CDA Special Revenue Fund deposits payable for \$20,000 were paid off in previous years but never applied to the liability.
- B) To accrue sales tax revenue for \$101,444.
- C) To eliminate old deferred revenue for both the Capital Projects Fund and Sewer Fund for the amounts of \$37,573 and \$77,906, respectively.
- D) To correct the beginning bond balance for (\$59,848).

The following schedules summarize the effect of the prior period adjustment to the Fund Financial Statements and the Government-wide Statements:

Government-wide Funds:

Net assets at beginning of year as previously reported	\$ 6,174,787
a) Deposits payable adjustment	20,000
b) Sales tax accrual adjustment	101,444
c) Eliminate old deferred revenue	37,547
Net assets at beginning of year, as restated	\$ 6,333,778
General Fund - beginning fund balance	\$ (3,032,042)
b) Sales tax accrual adjustment	101,444
Fund balance at beginning of year, as restated	\$ (2,930,598)
General Fund - beginning fund balance	\$ (192,769)
a) Deposits payable adjustment	20,000
Fund balance at beginning of year, as restated	\$ (172,769)
Capital Projects Fund - beginning fund balance	\$ (67,065)
c) Eliminate old deferred revenue	37,547
Fund balance at beginning of year, as restated	\$ (29,518)

Sewer Fund:

Net assets at beginning of year as previously reported	\$ 6,703,605
c) Eliminate deferred revenue	77,906
d) Adjust bond balance to agree prior year	(59,848)
Net assets at beginning of year, as restated	\$ 6,721,663

CITY OF KING CITY, CALIFORNIA
NOTES TO THE BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2011

15. Subsequent Events

The City evaluated subsequent events for recognition and disclosure through October 12, 2012, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2011 that required recognition or disclosure in such financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF KING CITY, CALIFORNIA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,733,000	\$ 2,733,000	\$ 2,391,168	\$ (341,832)
Licenses and permits	165,200	165,200	137,664	(27,536)
Intergovernmental	976,500	976,500	947,577	(28,923)
Charges for services	333,250	333,250	285,030	(48,220)
Fines and forfeitures	116,000	116,000	127,571	11,571
Investment income	22,000	22,000	-	(22,000)
Other revenues	370,000	370,000	71,668	(298,332)
Total revenues	4,715,950	4,715,950	3,960,678	(755,272)
Expenditures:				
Current:				
General government	1,002,585	1,002,585	1,027,880	(25,295)
Public safety	2,792,658	2,792,658	2,828,776	(36,118)
Public works	319,407	319,407	249,684	69,723
Culture and recreation	152,935	152,935	143,098	9,837
Community development	539,415	539,415	721,366	(181,951)
Total expenditures	4,807,000	4,807,000	4,970,804	(163,804)
Excess (deficiency) of revenues over expenditures	(91,050)	(91,050)	(1,010,126)	(919,076)
Other financing sources (uses):				
Transfers in	250,000	250,000	-	(250,000)
Total other financing sources (uses):	250,000	250,000	-	(250,000)
Net change in fund balance	158,950	158,950	(1,010,126)	(1,169,076)
Fund balance (deficit) at beginning of year	(2,930,598)	(2,930,598)	(2,930,598)	-
Fund balance (deficit) at end of year	\$ (2,771,648)	\$ (2,771,648)	\$ (3,940,724)	\$ (1,169,076)

CITY OF KING CITY, CALIFORNIA

GAS TAX

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 640,000	\$ 640,000	\$ 300,282	\$ (339,718)
Investment income	40,000	40,000	-	(40,000)
Total revenues	<u>680,000</u>	<u>680,000</u>	<u>300,282</u>	<u>(379,718)</u>
Expenditures:				
Current:				
Public works	<u>433,173</u>	<u>433,173</u>	<u>421,668</u>	<u>11,505</u>
Total expenditures	<u>433,173</u>	<u>433,173</u>	<u>421,668</u>	<u>11,505</u>
Excess (deficiency) of revenues over expenditures	<u>246,827</u>	<u>246,827</u>	<u>(121,386)</u>	<u>(368,213)</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	<u>301,827</u>	<u>301,827</u>	<u>(121,386)</u>	<u>(423,213)</u>
Fund balance at beginning of year	<u>1,062,667</u>	<u>1,062,667</u>	<u>1,062,667</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,364,494</u>	<u>\$ 1,364,494</u>	<u>\$ 941,281</u>	<u>\$ (423,213)</u>

CITY OF KING CITY, CALIFORNIA

LANDFILL CLOSURE

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Public works	37,500	37,500	23,079	14,421
Total expenditures	<u>37,500</u>	<u>37,500</u>	<u>23,079</u>	<u>14,421</u>
Excess (deficiency) of revenues over expenditures	<u>(37,500)</u>	<u>(37,500)</u>	<u>(23,079)</u>	<u>14,421</u>
Fund balance (deficit) at beginning of year	<u>(801,768)</u>	<u>(801,768)</u>	<u>(801,768)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (839,268)</u>	<u>\$ (839,268)</u>	<u>\$ (824,847)</u>	<u>\$ 14,421</u>

CITY OF KING CITY, CALIFORNIA

CDA SPECIAL REVENUE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 1,300	\$ 1,300	\$ 500	\$ (800)
Total revenues	1,300	1,300	500	(800)
Expenditures:				
Current:				
Community development	60,000	60,000	171,453	(111,453)
Total expenditures	60,000	60,000	171,453	(111,453)
Excess (deficiency) of revenues over expenditures	(58,700)	(58,700)	(170,953)	(112,253)
Fund balance (deficit) at beginning of year	192,769	(192,769)	(172,769)	20,000
Fund balance (deficit) at end of year	\$ 134,069	\$ (251,469)	\$ (343,722)	\$ (92,253)

CITY OF KING CITY, CALIFORNIA

CDA LOW/MODERATE INCOME HOUSING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 350,000	\$ 350,000	\$ 261,260	\$ (88,740)
Investment income	-	-	6,387	6,387
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>267,647</u>	<u>(82,353)</u>
Expenditures:				
Current:				
Community development	1,000,000	1,000,000	-	1,000,000
Total expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Excess (deficiency) of revenues over expenditures	<u>(650,000)</u>	<u>(650,000)</u>	<u>267,647</u>	<u>917,647</u>
Net change in fund balance	<u>(650,000)</u>	<u>(650,000)</u>	<u>267,647</u>	<u>917,647</u>
Fund balance at beginning of year	<u>3,679,757</u>	<u>3,679,757</u>	<u>3,679,757</u>	
Fund balance at end of year	<u>\$ 3,029,757</u>	<u>\$ 3,029,757</u>	<u>\$ 3,947,404</u>	<u>\$ 917,647</u>

CITY OF KING CITY CALIFORNIA
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
 Fiscal year ended June 30, 2011

1. 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 2010-11 fiscal year, the City Council made several supplemental budgetary appropriations.

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

Fund	Excess Expenditures
General Fund	\$ (163,804)
CDA Special Revenue Fund	(111,453)

SUPPLEMENTARY INFORMATION

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CITY OF KING CITY, CALIFORNIA

CDA DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 150,000	\$ 150,000	\$ 1,045,040	\$ 895,040
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>1,045,040</u>	<u>895,040</u>
Expenditures:				
Debt service:				
Principal	13,261,000	13,261,000	6,241,741	7,019,259
Interest	77,500	77,500	835,202	(757,702)
Bond Issuance Costs	-	-	327,033	(327,033)
Total expenditures	<u>13,338,500</u>	<u>13,338,500</u>	<u>7,403,976</u>	<u>5,934,524</u>
Excess (deficiency) of revenues over expenditures	<u>(13,188,500)</u>	<u>(13,188,500)</u>	<u>(6,358,936)</u>	<u>(6,829,564)</u>
Other financing sources (uses):				
Issuance of refunding bonds	-	-	5,240,000	5,240,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,240,000</u>	<u>5,240,000</u>
Net change in fund balance	<u>(13,188,500)</u>	<u>(13,188,500)</u>	<u>(1,118,936)</u>	<u>12,069,564</u>
Fund balance at beginning of year	802,098	802,098	802,098	
Fund balance (deficit) at end of year	<u>\$ (12,386,402)</u>	<u>\$ (12,386,402)</u>	<u>\$ (316,838)</u>	<u>\$ 12,069,564</u>

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CITY OF KING CITY, CALIFORNIA
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.

First Street Rehabilitation - to account for funds received to pay for the renovations of First Street and establish a multimodal transit center.

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.

CITY OF KING CITY, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
 June 30, 2011

	SLESF/COPS Grant	Local Transportation	Special Revenue		Riverview Gardens Landscape
			Traffic Congestion Relief	Asset Seizure	
ASSETS					
Cash and investments	\$ 165,562	\$ -	\$ 211,569	\$ 11,732	\$ 45,738
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ 165,562</u>	<u>\$ -</u>	<u>211,569</u>	<u>\$ 11,732</u>	<u>\$ 45,738</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,700	\$ -	\$ -	\$ -	\$ 9
Accrued liabilities	-	-	-	-	-
Due to other funds	-	204,121	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>2,700</u>	<u>204,121</u>	<u>-</u>	<u>-</u>	<u>9</u>
Fund balances:					
Restricted	162,862	-	211,569	11,732	45,729
Unassigned	-	(204,121)	-	-	-
Total fund balances (deficits)	<u>162,862</u>	<u>(204,121)</u>	<u>211,569</u>	<u>11,732</u>	<u>45,729</u>
Total liabilities and fund balances	<u>\$ 165,562</u>	<u>\$ -</u>	<u>\$ 211,569</u>	<u>\$ 11,732</u>	<u>\$ 45,738</u>

Special Revenue

Airport Operations	Traffic Safety	CDBG Grant	UUT-Public Safety	Prop 1B	First Street Rehabilitation
\$ -	\$ 41,636	\$ 15,877	\$ 89,950	\$ -	\$ -
20,690	111	-	32,074	-	-
<u>\$ 20,690</u>	<u>\$ 41,747</u>	<u>\$ 15,877</u>	<u>\$ 122,024</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,340	\$ -	\$ 41,620	\$ -	\$ -	\$ -
800	-	500	-	-	-
9,606	-	-	-	14,180	400,031
-	-	-	-	-	-
<u>11,746</u>	<u>-</u>	<u>42,120</u>	<u>-</u>	<u>14,180</u>	<u>400,031</u>
8,944	41,747	-	239,875	-	-
-	-	(26,243)	(117,851)	(14,180)	(400,031)
<u>8,944</u>	<u>41,747</u>	<u>(26,243)</u>	<u>122,024</u>	<u>(14,180)</u>	<u>(400,031)</u>
<u>\$ 20,690</u>	<u>\$ 41,747</u>	<u>\$ 15,877</u>	<u>\$ 122,024</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF KING CITY, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS (CONTINUED)

June 30, 2011

	Capital Projects			Development Impact Fees	Total Nonmajor Governmental Funds
	Capital Projects	1996 Bond Issue	1998 Bond Issue		
ASSETS					
Cash and investments	\$ -	\$ 945	\$ 2,724	\$ -	\$ 585,733
Accounts receivable	39,082	-	-	-	91,957
Total assets	\$ 39,082	\$ 945	\$ 2,724	\$ -	\$ 677,690
LIABILITIES AND FUND BALANCES					
Liabilities:					\$ 52,524
Accounts payable	6,855	\$ -	\$ -	\$ -	1,376
Accrued liabilities	76	-	-	73,454	766,940
Due to other funds	65,548	-	-	-	39,082
Deferred revenue	39,082	-	-	-	-
Total liabilities	111,561	-	-	73,454	859,922
Fund balances:					726,127
Restricted	-	945	2,724	-	(908,359)
Unassigned	(72,479)	-	-	(73,454)	-
Total fund balances (deficits)	(72,479)	945	2,724	(73,454)	(182,232)
Total liabilities and fund balances	\$ 39,082	\$ 945	\$ 2,724	\$ -	\$ 677,690

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CITY OF KING CITY, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 2011

	Special Revenue				
	SLESF/COPS Grant	Local Transportation	Traffic Congestion Relief	Asset Seizure	Riverview Gardens Landscape
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and impact fees	-	-	-	-	-
Investment income	-	-	-	-	-
Intergovernmental	75,000	128,674	-	1,622	-
Fines and forfeitures	-	-	-	-	-
Charges for services	-	-	-	-	-
Other revenue	-	-	-	-	1,122
Total revenues	75,000	128,674	-	1,622	1,122
Expenditures:					
Current:					
Public safety	48,052	-	-	-	-
Public works	-	24,596	-	-	110
Community development	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	48,052	24,596	-	-	110
Excess (deficiency) of revenues over (under) expenditures	26,948	104,078	-	1,622	1,012
Net change in fund balances	26,948	104,078	-	1,622	1,012
Fund balances (deficits) at beginning of year	135,914	(308,199)	211,569	10,110	44,717
Fund balances (deficits) at end of year	\$ 162,862	\$ (204,121)	\$ 211,569	\$ 11,732	\$ 45,729

Special Revenue

Airport Operations	Traffic Safety	CDBG Grant	UUT-Public Safety	Prop 1B	First Street Rehabilitation
\$	\$	\$	\$ 96,714	\$	\$
		1,009	-		
	18,625	949,185			
155,037					
155,037	18,625	950,194	96,714	-	-
146,836					
		1,223,142	-		
					16,532
146,836	-	1,223,142		-	16,532
8,201	18,625	(272,948)	96,714	-	(16,532)
8,201	18,625	(272,948)	96,714	-	(16,532)
743	23,122	246,705	25,310	(14,180)	(383,499)
\$ 8,944	\$ 41,747	\$ (26,243)	\$ 122,024	\$ (14,180)	\$ (400,031)

(Continued)

CITY OF KING CITY, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (CONTINUED)

Fiscal Year Ended June 30, 2011

	Capital Projects			Total Nonmajor Governmental Funds
	Capital Projects	1996 Bond Issue	1998 Bond Issue	
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 96,714
Licenses, permits and impact fees	-	-	-	50,366
Investment income	-	-	1	1,010
Intergovernmental	150,105	-	-	1,304,586
Fines and forfeitures	-	-	-	18,625
Charges for services	-	-	-	155,037
Other revenue	-	-	-	1,122
Total revenues	150,105	-	1	1,627,460
Expenditures:				
Current:				
Public safety	-	-	-	48,052
Public works	-	-	-	171,542
Community development	-	-	-	1,223,142
Capital outlay	193,066	-	-	215,441
Total expenditures	193,066	-	-	1,658,177
Excess (deficiency) of revenues over (under) expenditures	(42,961)	-	1	44,523
Net change in fund balances	(42,961)	-	1	44,523
Fund balances (deficits) at beginning of year	(29,518)	945	2,723	(117,977)
Fund balances (deficits) at end of year	\$ (72,479)	\$ 945	\$ 2,724	\$ (73,454)

CITY OF KING CITY, CALIFORNIA

SLESF/COPS GRANT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 75,000	\$ (25,000)
Total revenues	100,000	100,000	75,000	(25,000)
Expenditures:				
Current:				
Public safety	100,000	100,000	48,052	51,948
Total expenditures	100,000	100,000	48,052	51,948
Excess (deficiency) of revenues over expenditures	-	-	26,948	26,948
Fund balance at beginning of year	135,914	135,914	135,914	-
Fund balance at end of year	\$ 135,914	\$ 135,914	\$ 162,862	\$ 26,948

CITY OF KING CITY, CALIFORNIA

LOCAL TRANSPORTATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 40,000	\$ 40,000	\$ -	\$ (40,000)
Intergovernmental	300,000	300,000	128,674	(171,326)
Total revenues	340,000	340,000	128,674	(211,326)
Expenditures:				
Current:				
Public works	-	-	24,596	(24,596)
Total expenditures	-	-	24,596	24,596
Excess (deficiency) of revenues over expenditures	340,000	340,000	104,078	(235,922)
Net change in fund balance	340,000	340,000	104,078	(235,922)
Fund balance (deficit) at beginning of year	(308,199)	(308,199)	(308,199)	-
Fund balance (deficit) at end of year	\$ 31,801	\$ 31,801	\$ (204,121)	\$ (235,922)

CITY OF KING CITY, CALIFORNIA

RIVERVIEW GARDENS LANDSCAPE

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenue	\$ 5,000	\$ 5,000	\$ 1,122	\$ (3,878)
Total revenues	5,000	5,000	1,122	(3,878)
Expenditures:				
Current:				
Public works	5,000	5,000	110	4,890
Total expenditures	5,000	5,000	110	4,890
Excess (deficiency) of revenues over expenditures			1,012	1,012
Fund balance at beginning of year	44,717	44,717	44,717	-
Fund balance at end of year	\$ 44,717	\$ 44,717	\$ 45,729	\$ 1,012

CITY OF KING CITY, CALIFORNIA

AIRPORT OPERATIONS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Charges for services	99,500	99,500	155,037	55,537
Total revenues	<u>104,500</u>	<u>104,500</u>	<u>155,037</u>	<u>50,537</u>
Expenditures:				
Current:				
Public works	<u>60,000</u>	<u>60,000</u>	<u>146,836</u>	<u>(86,836)</u>
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>146,836</u>	<u>(86,836)</u>
Excess (deficiency) of revenues over expenditures	44,500	44,500	8,201	(36,299)
Fund balance at beginning of year	<u>743</u>	<u>743</u>	<u>743</u>	<u>-</u>
Fund balance at end of year	<u>\$ 45,243</u>	<u>\$ 45,243</u>	<u>\$ 8,944</u>	<u>\$ (36,299)</u>

CITY OF KING CITY, CALIFORNIA

TRAFFIC SAFETY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 3,000	\$ 3,000	\$ 18,625	\$ 15,625
Total revenues	3,000	3,000	18,625	15,625
Excess (deficiency) of revenues over expenditures	3,000	3,000	18,625	15,625
Fund balance at beginning of year	23,122	23,122	23,122	-
Fund balance at end of year	\$ 26,122	\$ 26,122	\$ 41,747	\$ 15,625

CITY OF KING CITY, CALIFORNIA

CDBG GRANT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 621,500	\$ 621,500	\$ 949,185	\$ 327,685
Investment income			1,009	1,009
Total revenues	<u>621,500</u>	<u>621,500</u>	<u>950,194</u>	<u>328,694</u>
Expenditures:				
Current:				
Community development	<u>1,550,000</u>	<u>1,550,000</u>	<u>1,223,142</u>	<u>326,858</u>
Total expenditures	<u>1,550,000</u>	<u>1,550,000</u>	<u>1,223,142</u>	<u>326,858</u>
Excess (deficiency) of revenues over expenditures	(928,500)	(928,500)	(272,948)	655,552
Fund balance at beginning of year	<u>246,705</u>	<u>246,705</u>	<u>246,705</u>	-
Fund balance (deficit) at end of year	<u>\$ (681,795)</u>	<u>\$ (681,795)</u>	<u>\$ (26,243)</u>	<u>\$ 655,552</u>

CITY OF KING CITY, CALIFORNIA

UUT – PUBLIC SAFETY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 270,000	\$ 270,000	\$ 96,714	\$ (173,286)*
Investment income	500	500	-	(500)
Total revenues	<u>270,500</u>	<u>270,500</u>	<u>96,714</u>	<u>(173,786)</u>
Excess (deficiency) of revenues over expenditures	<u>270,500</u>	<u>270,500</u>	<u>96,714</u>	<u>(173,786)</u>
Other financing sources (uses):				
Transfers out	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Total other financing sources (uses)	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Net change in fund balance	<u>520,500</u>	<u>520,500</u>	<u>96,714</u>	<u>(423,786)</u>
Fund balance at beginning of year	<u>25,310</u>	<u>25,310</u>	<u>25,310</u>	
Fund balance (deficit) at end of year	<u>\$ 545,810</u>	<u>\$ 545,810</u>	<u>\$ 122,024</u>	<u>\$ (423,786)</u>

CITY OF KING CITY, CALIFORNIA

FIRST STREET REHABILITATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 250,000	\$ -	\$ (250,000)
Total revenues	-	250,000	-	(250,000)
Expenditures:				
Capital outlay	-	-	16,532	(16,532)
Total expenditures	-	-	16,532	(16,532)
Excess (deficiency) of revenues over expenditures		250,000	(16,532)	(266,532)
Fund balance (deficit) at beginning of year	(383,499)	(383,499)	(383,499)	
Fund balance (deficit) at end of year	<u>\$ (383,499)</u>	<u>\$ (133,499)</u>	<u>\$ (400,031)</u>	<u>\$ (266,532)</u>

CITY OF KING CITY, CALIFORNIA

CAPITAL PROJECTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 150,105	\$ 150,105
Total revenues	<u>-</u>	<u>-</u>	<u>150,105</u>	<u>150,105</u>
Expenditures:				
Capital outlay	450,000	450,000	193,066	256,934
Total expenditures	<u>450,000</u>	<u>450,000</u>	<u>193,066</u>	<u>256,934</u>
Excess (deficiency) of revenues over expenditures	(450,000)	(450,000)	(42,961)	407,039
Fund balance (deficit) at beginning of year	<u>(29,518)</u>	<u>(29,518)</u>	<u>(29,518)</u>	<u>0</u>
Fund balance (deficit) at end of year	<u><u>\$ (479,518)</u></u>	<u><u>\$ (479,518)</u></u>	<u><u>\$ (72,479)</u></u>	<u><u>\$ 407,039</u></u>

CITY OF KING CITY, CALIFORNIA

DEVELOPMENT IMPACT FEES

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

Fiscal Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits	\$ 9,000	\$ 9,000	\$ 50,366	\$ 41,366
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>50,366</u>	<u>41,366</u>
Expenditures:				
Current:				
General government	2,500	2,500		(2,500)
Public safety	5,000	5,000		(5,000)
Public works	9,000	9,000		(9,000)
Parks and community service	2,500	2,500		(2,500)
Capital outlay	3,500	3,500	5,843	2,343
Total expenditures	<u>22,500</u>	<u>22,500</u>	<u>5,843</u>	<u>(16,657)</u>
Excess (deficiency) of revenues over expenditures	<u>(13,500)</u>	<u>(13,500)</u>	<u>44,523</u>	<u>58,023</u>
Fund balance (deficit) at beginning of year	<u>(117,977)</u>	<u>(117,977)</u>	<u>(117,977)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (131,477)</u>	<u>\$ (131,477)</u>	<u>\$ (73,454)</u>	<u>\$ 58,023</u>

CITY OF KING CITY, CALIFORNIA
AGENCY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Assets:				
Cash and investments	\$ 77,375	\$ 56,169	\$ -	\$ 133,544
Accounts receivable	1,434	-	1,434	-
Total assets	<u>\$ 78,809</u>	<u>\$ 56,169</u>	<u>\$ 1,434</u>	<u>\$ 133,544</u>
Liabilities:				
Accounts payable	\$ 16,436	\$ 115,249	\$ -	\$ 131,685
Deposits	62,373	-	60,514	1,859
Total liabilities	<u>\$ 78,809</u>	<u>\$ 115,249</u>	<u>\$ 60,514</u>	<u>\$ 133,544</u>

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