

CITY OF BIGGS,

CALIFORNIA

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2012**

**CITY OF BIGGS, CALIFORNIA
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
City Officials	I
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	5
Reconciliation of the Governmental Fund Balances to the Government-Wide	
Statement of Net Assets - Governmental Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of	
Governmental Funds to the Government-Wide Statement of Activities -Governmental Activities ...	8
Proprietary Funds:	
Statement of Net Assets	9
Statement of Revenues, Expenses, and Changes in Net Assets	10
Statement of Cash Flows	11
Fiduciary Funds:	
Statement of Fiduciary Net Assets	12
Notes to Basic Financial Statements	13-39
Required Supplementary Information (Unaudited):	
Schedule of Funding Progress - Pension	40
Budgetary Comparison Schedule - Budgetary Basis - General Fund	41
Schedule of additional required disclosures	42
Notes to Required Supplementary Information	43
Combining Nonmajor Fund Statements:	
Nonmajor Governmental Funds - Special Revenue Funds:	
Combining Balance Sheet	44-47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	48-51

**CITY OF BIGGS, CALIFORNIA
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

	Page
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets	52
Combining Statement of Revenues, Expenses, and Changes in Net assets	53
Combining Statement of Cash Flows	54
Fiduciary Funds:	
Agency Funds:	
Combining Statement of Assets and Liabilities - Agency Funds	55
Combining Statement of Changes in Assets and Liabilities - Agency Funds	56
Other Report and Schedules:	
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	57-58
Schedule of Findings and Recommendations	59
Schedule of Prior Year Recommendations	60-61

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INTRODUCTORY SECTION

City Officials

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**CITY OF BIGGS, CALIFORNIA
CITY OFFICIAL
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Name</u>	<u>Office</u>
Roger L. Frith	Mayor
Angela Thompson	Vice-Mayor
Douglas Arnold	Member
Mike Bottorff	Member
James Sheppard	Member

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FINANCIAL SECTION

**Independent Auditor's Report
Basic Financial Statements
Required Supplementary Information
Combining Nonmajor Fund Statements**

Donald R Reynolds

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and Members of the City Council
City of Biggs
Biggs, California

I 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 Biggs, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated December 29, 2012, on my consideration of the City's internal control over financial reporting and on my 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 my 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 my audit.

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress and the Budgetary Comparison Schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

1438 Oregon Street, P.O. Box 994508 Redding, CA 96099-4508 (530) 246-2834 fax (530) 244-0331

The Honorable Mayor and Members of the City Council City of Biggs
Biggs, California

I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing information and comparing the information for consistency with managements responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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



Donald R. Reynolds, CPA
Redding, California
December 29, 2012

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BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

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CITY OF BIGGS, CALIFORNIA
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 1,012,891	\$ 2,223,731	\$ 3,236,622
Accounts receivable (net of allowance)	35,187	448,410	483,597
Due from other governmental agencies	35,533	-	35,533
Interest receivable	1,412	-	1,412
Internal balances	-	-	-
Prepaid power	-	-	-
Loans receivable	908,601	-	908,601
Capital assets:			
Non-depreciable	152,124	37,158	189,282
Depreciable, net	<u>3,671,217</u>	<u>7,006,420</u>	<u>10,677,637</u>
Total capital assets	<u>3,823,341</u>	<u>7,043,578</u>	<u>10,866,919</u>
Total Assets	\$ <u>5,816,965</u>	\$ <u>9,715,719</u>	\$ <u>15,532,684</u>
LIABILITIES			
Accounts payable	80,565	246,234	326,799
Accrued salaries and benefits	3,746	-	3,746
Retention payable	-	-	-
Accrued interest payable	3,350	44,675	48,025
Deposits payable	-	80,015	80,015
Unearned revenue	884,456	-	884,456
Long-term liabilities:			
Due within one year	5,813	29,770	35,583
Due in more than one year	<u>294,305</u>	<u>4,095,776</u>	<u>4,390,081</u>
Total Liabilities	<u>1,272,235</u>	<u>4,496,470</u>	<u>5,768,705</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,523,223	2,957,678	6,480,901
Restricted for:			
Grants, taxes, and fees	24,145	-	24,145
Energy scheduling services	-	761,043	761,043
Unrestricted	<u>997,362</u>	<u>1,500,528</u>	<u>2,497,890</u>
Total Net Assets	\$ <u>4,544,730</u>	\$ <u>5,219,249</u>	\$ <u>9,763,979</u>

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

**CITY OF BIGGS, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 254,769	\$ 98,458	\$ -
Public ways and facilities	281,367	-	106,620
Public protection	307,637	1,379	119,634
Culture and recreation	81,053	-	-
Community development	31,090	44,967	-
Interest on long-term debt	17,250	-	-
Total Governmental Activities	<u>973,166</u>	<u>144,804</u>	<u>226,254</u>
Business-type activities:			
Sewer	476,730	273,675	-
Electric	2,107,483	2,640,391	-
Water	504,625	440,346	-
Solid Waste	146,155	152,892	-
Total Business-Type Activities	<u>3,234,993</u>	<u>3,507,304</u>	<u>-</u>
Total	<u>\$ 4,208,159</u>	<u>\$ 3,652,108</u>	<u>\$ 226,254</u>

General revenues:

- Taxes:
 - Property taxes
 - Sales and use taxes
 - Franchise taxes
 - Property transfer taxes
 - Grants and contributions - unrestricted
 - Interest and investment earnings
 - Miscellaneous
 - Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Prior period adjustment

Net Assets - Beginning, Restated

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets

<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ -	\$ (156,311)	\$ -	\$ (156,311)
53,557	(121,190)	-	(121,190)
-	(186,624)	-	(186,624)
-	(81,053)	-	(81,053)
-	13,877	-	13,877
-	(17,250)	-	(17,250)
<u>53,557</u>	<u>(548,551)</u>	<u>-</u>	<u>(548,551)</u>
-	-	(203,055)	(203,055)
-	-	532,908	532,908
-	-	(64,279)	(64,279)
-	-	6,737	6,737
-	-	272,311	272,311
<u>\$ 53,557</u>	<u>(548,551)</u>	<u>272,311</u>	<u>(276,240)</u>
	145,884	-	145,884
	22,703	-	22,703
	13,940	-	13,940
	1,524	-	1,524
	174,501	38,492	212,993
	9,008	45,679	54,687
	35,763	17,931	53,694
	541,122	(541,122)	-
	944,445	(439,020)	505,425
	395,894	(166,709)	229,185
	5,369,983	\$ 5,409,175	\$ 10,706,815
	(1,221,147)	(23,217)	(1,244,364)
	4,148,836	5,385,958	9,462,451
\$	<u>4,544,730</u>	\$ <u>5,219,249</u>	\$ <u>9,691,636</u>

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BASIC FINANCIAL STATEMENTS

Fund Financial Statements

CITY OF BIGGS, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

ASSETS	General Fund	Other Governmental Funds	Total
Cash and investments	\$ 697,898	\$ 314,993	\$ 1,012,891
Accounts receivable (net of allowance)	3,952	31,235	35,187
Due from other governmental agencies	35,533	-	35,533
Interest receivable	1,412	-	1,412
Due from other funds	-	-	-
Loans receivable	543,857	364,744	908,601
Total Assets	<u>\$ 1,282,652</u>	<u>\$ 710,972</u>	<u>\$ 1,993,624</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 37,626	\$ 46,289	\$ 83,915
Accrued salaries and benefits	3,746	-	3,746
Deposits payable	-	-	-
Due to other funds	-	-	-
Unearned revenue	543,857	340,599	884,456
Total Liabilities	<u>585,229</u>	<u>386,888</u>	<u>972,117</u>
 FUND BALANCES			
Reserved for:			
Loans receivable	-	24,145	24,145
Unreserved, reported in:			
General fund	-	-	-
Designated	-	-	-
Undesignated	265,576	-	265,576
Special revenue funds Undesignated	431,847	299,939	731,786
Total Fund Balances	<u>697,423</u>	<u>324,084</u>	<u>1,021,507</u>
Total Liabilities and Fund Balances	<u>\$ 1,282,652</u>	<u>\$ 710,972</u>	<u>\$ 1,993,624</u>

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

CITY OF BIGGS, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF
NET ASSETS - GOVERNMENTAL ACTIVITIES
June 30, 2012

Total Fund Balance - Total Governmental Funds	\$ 1,021,507
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	3,823,341
Other long-term assets are not available to pay for current period expenditures and therefore, are not reported in the funds or are reported as deferred in the governmental funds.	
Accounts receivable	(5,232)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds balance sheets.	-
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Loans payable	(268,000)
OPEB liability	(3,160)
Compensated absences	<u>(23,726)</u>
Net Assets of Governmental Activities:	\$ <u>4,544,730</u>

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

CITY OF BIGGS, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	General Fund	Other Governmental Funds	Total
Taxes and assessments	\$ 145,884	\$ 57,094	\$ 202,978
Licenses and permits	9,334	-	9,334
Fines and forfeitures	106	-	106
Use of money	423	673	1,096
Intergovernmental	326,302	132,168	458,470
Charges for services	27,081	6,022	33,103
Other revenues	68,450	33,840	102,290
Total Revenues	<u>577,580</u>	<u>229,797</u>	<u>807,377</u>
EXPENDITURES			
Current:			
General government	211,421	-	211,421
Public ways and facilities	98,954	134,539	233,493
Public protection	255,293	-	255,293
Culture and recreation	65,745	1,517	67,262
Community development	-	25,800	25,800
Debt service:			
Principal	-	-	-
Interest and other charges	17,250	-	17,250
Capital outlay	40,195	-	40,195
Total Expenditures	<u>688,858</u>	<u>161,856</u>	<u>850,714</u>
Excess of Revenues Over (Under) Expenditures	<u>(111,278)</u>	<u>67,941</u>	<u>(43,337)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	591,122	-	591,122
Transfers out	(50,000)	-	(50,000)
Total Other Financing Sources (Uses)	<u>541,122</u>	<u>-</u>	<u>541,122</u>
Net Change in Fund Balances	<u>429,844</u>	<u>67,941</u>	<u>497,785</u>
Fund Balances - Beginning	235,496	\$ 291,684	\$ 527,180
Prior period adjustment	32,083	(35,541)	(3,458)
Fund Balances - Beginning, Restated	<u>267,579</u>	<u>256,143</u>	<u>523,722</u>
Fund Balances - Ending	<u>\$ 697,423</u>	<u>\$ 324,084</u>	<u>\$ 1,021,507</u>

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

CITY OF BIGGS, CALIFORNIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net Change in Fund Balances - Total Governmental Funds. \$ 497,785

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

Governmental funds report capital outlays as expenditures. However, in the statement of
 activities the cost of those assets is allocated over their estimated useful lives and
 reported as depreciation expense.

Expenditures for capital outlay	49,440
Depreciation expense	(124,335)

Debt proceeds provide current financial resources to governmental funds, but issuing
 debt increases long-term liabilities in the statement of net assets. Repayment of
 principal is an expenditure in the governmental funds, but the repayment reduces
 long-term liabilities in the statement of net assets.

Principal retirements	4,000
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Some revenues reported in the statement of activities will not be collected for several
 months after the City's year end and do not provide current financial resources and
 therefore are not reported as revenues in the governmental funds.

Change in accounts receivable	-
Change in deferred revenue	(23,242)

Some expenses reported in the statement of activities do not require the use of current
 financial resources and therefore are not reported as expenditures in the
 governmental funds.

Change in OPEB liability	-
Change in compensated absences	(6,754)
Change in accrued interest on long-term debt	(1,000)

Change In Net Assets of Governmental Activities	\$ <u>395,894</u>
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The notes to the basic financial statements
 are an integral part of this statement.

CITY OF BIGGS, CALIFORNIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	<u>Business-Type Activities -</u>	
	<u>Sewer</u>	<u>Electric</u>
ASSETS		
Current Assets		
Cash and investments	\$ 48,124	\$ 1,966,572
Accounts receivable (net of allowance)	45,806	301,351
Due from other funds	-	200,000
Prepaid power	-	-
Total Current Assets	<u>93,930</u>	<u>2,467,923</u>
Noncurrent Assets		
Capital assets:		
Non-depreciable	30,000	7,158
Depreciable, net	<u>1,024,313</u>	<u>897,028</u>
Total Noncurrent Assets	<u>1,054,313</u>	<u>904,186</u>
Total Assets	<u>\$ 1,148,243</u>	<u>\$ 3,372,109</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 163,012	\$ 17,782
Accrued interest payable	7,050	-
Retention payable	-	-
Deposits payable	-	80,015
Due to other funds	200,000	-
Unearned revenue	-	-
Compensated absences	6,201	5,296
Loans payable	<u>12,100</u>	<u>-</u>
Total Current Liabilities	<u>388,363</u>	<u>103,093</u>
Noncurrent Liabilities		
Compensated absences	3,955	4,238
OPEB liability	3,277	2,932
Loans payable	<u>633,800</u>	<u>-</u>
Total Noncurrent Liabilities	<u>641,032</u>	<u>7,170</u>
Total Liabilities	<u>1,029,395</u>	<u>110,263</u>
NET ASSETS		
Invested in capital assets, net of related debt	408,413	904,186
Restricted for:		
Energy scheduling services	-	761,043
Unrestricted	<u>(289,565)</u>	<u>1,596,617</u>
Total Net Assets	<u>\$ 118,848</u>	<u>\$ 3,261,846</u>

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

Enterprise Funds		
Water	Other Enterprise Funds	Total
\$ 202,060	\$ 6,975	\$ 2,223,731
74,952	26,301	448,410
-	-	200,000
-	-	-
<u>277,012</u>	<u>33,276</u>	<u>2,872,141</u>
-	-	37,158
<u>5,085,079</u>	-	<u>7,006,420</u>
<u>5,085,079</u>	-	<u>7,043,578</u>
\$ <u>5,362,091</u>	\$ <u>33,276</u>	\$ <u>9,915,719</u>
\$ 65,186	\$ 254	\$ 246,234
37,625	-	44,675
-	-	-
-	-	80,015
-	-	200,000
-	-	-
6,173	-	17,670
-	-	12,100
<u>108,984</u>	<u>254</u>	<u>600,694</u>
3,983	651	12,827
2,650	290	9,149
<u>3,440,000</u>	-	<u>4,073,800</u>
<u>3,446,633</u>	<u>941</u>	<u>4,095,776</u>
<u>3,555,617</u>	<u>1,195</u>	<u>4,696,470</u>
1,645,079	-	2,957,678
-	-	761,043
<u>161,395</u>	<u>32,081</u>	<u>1,500,528</u>
\$ <u>1,806,474</u>	\$ <u>32,081</u>	\$ <u>5,219,249</u>

**CITY OF BIGGS, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Business-Type Activities -

	<u>Sewer</u>	<u>Electric</u>
OPERATING REVENUES		
Charges for services	\$ 273,675	\$ 2,640,391
Total Operating Revenues	<u>273,675</u>	<u>2,640,391</u>
OPERATING EXPENSES		
Personnel costs	135,483	141,423
Utilities	18,878	-
Supplies	48,984	11,258
Maintenance and operations	59,756	429,649
Contractual services	130,017	1,420,941
Depreciation	40,138	47,571
Other expense	15,144	56,641
Total Operating Expenses	<u>448,400</u>	<u>2,107,483</u>
Operating Income (Loss)	<u>(174,725)</u>	<u>532,908</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	2,652	36,548
Intergovernmental revenues	-	38,492
Other revenues	-	17,481
Interest expense	(28,330)	-
Total Non-Operating Revenues (Expenses)	<u>(25,678)</u>	<u>92,521</u>
Income (Loss) Before Transfers	<u>(200,403)</u>	<u>625,429</u>
Transfers in	4,000	48,489
Transfers out	(4,000)	(581,611)
Change in Net Assets	<u>(200,403)</u>	<u>92,307</u>
Total Net Assets - Beginning	312,468	3,211,775
Prior period adjustment	6,783	(42,236)
Total Net Assets - Beginning, Restated	<u>319,251</u>	<u>3,169,539</u>
Total Net Assets - Ending	<u>\$ 118,848</u>	<u>\$ 3,261,846</u>

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

Enterprise Funds		
Other		
Water	Enterprise Funds	Total
\$ 440,346	\$ 152,892	\$ 3,507,304
<u>440,346</u>	<u>152,892</u>	<u>3,507,304</u>
131,135	7,144	415,185
29,097	-	47,975
20,826	636	81,704
23,188	11,587	524,180
16,890	125,417	1,693,265
107,300	-	195,009
24,650	1,371	97,806
<u>353,086</u>	<u>146,155</u>	<u>3,055,124</u>
<u>87,260</u>	<u>6,737</u>	<u>452,180</u>
4,667	1,812	45,679
-	-	38,492
450	-	17,931
<u>(151,539)</u>	<u>-</u>	<u>(179,869)</u>
<u>(146,422)</u>	<u>1,812</u>	<u>(77,767)</u>
<u>(59,162)</u>	<u>8,549</u>	<u>374,413</u>
287,726	-	340,215
<u>(287,726)</u>	<u>(8,000)</u>	<u>(881,337)</u>
<u>(59,162)</u>	<u>549</u>	<u>(166,709)</u>
1,855,554	29,378	5,409,175
<u>10,082</u>	<u>2,154</u>	<u>(23,217)</u>
<u>1,865,636</u>	<u>31,532</u>	<u>5,385,958</u>
\$ <u>1,806,474</u>	\$ <u>32,081</u>	\$ <u>5,219,249</u>

**CITY OF BIGGS, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Business-Type Activities - Enterprise Funds

CASH FLOWS FROM OPERATING ACTIVITIES

	<u>Sewer</u>	<u>Electric</u>	<u>Water</u>
Receipts from customers	\$ 272,882	\$ 2,632,548	\$ 618,828
Payments to suppliers	(289,069)	(1,898,541)	(353,296)
Payments to employees	(144,329)	(148,543)	(139,906)
Net Cash Provided (Used) by Operating Activities	<u>(160,516)</u>	<u>585,464</u>	<u>125,626</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants and other receipts	-	55,973	-
Transfers to other funds	6,783	(575,358)	10,532
Interfund loans repaid	200,000	(200,000)	-
interfund loans received	-	-	-
Interfund loans made	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>206,783</u>	<u>(719,385)</u>	<u>10,532</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(4,489)	(5,021)	(4,486)
Principal paid on capital debt	(12,100)	-	(45,000)
Interest paid on capital debt	(28,330)	-	(152,467)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(44,919)</u>	<u>(5,021)</u>	<u>(201,953)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends	2,652	36,548	4,667
Net Cash Provided (Used) by Investing Activities	<u>2,652</u>	<u>36,548</u>	<u>4,667</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,000	(102,394)	(61,128)
Balances - Beginning of the Year	44,124	2,068,966	263,188
Balances - End of the Year	<u>\$ 48,124</u>	<u>\$ 1,966,572</u>	<u>\$ 202,060</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ (174,725)	\$ 532,908	\$ 87,260
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	40,138	47,571	107,300
Decrease (increase) in:			
Accounts receivable	(793)	(7,843)	178,482
Prepaid power	-	18,299	-
Increase (decrease) in:			
Accounts payable	(16,161)	(1,876)	(238,645)
Deposits payable	(129)	3,956	-
Unearned revenue	-	-	-
Compensated absences	(8,846)	(7,551)	(8,771)
OPEB liability	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (160,516)</u>	<u>\$ 585,464</u>	<u>\$ 125,626</u>

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

<u>Other</u>		
<u>Enterprise</u>		
<u>Funds</u>		<u>Total</u>
\$ 151,571	\$	3,675,829
(139,168)		(2,680,074)
<u>(7,735)</u>		<u>(440,513)</u>
4,668		555,242

-		55,973
(5,846)		(563,889)
-		-
-		-
-		-
<u>(5,846)</u>		<u>(507,916)</u>

-		(13,996)
-		(57,100)
-		<u>(180,797)</u>
-		-
-		<u>(251,893)</u>

<u>1,812</u>		<u>45,679</u>
<u>1,812</u>		<u>45,679</u>
634		(158,888)
<u>6,341</u>		<u>2,382,619</u>
\$ <u>6,975</u>	\$	<u>2,223,731</u>

\$ 6,737	\$	452,180
-		195,009
-		-
(1,321)		168,525
-		18,299
-		-
(157)		(256,839)
-		3,827
-		-
(591)		(25,759)
-		-
\$ <u>4,668</u>	\$	<u>555,242</u>

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CITY OF BIGGS, CALIFORNIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>19,771</u>
Total Assets	\$ <u><u>19,771</u></u>
LIABILITIES	
Agency obligations	\$ <u>19,771</u>
Total Liabilities	\$ <u><u>19,771</u></u>

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

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BASIC FINANCIAL STATEMENTS

Notes to Basic Financial Statements

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

REPORTING ENTITY

The City operates under a Council form of government and provides the following services: public safety, highways and streets, health and sanitation, culture-recreation, public improvements, planning and zoning, general administrative services, electric, water, sewer and solid waste.

The accounting methods and procedures adopted by the City conform to generally accepted accounting principles as applied to governmental entities. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable under the criteria set by Governmental Accounting Standards Board (GASB) Statement No. 14.

The governmental reporting entity consists of the City and its component units. Component units are legally separate organizations for which the City Council is financially accountable or other organizations whose component units nature and significant relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the City's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

Reporting for component units on the City's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the City's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

Based on the application of the criteria set forth by the Governmental Standards Board, management has determined that there are not component units of the City.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The statement of net assets and statement of activities display information on all of the nonfiduciary activities of the City, and its blended component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the

(Continued)

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (CONTINUED)

Government-Wide Financial Statements (Continued)

governmental and business-type activities of the City. Governmental activities, which are normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's business-type activities and each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and (3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following major governmental funds:

The General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (CONTINUED)

Fund Financial Statements (Continued)

the City, the General Fund includes such activities as public safety, community development, and recreation and culture services.

The SR2S Improvement fund is a special revenue fund used to account for revenues and expenditures related to Safe Routes to School.

The TEA 2005 Improvement Project fund is a special revenue fund used to account for revenues and expenditures related to Transportation Enhancement Act monies.

The HOME Grant fund is a special revenue fund used to account for revenues and expenditures related to HOME program income.

The City reports the following major proprietary funds:

The Sewer fund is an enterprise fund used to account for activity related to providing customers with sewer service and billing for service provided by the City.

The Electric fund is an enterprise fund used to account for activity related to providing customers with electricity service and billing for service provided by the City.

The Water fund is an enterprise fund used to account for activity related to providing customers with water service and billing for service provided by the City.

The City reports the following additional fund types:

Agency Funds account for assets held by the City as an agent for various local governments and for individuals.

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The government-wide and proprietary funds 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 tax, grants,

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (CONTINUED)

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 eligibility requirements have been satisfied.

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

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. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues reported in the governmental funds to be available if they are collected within forty-five days after the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Governmental capital assets acquisitions are reported as expenditures in the various functions of the governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Fiduciary funds include agency funds. Agency funds are reported using the accrual basis of accounting to recognize receivables and payables.

(Continued)

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

For purposes of the accompanying statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents. All cash and investments of the proprietary funds are pooled with the City's cash and investments.

CASH AND INVESTMENTS

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. State statutes authorize the City to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund. Investment income from pooled investments is allocated to all funds in the pool. Interest is allocated on the basis of average daily cash balance at quarter end in relation to the total pool investments. The interest income is recorded in the fund that earned the interest, except for those funds which have a negative cash balance and are excluded from the interest apportionment.

Investments are reported in the accompanying balance sheet at fair value which is determined using selected bases annually. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

RECEIVABLES

In the government-wide and proprietary fund financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, grants, and interest. Business-type activities report user fees and interest earnings as their major receivables. The sewer, electric, water and solid waste revenues are recognized based on cycle billings rendered to customers.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, grants, interest, and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred

(Continued)

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECEIVABLES (Continued)

in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

The City records an allowance for doubtful accounts based on past experience. The allowance for doubtful accounts at June 30, 2012 are Sewer fund \$252, Electric fund \$2,911, Water fund \$399, and Solid Waste \$172.

INTERFUND TRANSACTIONS

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each governmental function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is, a corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

See Note 3 for details of interfund transactions, including receivables and payables at year end.

(Continued)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORY AND PREPAID COSTS

Governmental fund inventories are recorded as expenditures at the time the inventory is purchased. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

LOANS RECEIVABLE

For the purpose of the governmental fund financial statements, special revenue fund expenditures relating to long-term loans receivable arising from mortgage subsidy programs are charged to operations upon funding and the loans receivable are recorded. The balance of the long-term receivable includes loans that may be forgiven if certain terms and conditions of the loans are met.

CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements

In the government-wide financial statements, property, plant, equipment and infrastructure are accounted for as capital assets in both the governmental and business-type activities column. Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are defined by the City as an asset with a cost greater than \$500 and a useful life of more than two years. Such assets are recorded at historical or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

(Continued)

**CITY OF BIGGS, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
 ACCOUNTING POLICIES (Continued)**

CAPITAL ASSETS (Continued)

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5-20 years
Structures and improvements	60 years
Infrastructure	30-60 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital 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.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

UNEARNED REVENUE/DEFERRED REVENUE

Unearned revenue is recorded for assets recognized in connection with a transaction before the earnings process is complete. Those assets are offset by a corresponding liability for unearned revenue. In addition, loans receivable for which the balance may be forgiven if certain terms and conditions of the loans are met have also been offset by unearned revenue.

Deferred revenue is recorded under the modified accrual basis of accounting when revenue which has been earned during the current period has met the measurable criteria but has not met the available criteria.

See Note 3 for details of unearned/deferred revenues at year end.

(Continued)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of loans payable, capital lease payable, accrued compensated absences and OPEB liability.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures. The long-term debt associated with proprietary funds is accounted for the same as in the government-wide statements.

COMPENSATED ABSENCES

The City's policy regarding compensated absences is to permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as debt in the government-wide and proprietary fund financial statements. The current portion of this debt is estimated based on historical trends. In the governmental fund financial statements the expenditures and liabilities related to those obligations are recognized only when they mature, while the proprietary funds report the liability as it is incurred. The City includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences. Compensated absences liability is typically liquidated by the General Fund for all non proprietary fund compensated absences.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City of Biggs sponsors, under a defined benefit plan, retiree healthcare plan to qualifying employees retiring directly from the City. The benefit level is determined by date of hire and length of service and bargaining agreements. The City has contracted for medical coverage to be provided through an agent multiple-employer CalPERS Healthcare (PEMHCA) plan.

(Continued)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

NET ASSETS

Equity Classifications

Beginning with fiscal year 2012, the City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - Amounts in fund balance that cannot be spent because they are either not in spendable form (such as prepaids and inventory) or legally/contractually are required to be maintained intact.

Restricted fund balance - Resources that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through externally enforceable legal restrictions (cannot be spent due to their form).

Committed fund balance - Amounts are constrained to specific purposes by action of the City itself, using its highest level of decision-making authority; removal or modification of the restrictions on the use of these amounts can only be accomplished if the City takes the same highest level action to remove or change the constraint.

Assigned fund balance - Amounts the City intends to use for a specific purpose; intent can be expressed by the City, a City created committee, or an official designated by the City to which it delegates the authority; Informal commitments (no formal action by the City).

Unassigned fund balance - Resources in the fund balance that cannot be classified into any of the other categories. These amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City establishes fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the City.

FUND BALANCES

In the governmental fund financial statements, reserves and designations segregate portions of fund

(Continued)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND BALANCES (Continued)

balance. Reservations of fund balance are for amounts that are not available or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance are established by action of management and represent tentative plans that are subject to change.

As of June 30, 2012, reservation of fund balance included:

Reserved for loans receivable - to reflect the portion of loans receivable which is long term in nature. Such amounts do not represent available spendable resources.

As of June 30, 2012, designations of fund balance included:

Contingencies - to reflect the funds the City has set aside to fund subsequent year expenditures and projects not yet approved.

As of June 30, 2012, the City's designated fund balance as reported in the financial statements was:

Designated for contingencies - General Fund \$ 50,548

PROPERTY TAXES

Butte County assesses properties, bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1. Secured property taxes become a lien on real property on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1. Property taxes become delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

GRANT REVENUES

Certain grant revenues are recognized when specific related expenditures have been incurred. In

(Continued)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1: FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GRANT REVENUES (CONTINUED)

other grant programs, monies are virtually unrestricted as to purpose of expenditure and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if susceptible to accrual criteria is met. Cash received prior to incurrence of the related expenditure is recorded as unearned revenue.

EXPENDITURES/EXPENSES

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Government Funds — By Character
 Current (further classified by function)
 Debt Service
 Capital Outlay

Proprietary Fund — By Operating and Nonoperating

ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

DEFICIT FUND BALANCE/NET ASSETS

Deficit fund balance at June 30, 2012 are reflected on Page 46 in the Required Supplementary Information. Some of these deficits may be eliminated in the future through grant reimbursements. Other deficits may be the result of expenditures in excess of reimbursements or misclassification of revenues or expenditures in prior years.

(Continued)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

GASB Statement No. 45

For fiscal year ended June 30, 2012, the City has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This statement addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. These benefits are collectively referred to as other postemployment benefits (OPEB).

The GASB allows governments to apply this statement prospectively, establish the OPEB liability at zero at the beginning of the initial year of implementation, and does not require governments to fund the OPEB plans. The statement supersedes or amends all previous authoritative guidance on accounting and financial reporting for an employer's OPEB expense and related information.

GASB Statement No. 51

GASB has issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce prior inconsistencies in accounting for these assets. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This change is reported as a cumulative effect of a change in accounting principle or for governments that were classified as phase 3 governments such as the City, the Statement may be implemented prospectively. As permitted by GASB Statement No. 51, the financial statements have not been restated for prior year costs, if any, associated with implementing GASB Statement No. 51, but the statement will be prospectively implemented. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

NOTE 3: DETAILED NOTES

CASH AND INVESTMENTS

As of June 30, 2012, the City's cash and investments are reported in the financial statements as follows:

Primary government	\$ 2,315,526
Agency funds	<u>3,355</u>
Total Cash and Investments	<u>\$ 2,318,881</u>

(Continued).

**CITY OF BIGGS, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 3: DETAILED NOTES (Continued)

CASH AND INVESTMENTS (Continued)

As of June 30, 2012, the City's cash and investments consisted of the following:

Cash:

Cash on hand	\$ 400
Deposits (less outstanding checks)	<u>728,761</u>
Total Cash	<u>729,161</u>

As of June 30, 2012, the City's investments consisted of the following:

Investments:

In City's pool	<u>1,589,720</u>
Total Investments	<u>1,589,720</u>
Total Cash and Investments	<u>\$ 2,318,881</u>

At year end, the carrying amount of the City's cash deposits (including amount in checking accounts and money market accounts) was \$728,761 and the bank balance was \$721,826. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit Risk For Deposits - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City's investment policy requires that deposits in banks must meet the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the City's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amount are collateralized. The City's investment policy does not further limit its deposits.

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments of the City are pooled with the State of California Local Agency Investment Fund. The City's investment policy generally limits investment maturities as needed to maintain adequate liquidity to meet the City's cash flow

(Continued)

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3: DETAILED NOTES (CONTINUED)

CASH AND INVESTMENTS (CONTINUED)

requirements and to limit its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and City investment policy limits investments in commercial paper to the rating of A or better by Standards & Poor's or P-1 or better by Moody's Investors Service; corporate bonds to the rating of A or better by both Standards & Poor's and Moody's Investors Service. No limits are placed on U.S. government agency securities and U.S. Treasuries. The City's investment policy does not further limit its investment choices.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the City requires that all of its managed investments be held in the name of the City. The City's investment policy does not further limit the exposure to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law restricts the City's investments in commercial paper to 40% of its investment pool and to 10% per issuer and corporate bonds and medium term notes to 30% of its investment pool and to 10% per issuer, and banker's acceptances to 15% of its investment pool and to 10% per issuer. The City has invested all cash, other than deposits and imprest cash, in the California Local Agency Investment Fund (LAIF). At June 30, 2012, the City's investments were in compliance with concentration of credit risk State law.

Investment in Local Agency Investment Fund - The City of Biggs 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. At June 30, 2012, the City's investment position in the State of California Local Agency Investment Fund (LAIF) was \$1,590,119. The total amount invested by all public agencies in LAIF on that day was \$69,555,776,591. Of that amount, 94.58% is invested in non-derivative financial products and 5.42% in structured notes and asset-backed securities. The value of the pool shares in LAIF is determined on an amortized cost basis, which approximates fair value. The Local Investment Advisory Board, which consists of five members designated by the State statutes, has oversight responsibility for LAIF.

(Continued)

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3: DETAILED NOTES (CONTINUED)

CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments/ Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 152,124	\$ -	\$ -	\$ -	\$ 152,124
Construction in progress	-	-	-	-	-
Total Capital Assets, Not Being Depreciated	<u>152,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,124</u>
Capital Assets, Being Depreciated:					
Buildings and improvements	2,521,133	-	-	(1,128,356)	1,392,777
Machinery and equipment	509,888	39,462	-	-	549,350
Infrastructure	<u>2,745,250</u>	<u>-</u>	<u>-</u>	<u>(40,841)</u>	<u>2,704,409</u>
Total Capital Assets, Being Depreciated	<u>5,776,271</u>	<u>39,462</u>	<u>-</u>	<u>(1,169,197)</u>	<u>4,646,536</u>
Less Accumulated Depreciation For:					
Buildings and improvements	(417,867)	(46,544)	-	81,892	(382,519)
Machinery and equipment	(399,143)	(18,612)	-	1,121	(416,634)
Infrastructure	<u>(70,355)</u>	<u>(45,073)</u>	<u>-</u>	<u>(60,738)</u>	<u>(176,166)</u>
Total Accumulated Depreciation	<u>(887,365)</u>	<u>(110,229)</u>	<u>-</u>	<u>22,275</u>	<u>(975,319)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,888,906</u>	<u>(70,767)</u>	<u>-</u>	<u>(1,146,922)</u>	<u>3,671,217</u>
Total Governmental Activities, Net	<u>\$ 5,041,030</u>	<u>\$ (70,767)</u>	<u>\$ -</u>	<u>\$ (1,146,922)</u>	<u>\$ 3,823,341</u>
	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments/ Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 37,158	\$ -	\$ -	\$ -	\$ 37,158
Construction in progress	-	-	-	-	-
Total Capital Assets, Not Being Depreciated	<u>37,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,158</u>
Capital Assets, Being Depreciated:					
Structures and improvements	167,000	-	-	-	167,000
Machinery and equipment	1,615,054	5,021	-	11,222	1,631,297
Infrastructure	<u>7,652,117</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>7,652,122</u>
Total Capital Assets, Being Depreciated	<u>9,434,171</u>	<u>5,021</u>	<u>-</u>	<u>11,227</u>	<u>9,450,419</u>
Less Accumulated Depreciation For:					
Structures and improvements	(73,250)	(3,750)	-	-	(77,000)
Machinery and equipment	(651,400)	(52,640)	-	(2,244)	(706,284)
Infrastructure	<u>(1,522,091)</u>	<u>(138,624)</u>	<u>-</u>	<u>-</u>	<u>(1,660,715)</u>
Total Accumulated Depreciation	<u>(2,246,741)</u>	<u>(195,014)</u>	<u>-</u>	<u>(2,244)</u>	<u>(2,443,999)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,187,430</u>	<u>(189,993)</u>	<u>-</u>	<u>8,983</u>	<u>7,006,420</u>
Total Business-type Activities, Net	<u>\$ 7,224,588</u>	<u>\$ (189,993)</u>	<u>\$ -</u>	<u>\$ 8,983</u>	<u>\$ 7,043,578</u>

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3: DETAILED NOTES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 590
Public ways and facilities	59,070
Public protection	12,874
Culture and recreation	<u>36,259</u>
Total Depreciation Expense -- Governmental Functions	\$ <u>110,229</u>

Depreciation expense was charged to the business-type functions as follows:

Sewer	\$ 40,140
Electric	47,571
Water	<u>107,301</u>
Total Depreciation Expense - Business-Type Functions	\$ <u>195,012</u>

Construction in Progress:

Construction in progress for business-type activities relates primarily to work performed on water projects.

Unearned Revenue:

At June 30, 2012, the components of unearned revenue reported were as follows:

LONG-TERM DEBT

Long-term debt for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Adjustments/ Retirements	Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities					
Loans	\$ 268,000	\$ -	\$ 4,000	\$ 264,000	\$ 4,000
OPEB Liability (Note 5)	3,160	-	-	3,160	-
Compensated Absences (Note 1)	<u>23,726</u>	<u>17,981</u>	<u>11,227</u>	<u>23,726</u>	<u>1,813</u>
Total Government Activities	\$ <u>294,886</u>	\$ <u>17,981</u>	\$ <u>15,227</u>	\$ <u>294,886</u>	\$ <u>5,813</u>

(Continued)

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3: DETAILED NOTES (CONTINUED)

LONG-TERM DEBT (CONTINUED)

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Business-Type Activities					
Loans	\$ 4,154,100	\$ -	\$ 68,200	\$ 4,085,900	\$ 57,100
OPEB Liability (Note 5)	9,150	-	-	9,150	-
Compensated Absences (Note 1)	<u>51,592</u>	<u>36,775</u>	<u>34,323</u>	<u>51,592</u>	<u>17,670</u>
Total Business-Type Activities	<u>\$ 4,214,842</u>	<u>\$ 36,775</u>	<u>\$ 85,923</u>	<u>\$ 4,214,842</u>	<u>\$ 74,770</u>

At June 30, 2012, loans consisted of the following:

	<u>Government</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
United States Department of Agriculture Loan, issued in the amount of \$160,530, dated February 9, 2000, payable in annual installments of \$1,530 to \$8,400 with an interest rate of 4.50% and maturity of September 1, 2039. Loan proceeds were used for wastewater system improvements	\$ -	\$ 135,200
United States Department of Agriculture Loan, issued in the amount of \$133,000, dated February 9, 2000, payable in annual installments of \$1,700 to \$5,900, with an interest rate of 3.25% and maturity of September 1, 2039. Loan proceeds were used for wastewater system improvements.	-	107,000
United States Department of Agriculture Loan, issued in the amount of \$3,675,000, dated November 9, 2006, payable in annual installments of \$35,000 to \$190,000 with an interest rate of 4.375% and a maturity of April 1, 2046. Loan proceeds were used for water infrastructure rehabilitation and replacement.	-	3,440,000
United States Department of Agriculture Loan, issued in the amount of \$480,000, dated February 9, 2000, payable in annual installments of \$4,500 to \$25,000 with an interest rate of 4.50% and a maturity date of September 1, 2039. Loan proceeds were used for wastewater system improvements.	-	403,700

(Continued)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 3: DETAILED NOTES (CONTINUED)

LONG-TERM DEBT (CONTINUED)

At June 30, 2012, loans consisted of the following:

	<u>Government Activities</u>	<u>Business-Type Activities</u>
United States Department of Agriculture Loan, issued in the amount of \$300,000, dated January 12, 2001, payable in annual installments of \$2,000 to \$17,000 with an interest rate of 5.00% and maturity of September 1, 2040. Loan proceeds were used for the purchase of property for a public works facility	264,000	-
Total Loans	<u>\$ 264,000</u>	<u>\$ 4,085,900</u>

The annual aggregate maturities for the years subsequent to June 30, 2012, are as follows:

<u>Year Ended June 30</u>	<u>Loans</u>				<u>Total</u>
	<u>Government Activities</u>		<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 4,000	\$ 13,100	\$ 57,500	\$ 176,951	\$ 251,551
2014	4,000	12,900	63,100	174,450	254,450
2015	5,000	12,675	63,700	171,704	253,079
2016	5,000	12,425	69,300	168,932	255,657
2017-2020	22,000	47,100	288,600	644,644	1,002,344
2021-2025	35,000	51,825	445,900	725,680	1,258,405
2026-2030	44,000	42,000	553,200	617,350	1,256,550
2031-2035	56,000	29,500	685,600	480,772	1,251,872
2036-2040	72,000	13,600	850,100	310,528	1,246,228
2041-2045	17,000	425	830,000	156,785	1,004,210
2046-2050	-	-	201,100	8,313	198,313
Total Government Activities	<u>\$ 264,000</u>	<u>\$ 235,550</u>	<u>\$ 4,085,900</u>	<u>\$ 3,636,109</u>	<u>\$ 8,221,559</u>

LEASES

Operating Leases

Rental expenses incurred under operating leases are not considered material.

(Continued)

**CITY OF BIGGS, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 3: DETAILED NOTES (CONTINUED)

INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. In addition, when funds overdraw their share of pooled cash, the receivables and payables are also classified as due from or due to other funds. The following are due from and due to balances as of June 30, 2012:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Electric Utility Fund	\$ 200,000	\$ -
Sewer Improvement Fund	-	200,000
Total	<u>\$ 200,000</u>	<u>\$ 200,000</u>

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following are the interfund transfers for fiscal year ended June 30, 2012:

	<u>Transfer-Out</u>	<u>Transfer-In</u>
General Fund	\$ 50,000	\$ 152,967
NCPA GOR Reserve Fund	4,000	-
Water Fund	287,725	-
Solid Waste Fund	8,000	-
Sewer Improvement Fund	4,000	-
Water Project Fund	-	147,726
Water Improvement Fund	-	120,000
General Plan Fund	-	335,665
Electric Improvement Fund	-	44,489
Street Maintenance Reserve Fund	-	71,347
Other Non-Major Governmental Funds	-	59,142
Electric	<u>577,611</u>	<u>-</u>
Total	<u>\$ 931,336</u>	<u>\$ 931,336</u>

(Continued)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 4: EMPLOYEES' RETIREMENT PLAN

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit 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 statute. Copies of PERS' annual financial report may be obtained from their executive office—400 P Street, Sacramento, CA 95814.

Funding Policy

Miscellaneous plan members are required to contribute 8 percent of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal year 2011/2012 was 8.695 percent for miscellaneous employees. The contribution requirements of the plan are established by State statute and the employer contribution rate is established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2011/2012, the City's annual pension cost of \$36,368 for the miscellaneous plan was equal to the City's actual contributions. The required contribution for fiscal year 2011/2012 was determined as part of the June 30, 2009, 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 of 3.25 percent to 14.45 percent, depending on age, service, and type of employment, and (c) 3.25 percent per year cost of living adjustment. 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 effect of short term volatility in the market value of investments over a two to five year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. The table below presents three-year trend information.

(Continued)

**CITY OF BIGGS, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 4: EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Cost (Continued)

Miscellaneous

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2010	\$ 36,530	100%	\$ -
June 30, 2011	33,200	100%	-
June 30, 2012	36,368	100%	-

Funded Status and Funding Progress

Since the City Miscellaneous plan has less than 100 active members in at least one valuation since June 30, 2003, it is required to participate in a risk pool and does not present individual plan funded status.

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City provides a defined benefit healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides lifetime healthcare insurance for eligible retirees through the CalPERS Health Benefit Program, which covers both active and retired members. Spouses are also covered throughout his or her life. The City only pays up to the required minimum employer premium contribution calculated using the unequal contribution method. Under this method, the City's contribution for the retiree is calculated by the number of years the City has participated in CalPERS, multiplied by at least five percent (5%), and multiplied by the current employer contribution toward active employees, which is adjusted based on the medical care portion of the Consumer Price Index. Benefit provisions are established by the City Council.

Funding Policy

The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

(Continued)

**CITY OF BIGGS, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Policy (Continued)

GASB 45 does not require pre-funding of OPEB benefits. Therefore, the City's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The City has elected not to establish an irrevocable trust at this time. The City Council reserves the authority to review and amend this funding policy annually.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the remaining period of 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 15,514
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	15,514
Contributions made	<u>3,204</u>
Increase in net OPEB obligation	12,310
Net OPEB obligation - Beginning of year	<u>-</u>
Net OPEB obligation - End of year	\$ <u><u>12,310</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 15,514	21%	\$ 12,310

(Continued)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Status and Funding Progress

As of July 1, 2012, the actuarial accrued liability (AAL) for benefits was \$118,409, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are 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 include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies at the calculation date are based on the most recent mortality tables published by the National Center for Health Statistics website (www.cdc.gov). The calculation of OPEB liability for each year is based on the assumption that all participants will live until their expected age as displayed in the mortality tables.

Turnover - The probability that an employee will remain employed until the assumed retirement age was determined using non-group-specific age-based turnover data provided in Table 1 in

(Continued)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

paragraph 35 of GASB Statement No. 45. In addition the expected future working lifetimes of employees were determined using Table 2 in paragraph 35c of GASB Statement No. 45.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was set at 4%, which is within the range recommended by CalPERS OPEB Assumption Model.

Health insurance premiums - 2009 health insurance premiums for retirees were used as a basis for calculation of the present value of total benefits to be paid.

Payroll increase - Changes in the payroll for current employees are expected to increase at a rate of approximately 2% annually.

Discount rate - The calculation uses an annual discount rate of 3%. This is based on the assumed long-term return on plan assets or employer assets.

Actuarial cost method - The entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2009, was thirty years.

Plan for Funding

On an ongoing basis, the City will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds.

NOTE 6: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities to participate in Small Cities Organized Risk Effort (SCORE) for general liability, vehicle liability, workers' compensation, crime, and errors and omissions purposes. SCORE is a public entity risk pool which serves as a common risk management and insurance program for member cities. The City pays an annual premium to SCORE for its insurance coverage. The agreements with SCORE provide that they will be self sustaining through member premiums and will reinsure through commercial companies for excess coverage.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from their risks have not exceeded commercial insurance in any of the past three fiscal years. There

(Continued)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 6: RISK MANAGEMENT (Continued)

is no claims liability to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 7: OTHER INFORMATION

Contingent Liabilities

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

Joint Agencies

The Small Cities Organized Risk Effort (SCORE) is a joint powers authority organized to provide for a banking plan whereby the member cities can share in the administrative costs of providing liability and worker's compensation insurance. The SCORE is composed of 20 member cities and is governed by a board of directors appointed by the member cities. The governing board has authority over budget and financing.

Complete audited financial statements can be obtained from SCORE offices at 3017 Gold Canal Drive #500, Rancho Cordova, California 95670-6129.

The California Joint Powers Risk Management Authority (CJPRMA) is a joint power authority organized to provide excess coverage for its members. The CJPRMA is governed by a board of directors representing its member cities. Complete audited financial statements can be obtained from the Claims Administrator at 574 Manzanita Avenue, Suite 12, Chico, California 95926.

Subsequent Event

Management has evaluated events subsequent to June 30, 2012 through December 29, 2012, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

(Continued)

**CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 7: OTHER INFORMATION (Continued)

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 (excluding redevelopment agencies). 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 \$25,744.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2012 and May 3, 2012. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

NOTE 8: PRIOR PERIOD ADJUSTMENT

During the period, the City's contract accountant reviewed the City's fixed assets records for the past number of years and determined that an error had been made in the accounting for construction in progress in the 2008-9 fiscal year. The error resulted in the overstatement of the fixed assets in the general fixed assets in the amount of \$1,169,197. In addition the accumulated depreciation was adjusted by a net amount of \$22,275. These adjustments are detailed in Note 3 above.

REQUIRED SUPPLEMENTARY INFORMATION

Unaudited

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**CITY OF BIGGS, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS - UNAUDITED
 FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
 (OPEB)**

The table below shows a one year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2012, for the City other Postemployment Benefit Plan. As additional years are available, a three-year trend analysis will be presented.

Miscellaneous Plan:

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (UAAL)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
July 1, 2009	\$ 118,409	\$ -	\$ 118,409	0%	\$ 429,000	27.6%

CITY OF BIGGS, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes and assessments	\$ 155,972	\$ 155,972	\$ 183,073	\$ 27,101
Licenses and permits	6,900	6,900	9,489	2,589
Fines and forfeitures	160	160	369	209
Use of money	23,885	21,885	5,090	(16,795)
Intergovernmental	256,297	256,297	384,904	128,607
Charges for services	37,400	37,400	34,150	(3,250)
Other revenues	102,060	102,060	61,861	(40,199)
Total Revenues	<u>582,674</u>	<u>580,674</u>	<u>678,936</u>	<u>98,262</u>
EXPENDITURES				
Current:				
General government	289,947	287,784	118,039	169,745
Public ways and facilities	72,731	102,231	66,670	35,561
Public protection	346,054	346,054	326,185	19,869
Culture and recreation	56,305	56,303	55,101	1,202
Community development	66,296	66,296	62,285	4,011
Debt service	17,900	35,943	35,743	200
Total Expenditures	<u>849,233</u>	<u>894,611</u>	<u>664,023</u>	<u>230,588</u>
Excess of Revenues Over (Under) Expenditures	<u>(266,559)</u>	<u>(313,937)</u>	<u>14,913</u>	<u>328,850</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	70,533	-	135,842	135,842
Transfers out	(6,188)	-	(83,309)	(83,309)
Total Other Financing Sources (Uses)	<u>64,345</u>	<u>-</u>	<u>52,533</u>	<u>52,533</u>
Net Change in Fund Balance	(202,214)	(313,937)	67,446	381,383
Fund Balance -Beginning	224,708	224,708	224,708	-
Fund Balance - Ending	<u>\$ 22,494</u>	<u>\$ (89,229)</u>	<u>\$ 292,154</u>	<u>\$ 381,383</u>

The City of Biggs budgets for debt service principal and interest expenditures as a single item. For purposes of the budgetary comparison schedule, the debt service principal and interest expenditures have been combined as one item, debt service.

See the accompanying notes to the required supplementary information.

**CITY OF BIGGS, CALIFORNIA
SCHEDULES TO FOOTNOTES
BUDGET AND APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 2 OTHER DISCLOSURES

SCHEDULE OF EXCESS EXPENDITURES:

Fund	Appropriations	Expenditures	Excess Expenditures
STIP Grant	\$ 600	\$ 3,366	\$ 2,766
HOME 2007 Grant	-	1,887	1,887
1994 CDBG Fund	-	3,737	3,737
Gas Tax	17,468	19,742	2,274
CDFN. Biggs	18,131	19,485	1,354
E. McCain	-	36	36
	\$ 36,199	\$ 48,253	\$ 12,054

SCHEDULE OF DEFICIT FUND BALANCES:

Fund	Deficit Fund Balance
ADA City Library	\$ (19,284)
Veterans Hall Rehab	(9,562)
Housing Element	(109)
08-PTAE-5403 CDBG	(16)
Sixth Street Bridge	(29,631)
HOME 2007 Grant	(226)
Sewer Improvement Fund	(807,061)
	\$ (865,889)

**CITY OF BIGGS, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
(OPEB)**

The Schedule of Funding Progress - Other Postemployment Benefits on Page 40, presents a consolidated snapshot of the City's ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

BUDGETARY BASIS OF ACCOUNTING

The approved City procedures for establishing the budgetary data reflected in the financial statements is as follows:

In May of each year, the Finance Department is to submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.

Public hearings are to be conducted at City Hall to obtain taxpayer comments.

Generally by the first of July, after adjustment as appropriate by the City Council, the budget is to be legally enacted through council motion.

Council approval is required for transfers between funds, or for an increase in total appropriations. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).

Formal budgetary integration is employed as a management control device during the year for the General fund, and Special Revenue funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant adjustments. The HOME Grant major special revenue fund did not have a legally adopted budget.

All unused appropriations for budgeted amounts lapse at the end of the year.

Individual fund budgetary comparisons are not presented at the detail budget unit level due to their excessive length. A separate document presenting this information is available.

The City does not use encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

REQUIRED SUPPLEMENTARY INFORMATION

Unaudited

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COMBINING NONMAJOR FUND STATEMENTS

Unaudited

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NONMAJOR GOVERNMENTAL FUNDS

Unaudited

CITY OF BIGGS, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2012

	Gas Tax	Developer Fees	Traffic Congestion
ASSETS			
Cash and investments	\$ 62,801	\$ 16,416	\$ -
Accounts receivable (net of allowance)	11,085	-	-
Loans receivable	-	-	-
Total Assets	<u>\$ 73,886</u>	<u>\$ 16,416</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 493	\$ -	\$ -
Deposits payable	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Total Liabilities	<u>493</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Loans receivable	-	-	-
Unreserved:			
Undesignated	<u>73,393</u>	<u>16,416</u>	<u>-</u>
Total Fund Balances	<u>73,393</u>	<u>16,416</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 73,886</u>	<u>\$ 16,416</u>	<u>\$ -</u>

CalTrans SR2S #4 Grant	TEA Grant	SR2S Improvement	SB-325 'FDA Funds	Prop 1B
\$ -	\$ -	\$ -	\$ 34,415	\$ -
-	-	-	7,289	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,704</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 1,062	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,062</u>	<u>-</u>
-	-	-	-	-
-	-	-	40,642	-
-	-	-	40,642	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,704</u>	<u>\$ -</u>

**CITY OF BIGGS, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2012**

	SB-620 STA Funds	STIP Exchange	TEA 2005 Improvement Project
ASSETS			
Cash and investments	\$ 18	\$ 27,922	\$ -
Accounts receivable (net of allowance)	-	12,861	-
Loans receivable	-	-	-
Total Assets	<u>\$ 18</u>	<u>\$ 40,783</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 18	\$ -
Deposits payable	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Total Liabilities	<u>-</u>	<u>18</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Loans receivable	-	-	-
Unreserved:			
Undesignated	<u>18</u>	<u>40,765</u>	<u>-</u>
Total Fund Balances	<u>18</u>	<u>40,765</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 18</u>	<u>\$ 40,783</u>	<u>\$ -</u>

HOME Grant	HOME 2007 Grant	Sixth St Bridge	1982 CDBG	CDBG Miscellaneous
\$ 44,438	\$ -	\$ -	\$ 49	\$ 59,700
-	-	-	-	-
-	-	-	-	-
<u>\$ 44,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49</u>	<u>\$ 59,700</u>
\$ -	\$ 226	\$ 12,535	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	<u>226</u>	<u>12,535</u>	-	-
-	-	-	-	-
44,438	(226)	(12,535)	49	59,700
<u>44,438</u>	<u>(226)</u>	<u>(12,535)</u>	<u>49</u>	<u>59,700</u>
<u>\$ 44,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49</u>	<u>\$ 59,700</u>

CITY OF BIGGS, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2012

	1994 CDBG	07-CDGB PTA DOW	2007 PTAE
ASSETS			
Cash and investments	\$ 61,540	\$ -	\$ -
Accounts receivable (net of allowance)	-	-	-
Loans receivable	121,186	-	-
Total Assets	<u>\$ 182,726</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Deposits payable	-	-	-
Due to other funds	-	-	-
Unearned revenue	97,041	-	-
Total Liabilities	<u>97,041</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Loans receivable	24,145	-	-
Unreserved:			
Undesignated	61,540	-	-
Total Fund Balances	<u>85,685</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 182,726</u>	<u>\$ -</u>	<u>\$ -</u>

08-PTAE-\$403 CDBG	Housing Element	ADA City Library	Veteran's Hail Rehab	01-STBG-1797
\$ -	\$ -	\$ -	\$ -	\$ 7,694
-	-	-	-	-
-	-	-	-	243,558
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,252</u>
\$ 1,592	\$ -	\$ 19,284	\$ 11,079	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	243,558
<u>1,592</u>	<u>-</u>	<u>19,284</u>	<u>11,079</u>	<u>243,558</u>
-	-	-	-	-
(1,592)	-	(19,284)	(11,079)	7,694
<u>(1,592)</u>	<u>-</u>	<u>(19,284)</u>	<u>(11,079)</u>	<u>7,694</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,252</u>

CITY OF BIGGS, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2012

	<u>2005 CDBG</u>	<u>Totals</u>
ASSETS		
Cash and investments	\$ -	\$ 314,993
Accounts receivable (net of allowance)	-	31,235
Loans receivable	-	364,744
Total Assets	<u>\$ -</u>	<u>\$ 710,972</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ 46,289
Deposits payable	-	-
Due to other funds	-	-
Unearned revenue	-	340,599
Total Liabilities	<u>-</u>	<u>386,888</u>
 FUND BALANCES		
Reserved for:		
Loans receivable	-	24,145
Unreserved:		
Undesignated	-	299,939
Total Fund Balances	<u>-</u>	<u>324,084</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 710,972</u>

(Continued page 4 of 4)

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

	Gas Tax	Developer Fees	Traffic Congestion
REVENUES			
Taxes and assessments	\$ 57,094	\$ -	\$ -
Use of money	116	37	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Other revenues	-	-	-
Total Revenues	<u>57,210</u>	<u>37</u>	<u>-</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public ways and facilities	18,859	-	-
Public protection	-	-	-
Culture and recreation	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Total Expenditures	<u>18,859</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over(Under) Expenditures	<u>38,351</u>	<u>37</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	38,351	37	-
Fund Balances - Beginning	35,042	16,379	9,268
Prior period adjustment	-	-	(9,268)
Fund Balances - Beginning, Restated	<u>35,042</u>	<u>16,379</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 73,393</u>	<u>\$ 16,416</u>	<u>\$ -</u>

CalTrans SR2S #4 Grant	TEA Grant	SR2S Improvement	SB-325 TDA Funds
\$ -	\$ -	\$ -	\$ -
-	-	-	77
-	-	-	46,265
-	-	-	-
-	-	-	-
-	-	-	46,342
-	-	-	-
-	-	-	41,884
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	41,884
-	-	-	4,458
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	4,458
-	-	-	36,184
-	-	-	-
-	-	-	36,184
\$ -	\$ -	\$ -	\$ 40,642

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

	Prop 1B	SB-620 STA Funds	STIP Exchange
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Use of money	-	-	64
Intergovernmental	-	7,292	13,721
Charges for services	-	-	-
Other revenues	-	-	-
Total Revenues	<u>-</u>	<u>7,292</u>	<u>13,785</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public ways and facilities	-	7,292	181
Public protection	-	-	-
Culture and recreation	-	-	-
Community development	-	-	-
Capital outlay	-	-	-
Total Expenditures	<u>-</u>	<u>7,292</u>	<u>181</u>
Excess of Revenues Over(Under) Expenditures	<u>-</u>	<u>-</u>	<u>13,604</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	13,604
Fund Balances - Beginning	-	18	44,690
Prior period adjustment	-	-	(17,529)
Fund Balances - Beginning, Restated	<u>-</u>	<u>18</u>	<u>27,161</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ 40,765</u>

TEA 2005 Improvement Project	HOME Grant	HOME 2007 Grant	Sixth St Bridge
\$ -	\$ -	\$ -	\$ -
-	51	-	-
-	-	-	64,890
-	-	-	-
-	30,000	-	-
-	30,051	-	64,890
-	-	-	-
-	-	-	66,323
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	66,323
-	30,051	-	(1,433)
-	-	-	-
-	-	-	-
-	30,051	-	(1,433)
-	14,387	(226)	(28,631)
-	-	-	17,529
-	14,387	(226)	(11,102)
\$ -	\$ 44,438	\$ (226)	\$ (12,535)

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

	1982 CDBG	1986 HUD	CDBG Miscellaneous
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Use of money	-	-	138
Intergovernmental	-	-	-
Charges for services	-	-	-
Other revenues	-	-	-
Total Revenues	-	-	138
EXPENDITURES			
Current:			
General government	-	-	-
Public ways and facilities	-	-	-
Public protection	-	-	-
Culture and recreation	-	-	-
Community development	-	-	106
Capital outlay	-	-	-
Total Expenditures	-	-	106
Excess of Revenues Over(Under) Expenditures	-	-	32
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	-	32
Fund Balances - Beginning	49	-	59,668
Prior period adjustment	-	-	-
Fund Balances - Beginning, Restated	49	-	59,668
Fund Balances - Ending	\$ 49	\$ -	\$ 59,700

1994 CDBG	07-CDBG PTA DOW	2007 PTAE	08-PTAE-5403 CDBG
\$ -	\$ -	\$ -	\$ -
176	-	-	-
-	-	-	-
6,022	-	-	-
-	-	-	-
<u>6,198</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
25,694	-	-	-
-	-	-	-
<u>25,694</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(19,496)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>(19,496)</u>	<u>-</u>	<u>-</u>	<u>-</u>
104,637	-	-	(1,592)
544	-	-	-
<u>105,181</u>	<u>-</u>	<u>-</u>	<u>(1,592)</u>
<u>\$ 85,685</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,592)</u>

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

	Housing Element	ADA City Library	Veteran's Hall Rehab
REVENUES			
Taxes and assessments	\$ -	\$ -	\$ -
Use of money	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Other revenues	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public ways and facilities	-	-	-
Public protection	-	-	-
Culture and recreation	-	-	1,517
Community development	-	-	-
Capital outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,517</u>
Excess of Revenues Over(Under) Expenditures	<u>-</u>	<u>-</u>	<u>(1,517)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	(1,517)
Fund Balances - Beginning	(109)	(19,284)	(9,562)
Prior period adjustment	109	-	-
Fund Balances - Beginning, Restated	<u>-</u>	<u>(19,284)</u>	<u>(9,562)</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ (19,284)</u>	<u>\$ (11,079)</u>

01-STBG-1797	2005 CDBG	Totals
\$ -	\$ -	\$ 57,094
14	-	673
-	-	132,168
-	-	6,022
3,840	-	33,840
<u>3,854</u>	<u>-</u>	<u>229,797</u>
-	-	-
-	-	134,539
-	-	-
-	-	1,517
-	-	25,800
-	-	-
<u>-</u>	<u>-</u>	<u>161,856</u>
3,854	-	67,941
-	-	-
-	-	-
-	-	-
3,854	-	67,941
30,766	-	291,684
(26,926)	-	(35,541)
3,840	-	256,143
<u>\$ 7,694</u>	<u>\$ -</u>	<u>\$ 324,084</u>

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NONMAJOR PROPRIETARY FUNDS

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CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2012

	Solid Waste	Totals
ASSETS		
Current Assets		
Cash and investments	\$ 6,975	\$ 6,975
Accounts receivable (net of allowance)	<u>26,301</u>	<u>26,301</u>
Total Current Assets	<u>33,276</u>	<u>33,276</u>
Total Assets	<u><u>\$ 33,276</u></u>	<u><u>\$ 33,276</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 254	\$ 254
Due to other funds	-	-
Compensated absences	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>254</u>	<u>254</u>
Noncurrent Liabilities		
Compensated absences	651	651
OPEB liability	<u>290</u>	<u>290</u>
Total Noncurrent Liabilities	<u>941</u>	<u>941</u>
Total Liabilities	<u>1,195</u>	<u>1,195</u>
NET ASSETS		
Unrestricted	<u>32,081</u>	<u>32,081</u>
Total Net Assets	<u><u>\$ 32,081</u></u>	<u><u>\$ 32,081</u></u>

CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Solid Waste</u>	<u>Totals</u>
OPERATING REVENUES		
Charges for services	\$ 152,892	\$ 152,892
Total Operating Revenues	<u>152,892</u>	<u>152,892</u>
OPERATING EXPENSES		
Personnel cost	7,144	7,144
Supplies	636	636
Maintenance and operations	11,587	11,587
Contractual services	125,417	125,417
Other	1,371	1,371
Total Operating Expenses	<u>146,155</u>	<u>146,155</u>
Operating income (Loss)	<u>6,737</u>	<u>6,737</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	<u>1,812</u>	<u>1,812</u>
Total Non-Operating Revenues (Expenses)	<u>1,812</u>	<u>1,812</u>
Income (Loss) Before Transfers	<u>8,549</u>	<u>8,549</u>
Transfers in	-	-
Transfers out	<u>(8,000)</u>	<u>(8,000)</u>
Total Other Financing Sources (Uses)	<u>(8,000)</u>	<u>(8,000)</u>
Net Change in Fund Balance	<u>549</u>	<u>549</u>
Total Net Assets - Beginning	29,378	29,378
Prior period adjustment	<u>2,154</u>	<u>2,154</u>
Total Net Assets - Beginning, Restated	<u>31,532</u>	<u>31,532</u>
Total Net Assets - Ending	<u>\$ 32,081</u>	<u>\$ 32,081</u>

**CITY OF BIGGS, CALIFORNIA
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Solid Waste</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 151,571	\$ 151,571
Payments to suppliers	(139,168)	(139,168)
Payments to employees	<u>(7,735)</u>	<u>(7,735)</u>
Net Cash Provided (Used) by Operating Activities	<u>4,668</u>	<u>4,668</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfers to other funds	(5,846)	(5,846)
Interfund loans repaid	-	-
Interfund loans received	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(5,846)</u>	<u>(5,846)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	<u>1,812</u>	<u>13</u>
Net Cash Provided (Used) by Investing Activities	<u>1,812</u>	<u>13</u>
Net Increase (Decrease) in Cash and Cash Equivalents	634	(1,165)
Balances - Beginning of the Year	<u>6,341</u>	<u>6,341</u>
Balances - End of the Year	<u>\$ 6,975</u>	<u>\$ 6,975</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ 6,737	\$ 6,737
Adjustments to reconcile operating income to net cash provided by operating activities		
Decrease (increase) in:		
Accounts receivable	(1,321)	(1,321)
Increase (decrease) in:		
Accounts payable	(157)	(157)
Compensated absences	(591)	(591)
OPEB liability	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,668</u>	<u>\$ 4,668</u>

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FIDUCIARY FUNDS

Unaudited

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**CITY OF BIGGS, CALIFORNIA
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2012**

	<u>'39 Fire Truck</u>	<u>Developer Fees</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and investments	\$ 3,355	\$ 16,416	\$ 19,771
Total Assets	<u>\$ 3,355</u>	<u>\$ 16,416</u>	<u>\$ 19,771</u>
LIABILITIES			
Agency obligations	\$ 3,355	\$ 16,416	\$ 19,771
Total Liabilities	<u>\$ 3,355</u>	<u>\$ 16,416</u>	<u>\$ 19,771</u>

CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
'39 Fire Truck				
ASSETS				
Cash and investments	\$ 3,439	\$ -	\$ (84)	\$ 3,355
Interest receivable	11	-	(11)	-
Total Assets	<u>\$ 3,450</u>	<u>\$ -</u>	<u>\$ (95)</u>	<u>\$ 3,355</u>
LIABILITIES				
Agency obligations	<u>\$ 3,450</u>	<u>\$ -</u>	<u>\$ (95)</u>	<u>\$ 3,355</u>
Total Liabilities	<u>\$ 3,450</u>	<u>\$ -</u>	<u>\$ (95)</u>	<u>\$ 3,355</u>
Developer Fees				
ASSETS				
Cash and investments	\$ 16,379	\$ 37	\$ -	\$ 16,416
Interest receivable	-	-	-	-
Total Assets	<u>\$ 16,379</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 16,416</u>
LIABILITIES				
Agency obligations	<u>\$ 16,379</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 16,416</u>
Total Liabilities	<u>\$ 16,379</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 16,416</u>

OTHER REPORTS AND SCHEDULES

**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**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR RECOMMENDATIONS

Donald R. Reynolds

Certified Public Accountant

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

The Honorable Mayor and Members of the City Council City of Biggs
Biggs, California

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biggs, California (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued my report thereon dated December 29, 2012. I conducted my 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 my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Mayor and Members of the City Council City of Biggs
Biggs, California

I identified certain other deficiencies in internal control over financial reporting that I did not consider to be material weaknesses that I have reported in my letter to management dated December 29, 2012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Recommendations. I did not audit the City's responses, and accordingly, I express no opinion on them.

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



Donald R. Reynolds, CPA
Redding, California
December 29, 2012

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**CITY OF BIGGS, CALIFORNIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

NONE

**CITY OF BIGGS, CALIFORNIA
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

Audit Reference Status of Prior Year Audit Recommendations

10-FS-01 CAPITAL ASSETS

Recommendation

The prior auditor recommended that the City adequately review the capital asset list to ensure that all assets including infrastructure are properly calculated and that all assets are included.

Status

Implemented.

10-FS-02 GRANT FUND RECONCILIATION

Recommendation

The prior auditor recommended that the City adopt policies and procedures for recording grant activity in the City's general ledger. In addition, they recommend that a consistent policy be developed to resolve and minimize negative fund balances.

Status

Implemented

10-FS-03 UTILITY BILLING

Recommendation

The prior auditor recommended that consideration be given to segregating the preparation and mailing of the utility bills from the receipt collection process.

Status

Management has determined that, due to the limited number of staff involved, it is not cost effective to implement at this time.

**CITY OF BIGGS, CALIFORNIA
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

Audit Reference Status of Prior Year Audit Recommendations

10-FS-04 BUDGET

Recommendation

The prior auditor recommended that all special revenue funds have legally adopted budgets.

Status

Implemented.