

**CITY OF FIREBAUGH**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**FINANCIAL STATEMENTS**

**JUNE 30, 2010**

## **C O N T E N T S**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Firebaugh, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Firebaugh, California, (the City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

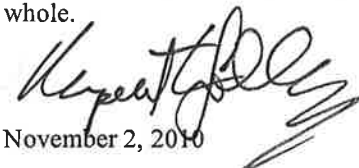
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the financial statements. The Budgetary Comparison Information on pages 32 through 34 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 opinions on the financial statements that collectively comprise the City of Firebaugh's basic financial statements. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This information has 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.



November 2, 2010

# CITY OF FIREBAUGH

## STATEMENT OF NET ASSETS JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ (663,838)	\$ 3,611,338	\$ 2,947,500
Restricted cash and investments	3,268,589	-	3,268,589
Accounts receivable	124,947	191,059	316,006
Interest receivable	1,128	2,162	3,290
Due from other governmental agencies	1,791,786	877,230	2,669,016
Due (to)/from other funds	(90,000)	90,000	-
Amortizable costs	343,866	162,388	506,254
Notes receivable	1,724,673	-	1,724,673
Land held for resale	668,797	-	668,797
Capital assets (net of allowance for depreciation)	1,892,412	16,483,726	18,376,138
Total assets	9,062,360	21,417,903	30,480,263
<b>LIABILITIES</b>			
Accounts payable and accrued expense	419,370	82,137	501,507
Accrued interest	41,811	81,725	123,536
Deposits	-	15,355	15,355
Deferred revenue	48,979	-	48,979
Compensated absences	176,457	34,473	210,930
Long-term liabilities			
Due within one year	125,705	161,500	287,205
Due in more than one year	6,972,670	9,712,000	16,684,670
Post-retirement health benefits	415,620	-	415,620
Total liabilities	8,200,612	10,087,190	18,287,802
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,724,037	6,610,226	8,334,263
Restricted for debt service	2,462,566	166,828	2,629,394
Restricted for noncurrent receivables	1,724,673	-	1,724,673
Unrestricted:			
Designated for specific projects and programs	1,153,308	-	1,153,308
Undesignated	(6,202,836)	4,553,659	(1,649,177)
Total net assets/(deficit)	\$ 861,748	\$ 11,330,713	\$ 12,192,461

# CITY OF FIREBAUGH

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2010

Functions/Programs	Net Revenue/(Expense) and Changes in Net Assets				
	Program Revenue		Primary Government		
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
<b>Primary Government</b>					
Governmental activities					
General government	\$ 830,871	\$ 61,608	\$ 50,676	\$ -	\$ (718,587)
Public safety	1,825,424	119,794	100,000	29,750	(1,575,880)
Public works	605,704	12,819	472,541	-	(120,344)
Community development	2,921,171	37,505	468,353	2,034,022	(381,291)
Parks and recreation	293,861	86,756	-	-	(207,105)
Airport	56,733	11,005	39,311	-	(6,417)
Tax pass-through	690,546	-	-	-	(690,546)
Debt Service					
Interest and fiscal charges	449,684	-	-	-	(449,684)
Total governmental activities	7,673,994	329,487	1,130,881	2,063,772	(4,149,854)
Business-type activities					
Water	1,398,532	1,808,504	-	453,288	863,260
Sewer	1,195,852	1,495,024	-	134,184	433,356
Total business-type activities	2,594,384	3,303,528	-	587,472	1,296,616
<b>Total primary government</b>	<b>\$ 10,268,378</b>	<b>\$ 3,633,015</b>	<b>\$ 1,130,881</b>	<b>\$ 2,651,244</b>	<b>(4,149,854)</b>
<b>General Revenues</b>					
Property taxes				2,065,474	2,065,474
Sales taxes				630,737	630,737
Utility users tax				527,859	527,859
Franchise taxes				120,975	120,975
Business licenses				35,525	35,525
Interest and rent				56,266	56,266
Other				111,016	111,016
Transfers				(10,000)	-
Special Items					
Loss on settlement of Hacienda Villa note receivable				(1,329,122)	(1,329,122)
Gain from low income housing assistance notes receivable				1,374,673	1,374,673
Total general revenue and transfers				3,583,403	3,604,649
<b>Change in Net Assets</b>				(566,451)	751,411
<b>Net Assets</b>					
Beginning of year				1,428,199	11,441,050
End of year				861,748	12,192,461

See accompanying notes.

# CITY OF FIREBAUGH

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2010

### ASSETS

	General	Community Development	RDA Low- Moderate Housing	RDA Debt Service	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 398,725	\$ (1,211,745)	\$ 405,145	\$ (806,084)	\$ 550,121	\$ (663,838)
Restricted cash and investments	-	-	-	3,268,589	-	3,268,589
Accounts receivable, net	108,547	-	-	-	16,400	124,947
Interest receivable	301	-	226	61	540	1,128
Due from other governmental agencies	196,427	1,340,979	-	-	254,380	1,791,786
Notes receivable	-	-	350,000	-	1,374,673	1,724,673
Land held for resale	-	-	-	-	668,797	668,797
Total assets	\$ 704,000	\$ 129,234	\$ 755,371	\$ 2,462,566	\$ 2,864,911	\$ 6,916,082

### LIABILITIES AND FUND BALANCE

<b>Liabilities</b>						
Accounts payable and accrued expense	\$ 286,690	\$ 80,255	\$ 5,983	\$ -	\$ 46,442	\$ 419,370
Due to other funds	90,000	-	-	-	-	90,000
Deferred revenue	60,181	48,979	-	-	1,374,673	1,483,833
Compensated absences	83,733	-	1,096	-	19,983	104,812
Total liabilities	520,604	129,234	7,079	-	1,441,098	2,098,015

### Fund Balance

Reserved for debt service	-	-	-	2,462,566	-	2,462,566
Reserved for noncurrent receivables	-	-	350,000	-	-	350,000
Reserved for land held for resale	-	-	-	-	668,797	668,797
Unreserved:						
Desingated for specific projects and programs	-	-	398,292	-	755,016	1,153,308
Undesignated	183,396	-	-	-	-	183,396
Total fund balance	183,396	-	748,292	-	1,423,813	4,818,067
Total liabilities and fund balance	\$ 704,000	\$ 129,234	\$ 755,371	\$ 2,462,566	\$ 2,864,911	\$ 6,916,082

See accompanying notes.

## CITY OF FIREBAUGH

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES JUNE 30, 2010

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Total governmental fund balance	\$ 4,818,067
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Notes receivable are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	1,374,673
Certain revenues are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	60,181
Governmental funds report debt issuance costs as an expenditure because they require the use of current financial resources. However, debt issuance costs must be included as a deferred charge in the statement of net assets	343,866
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,892,412
Long-term portion of compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(71,645)
Accrued interest on long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds	(41,811)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(7,098,375)
Post-retirement health benefits are not due and payable in the current period and, therefore, are not reported in the funds	<u>(415,620)</u>
Net assets of governmental activities	<u>\$ 861,748</u>



# CITY OF TREBAUGH

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2010

	General	Community Development	RDA Low- Moderate Housing	RDA Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>						
Taxes	\$ 1,981,116	\$ -	\$ 255,723	\$ 1,022,892	\$ 60,658	\$ 3,320,389
Intergovernmental	48,050	1,781,615	-	-	972,740	2,802,405
Charges for services	273,293	-	-	-	11,005	284,298
Licenses, permits and impact fees	139,841	-	-	-	252,407	392,248
Fines and forfeitures	45,189	-	-	-	-	45,189
Interest and rent	34,269	-	1,713	396	19,888	56,266
Other	103,888	7,128	328,000	-	-	439,016
Total revenue	2,625,646	1,788,743	585,436	1,023,288	1,316,698	7,339,811
<b>Expenditures</b>						
Current						
General government	332,814	-	-	-	-	332,814
Public safety	1,589,298	-	-	-	114,367	1,703,665
Public works	197,945	-	-	-	396,494	594,439
Community development	243,393	1,841,562	246,583	-	589,633	2,921,171
Parks and recreation	293,861	-	-	-	-	293,861
Airport	-	-	-	-	56,733	56,733
Tax pass-through	-	-	-	690,546	-	690,546
Capital outlay	15,252	29,928	-	-	58,569	103,749
Debt Service	-	-	-	-	-	-
Principal	-	-	-	95,000	19,726	114,726
Interest and fiscal charges	-	-	-	441,445	9,330	450,775
Total expenditures	2,672,563	1,871,490	246,583	1,226,991	1,244,852	7,262,479
Revenue over/(under) expenditures	(46,917)	(82,747)	338,853	(203,703)	71,846	77,332
<b>Other Financing Sources/(Uses)</b>						
Operating transfers in	43,000	82,442	-	33,144	1,119,492	1,278,078
Operating transfers (out)	(109,441)	(57,934)	(39,771)	(950,253)	(130,679)	(1,288,078)
Total other financing sources (uses)	(66,441)	24,508	(39,771)	(917,109)	988,813	(10,000)
<b>Change in Fund Balance</b>	(113,358)	(58,239)	299,082	(1,120,812)	1,060,659	67,332
<b>Fund Balance</b>						
Beginning of year	296,754	58,239	449,210	3,583,378	363,154	4,750,735
End of year	\$ 183,396	\$ -	\$ 748,292	\$ 2,462,566	\$ 1,423,813	\$ 4,818,067

See accompanying notes.

## CITY OF FIREBAUGH

### RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2010

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Net change in fund balance - total governmental funds	\$ 67,332
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not required as expenditures in Governmental Funds	(204,163)
Amortization of deferred debt costs in the statement of net assets do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds	(13,755)
In the statement of activities, interest is accrued on long-term debt, whereas in governmental funds interest expenditure is reported when due	1,091
Certain revenues in Governmental Funds are deferred because they are not collected within the prescribed time period after fiscal year end. Those revenues are recognized on the accrual basis in the Statement of Net Assets	60,181
Long-term portion of compensated absence costs in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in Governmental Funds	2,457
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	114,726
Repayment of long-term receivables are revenue in governmental funds, but the receipt reduces long-term receivables in the Statement of Net Assets	(328,000)
Settlement of long-term receivables for less than the book value of the receivable is reported as a loss in the Statement of Activities	(1,329,122)
Governmental funds report issuance of loans as expenditures. However, in the Statement of Activities these loans are subject to capitalization on the Statement of Net Assets	1,374,673
Post-retirement benefit costs in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the Governmental Funds	(415,620)
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities and Changes in Net Assets the cost of those assets are capitalized as an asset and depreciated over the period of service	<u>103,749</u>
Change in net assets of governmental activities	<u>\$ (566,451)</u>

# CITY OF FIREBAUGH

## STATEMENT OF NET ASSETS – PROPRIETARY FUNDS

JUNE 30, 2010

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total Business-Type Funds
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments	\$ 1,922,186	\$ 1,689,152	\$ 3,611,338
Accounts receivable	81,055	110,004	191,059
Interest receivable	1,730	432	2,162
Due from other governmental agencies	877,230	-	877,230
Due from other funds	90,000	-	90,000
Total current assets	<u>2,972,201</u>	<u>1,799,588</u>	<u>4,771,789</u>
<b>Non-current assets</b>			
Unamortized bond discount	162,388	-	162,388
Property, plant and equipment (net of allowance for depreciation)	<u>10,158,895</u>	<u>6,324,831</u>	<u>16,483,726</u>
Total noncurrent assets	<u>10,321,283</u>	<u>6,324,831</u>	<u>16,646,114</u>
Total assets	<u>13,293,484</u>	<u>8,124,419</u>	<u>21,417,903</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expense	39,435	42,702	82,137
Accrued interest	21,397	60,328	81,725
Deposits	15,355	-	15,355
Compensated absences	17,977	16,496	34,473
Current portion of long-term debt	<u>100,000</u>	<u>61,500</u>	<u>161,500</u>
Total current liabilities	<u>194,164</u>	<u>181,026</u>	<u>375,190</u>
<b>Noncurrent Liabilities</b>			
Revenue bonds payable	<u>5,905,000</u>	<u>3,807,000</u>	<u>9,712,000</u>
Total liabilities	<u>6,099,164</u>	<u>3,988,026</u>	<u>10,087,190</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,153,895	2,456,331	6,610,226
Restricted for debt service	137,428	29,400	166,828
Unrestricted/(deficit)	<u>2,902,997</u>	<u>1,650,662</u>	<u>4,553,659</u>
Total net assets	<u>\$ 7,194,320</u>	<u>\$ 4,136,393</u>	<u>\$ 11,330,713</u>

# CITY OF FIREBAUGH

## STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2010

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total Business-Type Funds</b>
<b>Operating Revenue</b>			
Charges for services	\$ 1,751,504	\$ 1,438,024	\$ 3,189,528
Connection fees and other fees	57,000	57,000	114,000
Total operating revenue	<u>1,808,504</u>	<u>1,495,024</u>	<u>3,303,528</u>
<b>Operating Expense</b>			
Contractual services and utilities	233,574	287,183	520,757
Personnel	346,952	332,744	679,696
Supplies, repairs and other	269,601	183,497	453,098
Depreciation and amortization	278,534	234,655	513,189
Total operating expense	<u>1,128,661</u>	<u>1,038,079</u>	<u>2,166,740</u>
Operating income/(loss)	<u>679,843</u>	<u>456,945</u>	<u>1,136,788</u>
<b>Nonoperating Revenue/(Expense)</b>			
Intergovernmental revenue	405,848	-	405,848
Development impact fees	47,440	134,184	181,624
Interest income	8,768	2,478	11,246
Interest expense	(269,871)	(157,773)	(427,644)
Total nonoperating revenue/(expense)	<u>192,185</u>	<u>(21,111)</u>	<u>171,074</u>
Net income/(loss) before transfers	872,028	435,834	1,307,862
<b>Operating Transfers In/(Out)</b>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
<b>Change in Net Assets</b>	<u>882,028</u>	<u>435,834</u>	<u>1,317,862</u>
<b>Net Assets</b>			
Beginning of year	6,312,292	3,700,559	10,012,851
End of year	<u>\$ 7,194,320</u>	<u>\$ 4,136,393</u>	<u>\$ 11,330,713</u>

# CITY OF FIREBAUGH

## STATEMENT OF CASH FLOW - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2010

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total Business-Type Funds</b>
<b>Operating Activities</b>			
Receipts from customers and users	\$ 1,797,597	\$ 1,454,621	\$ 3,252,218
Payments for contractual services and utilities	(249,984)	(550,469)	(800,453)
Payments to employees	(344,289)	(330,179)	(674,468)
Payments to suppliers	(269,601)	(183,497)	(453,098)
Net cash provided by operating activities	<u>933,723</u>	<u>390,476</u>	<u>1,324,199</u>
<b>Non-capital Financial Activities</b>			
Payments from other governments	1,165,105	303,636	1,468,741
Payments from developers	47,440	134,184	181,624
Payments received from (paid to) other funds	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net cash provided by (used in) noncapital financing activities	<u>1,232,545</u>	<u>437,820</u>	<u>1,670,365</u>
<b>Capital and Related Financing Activities</b>			
Purchase of property, plant and equipment	(415,848)	(13,501)	(429,349)
Principal paid on long-term debt	(100,000)	(60,500)	(160,500)
Interest paid on long-term debt	(259,708)	(158,777)	(418,485)
Net cash (used in) capital and related financing activities	<u>(775,556)</u>	<u>(232,778)</u>	<u>(1,008,334)</u>
<b>Investing Activities</b>			
Interest received	<u>8,498</u>	<u>2,201</u>	<u>10,699</u>
Net cash provided by investing activities	<u>8,498</u>	<u>2,201</u>	<u>10,699</u>
<b>Net Increase (Decrease) in Cash</b>	<b>1,399,210</b>	<b>597,719</b>	<b>1,996,929</b>
<b>Cash</b>			
Beginning of year	<u>522,976</u>	<u>1,091,433</u>	<u>1,614,409</u>
End of year	<u>\$ 1,922,186</u>	<u>\$ 1,689,152</u>	<u>\$ 3,611,338</u>
<b>Cash Flows from Operating Activities</b>			
Operating income (loss)	\$ 679,843	\$ 456,945	\$ 1,136,788
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	278,534	234,655	513,189
(Increase) Decrease in Accounts Receivable	(10,766)	(40,403)	(51,169)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	<u>(13,888)</u>	<u>(260,721)</u>	<u>(274,609)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 933,723</u>	<u>\$ 390,476</u>	<u>\$ 1,324,199</u>

# **CITY OF FIREBAUGH**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010**

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### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the City of Firebaugh (the City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

These financial statements present the 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 government's operations and data from these units is combined with data of the primary government. Each blended component unit has a June 30 fiscal year end. There are no discretely presented component units included in these financial statements. The following sections further describe the significant accounting policies of the City.

#### **Reporting Entity**

The City of Firebaugh, State of California (the "City"), was incorporated in 1914. The City operates under a Council-Manager form of government. The City's major operations include public safety; highways and streets; water and sewer; parks and recreation; building inspection; public improvements; planning and zoning, and general administrative services.

Included in this report is the Redevelopment Agency of the City of Firebaugh (the Agency). The Agency was established in 1985 to administer the City's redevelopment activities and projects. Members of the City Council automatically sit as the Agency Board, the City Manager is appointed as Executive Director with the City staff providing all support services. Currently the Agency/City legislative meetings are held concurrently. The annual financial statements for the Agency for the fiscal year ended June 30, 2010 can be obtained through the City's Finance Department.

#### **Basis of Presentation – Fund Accounting**

**Government-Wide Financial Statements** - The Government-Wide Financial Statements (the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) report information of all of the nonfiduciary activities of the primary government and its component units. For the most part, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City and between the City and its component unit. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities and Changes in Net Assets presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 1 – Summary of Significant Accounting Policies (Continued)

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Governmental Fund Financial Statements** - The Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds and the blended component unit. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

*General Fund* – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

*Community Development Fund* – The Community Development Fund was established to account for the monies received from various sources which are to be used for the design and construction of various projects.

*RDA Low and Moderate Housing Fund* – The Fund is used to account for that portion of the Agency's revenues earmarked for increasing or improving housing for low and moderate income households.

*RDA Debt Service Fund* – The RDA Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the Redevelopment Agency's funds.

### **Basis of Accounting**

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

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 1 – Summary of Significant Accounting Policies (Continued)

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

For its government-wide activities and Enterprise Funds, the City has elected under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

#### Financial Statement Amounts

*Cash and Investments* - Cash and investments represent the City's cash bank accounts including but not limited to certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month end cash balances in each fund.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund. Investments are stated at cost or amortized cost.

*Accounts Receivable* - Billed but unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable. The Proprietary Funds include a year end accrual for services through June 30, 2010, which have not yet been billed.



# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 1 – Summary of Significant Accounting Policies (Continued)

Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year. Secured property taxes is due in two installments, on November 1 and March 1, and becomes a lien on those dates. They become delinquent on December 10 and April 10, respectively. Collection of delinquent accounts is the responsibility of the County, which retains all penalties collected. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on July 1 and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

*Interfund Receivables/Payables* - Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

*Advances To/From Other Funds* - This classification represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

*Capital Assets* - Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 1 – Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings, structures and improvements	40
Infrastructure	40
Utility plant	40
Furniture and equipment	7
Automobiles and trucks	5

*Land Held for Resale* - Land held for resale represents property acquired by the Agency for resale. The property is recorded at market value. No write-down for a lower market value has been reflected in the accompanying financial statements.

*Compensated Absences* - It is the City's policy to permit all employees to accumulate earned but unused vacation and compensatory time benefits. Those employees on shift work schedules may also accumulate hours for holiday time benefits.

Vested or accumulated vacation, holiday and any compensation time that is expected to be paid with expendable available financial resources is reported as an expenditure in the fund financial statements of the Governmental Fund that will pay for it. Amounts not expected to be liquidated with expendable available financial resources are reported in the Government-Wide Financial Statements.

Vested leave of Proprietary Funds are recorded as an expense and liability as the benefits accrue.

Sick leave can be accumulated, but vesting is limited and will not be paid upon termination. However, in past years unused sick leave could be used to pay post-employment health insurance. Only two retirees have unused benefits of \$71,645 at year end and this amount is reported as a compensated absence liability. For this reason, the City does not accrue any costs relating to sick leave.

*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 principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. 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.

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 1 – Summary of Significant Accounting Policies (Continued)

*Non-Current Governmental Assets/Liabilities* - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Assets.

*Pension Plan* - All full-time City employees are members of the State of California Public Employees' Retirement System. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System's actuary. See note 6 for further discussion.

*Bond Discount and Issuance Costs* - For governmental funds, bond discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. For business-type funds, bond discounts, as well as issuance costs, are deferred and amortized over the life, of the bonds. Bonds payable are reported net of applicable bond discounts. Issuance costs are reported as deferred charges.

*Net Assets/Fund Equity* - The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* - This category 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* - This category presents external restrictions on net assets imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* - This category represents net assets of the City, not restricted for any project or other purpose.

*Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 2 – Stewardship, Compliance and Accountability

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the Firebaugh Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during June of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

### Note 3 – 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 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, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and Investments	\$ 2,947,500
Restricted Cash and Investments	<u>3,268,589</u>
Total Cash and Investments	<u>\$ 6,216,089</u>

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 3 – Cash and Investments (Continued)

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

Cash on hand	\$ 300
Deposits with Financial Institutions	835,946
Local Agency Investment Fund	1,965,693
Held by Fiscal Agent:	
Cash	<u>3,414,150</u>
Total Cash and Investments	<u>\$ 6,216,089</u>

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to 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	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	1 year	None	5%
U.S. Treasury Obligations	1 year	None	None
U.S. Agency Securities	1 year	None	None
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	1 year	30%	None
Medium-Term Notes	1 year	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	1 year	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 3 – Cash and Investments (Continued)

#### Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	None	None	None
Money Market Mutual Funds	None	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	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, 2010 the City had the following investments.

Investment Type		Maturity Date
Local Agency Investment Fund	\$ 1,965,693	N/A
Held by Bond Trustee:		
Cash	<u>3,414,150</u>	N/A
Total	<u>\$ 5,379,843</u>	

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 3 – Cash and Investments (Continued)

#### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the 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	Rating as of Year End Not Rated
Local Agency Investment Fund	\$ 1,965,693	N/A	\$ 1,965,693
Held by Bond Trustee:			
Money Market Mutual Funds	<u>3,414,150</u>	N/A	<u>3,414,150</u>
Total	<u>\$ 5,379,843</u>		<u>\$ 5,379,843</u>

#### Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Approximately 55% of cash and investments is held by bond trustee.

#### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The 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 governmental 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.

# **CITY OF FIREBAUGH**

## **NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010**

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### **Note 3 – Cash and Investments (Continued)**

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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

#### **Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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.

### **Note 4 – Notes Receivable**

**Firebaugh San Joaquin Vista Associates** - During fiscal year 2000, the Redevelopment Agency of the City of Firebaugh loaned Firebaugh San Joaquin Vista Associates \$200,000 as a subsidy in connection with a low income apartment. The note carries an interest rate of 3% and matures during 2055. The terms of the agreement specify that payments of the outstanding principal and accrued interest shall be paid annually in the amount equal to 30% of available project revenues. Payments made shall be credited first against accrued interest and then against outstanding principal. There have been no required payments to date on this note.

**San Joaquin Development LLC** – During fiscal year 2010, the Redevelopment Agency of the City of Firebaugh loaned San Joaquin Development LLC \$150,000 in connection with the construction of low-income condominiums. The note is non-interest bearing and is repayable upon sale of each unit at the rate of \$7,134 per unit. There have been no repayments to date on this note.



# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

### Note 5 – Capital Assets

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

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
<b><u>Governmental Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 130,000	\$ 7,047	\$ -	\$ 137,047
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>130,000</u>	<u>7,047</u>	<u>-</u>	<u>137,047</u>
Capital assets, being depreciated				
Buildings and improvements	1,282,254	21,140	-	1,303,394
Infrastructure	514,825	-	-	514,825
Machinery and equipment	<u>1,429,384</u>	<u>75,562</u>	<u>-</u>	<u>1,504,946</u>
Total capital assets, being depreciated	<u>3,226,463</u>	<u>96,702</u>	<u>-</u>	<u>3,323,165</u>
Less accumulated depreciation for:				
Buildings and improvements	(419,794)	(41,199)	-	(460,993)
Infrastructure	(51,484)	(12,871)	-	(64,355)
Machinery and equipment	<u>(892,359)</u>	<u>(150,093)</u>	<u>-</u>	<u>(1,042,452)</u>
Total accumulated depreciation	<u>(1,363,637)</u>	<u>(204,163)</u>	<u>-</u>	<u>(1,567,800)</u>
Total capital assets, being depreciated, net	<u>1,862,826</u>	<u>(107,461)</u>	<u>-</u>	<u>1,755,365</u>
Governmental activities capital assets, net	<u>\$ 1,992,826</u>	<u>\$ (100,414)</u>	<u>\$ -</u>	<u>\$ 1,892,412</u>
<b><u>Business-Type Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 203,705	\$ -	\$ -	\$ 203,705
Construction in progress	<u>1,988,401</u>	<u>405,848</u>	<u>-</u>	<u>2,394,249</u>
Total capital assets, not being depreciated	<u>2,192,106</u>	<u>405,848</u>	<u>-</u>	<u>2,597,954</u>
Capital assets, being depreciated				
Building	237,000	-	-	237,000
Improvements other than buildings	11,030,046	-	-	11,030,046
Machinery and equipment	<u>7,659,849</u>	<u>23,501</u>	<u>-</u>	<u>7,683,350</u>
Total capital assets, being depreciated	<u>18,926,895</u>	<u>23,501</u>	<u>-</u>	<u>18,950,396</u>
Less: accumulated depreciation	<u>(4,551,435)</u>	<u>(513,189)</u>	<u>-</u>	<u>(5,064,624)</u>
Total capital assets, being depreciated, net	<u>14,375,460</u>	<u>(489,688)</u>	<u>-</u>	<u>13,885,772</u>
Business-type activities capital assets, net	<u>\$ 16,567,566</u>	<u>\$ (83,840)</u>	<u>\$ -</u>	<u>\$ 16,483,726</u>

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

### Note 5 – Capital Assets (Continued)

Depreciation and amortization expense were charged to the following functions in the Statement of Activities:

#### Governmental Functions:

General Government	\$	71,139
Public Safety		121,759
Public Works and Development		11,265
	\$	<u>204,163</u>

#### Business-Type Functions:

Water	\$	278,534
Sewer		234,655
	\$	<u>513,189</u>

### Note 6 – Long-term Liabilities

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's debt transactions are summarized below and discussed in detail thereafter:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Current Portion
<b><u>Governmental Activity Long Term Debt</u></b>					
Redevelopment Agency Bonds					
2005 Tax Allocation Bond - A	\$ 3,770,000	\$ -	\$ -	\$ 3,770,000	\$ -
2005 Tax Allocation Bond - B	3,255,000	-	(95,000)	3,160,000	105,000
Lease Payable					
Fire truck lease	<u>188,101</u>	<u>-</u>	<u>(19,726)</u>	<u>168,375</u>	<u>20,705</u>
Total Governmental Activity Debt	<u>\$ 7,213,101</u>	<u>\$ -</u>	<u>\$ (114,726)</u>	<u>\$ 7,098,375</u>	<u>\$ 125,705</u>
<b><u>Business-Type Activity Long Term Debt</u></b>					
Bonds Payable					
1976 Firebaugh Sewer Revenue Bond	\$ 169,000	\$ -	\$ (20,500)	\$ 148,500	\$ 21,500
2005 Water Revenue Bond	1,830,000	-	(50,000)	1,780,000	50,000
Certificate of Participation					
2007 USDA Water COP	4,275,000	-	(50,000)	4,225,000	50,000
Loan Payable					
2008 USDA Sewer Loan	<u>3,760,000</u>	<u>-</u>	<u>(40,000)</u>	<u>3,720,000</u>	<u>40,000</u>
Total Business-Type Activity Debt	<u>\$ 10,034,000</u>	<u>\$ -</u>	<u>\$ (160,500)</u>	<u>\$ 9,873,500</u>	<u>\$ 161,500</u>
<b><u>Compensated Absences</u></b>					
Government Activities	<u>\$ 167,165</u>	<u>\$ 9,292</u>	<u>\$ -</u>	<u>\$ 176,457</u>	
Business-Type Activities	<u>\$ 29,245</u>	<u>\$ 5,228</u>	<u>\$ -</u>	<u>\$ 34,473</u>	

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 6 – Long-Term Liabilities (Continued)

Long-term debt payable at June 30, 2010 was comprised of the following individual issues:

**2005 Tax Allocation Bonds Series A** - In 2005 the Agency issued \$3,770,000 of tax allocation bonds secured by tax revenues allocated to the Agency. Interest on the bonds is payable semi-annually on December 1 and June 1 each year, with interest rate of 5.28% per annum. Principal payments begin on December 1, 2026.

**2005 Tax Allocation Bonds Series B** - In 2005 the Agency issued \$3,450,000 of tax allocation bonds secured by tax revenues allocated to the Agency. Interest on the bonds is payable semi-annually on December 1 and June 1 each year, with interest rates ranging between 5% and 8% per annum. Principal is paid annually.

**Fire Truck Lease** - In October 2006 the City entered into a capital lease for \$224,802 with Kansas State Bank of Manhattan for a new fire truck. The lease is payable in ten annual installments of \$29,056.30 consisting of principal and interest.

**Revenue Bonds Payable** - The 1976 Firebaugh Sewer Revenue Bonds in the amount of \$477,000 were issued in 1976. Interest in the amount of 5 percent is due semi-annually. Principal is paid annually.

**2005 Water Revenue Bond** - In 2005 the City issued \$1,970,000 of bonds. Interest on the bonds is payable semi-annually on December 1 and June 1 each year, with interest rates ranging between 3% and 5% per annum. Principal is paid annually.

**2007 USDA Water Certificate of Participation** - In 2007 the City issued \$4,365,000 of Certificates of Participation. The proceeds of the issue were used for the water system improvement project. Interest on the COP is payable semi-annually on December 1 and June 1 each year, with an interest rate of 4.125% per annum. Principal is paid annually on June 1.

**2008 USDA Sewer Loan Payable** - In 2008 the City borrowed \$3,800,000 from the USDA to finance sewer plant expansion. Interest on the loan is payable semi-annually on February 15 and August 15 each year, with an interest rate of 4.125% per annum. Principal is paid on August 15 of each year.

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

### Note 6 – Long-Term Liabilities (Continued)

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2010 are as follows:

Years ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 125,705	\$ 443,796	\$ 161,500	\$ 415,922
2012	131,732	435,769	167,500	409,205
2013	142,810	426,642	174,500	402,237
2014	153,941	416,760	185,500	394,657
2015	160,129	406,298	191,500	386,767
2016-2020	909,058	1,845,729	963,000	1,810,347
2021-2025	1,260,000	1,440,063	1,170,000	1,586,420
2026-2030	1,805,000	894,825	1,420,000	1,307,699
2031-2035	2,355,000	339,758	1,410,000	981,404
2036-2040	55,000	1,457	1,380,000	708,985
2041-2045	-	-	1,685,000	397,546
2046-2047	-	-	965,000	60,534
	<u>\$ 7,098,375</u>	<u>\$ 6,651,097</u>	<u>\$ 9,873,500</u>	<u>\$ 8,861,723</u>

### Note 7 – Interfund Transfers

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds' that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due. In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

	Transfers In	Transfers Out
<b>Major Governmental Funds:</b>		
General Fund	\$ -	\$ (66,441)
Community Development Fund	24,508	-
RDA Low-Moderate Housing Fund	-	(39,771)
RDA Debt Service Fund	-	(917,109)
<b>Proprietary Funds:</b>		
Water Fund	10,000	-

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 7 – Interfund Transfers (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Nonmajor Governmental Funds:</b>		
Gas Tax Fund	-	(436)
Housing Assistance Fund	6,627	-
Development Impact Fees Fund	97,358	-
Community Redevelopment Fund	885,264	-
	<u>\$ 1,023,757</u>	<u>\$ (1,023,757)</u>

### Note 8 – Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties, and special districts. The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$60,181.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012-13). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

### Note 9 – Pension Plan

**Plan Description** - The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

**Funding Policy** - Participants are required to contribute seven percent (nine percent for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 10.735 percent for non-safety employees and 28.370 percent for safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 9 – Pension Plan (Continued)

**Annual Pension Cost** - For the year ended June 30, 2010, the City's annual pension cost of \$439,388 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3.25 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

#### THREE YEAR TREND INFORMATION FOR PERS

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<b>Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2008	\$ 415,401	100%	-
June 30, 2009	\$ 454,929	100%	-
June 30, 2010	\$ 439,388	100%	-

A new State law authorized the creation of risk pools by PERS and required mandatory participation of small employers to help reduce large fluctuations in their contribution rates. The City is now required to participate in the risk pool. Under this pooling method, assets and liabilities of the participant employers are aggregated. As such, individual employer's retirement data is no longer available.

### Note 10 – Post-Employment Health Care Benefits

#### Post Retirement Benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. Prior to adopting the requirements of GASB Statement No. 45, the City recognized the cost of postemployment healthcare in the year it was paid. With the implementation of GASB Statement No. 45 the City will report the accumulated liability from prior years in order to provide information useful in assessing potential demands on the City's future cash flows. Recognition and funding of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009-2010 liability.

#### Plan Description

For all employees employed by the City who are not under a labor agreement who retire from the City's employment under the Public Employee's Retirement System currently in effect, the City will continue to pay the premiums for health care coverage in an amount equal to the amount paid if the employee was still employed by the City.

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 10 – Post-Employment Health Care Benefits (Continued)

For the fiscal year ending June 30, 2010, two retirees were receiving such benefits. The City is financing these benefits on a pay as you go basis.

#### Funding Policy

The contributions requirements of plan members and the City are established and may be amended by the City. The City determines the required contributions using the Entry Age Normal Cost Method. The required contribution is based on projected pay-as-you-go financing requirements.

Membership in the plan consisted of the following at June 30, 2010, the date of the latest actuarial valuation.

Retirees receiving benefits	2
Active plan members eligible	<u>40</u>
Total	<u>42</u>
Retired employees:	
Average Age	64.2
Average Retirement Age	60
Active members eligible:	
Average Age	40.3
Average Service Years	6.4

#### Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty (30) years. The following table shows the amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 415,620
Age adjusted contributions made	<u>-</u>
Increase in net OPEB obligation	415,620
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 415,620</u>

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 10 – Post-Employment Health Care Benefits (Continued)

The City's OPEB obligation as of implementation of GASB Statement No. 45 is less than the actuarial accrued liability of \$2,263,046, all of which is unfunded. However, the OPEB obligation will be increased prospectively to the actuarial accrued liability amount. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	415,620	-	0.0%	415,620

### Funding Status and Progress

The funded status of the liability as of June 30, 2010, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
06/30/10	2,263,046	-	2,263,046	0.0%	1,598,143	141.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding status and progress, as shown above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The annual OPEB cost was determined as part of the June 30, 2010 actuarial valuation. Additional information as of the last actuarial valuations follows:



# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 10 – Post-Employment Health Care Benefits (Continued)

Valuation Date	June 30, 2010	
Actuarial Cost Method	Entry Age Normal	
Asset Valuation Method	Market Value	
Amortization Method	Level Percentage of Payroll	
Remaining Amortization Period	30 years	
Actuarial Assumptions:		
Investment Rate of Return	4.5%	
Discount Rate	4.5%	
Payroll Increase	3.25%	
Health Cost Trend Rates:	Annual increases in premium for retired medical and prescription drug benefits are assumed to be as follows:	
	Year After Valuation Date	Medical Premiums
	2010	Actual Premiums
	2011	8.5%
	2012	8.0%
	2013	7.5%
	2014	7.0%
	Thereafter	5.5%

### Note 11 – Risk Management

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each worker's compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$10,000 and workers' compensation losses under \$10,000. The CSJVRMA purchases excess reinsurance from \$1,000,000 to \$15,000,000. The CSJVRMA participates in an excess pool which provides Workers' Compensation coverage from \$500,000 to \$1,500,000 and purchases excess reinsurance above \$1,500,000 to the statutory limit.

The CSJVRMA is a consortium of 55 cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500, et. seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times each year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial statements of CSJVRMA can be obtained at 1831 K Street, Sacramento, CA 95814.

# CITY OF FIREBAUGH

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 11 – Risk Management (Continued)

The latest audited financial information and the most current information available for CSJVRMA for fiscal year ended June 30, 2009 is as follows:

Total assets	<u>\$ 63,349,322</u>
Total liabilities	<u>\$ 54,045,869</u>
Total equities	<u>\$ 9,303,453</u>
Total revenues	<u>\$ 28,146,623</u>
Total expenses	<u>\$ 28,543,025</u>
Revenues over (under) expenses	<u>\$ (396,402)</u>

### Note 12 - Contingencies

**Federal and State Government Programs** - The City participates in several federal and state grant programs. These programs have been audited, as needed, in accordance with the provisions of the federal Single Audit Act of 1984 and applicable state requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF FIREBAUGH

## BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive/</u>
				<u>(Negative)</u>
<b>Revenue</b>				
Taxes	\$ 1,876,158	\$ 2,037,158	\$ 1,981,116	\$ (56,042)
Intergovernmental	36,600	40,680	48,050	7,370
Charges for services	218,350	230,126	273,293	43,167
Licenses, permits and impact fees	175,700	228,900	139,841	(89,059)
Fines and forfeitures	29,800	37,800	45,189	7,389
Interest and rent	29,150	29,150	34,269	5,119
Other	112,200	72,200	103,888	31,688
Total revenue	<u>2,477,958</u>	<u>2,676,014</u>	<u>2,625,646</u>	<u>(50,368)</u>
<b>Expenditures</b>				
Current				
General government	258,785	288,228	332,814	(44,586)
Public safety	1,563,578	1,591,625	1,589,298	2,327
Public works	163,928	181,388	197,945	(16,557)
Community development	159,772	168,372	243,393	(75,021)
Parks and recreation	325,536	348,136	293,861	54,275
Capital outlay	-	20,000	15,252	4,748
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>2,471,599</u>	<u>2,597,749</u>	<u>2,672,563</u>	<u>(74,814)</u>
Revenue over (under) expenditures	6,359	78,265	(46,917)	(125,182)
<b>Other Financing Sources</b>				
Transfers in (out) - net	-	43,000	(66,441)	(109,441)
<b>Net Change in Fund Balance</b>	<u>\$ 6,359</u>	<u>\$ 121,265</u>	<u>(113,358)</u>	<u>\$ (234,623)</u>
<b>Fund Balance</b>				
Beginning of year			296,754	
End of year			<u>\$ 183,396</u>	

# CITY OF FIREBAUGH

## BUDGETARY COMPARISON SCHEDULE COMMUNITY DEVELOPMENT FUND YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ -	\$ -	\$ 1,781,615	\$ 1,781,615
Other	-	-	7,128	7,128
Total revenue	-	-	1,788,743	1,788,743
<b>Expenditures</b>				
Current				
Community development	-	-	1,841,562	(1,841,562)
Capital outlay	-	-	29,928	(29,928)
Total expenditures	-	-	1,871,490	(1,871,490)
Revenue over (under)expenditures	-	-	(82,747)	(82,747)
<b>Other Financing Sources/(Uses)</b>				
Transfers in/(out) - net	-	-	24,508	(24,508)
<b>Net Change in Fund Balance</b>	\$ -	\$ -	(58,239)	\$ (58,239)
<b>Fund Balance</b>				
Beginning of year			58,239	
End of year			\$ -	

# CITY OF FIREBAUGH

## BUDGETARY COMPARISON SCHEDULE LOW-MODERATE HOUSING FUND YEAR ENDED JUNE 30, 2010

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive/ (Negative)</b>
<b>Revenue</b>				
Property tax	\$ 270,000	\$ 270,000	\$ 255,723	\$ (14,277)
Interest	3,000	3,000	1,713	(1,287)
Other	-	-	328,000	328,000
Total revenue	<u>273,000</u>	<u>273,000</u>	<u>585,436</u>	<u>312,436</u>
<b>Expenditures</b>				
Current				
Housing assistance	275,448	282,216	246,583	35,633
Capital outlay	-	-	-	-
Total expenditures	<u>275,448</u>	<u>282,216</u>	<u>246,583</u>	<u>35,633</u>
Revenue over/(under) expenditures	(2,448)	(9,216)	338,853	348,069
<b>Other Financing Sources</b>				
Transfers in (out)	-	-	(39,771)	(39,771)
<b>Change in Fund Balance</b>	<u>\$ (2,448)</u>	<u>\$ (9,216)</u>	<u>299,082</u>	<u>\$ 308,298</u>
<b>Fund Balance</b>				
Beginning of year			449,210	
End of year			<u>\$ 748,292</u>	

## **SUPPLEMENTAL ONLY INFORMATION**

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# CITY C FIREBAUGH

## COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2010

	Special Revenue Funds						Capital Project Funds			Total
	Gas Tax	Local Transportation	Measure C	Landscape Maintenance	Public Safety	Airport	Housing Assistance	Development Impact Fees	Community Redevelopment	
ASSETS										
Cash and investments	\$ 41,293	\$ (25,360)	\$ 102,442	\$ 36,688	\$ 101,620	\$ (49,868)	\$ (126,903)	\$ 274,815	\$ 195,394	\$ 550,121
Accounts receivable	-	-	-	-	-	14,400	-	-	2,000	16,400
Interest receivable	94	-	89	24	66	-	-	182	85	540
Due from other governmental agencies	29,222	37,811	9,088	-	10,967	40,389	126,903	-	-	254,380
Notes receivable	-	-	-	-	-	-	1,374,673	-	-	1,374,673
Land held for resale	-	-	-	-	-	-	-	-	668,797	668,797
Total assets	\$ 70,609	\$ 12,451	\$ 111,619	\$ 36,712	\$ 112,653	\$ 4,921	\$ 1,374,673	\$ 274,997	\$ 866,276	\$ 2,864,911
LIABILITIES AND FUND BALANCE										
Liabilities										
Accounts payable and accrued expense	\$ 345	\$ 4,939	\$ 10,573	\$ 320	\$ 2,847	\$ 12,613	\$ -	\$ -	\$ 14,805	\$ 46,442
Deferred revenue	-	-	-	-	-	-	1,374,673	-	-	1,374,673
Compensated absences	-	4,621	6,991	-	1,929	-	-	-	6,442	19,983
Total liabilities	345	9,560	17,564	320	4,776	12,613	1,374,673	-	21,247	1,441,098
Fund Balance										
Reserved for land held for resale	-	-	-	-	-	-	-	-	668,797	668,797
Unreserved, designated for specific projects and programs	70,264	2,891	94,055	36,392	107,877	(7,692)	-	274,997	176,232	755,016
Total fund balance	70,264	2,891	94,055	36,392	107,877	(7,692)	-	274,997	845,029	1,423,813
Total liabilities and fund balance	\$ 70,609	\$ 12,451	\$ 111,619	\$ 36,712	\$ 112,653	\$ 4,921	\$ 1,374,673	\$ 274,997	\$ 866,276	\$ 2,864,911



# CITY C FIREBAUGH

## COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2010

	Special Revenue Funds							Capital Project Funds			Total
	Gas Tax	Local Transportation	Measure C	Landscape Maintenance	Public Safety	Airport	Housing Assistance	Development Impact Fees	Community Redevelopment	Non-major Governmental Funds	
<b>Revenue</b>											
Taxes	\$ -	\$ -	\$ -	\$ 48,138	\$ 12,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,658
Intergovernmental	175,692	102,118	194,731	-	129,750	39,311	331,138	-	-	-	972,740
Charges for services	-	-	-	-	-	111,005	-	-	-	-	11,005
Licenses, permits and impact fees	-	-	-	-	-	-	-	252,407	-	-	252,407
Interest and rent	326	16	203	94	292	-	-	747	18,210	-	19,888
<b>Total revenue</b>	<b>176,018</b>	<b>102,134</b>	<b>194,934</b>	<b>48,232</b>	<b>142,562</b>	<b>50,316</b>	<b>331,138</b>	<b>253,154</b>	<b>18,210</b>	<b>1,316,698</b>	
<b>Expenditures</b>											
Public safety	-	-	-	-	114,367	-	-	-	-	-	114,367
Public works	150,524	101,929	100,879	43,162	-	-	-	-	-	-	396,494
Community development	-	-	-	-	-	-	337,765	18,272	233,596	-	589,633
Airport	-	-	-	-	-	56,733	-	-	-	-	56,733
Capital outlay	-	-	-	-	30,382	-	-	28,187	-	-	58,569
Debt Service	-	-	-	-	-	-	-	19,726	-	-	19,726
Principal	-	-	-	-	-	-	-	9,330	-	-	9,330
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>150,524</b>	<b>101,929</b>	<b>100,879</b>	<b>43,162</b>	<b>144,749</b>	<b>56,733</b>	<b>337,765</b>	<b>75,515</b>	<b>233,596</b>	<b>1,244,852</b>	
Revenue over (under) expenditures	25,494	205	94,055	5,070	(2,187)	(6,417)	(6,627)	177,639	(215,386)	71,846	
<b>Other financing sources/(uses)</b>											
Operating transfers in	57,634	-	-	-	-	-	6,627	97,358	957,873	1,119,492	
Operating transfers (out)	(58,070)	-	-	-	-	-	-	-	(72,609)	(130,679)	
	(436)	-	-	-	-	-	6,627	97,358	885,264	988,813	
<b>Change in Fund Balance</b>	<b>25,058</b>	<b>205</b>	<b>94,055</b>	<b>5,070</b>	<b>(2,187)</b>	<b>(6,417)</b>	<b>-</b>	<b>274,997</b>	<b>669,878</b>	<b>1,060,659</b>	
<b>Fund Balance</b>											
Beginning of year	45,206	2,686	-	31,322	110,064	(1,275)	-	-	175,151	363,154	
End of year	\$ 70,264	\$ 2,891	\$ 94,055	\$ 36,392	\$ 107,877	\$ (7,692)	\$ -	\$ 274,997	\$ 845,029	\$ 1,423,813	

# CITY OF FIREBAUGH

## SCHEDULE OF NET REVENUE AVAILABLE FOR DEBT SERVICE JUNE 30, 2010

	<u>Water Fund</u>	<u>Sewer Fund</u>
Service Charges	\$ 1,757,027	\$ 1,480,184
Delinquent Fees	43,348	-
Interest Earnings	8,768	2,478
Impact Fees	47,440	134,184
Other Revenues	8,129	14,840
Total Miscellaneous Revenue	<u>107,685</u>	<u>151,502</u>
Total Revenue	<u>1,864,712</u>	<u>1,631,686</u>
Personnel Costs	346,952	332,744
Supplies	269,601	183,497
Professional Services	115,301	204,920
Utilities	118,273	82,263
Total Operations and Maintenance	<u>850,127</u>	<u>803,424</u>
Net Revenue Available for Debt Service	<u>\$ 1,014,585</u>	<u>\$ 828,262</u>
1976 Firebaugh Sewer Revenue Bond Debt Service	\$ -	\$ 28,925
2005 Water Revenue Bond Debt Service	131,590	-
2007 USDA Water Certificate of Participation	224,282	-
2008 USDA Sewer Loan	-	192,625
Total Debt Service	<u>355,872</u>	<u>221,550</u>
Net Revenue after Debt Service	<u>\$ 658,713</u>	<u>\$ 606,712</u>
Debt Service Coverage	2.85	3.74

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

To the Honorable Mayor and City Council  
City of Firebaugh, California

We have audited the financial statements of the City of Firebaugh, as of, and for the year ended June 30, 2010, and have issued our report thereon dated November 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Firebaugh's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Firebaugh's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Firebaugh in a separate letter dated November 2, 2010.

This report is intended solely for the information and use of the City Council, management, federal and state awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

November 2, 2010

A handwritten signature in black ink, appearing to read "Kurt G. [unclear]", with a long horizontal stroke extending to the right.

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and City Council  
City of Firebaugh, California

We have audited the compliance of the City of Firebaugh (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

**Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the City as of June 30, 2010, and for the year then ended, and have issued our report thereon dated November 2, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Myra T. [unclear]", is written over the date line.

November 2, 2010

# CITY OF FIREBAUGH

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2010

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-through Number</b>	<b>Federal Expenditures</b>
U.S. Department of Transportation Passed through from the California Department of Transportation Street Reconstruction	20.600	STPL-5224	\$ 248,568
U.S. Department of Housing and Urban Development Passed through from the State Department of Housing and Community Development HOME Investment Partnership Program	14.239	08-HOME-4715	166,537
HOME Investment Partnership Program	14.239	07-HOME-3499	171,228
			<u>337,765</u>
U.S. Department of Housing and Urban Development Passed through from the State Department of Housing and Community Development Community Development Block Grant	14.228	09-PTAG-6502	12,982
Community Development Block Grant	14.228	07-PTAE-3128	4,276
Community Development Block Grant	14.228	07-PTAG-3662	31,780
			<u>49,038</u>
U.S. Department of Transportation Passed through from the California Department of Transportation American Recovery and Reinvestment Act of 2009	20.205	ESPL-5224(014)	20,117
Safe Routes to School (Cycle 2)	20.205	SRTSL-5224(012)	57,421
			<u>77,538</u>
U.S. Department of Agriculture and Rural Development Community Facilities Grant	10.780	N/A	25,300
Community Facilities Grant	10.780	N/A	24,750
Community Facilities Grant	10.788	N/A	27,500
			<u>77,550</u>
U.S. Department of Housing and Urban Development Passed through from the State Department of Housing and Community Development Community Development Block Grant	14.255	09-STAR-6389	24,244
Environmental Protection Agency Environmental Assessment Grant	66.110	2B-00T18001-0	91,609
U.S. Department of Agriculture and Rural Development Rural Business Opportunity Grant	10.773	04-010	14,775
U.S. Department of Transportation Update Airport Master Plan	20.106	3-06-0346-04	39,311

# CITY OF FIREBAUGH

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) YEAR ENDED JUNE 30, 2010

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Pass-through Number</b>	<b>Federal Expenditures</b>
U.S. Department of Health and Human Services Passed through from California Department of Aging Special Program for Aging	93.044	10-0241	8,580
<i>Total Federal Expenditures</i>			<u>\$ 968,978</u>

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

#### NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards reports expenditures on the modified accrual basis of accounting. Accordingly, expenditures represent amounts incurred during the fiscal year which meet federal grant eligibility requirements.



# CITY OF FIREBAUGH

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2010

---

### A. Summary of Auditor's Results

#### *Financial Statements*

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- |  |                          |     |                                     |               |
|--|--------------------------|-----|-------------------------------------|---------------|
| • Material weaknesses identified?  | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No            |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | None reported |
| • Non-compliance material to financial statements noted?                                 | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No            |

#### *Federal Awards*

Internal control over major programs:

- |  |                          |     |                                     |               |
|--|--------------------------|-----|-------------------------------------|---------------|
| • Material weaknesses identified?  | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No            |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | None reported |

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
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#### *Identification of Major Programs*

**CFDA Number**

**Name of Federal Program or Cluster**

14.239

HOME Investment Partnership Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No
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### B. Findings – Financial Statements Audit

None noted.

### C. Findings and Questioned Costs – Major Federal Award Programs Audit

None noted.

# **CITY OF FIREBAUGH**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2010**

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### **Summary Schedule of Prior Audit Findings**

There were no prior year audit findings.

**CITY OF FIREBAUGH**

**MANAGEMENT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2010**

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# BRYANT L. JOLLEY

CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.  
Ryan P. Jolley C.P.A.  
Darryl L. Smith C.P.A.  
Travis B. Evenson

To the Honorable Mayor and City Council  
City of Firebaugh, California

In planning and performing our audit of the basic financial statements of the City of Firebaugh (City) for the year ended June 30, 2010, in accordance with generally accepted auditing standards in the United States, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

In addition, we noted other matters involving internal control and its operation that we have reported to management in a separate letter dated November 2, 2010.

This report is intended for the use of management, the City Council, and others within the organization, and it's not intended to be and should not be used by anyone other than these specified parties. We thank the City's staff for its cooperation during our audit.



November 2, 2010

To the Honorable Mayor and City Council  
City of Firebaugh, California

We have audited the financial statements of the City of Firebaugh, California (City) for the year ended June 30, 2010, and have issued our report thereon dated November 2, 2010. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles of the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal controls of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

## Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in the notes to the financial statements.

We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance and consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial statements.

### Corrected and Uncorrected Misstatements

For purposes of this letter, professional standards define significant audit adjustments as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). We did not identify any significant audit adjustments.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

### Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. Our professional standards require a consulting accountant to check with us if a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements. This is to ensure that the consultant has all of the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter.

### Other Audit Findings and Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended for the use of management, the City Council, and others within the organization, and it's not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to be 'Kyeal R. [unclear]', written in a cursive style.

November 2, 2010



To the Honorable Mayor and City Council  
City of Firebaugh, California

In planning and performing our audit of the financial statements of the City of Firebaugh, California (City) for the year ended June 30, 2010, we considered the City's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 2, 2010 on the financial statements of the City. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

**Authorize Write Off of Uncollectible Utility Accounts and Establish Allowance for Doubtful Accounts** - We noted that the City's policy for authorizing write offs of uncollectible accounts receivable rests with the City Council. However, the City Council is not reviewing the list of uncollectible accounts on a regular basis. As a result, uncollectible accounts remain on the general ledger. Once truly uncollectible accounts are identified, the Finance Manager should present a list of these uncollectible accounts to the City Council at least quarterly. This will allow the City Council to review and approve the write off of any uncollectible accounts. In addition, the City should establish an allowance for uncollectible accounts by conducting an overall evaluation of the past due accounts and review the success rate of collection efforts.

**Outstanding Checks** - At the time of our audit, there were several checks that had been outstanding for several months. Tracking outstanding checks is an important control procedure that ensures that all outgoing checks are accounted for. Outstanding checks that are more than six months old should be canceled as a part of tight control over cash disbursements. These outstanding checks should be investigated, adjusted for separately, and payment stopped at the bank, as necessary.

We believe that the implementation of these recommendations will provide the City with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation.

This report is intended solely for the information and use of the City Council and management. However, this report is a matter of public record and its distribution is not limited.

  
November 2, 2010

**REDEVELOPMENT AGENCY OF THE  
CITY OF FIREBAUGH**

**INDEPENDENT AUDITOR'S REPORTS  
AND  
FINANCIAL STATEMENTS  
JUNE 30, 2010**

# **C O N T E N T S**

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Members of the  
Redevelopment Agency of the City of Firebaugh  
Firebaugh, California

We have audited the accompanying component unit financial statements of the governmental activities of each major fund for the Redevelopment Agency of the City of Firebaugh (Agency), a component unit of the City of Firebaugh, California, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the foregoing table of contents. The component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on the component unit financial statements based on our audit.

We conducted our audit in accordance with United States of America generally accepted auditing standards and *Governmental 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 component unit financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund of the Agency at June 30, 2010, and the respective budgetary comparison for the major funds, for the year then ended in conformity with United States of America generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Budget and Actual Comparisons on pages 15 and 16 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



November 2, 2010

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## STATEMENT OF NET ASSETS JUNE 30, 2010

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments	\$ (205,545)
Restricted cash and investments	3,268,589
Deposit	2,000
Interest receivable	372
Notes receivable	350,000
Land held for resale	668,797
Deferred charges - bond issuance costs	343,866
Total assets	<u>4,428,079</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	28,326
Accrued interest	36,550
Long-term liabilities	
Due within one year	105,000
Due in more than one year	<u>6,825,000</u>
Total liabilities	<u>6,994,876</u>
<b>Net Assets</b>	
Restricted for:	
Low and Moderate Income Housing Activities	398,292
Debt service	2,462,566
Noncurrent receivables	350,000
Land held for resale	668,797
Unrestricted	<u>(6,446,452)</u>
Total net assets (deficit)	<u>\$ (2,566,797)</u>

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2010

				<u>Net Revenue/(Expenses) and Changes in Net Assets</u>	
				<u>Primary Government</u>	
				<u>Operating</u>	<u>Governmental</u>
				<u>Grants and</u>	<u>Activities</u>
				<u>Contributions</u>	<u>Total</u>
				<u>Expenses</u>	<u>Expenses</u>
<b>FUNCTIONS/PROGRAMS</b>					
Primary government:					
Governmental activities:					
Community redevelopment	\$	233,596	\$	-	\$ 233,596
Low - moderate housing		246,583		-	246,583
Property tax pass-through		690,546		-	690,546
Interest and other charges		454,726		-	454,726
Total governmental activities	\$	<u>1,625,451</u>	\$	<u>-</u>	<u>1,625,451</u>
<b>GENERAL REVENUE</b>					
Property taxes				1,278,615	1,278,615
Interest and investment earnings				20,319	20,319
Other				328,000	328,000
Transfer to City of Firebaugh				(71,616)	(71,616)
Total general revenue				<u>1,555,318</u>	<u>1,555,318</u>
<b>CHANGE IN NET ASSETS</b>				(70,133)	(70,133)
<b>NET ASSETS (DEFICIT)</b>					
Beginning of year				(2,496,664)	(2,496,664)
End of year	\$		\$	<u>(2,566,797)</u>	<u>(2,566,797)</u>

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2010

	<b>Community Redevelopment</b>	<b>Low- Moderate Housing</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ 195,394	\$ 405,145	\$ (806,084)	\$ (205,545)
Restricted cash and investments	-	-	3,268,589	3,268,589
Deposit	2,000	-	-	2,000
Interest receivable	85	226	61	372
Notes receivable	-	350,000	-	350,000
Land held for resale	668,797	-	-	668,797
Total assets	<u>\$ 866,276</u>	<u>\$ 755,371</u>	<u>\$ 2,462,566</u>	<u>\$ 4,084,213</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable and accrued expense	\$ 21,247	\$ 7,079	\$ -	\$ 28,326
Total liabilities	<u>21,247</u>	<u>7,079</u>	<u>-</u>	<u>28,326</u>
<b>Fund Balance</b>				
Reserved for low-moderate housing funds	-	398,292	-	398,292
Reserved for debt service	-	-	2,462,566	2,462,566
Reserved for noncurrent receivables	-	350,000	-	350,000
Reserved for land held for resale	668,797	-	-	668,797
Unreserved, designated for specific projects and programs	176,232	-	-	176,232
Total fund balance	<u>845,029</u>	<u>748,292</u>	<u>2,462,566</u>	<u>4,055,887</u>
Total liabilities and fund balance	<u>\$ 866,276</u>	<u>\$ 755,371</u>	<u>\$ 2,462,566</u>	<u>\$ 4,084,213</u>

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES JUNE 30, 2010

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Total governmental fund balances	\$ 4,055,887
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Amounts reported for governmental activities in  
the statement of net assets are different because:

Governmental funds report debt issuance costs as an expenditure because they require the use of current financial resources. However, debt issuance costs must be included as a deferred charge in the statement of net assets	343,866
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Accrued interest on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds	(36,550)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(6,930,000)</u>
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Net assets of governmental activities	<u>\$ (2,566,797)</u>
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# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2010

	<u>Community Redevelopment</u>	<u>Low- Moderate Housing</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>				
Property taxes	\$ -	\$ 255,723	\$ 1,022,892	\$ 1,278,615
Interest and rent	18,210	1,713	396	20,319
Other	-	328,000	-	328,000
Total revenue	<u>18,210</u>	<u>585,436</u>	<u>1,023,288</u>	<u>1,626,934</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Community redevelopment	233,596	-	-	233,596
Low-moderate housing	-	246,583	-	246,583
Tax pass-through	-	-	690,546	690,546
<b>Debt Service</b>				
Principal	-	-	95,000	95,000
Interest and fiscal charges	-	-	441,445	441,445
Total expenditures	<u>233,596</u>	<u>246,583</u>	<u>1,226,991</u>	<u>1,707,170</u>
Revenue over/(under) expenditures	<u>(215,386)</u>	<u>338,853</u>	<u>(203,703)</u>	<u>(80,236)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	957,873	-	33,144	991,017
Transfers out	<u>(72,609)</u>	<u>(39,771)</u>	<u>(950,253)</u>	<u>(1,062,633)</u>
Total other financing sources (uses)	<u>885,264</u>	<u>(39,771)</u>	<u>(917,109)</u>	<u>(71,616)</u>
<b>NET CHANGE IN FUND BALANCE</b>	669,878	299,082	(1,120,812)	(151,852)
<b>BALANCE</b>				
Beginning of year	<u>175,151</u>	<u>449,210</u>	<u>3,583,378</u>	<u>4,207,739</u>
End of year	<u>\$ 845,029</u>	<u>\$ 748,292</u>	<u>\$ 2,462,566</u>	<u>\$ 4,055,887</u>

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2010

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Net change in fund balance - total governmental funds \$ (151,852)

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

Repayment of long-term debt is an expenditure in governmental funds, but  
the repayment reduces long-term liabilities in the statement of net assets. 95,000

Amortization of deferred debt costs in the statement of net assets do not  
require the use of current financial resources and, therefore, are not  
reported as expenditures in governmental funds (13,755)

In the statement of activities, interest is accrued on long-term debt,  
whereas in governmental funds interest expenditure is reported  
when due. 474

Change in net assets of governmental activities \$ (70,133)

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 1 – Summary of Significant Accounting Policies

The accounting and reporting policies of the Redevelopment Agency of the City of Firebaugh (Agency) conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Governmental Units" and by the Financial Accounting Standards Board (when applicable).

**Reporting Entity** - The Redevelopment Agency of the City of Firebaugh was established pursuant to the State of California Health and Safety Code Section 33000. The primary purpose of the Agency is to encourage redevelopment of property and to rehabilitate areas suffering from economic disuse. The members of the City Council of the City of Firebaugh act as the governing body of the Agency and the City provides loans and management assistance to the Agency. The Agency is considered a component unit of the City and, as such, the financial activities of the Agency are also reported as part of the financial activities of the City. The Agency has no component units.

**Government-Wide and Fund Financial Statements** - The government-wide financial statements, which are the statement of net assets and the statement of activities, report information on all of the nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenue are reported instead as general revenue. Major individual governmental funds are reported in separate columns in the fund financial statements.

**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. Revenue is 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 revenue 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.

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be collectible when it is collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Agency considers property taxes and other revenue to be available in the period for which levied if it is collected within 60 days after 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 and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue in the current period.

The Agency reports the following major governmental funds:

**The Community Redevelopment Fund** - This fund accounts for all administrative and capital project expenditures of the Agency, except those required to be accounted for in another fund.

**Low and Moderate Income Housing Fund** - The Low and Moderate Income Housing Fund is used to account for that portion of the Agency's revenues earmarked for increasing or improving housing for low or moderate income households.

**The Debt Service Fund** – This fund accounts for repayment of long-term debt.

**Cash and Investments** – The Agency pools idle cash from all funds for the purpose of increasing income through investment activities. Investments are carried at cost. No loss is recorded when market values decline below cost, as such declines normally are considered temporary. The Agency intends to either hold the investments until maturity or until market values equal or exceed cost. Interest income on investments is allocated to all funds on the basis of average daily cash and investment balances.

The Agency participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in derivatives and similar transactions. LAIF's investments are subject to credit risk with full faith and credit of the State of California collateralizing these investments.

**Receivables and Payables** - Outstanding balances between funds at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the noncurrent portion.

California code provides taxing entities the ability to levy property taxes for the ensuing year. This results in the tax collections being received in the fiscal year they are budgeted for and used to pay expenditures of that period.

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 1 – Summary of Significant Accounting Policies (Continued)

The property tax calendar is as follows:

- Property taxes attach as an enforceable lien on property as of January 1st.
- Taxes are levied on July 1.
- Fresno County bills and collects property taxes for the Agency.
- The first half of the taxes is payable to Fresno County by December 10<sup>th</sup> and the second by April 10<sup>th</sup> of the following year.

Taxes are remitted to the Agency in the month following collection.

**Long-Term Liabilities** - Long-term liabilities consist of bonds and notes payable. Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. In the government-wide financial statements, long-term liabilities are included within the statement of net assets.

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

**Budgetary Information** – The Agency budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The City Manager is required to prepare and submit to the Agency Board the annual budget of the Agency and administer it after adoption. Agency Board approval is required for budget revisions that affect the total appropriations of the Agency.

### Note 2 – Cash and Investments

The Agency pools all of its cash and investments with the City 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 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, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and Investments	\$ (205,545)
Restricted cash and investments	3,268,589
Total Cash and Investments	<u>\$ 3,063,044</u>

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 2 – Cash and Investments (Continued)

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

City of Firebaugh's Pooled Cash	\$ (205,545)
Held by Fiscal Agent:	
Cash	<u>3,268,589</u>
Total Cash and Investments	<u>\$ 3,063,044</u>

#### Investments Authorized by the Agency's Investment Policy

The Agency's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF). The Agency's investment policy does not contain any specific provisions intended to limit the Agency's exposure to interest rate risk, credit risk, and concentration of credit risk.

#### Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Banker's Acceptances	180 days
Commerical Paper	270 days
Money Market Mutual Funds	N/A
Investment Contracts	30 years

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 2 – Cash and Investments (Continued)

#### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2010 the Agency had the following investments.

<u>Investment Type</u>		<u>Maturity Date</u>
City of Firebaugh's Pooled Cash Held by Bond Trustee:	\$ (205,545)	N/A
Cash	<u>3,268,589</u>	N/A
Total	<u>\$ 3,063,044</u>	

#### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

#### Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. All of the cash and investments are held by fiscal agent.

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

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### Note 2 – 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 California Government Code and the Agency'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 governmental 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 Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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 Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

#### Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency'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.

### Note 3 – Notes Receivable

**Firebaugh San Joaquin Vista Associates** - During fiscal year 2000, the Redevelopment Agency of the City of Firebaugh loaned Firebaugh San Joaquin Vista Associates \$200,000 as a subsidy in connection with a low income apartment. The note carries an interest rate of 3% and matures during 2055. The terms of the agreement specify that payments of the outstanding principal and accrued interest shall be paid annually in the amount equal to 30% of available project revenues. Payments made shall be credited first against accrued interest and then against outstanding principal. There have been no required payments to date on this note.

**San Joaquin Development LLC** – During fiscal year 2010, the Redevelopment Agency of the City of Firebaugh loaned San Joaquin Development LLC \$150,000 in connection with the construction of low-income condominiums. The note is non-interest bearing and is repayable upon sale of each unit at the rate of \$7,134 per unit. There have been no repayments to date on this note.



# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

### Note 4 – Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 were as follows:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Current Portion
2005 Tax Allocation Bond - A	\$ 3,770,000	\$ -	\$ -	\$ 3,770,000	\$ -
2005 Tax Allocation Bond - B	3,255,000	-	(95,000)	3,160,000	105,000
	<u>\$ 7,025,000</u>	<u>\$ -</u>	<u>\$ (95,000)</u>	<u>\$ 6,930,000</u>	<u>\$ 105,000</u>

**2005 Tax Allocation Bonds Series A** – In 2005 the Agency issued \$3,770,000 of tax allocation bonds secured by tax revenues allocated to the Agency. Interest on the bonds is payable semi-annually on December 1 and June 1 each year, with interest rate of 5.28% per annum.

**2005 Tax Allocation Bonds Series B** – In 2005 the Agency issued \$3,450,000 of tax allocation bonds secured by tax revenues allocated to the Agency. Interest on the bonds is payable semi-annually on December 1 and June 1 each year, with interest rates ranging between 5% and 8% per annum.

The following is a schedule of future debt service requirements for the long-term liabilities discussed above:

Years ending June 30,	Principal	Interest	Total
2011	105,000	435,445	540,445
2012	110,000	428,445	538,445
2013	120,000	420,395	540,395
2014	130,000	411,645	541,645
2015	135,000	402,370	537,370
2016-2020	855,000	1,841,675	2,696,675
2021-2025	1,260,000	1,440,063	2,700,063
2026-2030	1,805,000	894,825	2,699,825
2031-2035	2,355,000	339,758	2,694,758
2036	55,000	1,457	56,457
	<u>\$ 6,930,000</u>	<u>\$ 6,616,078</u>	<u>\$ 13,546,078</u>

## **SUPPLEMENTAL INFORMATION**

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE COMMUNITY REDEVELOPMENT FUND YEAR ENDED JUNE 30, 2010

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive/ (Negative)</b>
<b>Revenue</b>				
Interest and rent	\$ 3,500	\$ 3,500	\$ 18,210	\$ 14,710
Other	-	-	-	-
Total revenue	<u>3,500</u>	<u>3,500</u>	<u>18,210</u>	<u>14,710</u>
<b>Expenditures</b>				
Current				
Administration/Community developmen	640,931	861,921	233,596	628,325
Tax pass-through	-	-	-	-
Total expenditures	<u>640,931</u>	<u>861,921</u>	<u>233,596</u>	<u>628,325</u>
Revenue over/(under) expenditures	(637,431)	(858,421)	(215,386)	643,035
<b>Other Financing Sources</b>				
Transfers in (out)	<u>640,931</u>	<u>852,344</u>	<u>885,264</u>	<u>32,920</u>
<b>Change in Fund Balance</b>	<u>\$ 3,500</u>	<u>\$ (6,077)</u>	<u>669,878</u>	<u>\$ 675,955</u>
<b>Fund Balance</b>				
Beginning of year			<u>175,151</u>	
End of year			<u>\$ 845,029</u>	

# REDEVELOPMENT AGENCY OF THE CITY OF FIREBAUGH

## SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE LOW-MODERATE HOUSING FUND YEAR ENDED JUNE 30, 2010

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive/ (Negative)</b>
<b>Revenue</b>				
Property tax	\$ 270,000	\$ 270,000	\$ 255,723	\$ (14,277)
Interest	3,000	3,000	1,713	(1,287)
Other	-	-	328,000	328,000
Total revenue	<u>273,000</u>	<u>273,000</u>	<u>585,436</u>	<u>312,436</u>
<b>Expenditures</b>				
Current				
Housing assistance	275,448	282,216	246,583	35,633
Capital outlay	-	-	-	-
Total expenditures	<u>275,448</u>	<u>282,216</u>	<u>246,583</u>	<u>35,633</u>
Revenue over/(under) expenditures	(2,448)	(9,216)	338,853	348,069
<b>Other Financing Sources</b>				
Transfers in (out)	-	-	(39,771)	(39,771)
<b>Change in Fund Balance</b>	<u>\$ (2,448)</u>	<u>\$ (9,216)</u>	<u>299,082</u>	<u>\$ 308,298</u>
<b>Fund Balance</b>				
Beginning of year			<u>449,210</u>	
End of year			<u>\$ 748,292</u>	

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Members of the  
Redevelopment Agency of the City of Firebaugh  
Firebaugh, California

We have audited the financial statements of the Redevelopment Agency of the City of Firebaugh, as of, and for the year ended June 30, 2010, and have issued our report thereon dated November 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Redevelopment Agency of the City of Firebaugh's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Governing Board, others within the entity, and the State Controller and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to be "Alfred J. Kelly", written in a cursive style.

November 2, 2010