

CITY OF BIGGS, CALIFORNIA



**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED
JUNE 30, 2010**

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**CITY OF BIGGS, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010**

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:	
1 Financial Reporting Entity and Summary of Significant Accounting Policies	13-19
2 Stewardship, Compliance, and Accountability	20-21
3 Detailed Notes	21-26
4 Employees' Retirement Plan	26-27
5 Other Postemployment Benefits (OPEB)	27-29
6 Risk Management	29
7 Other Information	29-30
Required Supplementary Information (Unaudited):	
Schedule of Funding Progress - Pension	31
Budgetary Comparison Schedule - Budgetary Basis - General Fund	32
Budgetary Comparison Schedule - Budgetary Basis - SR2S Improvement - Major Special Revenue Fund	33
Budgetary Comparison Schedule - Budgetary Basis - TEA 2005 Improvement Project - Major Special Revenue Fund	34
Notes to Required Supplementary Information	35

**CITY OF BIGGS, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

	Page
Combining Nonmajor Fund Statements:	
Nonmajor Governmental Funds - Special Revenue Funds:	
Combining Balance Sheet	36-37
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	38-39
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets	40
Combining Statement of Revenues, Expenses, and Changes in Net assets	41
Combining Statement of Cash Flows	42
Fiduciary Funds:	
Agency Funds:	
Combining Statement of Assets and Liabilities - Agency Funds	43
Combining Statement of Changes in Assets and Liabilities - Agency Funds	44
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	45-46
Schedule of Findings and Recommendations	47-49
Schedule of Prior Year Recommendations	50-51

INTRODUCTORY SECTION

-
- **City Officials**

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**CITY OF BIGGS, CALIFORNIA
CITY OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2010**

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

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

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

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

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

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

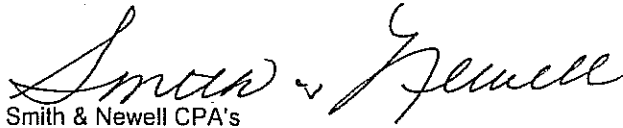
In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We 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. Our opinion on the basic financial statements is not affected by this missing information.

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

Our 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 our 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, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script, appearing to read "Smith & Newell", is written over the printed name.

Smith & Newell CPA's
Yuba City, California
February 11, 2011

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

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CITY OF BIGGS, CALIFORNIA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and investments	\$ 503,457	\$ 1,067,804	\$ 1,571,261
Accounts receivable (net of allowance)	34,068	631,288	665,356
Due from other governmental agencies	71,958	-	71,958
Interest receivable	1,219	-	1,219
Internal balances	(233,747)	233,747	-
Prepaid power	-	607,269	607,269
Loans receivable	943,727	-	943,727
Capital assets:			
Non-depreciable	152,124	1,385,173	1,537,297
Depreciable, net	5,013,241	5,958,848	10,972,089
Total capital assets	<u>5,165,365</u>	<u>7,344,021</u>	<u>12,509,386</u>
Total Assets	<u>6,486,047</u>	<u>9,884,129</u>	<u>16,370,176</u>
<u>LIABILITIES</u>			
Accounts payable	30,992	97,134	128,126
Accrued salaries and benefits	901	-	901
Retention payable	-	76,098	76,098
Accrued interest payable	4,350	45,855	50,205
Deposits payable	20,500	62,499	82,999
Unearned revenue	893,181	88,076	981,257
Long-term liabilities:			
Due within one year	12,440	72,656	85,096
Due in more than one year	<u>279,692</u>	<u>4,191,334</u>	<u>4,471,026</u>
Total Liabilities	<u>1,242,056</u>	<u>4,633,652</u>	<u>5,875,708</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	4,893,365	3,138,321	8,031,686
Restricted for:			
Grants, taxes, and fees	25,131	-	25,131
Energy scheduling services	-	607,269	607,269
Unrestricted	<u>325,495</u>	<u>1,504,887</u>	<u>1,830,382</u>
Total Net Assets	<u>\$ 5,243,991</u>	<u>\$ 5,250,477</u>	<u>\$ 10,494,468</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, 2010

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 127,090	\$ 41,938	\$ 48,788	\$ -
Public ways and facilities	520,251	65,912	238,090	338,343
Public protection	337,834	2,070	100,000	-
Culture and recreation	86,208	-	-	-
Community development	141,676	12,150	83,373	-
Interest on long-term debt	13,653	-	-	-
Total Governmental Activities	1,226,712	122,070	470,251	338,343
Business-type activities:				
Sewer	440,761	273,493	712	-
Electric	2,195,260	2,630,452	-	-
Water	592,615	378,358	3,000	-
Solid Waste	144,973	143,139	-	-
Total Business-Type Activities	3,373,609	3,425,442	3,712	-
Total	\$ 4,600,321	\$ 3,547,512	\$ 473,963	\$ 338,343

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**

Governmental Activities	Business- Type Activities	Total
\$ (36,364)	\$ -	\$ (36,364)
122,094	-	122,094
(235,764)	-	(235,764)
(86,208)	-	(86,208)
(46,153)	-	(46,153)
(13,653)	-	(13,653)
(296,048)	-	(296,048)
-	(166,556)	(166,556)
-	435,192	435,192
-	(211,257)	(211,257)
-	(1,834)	(1,834)
-	55,545	55,545
(296,048)	55,545	(240,503)
176,786	-	176,786
21,829	-	21,829
12,750	-	12,750
2,774	-	2,774
189,721	-	189,721
7,112	4,986	12,098
77,475	205,735	283,210
70,533	(70,533)	-
558,980	140,188	699,168
262,932	195,733	458,665
3,511,445	4,997,689	8,509,134
1,469,614	57,055	1,526,669
4,981,059	5,054,744	10,035,803
<u>\$ 5,243,991</u>	<u>\$ 5,250,477</u>	<u>\$ 10,494,468</u>

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BASIC FINANCIAL STATEMENTS

Fund Financial Statements

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CITY OF BIGGS, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	SR2S Improvement	TEA 2005 Improvement Project	HOME Grant	Other Governmental Funds
<u>ASSETS</u>					
Cash and investments	\$ 183,193	\$ -	\$ -	\$ -	\$ 320,264
Accounts receivable (net of allowance)	5,161	-	-	-	28,907
Due from other governmental agencies	64,681	-	-	-	-
Interest receivable	1,219	-	-	-	-
Due from other funds	52,314	-	-	-	-
Loans receivable	-	-	-	449,580	494,147
Total Assets	\$ 306,568	\$ -	\$ -	\$ 449,580	\$ 843,318
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 13,513	\$ -	\$ -	\$ -	\$ 17,479
Accrued salaries and benefits	901	-	-	-	-
Deposits payable	-	-	-	-	20,500
Due to other funds	-	88,523	22,508	53,259	121,771
Unearned revenue	-	-	-	449,580	443,601
Total Liabilities	14,414	88,523	22,508	502,839	603,351
FUND BALANCES					
Reserved for:					
Loans receivable	-	-	-	-	50,546
Unreserved, reported in:					
General fund					
Designated	58,926	-	-	-	-
Undesignated	233,228	-	-	-	-
Special revenue funds					
Undesignated	-	(88,523)	(22,508)	(53,259)	189,421
Total Fund Balances	292,154	(88,523)	(22,508)	(53,259)	239,967
Total Liabilities and Fund Balances	\$ 306,568	\$ -	\$ -	\$ 449,580	\$ 843,318

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

Total

\$ 503,457
34,068
64,681
1,219
52,314
943,727

\$ 1,599,466

\$ 30,992
901
20,500
286,061
893,181

1,231,635

50,546

58,926
233,228

25,131

367,831

\$ 1,599,466

CITY OF BIGGS, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF
NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total Fund Balance - Total Governmental Funds	\$ 367,831
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.	5,165,365
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	7,277
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.	(4,350)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Loans payable	(272,000)
OPEB liability	(3,160)
Compensated absences	(16,972)
Net Assets of Governmental Activities	<u>\$ 5,243,991</u>

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

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CITY OF BIGGS, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	SR2S Improvement	TEA 2005 Improvement Project	HOME Grant	Other Governmental Funds
REVENUES					
Taxes and assessments	\$ 183,073	\$ -	\$ -	\$ -	\$ 37,611
Licenses and permits	9,489	-	-	-	-
Fines and forfeitures	369	-	-	-	-
Use of money	5,090	-	-	-	2,022
Intergovernmental	384,904	271,566	319,000	-	290,238
Charges for services	34,150	-	-	-	78,062
Other revenues	61,861	-	-	-	15,614
Total Revenues	678,936	271,566	319,000	-	423,547
EXPENDITURES					
Current:					
General government	118,039	-	-	-	734
Public ways and facilities	66,670	-	79,559	-	292,364
Public protection	326,185	-	-	-	290
Culture and recreation	55,101	-	-	-	12,935
Community development	62,285	-	-	1,546	77,758
Debt service:					
Principal	21,139	-	-	-	-
Interest and other charges	14,604	-	-	-	-
Capital outlay	-	133,733	-	-	315
Total Expenditures	664,023	133,733	79,559	1,546	384,396
Excess of Revenues Over (Under) Expenditures	14,913	137,833	239,441	(1,546)	39,151
OTHER FINANCING SOURCES (USES)					
Transfers in	135,842	-	-	-	23,430
Transfers out	(83,309)	-	-	-	(5,430)
Total Other Financing Sources (Uses)	52,533	-	-	-	18,000
Net Change in Fund Balances	67,446	137,833	239,441	(1,546)	57,151
Fund Balances - Beginning	224,708	(226,356)	(261,949)	(51,713)	318,351
Prior period adjustment	-	-	-	-	(135,535)
Fund Balances - Beginning, Restated	224,708	(226,356)	(261,949)	(51,713)	182,816
Fund Balances - Ending	\$ 292,154	\$ (88,523)	\$ (22,508)	\$ (53,259)	\$ 239,967

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

Total

\$	220,684
	9,489
	369
	7,112
	1,265,708
	112,212
	77,475
	<u>1,693,049</u>

118,773
438,593
326,475
68,036
141,589

21,139
14,604
<u>134,048</u>

<u>1,263,257</u>

<u>429,792</u>

159,272
<u>(88,739)</u>

<u>70,533</u>

<u>500,325</u>

3,041

<u>(135,535)</u>

<u>(132,494)</u>

<u><u>\$ 367,831</u></u>

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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ 500,325
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	134,048
Depreciation expense	(112,413)
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	21,139
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	(2,238)
Change in deferred revenue	(274,670)
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	(1,050)
Change in compensated absences	(3,160)
Change in accrued interest on long-term debt	951
Change in Net Assets of Governmental Activities	<u>\$ 262,932</u>

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

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CITY OF BIGGS, CALIFORNIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-Type Activities - Enterprise Funds			
	Sewer	Electric	Water	Other Enterprise Funds
<u>ASSETS</u>				
Current Assets				
Cash and investments	\$ 62,496	\$ 770,325	\$ 234,983	\$ -
Accounts receivable (net of allowance)	38,275	278,872	292,680	21,461
Due from other funds	40,506	311,678	-	-
Prepaid power	-	607,269	-	-
Total Current Assets	141,277	1,968,144	527,663	21,461
Noncurrent Assets				
Capital assets:				
Non-depreciable	30,000	7,158	1,348,015	-
Depreciable, net	1,098,978	986,145	3,873,725	-
Total Noncurrent Assets	1,128,978	993,303	5,221,740	-
Total Assets	1,270,255	2,961,447	5,749,403	21,461
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	16,235	12,407	68,417	75
Accrued interest payable	7,302	-	38,553	-
Retention payable	-	-	76,098	-
Deposits payable	-	62,499	-	-
Due to other funds	113,624	-	-	4,813
Unearned revenue	-	88,076	-	-
Compensated absences	7,774	5,727	6,857	698
Loans payable	11,600	-	40,000	-
Total Current Liabilities	156,535	168,709	229,925	5,586
Noncurrent Liabilities				
Compensated absences	9,824	10,024	7,377	859
OPEB liability	3,278	2,932	2,650	290
Loans payable	669,100	-	3,485,000	-
Total Noncurrent Liabilities	682,202	12,956	3,495,027	1,149
Total Liabilities	838,737	181,665	3,724,952	6,735
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	448,278	993,303	1,696,740	-
Restricted for:				
Energy scheduling services	-	607,269	-	-
Unrestricted	(16,760)	1,179,210	327,711	14,726
Total Net Assets	\$ 431,518	\$ 2,779,782	\$ 2,024,451	\$ 14,726

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

Total

\$ 1,067,804
631,288
352,184
607,269

2,658,545

1,385,173
5,958,848

7,344,021

10,002,566

97,134
45,855
76,098
62,499
118,437
88,076
21,056
51,600

560,755

28,084
9,150
4,154,100

4,191,334

4,752,089

3,138,321

607,269
1,504,887

\$ 5,250,477

CITY OF BIGGS, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Sewer</u>	<u>Electric</u>	<u>Water</u>	<u>Other Enterprise Funds</u>
<u>OPERATING REVENUES</u>				
Charges for services	\$ 273,493	\$ 2,630,452	\$ 378,358	\$ 143,139
Total Operating Revenues	<u>273,493</u>	<u>2,630,452</u>	<u>378,358</u>	<u>143,139</u>
<u>OPERATING EXPENSES</u>				
Personnel costs	197,396	299,703	216,076	27,220
Utilities	14,510	1,796	24,305	-
Supplies	43,401	29,407	10,724	2,131
Maintenance and operations	624	201,789	1,050	-
Contractual services	97,087	1,585,900	91,304	115,622
Depreciation	39,017	46,567	82,559	-
Other expense	21,696	30,098	10,462	-
Total Operating Expenses	<u>413,731</u>	<u>2,195,260</u>	<u>436,480</u>	<u>144,973</u>
Operating Income (Loss)	<u>(140,238)</u>	<u>435,192</u>	<u>(58,122)</u>	<u>(1,834)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest income	766	3,722	485	13
Intergovernmental revenues	712	-	3,000	-
Other revenues	-	197,509	8,226	-
Interest expense	(27,030)	-	(156,135)	-
Total Non-Operating Revenues (Expenses)	<u>(25,552)</u>	<u>201,231</u>	<u>(144,424)</u>	<u>13</u>
Income (Loss) Before Transfers	<u>(165,790)</u>	<u>636,423</u>	<u>(202,546)</u>	<u>(1,821)</u>
Transfers in	-	-	-	-
Transfers out	-	(70,533)	-	-
Change in Net Assets	<u>(165,790)</u>	<u>565,890</u>	<u>(202,546)</u>	<u>(1,821)</u>
Total Net Assets - Beginning	<u>597,308</u>	<u>2,156,837</u>	<u>2,226,997</u>	<u>16,547</u>
Prior period adjustment	-	57,055	-	-
Total Net Assets - Beginning, Restated	<u>597,308</u>	<u>2,213,892</u>	<u>2,226,997</u>	<u>16,547</u>
Total Net Assets - Ending	<u>\$ 431,518</u>	<u>\$ 2,779,782</u>	<u>\$ 2,024,451</u>	<u>\$ 14,726</u>

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

Total

\$ 3,425,442

3,425,442

740,395
40,611
85,663
203,463
1,889,913
168,143
62,256

3,190,444

234,998

4,986
3,712
205,735
(183,165)

31,268

266,266

-
(70,533)

195,733

4,997,689

57,055

5,054,744

\$ 5,250,477

CITY OF BIGGS, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds			
	Sewer	Electric	Water	Other Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 269,624	\$ 2,591,102	\$ 829,194	\$ 140,933
Payments to suppliers	(186,605)	(2,078,451)	(117,507)	(117,681)
Payments to employees	(187,404)	(301,744)	(205,976)	(27,776)
Net Cash Provided (Used) by Operating Activities	(104,385)	210,907	505,711	(4,524)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Grants and other receipts	712	197,509	11,226	-
Transfers to other funds	-	(70,533)	-	-
Interfund loans repaid	(40,670)	(164)	(164)	(302)
Interfund loans received	113,624	246,887	-	4,813
Interfund loans made	-	(311,678)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	73,666	62,021	11,062	4,511
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of capital assets	-	-	(361,720)	-
Principal paid on capital debt	(11,100)	-	(40,000)	-
Interest paid on capital debt	(29,446)	-	(155,969)	-
Net Cash Provided (Used) for Capital and Related Financing Activities	(40,546)	-	(557,689)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest and dividends	1,673	4,045	1,090	13
Net Cash Provided (Used) by Investing Activities	1,673	4,045	1,090	13
Net Increase (Decrease) in Cash and Cash Equivalents	(69,592)	276,973	(39,826)	-
Balances - Beginning of the Year	132,088	493,352	274,809	-
Balances - End of the Year	\$ 62,496	\$ 770,325	\$ 234,983	\$ -
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>				
Operating income (loss)	(140,238)	435,192	(58,122)	(1,834)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	39,017	46,567	82,559	-
Decrease (increase) in:				
Accounts receivable	(3,869)	(66,642)	450,836	(2,206)
Prepaid power	-	(198,927)	-	-
Increase (decrease) in:				
Accounts payable	(9,288)	(30,534)	20,338	72
Deposits payable	-	3,548	-	-
Unearned revenue	-	23,744	-	-
Compensated absences	6,715	(4,973)	7,450	(846)
OPEB liability	3,278	2,932	2,650	290
Net Cash Provided (Used) by Operating Activities	\$ (104,385)	\$ 210,907	\$ 505,711	\$ (4,524)

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

Total

\$ 3,830,853
(2,500,244)
(722,900)

607,709

209,447
(70,533)
(41,300)
365,324
(311,678)

151,260

(361,720)
(51,100)
(185,415)

(598,235)

6,821

6,821

167,555

900,249

\$ 1,067,804

234,998

168,143

378,119
(198,927)

(19,412)
3,548
23,744
8,346
9,150

\$ 607,709

CITY OF BIGGS, CALIFORNIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency</u>
<u>ASSETS</u>	
Cash and investments	\$ 3,355
Total Assets	<u><u>\$ 3,355</u></u>
<u>LIABILITIES</u>	
Agency obligations	\$ 3,355
Total Liabilities	<u><u>\$ 3,355</u></u>

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

BASIC FINANCIAL STATEMENTS

Notes to Basic Financial Statements

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CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

A. 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.

B. 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 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:

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

- 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 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.

C. 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, 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.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

C. Basis of Accounting and Measurement Focus (Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. 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.

D. 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.

E. 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.

F. 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 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.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

F. Receivables (Continued)

The City records an allowance for doubtful accounts based on past experience. The allowance for doubtful accounts at June 30, 2010 are Sewer fund \$5,521, Electric fund \$19,047, Water fund \$3,869, and Solid Waste \$2,332.

G. 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.

H. 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.

I. 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.

J. 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.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

J. Capital Assets (Continued)

Government-Wide Financial Statements (Continued)

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:

<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.

K. 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.

L. 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.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

M. 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.

N. 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.

O. Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally include restrictions for special revenue fund purposes.
- Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net assets are available, unrestricted resources are depleted first before the restricted resources are used.

P. Fund Balances

In the governmental fund financial statements, reserves and designations segregate portions of fund 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, 2010, 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, 2010, 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.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

P. Fund Balances (Continued)

As of June 30, 2010, the City's designations are reported in the financial statements as follows:

	<u>General</u>
Designated for:	
Contingencies	\$ 58,926
Total	<u>\$ 58,926</u>

Q. Property Tax

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.

R. Grant Revenues

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

S. 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

T. 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.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance/Net Assets

The following major governmental funds had a deficit fund balance at June 30, 2010:

The SR2S Improvement fund	\$88,523
The TEA 2005 Improvement Project	\$22,508
The HOME Grant fund	\$53,259

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.

The following nonmajor special revenue funds had deficit fund balances at June 30, 2010:

The TEA Grant fund	\$577
The Sixth St. Bridge fund	\$41,569
The 08-PTAE-5403 CDBG fund	\$6,278
The Housing Element fund	\$472
The ADA City Library fund	\$4,888
The 01-STBG-1797 fund	\$15,562
The 2005 CDBG fund	\$33,982

Some of these deficits may be eliminated in the future through grant or developer reimbursements. Other deficits may be the result of expenditures in excess of reimbursements or misclassification of revenues or expenditures in prior years.

B. Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 45

For fiscal year ended June 30, 2010, 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.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

C. Restatement of Net Assets

Adjustments resulting from errors or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the City reports these changes as restatements of beginning net assets. During the current year adjustments to net assets were required to correct prior misstatement of capital assets, unearned/deferred revenue, and prepaid power. The capital assets adjustment in governmental activities was due to expensing of construction in progress related to infrastructure assets additions in prior years. The unearned revenue adjustments related to loans receivable for which payments may be forgiven. The prepaid power adjustment related to the prior year Electric fund investment in the California Independent System Operators Program Agreement (CAISO).

The impact of the restatements on the net assets on the government-wide financial statements as previously reported is presented below:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets, June 30, 2009, as previously reported	\$ 3,511,445	\$ 4,997,689
Adjustment associated with:		
Correction of capital assets	1,605,149	-
Correction of unearned revenue	(135,535)	-
Correction of prepaid power in conjunction with CAISO	-	57,055
Total Adjustments	<u>1,469,614</u>	<u>57,055</u>
Net Assets, July 1, 2009, as restated	<u>\$ 4,981,059</u>	<u>\$ 5,054,744</u>

The impact of the restatements on the fund balance on the governmental funds financial statements as previously reported is presented below:

	<u>Other Governmental Funds</u>	<u>Electric Fund</u>
Fund Balance, June 30, 2009, as previously reported	\$ 318,351	\$ 2,156,837
Adjustment associated with:		
Correction of unearned revenue	(135,535)	-
Correction of prepaid power in conjunction with CAISO	-	57,055
Total Adjustments	<u>(135,535)</u>	<u>57,055</u>
Fund Balance, July 1, 2009, as restated	<u>\$ 182,816</u>	<u>\$ 2,213,892</u>

NOTE 3: DETAILED NOTES

A. Cash and Investments

As of June 30, 2010, the City's cash and investments are reported in the financial statements as follows:

Primary government	\$ 1,571,261
Agency funds	<u>3,355</u>
Total Cash and Investments	<u>\$ 1,574,616</u>

As of June 30, 2010, the City's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 400
Deposits (less outstanding checks)	<u>694,647</u>
Total Cash	<u>695,047</u>
Investments:	
In City's pool	<u>879,569</u>
Total Investments	<u>879,569</u>
Total Cash and Investments	<u>\$ 1,574,616</u>

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3: DETAILED NOTES (CONTINUED)

A. Cash and Investments (Continued)

Cash

At year end, the carrying amount of the City's cash deposits (including amount in checking accounts and money market accounts) was \$694,647 and the bank balance was \$708,549. 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.

Investments

As of June 30, 2010, the City's investments consisted of the following:

		<u>Maturities</u>				Weighted
	<u>Interest</u>				<u>Fair</u>	<u>Average</u>
	<u>Rates</u>	<u>0-1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Value</u>	<u>Maturity (Years)</u>
Pooled Investments						
Local Agency Investment Fund (LAIF)	Variable	\$ 879,569	\$ -	\$ -	\$ 879,569	-
Total Pooled Investments		<u>\$ 879,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 879,569</u>	

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 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, 2010, 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, 2010, the City's investment position in the State of California Local Agency Investment Fund (LAIF) was \$879,569. 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.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3: DETAILED NOTES (CONTINUED)

B. Capital Assets

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

	Balance July 1, 2009	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2010
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 152,124	\$ -	\$ -	\$ -	\$ 152,124
Construction in progress	1,006,053	134,048	-	(1,140,101)	-
Total Capital Assets, Not Being Depreciated	1,158,177	134,048	-	(1,140,101)	152,124
Capital Assets, Being Depreciated:					
Buildings and improvements	2,521,133	-	-	-	2,521,133
Machinery and equipment	504,277	-	-	-	504,277
Infrastructure	-	-	-	2,745,250	2,745,250
Total Capital Assets, Being Depreciated	3,025,410	-	-	2,745,250	5,770,660
Less Accumulated Depreciation For:					
Buildings and improvements	(287,165)	(65,351)	-	-	(352,516)
Machinery and equipment	(357,841)	(22,461)	-	-	(380,302)
Infrastructure	-	(24,601)	-	-	(24,601)
Total Accumulated Depreciation	(645,006)	(112,413)	-	-	(757,419)
Total Capital Assets, Being Depreciated, Net	2,380,404	(112,413)	-	2,745,250	5,013,241
Total Governmental Activities, Net	\$ 3,538,581	\$ 21,635	\$ -	\$ 1,605,149	\$ 5,165,365
	Balance July 1, 2009	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2010
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 37,158	\$ -	\$ -	\$ -	\$ 37,158
Construction in progress	1,315,346	45,594	(12,925)	-	1,348,015
Total Capital Assets, Not Being Depreciated	1,352,504	45,594	(12,925)	-	1,385,173
Capital Assets, Being Depreciated:					
Structures and improvements	167,000	-	-	-	167,000
Machinery and equipment	1,615,054	-	-	-	1,615,054
Infrastructure	6,232,023	-	-	-	6,232,023
Total Capital Assets, Being Depreciated	8,014,077	-	-	-	8,014,077
Less Accumulated Depreciation For:					
Structures and improvements	(65,700)	(3,800)	-	-	(69,500)
Machinery and equipment	(552,630)	(49,383)	-	-	(602,013)
Infrastructure	(1,268,756)	(114,960)	-	-	(1,383,716)
Total Accumulated Depreciation	(1,887,086)	(168,143)	-	-	(2,055,229)
Total Capital Assets, Being Depreciated, Net	6,126,991	(168,143)	-	-	5,958,848
Total Business-type Activities, Net	\$ 7,479,495	(\$ 122,549)	(\$ 12,925)	\$ -	\$ 7,344,021

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 4,243
Public ways and facilities	78,639
Public protection	11,359
Culture and recreation	18,172
Total Depreciation Expense – Governmental Functions	<u>\$ 112,413</u>

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3: DETAILED NOTES (CONTINUED)

Depreciation (Continued)

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

Sewer	\$ 39,017
Electric	46,567
Water	<u>82,559</u>
Total Depreciation Expense – Business-Type Functions	<u>\$ 168,143</u>

Construction in Progress

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

C. Unearned Revenue

At June 30, 2010, the components of unearned revenue reported were as follows:

	<u>Unearned</u>
HOME Grant	
Loans receivable (balance may be forgiven)	\$ 449,580
Non Major Governmental Funds	
Loans receivable (balance may be forgiven)	443,601
Electric	
Public benefit fees	<u>88,076</u>
Total	<u>\$ 981,257</u>

D. Long-Term Liabilities

The following is a summary of all long-term liabilities transactions for the year ended June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Loans	\$ 276,000	\$ -	\$ 4,000	\$ 272,000	\$ 4,000
Capital Leases (Note 3E)	17,139	-	17,139	-	-
OPEB Liability (Note 5)	-	3,983	823	3,160	-
Compensated Absences (Note 1M)	<u>15,922</u>	<u>12,277</u>	<u>11,227</u>	<u>16,972</u>	<u>8,440</u>
Total Governmental Activities	<u>\$ 309,061</u>	<u>\$ 16,260</u>	<u>\$ 33,189</u>	<u>\$ 292,132</u>	<u>\$ 12,440</u>
Business-Type Activities					
Loans	\$ 4,256,800	\$ -	\$ 51,100	\$ 4,205,700	\$ 51,600
OPEB Liability (Note 5)	-	11,531	2,381	9,150	-
Compensated Absences (Note 1M)	<u>40,794</u>	<u>42,669</u>	<u>34,323</u>	<u>49,140</u>	<u>21,056</u>
Total Business-Type Activities	<u>\$ 4,297,594</u>	<u>\$ 54,200</u>	<u>\$ 87,804</u>	<u>\$ 4,263,990</u>	<u>\$ 72,656</u>
				<u>Governmental Activities</u>	<u>Business-type Activities</u>

At June 30, 2010, loans consisted of the following:

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 a maturity of September 1, 2040. Loan proceeds were used for the purchase of property for a public works facility.

\$ 272,000 \$ -

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 maturity of September 1, 2039. Loan proceeds were used for wastewater system improvements.

- 424,900

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3: DETAILED NOTES (CONTINUED)

D. Long-Term Liabilities (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
At June 30, 2010, loans consisted of the following: (Continued)		
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.	-	142,000
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.	-	113,800
United States Department of Agriculture Loan, issued in the amount of \$3,675,000, dated November 9, 2006, payable in annual instaliments 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.	-	3,525,000
Total Loans	<u>\$ 272,000</u>	<u>\$ 4,205,700</u>

The annual aggregate maturities for the years subsequent to June 30, 2010, are as follows:

Year Ended June 30	Loans				
	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2011	\$ 4,000	\$ 13,500	\$ 51,600	\$ 183,181	\$ 252,281
2012	4,000	13,300	57,100	180,927	255,327
2013	4,000	13,100	57,500	178,435	253,035
2014	4,000	12,900	63,100	175,921	255,921
2015	5,000	12,675	63,700	173,162	254,537
2016-2020	27,000	59,525	357,900	821,977	1,266,402
2021-2025	35,000	51,825	445,900	736,316	1,269,041
2026-2030	44,000	42,000	553,200	629,689	1,268,889
2031-2035	56,000	29,500	685,600	497,109	1,268,209
2036-2040	72,000	13,600	850,100	333,771	1,269,471
2041-2045	17,000	425	830,000	153,781	1,001,206
2046-2050	-	-	190,000	8,313	198,313
Total	\$ 272,000	\$ 262,350	\$ 4,205,700	\$ 4,072,582	\$ 8,812,632

E. Leases

Operating Leases

Rental expenses incurred under operating leases are not considered material.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3: DETAILED NOTES (CONTINUED)

F. 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, 2010:

	<u>Due from Other funds</u>	<u>Due to Other funds</u>
General fund	\$ 52,314	\$ -
SR2S Improvement	-	88,523
Tea 2005 Improvement Project	-	22,508
Home Grant	-	53,259
Nonmajor Governmental Funds	-	121,771
Sewer	40,506	113,624
Electric	311,678	-
Nonmajor Enterprise Funds	-	4,813
Total	<u>\$ 404,498</u>	<u>\$ 404,498</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, 2010:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 135,842	\$ 83,309
Nonmajor Governmental Funds	23,430	5,430
Electric	-	70,533
Total	<u>\$ 159,272</u>	<u>\$ 159,272</u>

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 2009/2010 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.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 4: EMPLOYEES' RETIREMENT PLAN (CONTINUED)

Annual Pension Cost

For fiscal year 2009/2010, the City's annual pension cost of \$36,530 for the miscellaneous plan was equal to the City's actual contributions. The required contribution for fiscal year 2009/2010 was determined as part of the June 30, 2007, 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.

Miscellaneous

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 33,147	100%	-
June 30, 2009	33,749	100%	-
June 30, 2010	36,530	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.

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.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

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	-
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	-
Net OPEB obligation - end of year	<u>\$ 12,310</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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 15,514	21%	\$ 12,310

Funding Status and Funding Progress

As of July 1, 2009, 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 perspective 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.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

Actuarial Methods and Assumptions (Continued)

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 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 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

A. 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.

CITY OF BIGGS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 7: OTHER INFORMATION (CONTINUED)

B. 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.

C. Subsequent Event

Management has evaluated events subsequent to June 30, 2010 through February 11, 2011, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

D. 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, 2010 and May 3, 2010. 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.

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, 2010

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, 2010, 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	\$ 0	\$ 118,409	0%	\$ 429,000	27.6%

See the accompanying notes to the required supplementary information.

CITY OF BIGGS, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
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	582,674	580,674	678,936	98,262
<u>EXPENDITURES</u>				
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	849,233	894,611	664,023	230,588
Excess of Revenues Over (Under) Expenditures	(266,559)	(313,937)	14,913	328,850
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	70,533	-	135,842	135,842
Transfers out	(6,188)	-	(83,309)	(83,309)
Total Other Financing Sources (Uses)	64,345	-	52,533	52,533
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	\$ 22,494	\$ (89,229)	\$ 292,154	\$ 381,383

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
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SR2S IMPROVEMENT - MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Intergovernmental	\$ -	\$ -	\$ 271,566	\$ 271,566
Total Revenues	<u>-</u>	<u>-</u>	<u>271,566</u>	<u>271,566</u>
<u>EXPENDITURES</u>				
Current:				
Public ways and facilities	2,473	2,473	-	2,473
Capital outlay	232,196	232,196	133,733	98,463
Total Expenditures	<u>234,669</u>	<u>234,669</u>	<u>133,733</u>	<u>100,936</u>
Excess of Revenues Over (Under) Expenditures	<u>(234,669)</u>	<u>(234,669)</u>	<u>137,833</u>	<u>372,502</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(234,669)</u>	<u>(234,669)</u>	<u>137,833</u>	<u>372,502</u>
Fund Balance - Beginning	<u>(226,356)</u>	<u>(226,356)</u>	<u>(226,356)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (461,025)</u>	<u>\$ (461,025)</u>	<u>\$ (88,523)</u>	<u>\$ 372,502</u>

See the accompanying notes to the required supplementary information.

CITY OF BIGGS, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
TEA 2005 IMPROVEMENT PROJECT - MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>REVENUES</u>				
Intergovernmental	\$ 319,000	\$ 319,000	\$ 319,000	\$ -
Total Revenues	<u>319,000</u>	<u>319,000</u>	<u>319,000</u>	<u>-</u>
<u>EXPENDITURES</u>				
Current:				
Public ways and facilities	5,860	5,860	79,559	(73,699)
Capital outlay	135,000	135,000	-	135,000
Total Expenditures	<u>140,860</u>	<u>140,860</u>	<u>79,559</u>	<u>61,301</u>
Excess of Revenues Over (Under) Expenditures	<u>178,140</u>	<u>178,140</u>	<u>239,441</u>	<u>61,301</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>178,140</u>	<u>178,140</u>	<u>239,441</u>	<u>61,301</u>
Fund Balance - Beginning	<u>(261,949)</u>	<u>(261,949)</u>	<u>(261,949)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (83,809)</u>	<u>\$ (83,809)</u>	<u>\$ (22,508)</u>	<u>\$ 61,301</u>

See the accompanying notes to the required supplementary information.

CITY OF BIGGS, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

A. SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Schedule of Funding Progress - Other Postemployment Benefits on 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.

B. BUDGETARY BASIS OF ACCOUNTING

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

1. 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.

2. 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.).
3. 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.
4. All unused appropriations for budgeted amounts lapse at the end of the year.
5. 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.

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COMBINING NONMAJOR FUND STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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CITY OF BIGGS, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Gas Tax	Development Impact Fees	Traffic Congestion	CalTrans SR2S #4 Grant	TEA Grant
<u>ASSETS</u>					
Cash and investments	\$ -	\$ 16,328	\$ 5,526	\$ 16,538	\$ -
Accounts receivable (net of allowance)	4,069	-	4,475	-	-
Loans receivable	-	-	-	-	-
Total Assets	\$ 4,069	\$ 16,328	\$ 10,001	\$ 16,538	\$ -
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 1,074	\$ -	\$ 733	\$ -	\$ -
Deposits payable	-	-	-	-	-
Due to other funds	18	-	-	-	577
Unearned revenue	-	-	-	-	-
Total Liabilities	1,092	-	733	-	577
FUND BALANCES					
Reserved for:					
Loans receivable	-	-	-	-	-
Unreserved:					
Undesignated	2,977	16,328	9,268	16,538	(577)
Total Fund Balances	2,977	16,328	9,268	16,538	(577)
Total Liabilities and Fund Balances	\$ 4,069	\$ 16,328	\$ 10,001	\$ 16,538	\$ -

SB-325 TDA Funds	Prop 1B	SB-620 STA Funds	STIP Exchange	HOME 2007 Grant	Sixth St Bridge	1982 CDBG	1986 HUD
\$ 10,086	\$ 17,678	\$ 371	\$ 24,408	\$ -	\$ -	\$ 2,482	\$ -
8,598	-	-	10,579	-	-	-	-
-	-	-	-	98,380	-	-	24,145
<u>\$ 18,684</u>	<u>\$ 17,678</u>	<u>\$ 371</u>	<u>\$ 34,987</u>	<u>\$ 98,380</u>	<u>\$ -</u>	<u>\$ 2,482</u>	<u>\$ 24,145</u>
\$ -	\$ -	\$ -	\$ 37	\$ -	\$ 6,093	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	35,476	-	-
-	-	-	-	98,380	-	-	24,145
-	-	-	37	98,380	41,569	-	24,145
-	-	-	-	-	-	-	-
18,684	17,678	371	34,950	-	(41,569)	2,482	-
18,684	17,678	371	34,950	-	(41,569)	2,482	-
<u>\$ 18,684</u>	<u>\$ 17,678</u>	<u>\$ 371</u>	<u>\$ 34,987</u>	<u>\$ 98,380</u>	<u>\$ -</u>	<u>\$ 2,482</u>	<u>\$ 24,145</u>

CITY OF BIGGS, CALIFORNIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	CDBG Miscellaneous	1994 CDBG	07-CDGB PTA DOW	2007 PTAE	08-PTAE-5403 CDBG
<u>ASSETS</u>					
Cash and investments	\$ 49,463	\$ 84,276	\$ 289	\$ -	\$ -
Accounts receivable (net of allowance)	-	-	-	1,186	-
Loans receivable	-	129,707	-	-	-
Total Assets	\$ 49,463	\$ 213,983	\$ 289	\$ 1,186	\$ -
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 3,454	\$ -	\$ -	\$ 376	\$ 1,689
Deposits payable	-	-	-	-	-
Due to other funds	-	-	-	810	4,589
Unearned revenue	-	106,107	-	-	-
Total Liabilities	3,454	106,107	-	1,186	6,278
FUND BALANCES					
Reserved for:					
Loans receivable	-	23,600	-	-	-
Unreserved:					
Undesignated	46,009	84,276	289	-	(6,278)
Total Fund Balances	46,009	107,876	289	-	(6,278)
Total Liabilities and Fund Balances	\$ 49,463	\$ 213,983	\$ 289	\$ 1,186	\$ -

Housing Element	ADA City Library	Veteran's Hall Rehab	01-STBG-1797	2005 CDBG	Developer Fees	Totals
\$ -	\$ -	\$ 7,355	\$ -	\$ -	\$ 85,464	\$ 320,264
-	-	-	-	-	-	28,907
-	-	-	241,915	-	-	494,147
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,355</u>	<u>\$ 241,915</u>	<u>\$ -</u>	<u>\$ 85,464</u>	<u>\$ 843,318</u>
\$ -	\$ 1,549	\$ 2,290	\$ -	\$ -	\$ 184	\$ 17,479
-	-	-	-	-	20,500	20,500
472	3,339	-	42,508	33,982	-	121,771
-	-	-	214,969	-	-	443,601
<u>472</u>	<u>4,888</u>	<u>2,290</u>	<u>257,477</u>	<u>33,982</u>	<u>20,684</u>	<u>603,351</u>
-	-	-	26,946	-	-	50,546
<u>(472)</u>	<u>(4,888)</u>	<u>5,065</u>	<u>(42,508)</u>	<u>(33,982)</u>	<u>64,780</u>	<u>189,421</u>
<u>(472)</u>	<u>(4,888)</u>	<u>5,065</u>	<u>(15,562)</u>	<u>(33,982)</u>	<u>64,780</u>	<u>239,967</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,355</u>	<u>\$ 241,915</u>	<u>\$ -</u>	<u>\$ 85,464</u>	<u>\$ 843,318</u>

CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Gas Tax	Development Impact Fees	Traffic Congestion	CalTrans SR2S #4 Grant	TEA Grant
<u>REVENUES</u>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money	-	100	25	25	-
Intergovernmental	40,211	-	16,095	22,983	23,497
Charges for services	-	-	-	-	-
Other revenues	-	-	-	-	-
Total Revenues	40,211	100	16,120	23,008	23,497
<u>EXPENDITURES</u>					
Current:					
General government	-	734	-	-	-
Public ways and facilities	46,290	4,053	21,883	-	-
Public protection	-	290	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	3,060	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	46,290	8,137	21,883	-	-
Excess of Revenues Over (Under) Expenditures	(6,079)	(8,037)	(5,763)	23,008	23,497
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(6,079)	(8,037)	(5,763)	23,008	23,497
Fund Balances - Beginning	9,056	24,365	15,031	(6,470)	(24,074)
Prior period adjustment	-	-	-	-	-
Fund Balances - Beginning, Restated	9,056	24,365	15,031	(6,470)	(24,074)
Fund Balances - Ending	\$ 2,977	\$ 16,328	\$ 9,268	\$ 16,538	\$ (577)

SB-325 TDA Funds	Prop 1B	SB-620 STA Funds	STIP Exchange	HOME 2007 Grant	Sixth St Bridge	1982 CDBG	1986 HUD
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	1,070	-	67	-	-	7	-
40,361	-	-	19,343	6,008	24,700	-	-
-	-	-	-	-	-	3,300	-
5,000	-	-	-	-	-	-	-
45,371	1,070	-	19,410	6,008	24,700	3,307	-
-	-	-	-	-	-	-	-
15,436	77,574	-	2,257	-	46,748	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,874	-	-	-
-	-	-	-	-	-	-	-
15,436	77,574	-	2,257	3,874	46,748	-	-
29,935	(76,504)	-	17,153	2,134	(22,048)	3,307	-
-	-	-	-	-	-	-	-
-	(3,325)	-	-	-	-	(825)	-
-	(3,325)	-	-	-	-	(825)	-
29,935	(79,829)	-	17,153	2,134	(22,048)	2,482	-
(11,251)	97,507	371	17,797	(2,134)	(19,521)	3,215	24,145
-	-	-	-	-	-	(3,215)	(24,145)
(11,251)	97,507	371	17,797	(2,134)	(19,521)	-	-
\$ 18,684	\$ 17,678	\$ 371	\$ 34,950	\$ -	\$ (41,569)	\$ 2,482	\$ -

CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	CDBG Miscellaneous	1994 CDBG	07-CDBG PTA DOW	2007 PTAE	08-PTAE-5403 CDBG
<u>REVENUES</u>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money	-	401	-	-	-
Intergovernmental	-	-	24,402	8,361	18,314
Charges for services	-	7,770	-	-	-
Other revenues	-	-	-	-	-
Total Revenues	-	8,171	24,402	8,361	18,314
<u>EXPENDITURES</u>					
Current:					
General government	-	-	-	-	-
Public ways and facilities	-	-	-	-	-
Public protection	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	3,454	1,182	546	1,177	24,942
Capital outlay	-	-	-	-	-
Total Expenditures	3,454	1,182	546	1,177	24,942
Excess of Revenues Over (Under) Expenditures	(3,454)	6,989	23,856	7,184	(6,628)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	825	1,280	-	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	825	1,280	-	-	-
Net Change in Fund Balances	(2,629)	8,269	23,856	7,184	(6,628)
Fund Balances - Beginning	48,638	207,782	(23,567)	(7,184)	350
Prior period adjustment	-	(108,175)	-	-	-
Fund Balances - Beginning, Restated	48,638	99,607	(23,567)	(7,184)	350
Fund Balances - Ending	\$ 46,009	\$ 107,876	\$ 289	\$ -	\$ (6,278)

Housing Element	ADA City Library	Veteran's Hall Rehab	01-STBG-1797	2005 CDBG	Developer Fees	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,611	\$ 37,611
-	-	-	-	-	317	2,022
26,069	7,394	-	-	12,500	-	290,238
-	-	-	1,080	-	65,912	78,062
-	-	-	-	-	10,614	15,614
26,069	7,394	-	1,080	12,500	114,454	423,547
-	-	-	-	-	-	734
-	-	-	-	-	78,123	292,364
-	-	-	-	-	-	290
-	-	12,935	-	-	-	12,935
26,891	12,632	-	-	-	-	77,758
-	-	-	-	-	315	315
26,891	12,632	12,935	-	-	78,438	384,396
(822)	(5,238)	(12,935)	1,080	12,500	36,016	39,151
-	-	18,000	-	-	3,325	23,430
-	-	-	(1,280)	-	-	(5,430)
-	-	18,000	(1,280)	-	3,325	18,000
(822)	(5,238)	5,065	(200)	12,500	39,341	57,151
350	350	-	(15,362)	(46,482)	25,439	318,351
-	-	-	-	-	-	(135,535)
350	350	-	(15,362)	(46,482)	25,439	182,816
\$ (472)	\$ (4,888)	\$ 5,065	\$ (15,562)	\$ (33,982)	\$ 64,780	\$ 239,967

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NONMAJOR PROPRIETARY FUNDS

Enterprise Funds

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CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2010

	<u>Solid Waste</u>	<u>Totals</u>
<u>ASSETS</u>		
Current Assets		
Accounts receivable (net of allowance)	\$ 21,461	\$ 21,461
Total Current Assets	<u>21,461</u>	<u>21,461</u>
Total Assets	<u>21,461</u>	<u>21,461</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	75	75
Due to other funds	4,813	4,813
Compensated absences	698	698
Total Current Liabilities	<u>5,586</u>	<u>5,586</u>
Noncurrent Liabilities		
Compensated absences	859	859
OPEB liability	290	290
Total Noncurrent Liabilities	<u>1,149</u>	<u>1,149</u>
Total Liabilities	<u>6,735</u>	<u>6,735</u>
<u>NET ASSETS</u>		
Unrestricted	<u>14,726</u>	<u>14,726</u>
Total Net Assets	<u>\$ 14,726</u>	<u>\$ 14,726</u>

CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Solid Waste</u>	<u>Totals</u>
<u>OPERATING REVENUES</u>		
Charges for services	\$ 143,139	\$ 143,139
Total Operating Revenues	<u>143,139</u>	<u>143,139</u>
<u>OPERATING EXPENSES</u>		
Personnel cost	27,220	27,220
Supplies	2,131	2,131
Contractual services	115,622	115,622
Total Operating Expenses	<u>144,973</u>	<u>144,973</u>
Operating Income (Loss)	<u>(1,834)</u>	<u>(1,834)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	13	13
Total Non-Operating Revenues (Expenses)	<u>13</u>	<u>13</u>
Income (Loss) Before Transfers	(1,821)	(1,821)
Transfers in	-	-
Transfers out	-	-
Change in Net Assets	(1,821)	(1,821)
Total Net Assets - Beginning	<u>16,547</u>	<u>16,547</u>
Total Net Assets - Ending	<u>\$ 14,726</u>	<u>\$ 14,726</u>

CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Solid Waste</u>	<u>Totals</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 140,933	\$ 140,933
Payments to suppliers	(117,681)	(117,681)
Payments to employees	(27,776)	(27,776)
Net Cash Provided (Used) by Operating Activities	<u>(4,524)</u>	<u>(4,524)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Interfund loans repaid	(302)	(302)
Interfund loans received	4,813	4,813
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,511</u>	<u>4,511</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	13	13
Net Cash Provided (Used) by Investing Activities	<u>13</u>	<u>13</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Balances - Beginning of the Year	-	-
Balances - End of the Year	<u>\$ -</u>	<u>\$ -</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ (1,834)	\$ (1,834)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	(2,206)	(2,206)
Increase (decrease) in:		
Accounts payable	72	72
Compensated absences	(846)	(846)
OPEB liability	290	290
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,524)</u>	<u>\$ (4,524)</u>

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FIDUCIARY FUNDS

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CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2010

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

CITY OF BIGGS, CALIFORNIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
'39 Fire Truck				
<u>ASSETS</u>				
Cash and investments	\$ 3,439	\$ -	\$ (84)	\$ 3,355
Interest receivable	11	-	(11)	-
Total Assets	\$ 3,450	\$ -	\$ (95)	\$ 3,355
<u>LIABILITIES</u>				
Agency obligations	\$ 3,450	\$ -	\$ (95)	\$ 3,355
Total Liabilities	\$ 3,450	\$ -	\$ (95)	\$ 3,355

OTHER REPORT AND SCHEDULES

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**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

We 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our 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. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations to be material weaknesses (10-FS-01 and 10-FS-02).

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. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations to be significant deficiencies (10-FS-03 and 10-FS-04).

Compliance and Other Matters

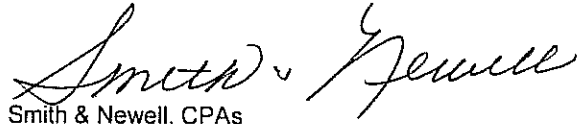
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

We noted certain other matters that we reported to management of the City in a separate report dated February 11, 2011.

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

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

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.

A handwritten signature in cursive script, appearing to read "Smith & Newell", written in dark ink.

Smith & Newell, CPAs
Yuba City, California
February 11, 2011

CITY OF BIGGS, CALIFORNIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010

10-FS-01 CAPITAL ASSETS (Reporting Requirement: Material Weakness)

Condition

At the time of our audit we noted that the capital assets listing presented for audit required a prior period adjustment to record constructions in progress for infrastructure that was expensed in prior years.

Cause

In prior year the City did not adequately review and reconcile the asset master list to the general ledger.

Criteria

Good internal control over capital assets requires that an accurate, current detail listing of all capital assets including historical cost, useful life, date acquired and accumulated depreciation be maintained.

Effect of Condition

Infrastructure assets as presented for audit were misstated and required adjustment.

Recommendation

We recommend 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.

Corrective Action Plan

Management became aware of the issues during the year end closing process. Management will continue to be proactive in its efforts to ensure that capital asset financial data is as accurate as possible.

10-FS-02 GRANT FUND RECONCILIATION (Reporting Requirement: Material Weakness)

Condition

We noted that various grant funds had deficit fund balances and one had a transfers out in the current fiscal year which created a greater fund balance deficit. The City also recorded a prior period adjustment to correctly reclassify loans receivable as reservations of fund balance or unearned revenue. This is a repeat of a prior year finding.

Cause

The City has not consistently followed formal policies and procedures related to recording grant activities and loan receivable balances with corresponding unearned revenue or reserves for long-term receivable.

Criteria

Good internal control requires that approved policies and procedures are in place for recording grant activity and activity of loans receivable.

Effect of Condition

Adjustments were required to correctly record unearned revenue and reservation of fund balance for long-term receivable balances. In addition, various grant funds continue to have deficit fund balances as of June 30, 2010.

Recommendation

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

CITY OF BIGGS, CALIFORNIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010

10-FS-02 GRANT FUND RECONCILIATION (Reporting Requirement: Material Weakness) (CONTINUED)

Corrective Action Plan

In the fall of 2010, the City took steps to eliminate most of the deficit balances. Management and staff will continue to monitor cash balances on a regular basis. Management will continue to be proactive in its efforts to ensure that financial data related to its grants is as accurate as possible.

10-FS-03 UTILITY BILLING (Reporting Requirement: Significant Deficiency)

Condition

During our review of the internal control of the utility billings, we observed that the accounts receivable clerk was responsible for preparing, mailing, and receiving payments for the utility bills. This is a repeat of a prior year finding.

Cause

Due to the limited staff there is not adequate segregation of duties over utility billings.

Criteria

Generally accepted accounting principles require that proper segregation of duties be maintained to insure against errors or irregularities occurring and not being detected in a timely manner.

Effect of Condition

There was not proper segregation of duties in the processing of utility billings.

Recommendation

We recommend that consideration be given to segregating the preparation and mailing of the utility bills from the receipt collection process.

Corrective Action Plan

Management has determined that utility billing duties are distributed as well as possible given continued limited staffing.

10-FS-04 BUDGET (Reporting Requirement: Significant Deficiency)

Condition

We noted that for the year ended June 30, 2010, the City did not adopt a budget for the HOME Grant fund.

Cause

The City did not adopt a budget for a major special revenue fund.

Criteria

Generally accepted accounting principles require that all special revenue funds have legally adopted budgets.

Effect of Condition

One major special revenue fund did not have a legally adopted budget.

**CITY OF BIGGS, CALIFORNIA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

10-FS-04 BUDGET (Reporting Requirement: Significant Deficiency) (CONTINUED)

Recommendation

We recommend that all special revenue funds have legally adopted budgets.

Corrective Action Plan

Management and staff will make the necessary adjustment to ensure that all applicable funds have legally adopted budgets.

CITY OF BIGGS, CALIFORNIA
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
09-FS-01	<p>PUBLIC PROTECTION EXPENDITURES</p> <p>Recommendation</p> <p>We recommend that transfers of excess funds from the Electric fund to the General fund to fund functions such as public protection should be accomplished by an interfund transfer from the Electric fund to the General fund.</p> <p>Status</p> <p>Implemented</p>
09-FS-02	<p>STATEMENT ON AUDITING STANDARDS NO. 112</p> <p>Recommendation</p> <p>The City may consider the following possible actions:</p> <ul style="list-style-type: none"> • Provide training opportunities for its accounting staff that would enable them to become more familiar with the general disclosure requirements. This training should include, but is not limited to, the use of a disclosure checklist, which provides guidance to the financial statement's content and whether a necessary disclosure has been overlooked. • Hire an external accountant to confirm that the financial statements and related disclosures are in accordance with GAAP. • Take no action. The City may find that the costs outweigh the benefits to adhere to this standard. No action will continue to result in a significant deficiency in the City's internal controls over the preparation of the financial statements. <p>Status</p> <p>Implemented</p>
09-FS-03	<p>CAPITAL ASSETS</p> <p>Recommendation</p> <p>We recommend that the City adequately review the asset master list to ensure that all totals are properly calculated, that all assets are included, that asset additions agree to capital outlay expenditures per the general ledger, and that asset and accumulated depreciation balances are reconciled to the general ledger. We further recommend that depreciation be calculated and recorded on the general ledger by the City prior to the start of the annual audit.</p> <p>Status</p> <p>Implemented at conclusion of fieldwork.</p>
09-FS-04	<p>ACCOUNT BALANCES</p> <p>Recommendation</p> <p>We recommend that the City analyze the accounts receivable, allowance for bad debts, deposits payable and deferred revenue balances to determine the items recorded are accurate. In addition, we recommend that a reconciliation policy and procedure be developed to ensure that accounts were properly reconciled and adjustments made in a timely manner.</p> <p>Status</p> <p>Implemented, except for allowances for bad debt which is in progress.</p>

**CITY OF BIGGS, CALIFORNIA
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
09-FS-05	UTILITY BILLING Recommendation We recommend that consideration be given to segregating the preparation and mailing of the utility bills from the receipt collection process. Status Not Implemented
09-FS-06	GRANT FUND RECONCILIATION Recommendation We recommend that the City adopt policies and procedures for recording CDBG and STBG activity in the City's general ledger. In addition, we recommend that a consistent policy be developed to minimize negative fund balances. Status Implemented, except for negative fund balance which is in progress.

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