

**CITY OF RIPON, CALIFORNIA**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2010**

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## Independent Auditors' Report

The Honorable Mayor and  
Members of the City Council  
**City of Ripon, 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 Ripon, California** as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ripon'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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

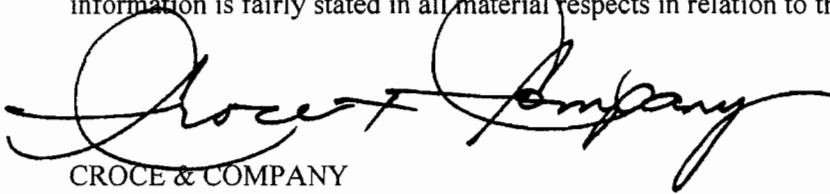
As described in Note A, the **City of Ripon, California** prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **City of Ripon, California** as of June 30, 2010 and the respective changes in financial position – modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2010 on our consideration of the **City of Ripon, California's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City has not presented Management's Discussion and Analysis and budgetary comparison schedules, which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Ripon, California's** financial statements. The combining nonmajor governmental fund financial statements – modified cash basis are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor governmental fund financial statements are the responsibility of the **City of Ripon California's** management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic 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.

A large, stylized handwritten signature in black ink, appearing to read "Croce & Company". The signature is written in a cursive, flowing style with large loops and flourishes.

CROCE & COMPANY  
Accountancy Corporation  
Stockton, California  
December 28, 2010

# CITY OF RIPON, CALIFORNIA

## Statement of Net Assets - Modified Cash Basis

June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 13,090,078	\$ 2,273,011	\$ 15,363,089
Cash and investments - restricted	4,424,606	1,111,262	5,535,868
Due from other funds	-	50,810	50,810
Receivables - intergovernmental	<u>22,654</u>	<u>-</u>	<u>22,654</u>
Total assets	<u>17,537,338</u>	<u>3,435,083</u>	<u>20,972,421</u>
<b>LIABILITIES</b>			
Due to other funds	50,810	-	50,810
Long term liabilities			
Debt due within one year	630,000	435,000	1,065,000
Debt due in more than one year	<u>29,685,000</u>	<u>12,845,000</u>	<u>42,530,000</u>
Total liabilities	<u>30,365,810</u>	<u>13,280,000</u>	<u>43,645,810</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	(28,089,697)	(12,390,753)	(40,480,450)
Restricted for			
Debt service	2,199,303	222,015	2,421,318
Capital outlay	2,225,303	889,247	3,114,550
Low and moderate income housing	1,127,543	-	1,127,543
Unrestricted	<u>9,709,076</u>	<u>1,434,574</u>	<u>11,143,650</u>
Total net assets (deficit)	<u>\$ (12,828,472)</u>	<u>\$ (9,844,917)</u>	<u>\$ (22,673,389)</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF RIPON, CALIFORNIA**

**Statement of Activities - Modified Cash Basis**

For the year ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>		
	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>
<b>Governmental activities</b>			
Administrative	\$ 1,452,180	\$ (1,213,601)	\$ 238,579
Legislative	227,152	(227,152)	-
Police	5,216,635	660,269	5,876,904
Streets and public works	1,518,887	(279,820)	1,239,067
Culture and recreation	1,295,308	132,128	1,427,436
Other	5,301,353	60,528	5,361,881
Capital outlay	6,108,121	326,969	6,435,090
Debt service - interest	<u>1,366,047</u>	<u>-</u>	<u>1,366,047</u>
Total governmental activities	<u>22,485,683</u>	<u>(540,679)</u>	<u>21,945,004</u>
<b>Business-type activities</b>			
Water	1,828,963	259,943	2,088,906
Sewer	970,155	136,178	1,106,333
Refuse	<u>1,140,997</u>	<u>144,558</u>	<u>1,285,555</u>
Total business-type activities	<u>3,940,115</u>	<u>540,679</u>	<u>4,480,794</u>
<b>Total government</b>	<u>\$ 26,425,798</u>	<u>\$ -</u>	<u>\$ 26,425,798</u>
<b>General revenues</b>			
Taxes			
Property taxes			
Sales and use taxes			
Other			
Motor vehicle in lieu			
Investment income			
Miscellaneous			
<b>Special item - sale of capital assets</b>			
<b>Transfers</b>			
Total general revenues, special items and transfers			
<b>Change in net assets</b>			
<b>Net assets (deficit) - beginning of year</b>			
<b>Net assets (deficit) - end of year</b>			

Program revenues			Net (expense) revenue and changes in net assets		
Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
\$ 146,283	\$ -	\$ -	\$ (92,296)	\$ -	\$ (92,296)
-	-	-	-	-	-
406,122	258,325	-	(5,212,457)	-	(5,212,457)
429,966	1,094,659	73,895	359,453	-	359,453
386,135	-	-	(1,041,301)	-	(1,041,301)
-	986,705	-	(4,375,176)	-	(4,375,176)
55,077	1,410,923	640,199	(4,328,891)	-	(4,328,891)
-	-	-	(1,366,047)	-	(1,366,047)
<u>1,423,583</u>	<u>3,750,612</u>	<u>714,094</u>	<u>(16,056,715)</u>	<u>-</u>	<u>(16,056,715)</u>
2,168,464	-	512,407	-	591,965	591,965
1,165,340	-	43,883	-	102,890	102,890
1,357,022	-	5,430	-	76,897	76,897
<u>4,690,826</u>	<u>-</u>	<u>561,720</u>	<u>-</u>	<u>771,752</u>	<u>771,752</u>
<u>\$ 6,114,409</u>	<u>\$ 3,750,612</u>	<u>\$ 1,275,814</u>	<u>(16,056,715)</u>	<u>771,752</u>	<u>(15,284,963)</u>
			4,172,690	75,997	4,248,687
			1,753,000	-	1,753,000
			127,884	591	128,475
			1,210,767	-	1,210,767
			692,980	131,491	824,471
			312,519	-	312,519
			1,952,860	-	1,952,860
			<u>166,512</u>	<u>(166,512)</u>	<u>-</u>
			<u>10,389,212</u>	<u>41,567</u>	<u>10,430,779</u>
			(5,667,503)	813,319	(4,854,184)
			<u>(7,160,969)</u>	<u>(10,658,236)</u>	<u>(17,819,205)</u>
			<u>\$ (12,828,472)</u>	<u>\$ (9,844,917)</u>	<u>\$ (22,673,389)</u>

The accompanying notes are an integral part of this financial statement.

CITY OF RIPON, CALIFORNIA

Balance Sheet - Modified Cash Basis  
Governmental Funds

June 30, 2010

	Special Revenue Funds			Capital Projects Funds			Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
	Redevelopment Low/Mod GAP Loans	Redevelopment Low/Mod	Redevelopment Regular	Capital Projects					
<b>ASSETS</b>									
Cash and investments	\$ 7,918,189	\$ 636,510	\$ 1,087,389	\$ 3,589,178	\$ (245,042)	\$ -	\$ 103,854	\$ 13,090,078	
Cash and investments - restricted	-	-	-	2,225,303	-	2,199,303	-	4,424,606	
Due from other funds	-	17,500	-	-	98,595	-	-	116,095	
Receivables - intergovernmental	-	-	22,654	-	-	-	-	22,654	
Total assets	\$ 7,918,189	\$ 636,510	\$ 1,127,543	\$ 5,814,481	\$ (146,447)	\$ 2,199,303	\$ 103,854	\$ 17,653,433	
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities									
Due to other funds	\$ 98,595	\$ 17,500	\$ -	\$ -	\$ 50,810	\$ -	\$ -	\$ 166,905	
Total liabilities	98,595	17,500	-	-	50,810	-	-	166,905	
Fund balances									
Reserved for									
Debt service	-	-	-	-	-	2,199,303	-	2,199,303	
Capital outlay	-	-	-	2,225,303	-	-	-	2,225,303	
Low and moderate income housing	-	-	1,127,543	-	-	-	-	1,127,543	
Unreserved									
Designated for loans	-	619,010	-	-	-	-	-	619,010	
Designated for capital outlay	-	-	-	3,589,178	-	-	441,001	4,030,179	
Undesignated	7,819,594	-	-	-	(197,257)	-	(337,147)	7,285,190	
Total fund balances	7,819,594	619,010	1,127,543	5,814,481	(197,257)	2,199,303	103,854	17,486,528	
Total liabilities and fund balances	\$ 7,918,189	\$ 636,510	\$ 1,127,543	\$ 5,814,481	\$ (146,447)	\$ 2,199,303	\$ 103,854	\$ 17,653,433	

The accompanying notes are an integral part of this financial statement.



**CITY OF RIPON, CALIFORNIA**

**Reconciliation of the Governmental Funds Balance Sheet -  
Modified Cash Basis to the Statement of Net Assets -  
Modified Cash Basis**

June 30, 2010

Fund balances of governmental funds	\$ 17,486,528
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet of governmental funds.	<u>(30,315,000)</u>
Net assets (deficit) of governmental activities	<u>\$(12,828,472)</u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – MODIFIED CASH BASIS –  
GOVERNMENTAL FUNDS**



Community development block grant	-	-	-	-	-	-	131,791	131,791	
Special assessment districts	-	-	-	-	-	-	261,918	261,918	
Housing/loan program expense	39,600	3,393,903	-	-	-	-	-	3,433,503	
Property tax collection fee	-	17,793	71,170	-	-	-	-	88,963	
Intergovernmental passthroughs	-	1,476,402	-	-	-	-	-	1,476,402	
Allocation to other department costs	(1,029,369)	60,528	306,139	20,828	-	-	101,195	(540,679)	
Other	65,236	-	-	105,458	-	-	-	170,694	
Capital outlay	-	-	2,536,785	2,823,311	-	-	748,025	6,108,121	
Debt service - principal	-	26,108	583,892	-	-	-	-	610,000	
Debt service - interest	-	62,244	1,303,803	-	-	-	-	1,366,047	
Total expenditures	7,429,405	39,600	3,757,390	6,599,330	2,949,597	-	1,779,682	22,555,004	
<b>Excess (deficiency) of revenues over expenditures</b>	(546,007)	41,576	(1,926,467)	(4,351,631)	(1,459,508)	13,380	(168,218)	(8,396,875)	
<b>Other financing sources (uses)</b>									
Operating transfers in	52,567	-	2,691	2,334,477	300,420	-	757,822	3,447,977	
Operating transfers out	(106,408)	-	-	-	-	(2,337,167)	(837,890)	(3,281,465)	
Total other financing sources (uses)	(53,841)	-	2,691	2,334,477	300,420	(2,337,167)	(80,068)	166,512	
<b>Special item</b>									
Sale of capital assets	-	-	-	-	1,952,860	-	-	1,952,860	
<b>Net change in fund balances</b>	(599,848)	41,576	(1,923,776)	(2,017,154)	793,772	(2,323,787)	(248,286)	(6,277,503)	
<b>Fund balances, beginning of year</b>	8,419,442	577,434	3,051,319	7,831,635	(991,029)	4,523,090	352,140	23,764,031	
<b>Fund balances, end of year</b>	\$ 7,819,594	\$ 619,010	\$ 1,127,543	\$ 5,814,481	\$ (197,257)	\$ 2,199,303	\$ 103,854	\$ 17,486,528	

The accompanying notes are an integral part of this financial statement.

CITY OF RIPON, CALIFORNIA

Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of Governmental Funds -  
Modified Cash Basis to the Statement of Activities -  
Modified Cash Basis

June 30, 2010

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

Net change in fund balances - total governmental funds	\$ (6,277,503)
Repayment of debt principal is an expenditure in the governmental funds. The repayment reduces long-term liabilities in the Statement of Net Assets.	<u>610,000</u>
Net change in net assets of governmental activities	<u>\$ (5,667,503)</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF RIPON, CALIFORNIA**

**Statement of Net Assets - Modified Cash Basis  
Proprietary Funds**

June 30, 2010

<b>ASSETS</b>	Sewer Enterprise Fund	Water Enterprise Fund	Refuse Enterprise Fund	Total
Current assets				
Cash and investments	\$ 91,759	\$ 1,841,239	\$ 340,013	\$ 2,273,011
Cash and investments - restricted	222,015	889,247	-	1,111,262
Due from other funds	<u>50,810</u>	<u>-</u>	<u>-</u>	<u>50,810</u>
Total assets	<u>364,584</u>	<u>2,730,486</u>	<u>340,013</u>	<u>3,435,083</u>
<b>LIABILITIES</b>				
Current liabilities				
Current portion of bonds payable	105,000	330,000	-	435,000
Noncurrent liabilities				
Noncurrent portion of bonds payable	<u>2,320,000</u>	<u>10,525,000</u>	<u>-</u>	<u>12,845,000</u>
Total liabilities	<u>2,425,000</u>	<u>10,855,000</u>	<u>-</u>	<u>13,280,000</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(2,425,000)	(9,965,753)	-	(12,390,753)
Restricted for debt service	222,015	-	-	222,015
Restricted for capital assets	-	889,247	-	889,247
Unrestricted	<u>142,569</u>	<u>951,992</u>	<u>340,013</u>	<u>1,434,574</u>
Total net assets (deficit)	<u>\$ (2,060,416)</u>	<u>\$ (8,124,514)</u>	<u>\$ 340,013</u>	<u>\$ (9,844,917)</u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS – MODIFIED CASH BASIS –  
PROPRIETARY FUNDS**

CITY OF RIPON, CALIFORNIA

Statement of Revenues, Expenses and Changes in Fund Net Assets - Modified Cash Basis  
Proprietary Funds

For the year ended June 30, 2010

	Sewer Enterprise Fund	Water Enterprise Fund	Refuse Enterprise Fund	Total
<b>Operating revenues</b>				
Charges for service				
Water revenue	\$ -	\$ 2,168,464	\$ -	\$ 2,168,464
Sewer usage services	1,165,340	-	-	1,165,340
Refuse revenue	-	-	1,357,022	1,357,022
Refuse capital fees	-	-	5,430	5,430
Total operating revenues	<u>1,165,340</u>	<u>2,168,464</u>	<u>1,362,452</u>	<u>4,696,256</u>
<b>Operating expenses</b>				
Salaries and wages	293,565	343,760	405,637	1,042,962
Employee benefits	148,711	186,571	201,983	537,265
Professional services	73,929	178,317	3,075	255,321
Repairs and maintenance	182,660	127,120	88,852	398,632
Gas and oil	12,036	11,563	36,311	59,910
Utilities	87,434	352,971	3,882	444,287
Supplies	9,002	14,668	5,689	29,359
Conference expenses	562	573	532	1,667
Communications	2,463	3,939	3,620	10,022
Memberships, dues, books, etc.	23,850	16,052	240	40,142
Postage	5,485	6,864	5,387	17,736
Refuse disposal	-	-	379,071	379,071
Other	9,388	5,098	6,718	21,204
Allocation of other department costs	136,178	259,943	144,558	540,679
Capital expense	-	92,209	-	92,209
Total operating expenses	<u>985,263</u>	<u>1,599,648</u>	<u>1,285,555</u>	<u>3,870,466</u>
<b>Operating income</b>	<u>180,077</u>	<u>568,816</u>	<u>76,897</u>	<u>825,790</u>



<b>Nonoperating revenues (expenses)</b>					
Property taxes	75,997	-	-	-	75,997
State property tax reimbursements	591	-	-	-	591
Intergovernmental revenue	-	451,693	-	-	451,693
Interest revenue	12,618	100,545	18,328	-	131,491
Debt service - interest	(121,070)	(489,258)	-	-	(610,328)
	<u>(31,864)</u>	<u>62,980</u>	<u>18,328</u>		<u>49,444</u>
Total nonoperating revenues (expenses)					
Net income before contributions and transfers	148,213	631,796	95,225		875,234
Contributions/Developer fees	43,883	60,714	-		104,597
Transfers in	-	-	-		-
Transfers out	(97,768)	(61,994)	(6,750)		(166,512)
	<u>94,328</u>	<u>630,516</u>	<u>88,475</u>		<u>813,319</u>
Change in net assets					
Total net assets (deficit) - beginning of year	<u>(2,154,744)</u>	<u>(8,755,030)</u>	<u>251,538</u>		<u>(10,658,236)</u>
Total net assets (deficit) - end of year	<u>\$ (2,060,416)</u>	<u>\$ (8,124,514)</u>	<u>\$ 340,013</u>		<u>\$ (9,844,917)</u>

The accompanying notes are an integral part of this financial statement.

# CITY OF RIPON, CALIFORNIA

## Notes to Financial Statements

June 30, 2010

### Note A – Summary of Significant Accounting Policies

These financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

#### Financial reporting entity

The City was incorporated on November 27, 1945 under the general laws of the State of California. The City operates under a Council – Manager form of government consisting of five elected council members including the mayor and a council appointed City Manager. The City provides the following services as authorized by its charter: public safety, sanitation, water utility, street maintenance, community development, library, parks and recreation, and general administrative services.

As required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

The City's financial reporting entity is composed of the following:

Primary Government:	City of Ripon, California
Blended Component Units:	City of Ripon, California Redevelopment Agency Ripon Public Financing Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

#### Blended Component Units

The Redevelopment Agency of the City of Ripon (Agency) was formed in 1983 to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. City Council members, in separate session, serve as the governing board of the Redevelopment Agency and all accounting and administrative functions are performed by the City. The financial activities of the Agency have been included (termed "blended") in these financial statements in the Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

(Continued)

# CITY OF RIPON, CALIFORNIA

## Notes to Financial Statements

June 30, 2010

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

The Ripon Public Financing Authority (RPFA) was incorporated on August 7, 1990 to carry out financing for the acquisition of various infrastructure improvements within Assessment District No. 1991-1. The City of Ripon issued revenue bonds in order to fund such expenditures. These bonds were redeemed during the fiscal year ended June 30, 2002. The RPFA governing board is the same as the City Council members. The financial activities of the RPFA have been included (termed “blended”) in these financial statements in the General Fund.

Complete financial information for each of the individual component units may be obtained from the City of Ripon at 259 North Wilma Avenue, Ripon, California 95366.

#### Basis of Presentation

The government-wide financial statements (i.e. statement of net assets and the statement of activities) display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City 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 generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct and indirect expenses and program revenues for each segment of the business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are allocated to functions based on the relativity of direct expenses by department. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. 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:

- a. 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

(Continued)

CITY OF RIPON, CALIFORNIA

Notes to Financial Statements

June 30, 2010

Note A – Summary of Significant Accounting Policies (Continued)

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

The funds of the financial reporting entity are described below:

Governmental Funds

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds, of which the Redevelopment Low/Mod Funds qualifies as a major fund and the Redevelopment Low/Mod GAP Loans Fund qualifies as a nonmajor fund. The City has elected to report the Redevelopment Low/Mod GAP Loans Fund as a major fund.

<u>Fund</u>	<u>Brief description</u>
Redevelopment Low/Mod GAP Loans Fund	Accounts for the GAP loan program for eligible low and moderate income housing.
Redevelopment Low/Mod Fund	Accounts for revenues and expenditures for low and moderate income housing.

Capital Project Funds are used to account for resources restricted or designated for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project funds, all of which are reported as major funds:

<u>Fund</u>	<u>Brief description</u>
Redevelopment/Regular Fund	Accounts for financial resources of the Regular Income Housing Fund for the acquisition and construction of major capital facilities.
Capital Projects Fund	Accounts for contributions and specific revenues and transfers from other City funds and expenditures for various capital projects as the City Council may designate.

(Continued)

CITY OF RIPON, CALIFORNIA

Notes to Financial Statements

June 30, 2010

Note A – Summary of Significant Accounting Policies (Continued)

Debt Service Funds are established for the purpose of accumulating resources for the payment of interest and principal on long-term debt other than those payable from Proprietary Funds. The reporting entity includes one debt service fund that qualifies as a major fund.

Proprietary Funds

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds, of which the water and sewer funds qualify as major funds and the refuse fund qualifies as a nonmajor fund. The City has elected to report the refuse fund as a major fund.

<u>Fund</u>	<u>Brief description</u>
Sewer Fund	Accounts for activities associated with operating and maintaining the City's sewer and surface drainage system. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.
Water Fund	Accounts for the provision of water services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.
Refuse Fund	Accounts for the provision of refuse collection services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.

(Continued)

# CITY OF RIPON, CALIFORNIA

## Notes to Financial Statements

June 30, 2010

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Contributions/developer fees are reported separately and represent capital contributions charged by the City. Operating expenses are those expenses essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

#### Measurement focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), and financial position. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

#### Basis of accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using a modified cash basis of accounting. This basis recognizes certain assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions such as amounts due to/from other funds and receivables – intergovernmental. In addition, bonded debt liabilities are included in the government-wide statements and the proprietary fund statements in accordance with the modified cash basis of accounting. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2010

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

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, the City does not recognize its investment in capital assets in its Statement of Net Assets.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

#### Cash, cash equivalents and investments

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. This also includes deposits with the State of California Local Agency Investment Fund (LAIF) and trust account investments in open-ended mutual fund shares.

Investments are stated at cost.

Restricted cash and investments includes proceeds from the 1999 and 2002 water and wastewater revenue bonds and the 2006 water revenue bonds which are restricted for expansion of the wastewater treatment plant, upgrade of water facilities and for repayment of bonds. Additionally, proceeds from the 2003, 2005 and 2007 tax allocation bonds are restricted for various redevelopment projects and for repayment of bonds.

#### Long-term debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

(Continued)

CITY OF RIPON, CALIFORNIA

Notes to Financial Statements

June 30, 2010

**Note A – Summary of Significant Accounting Policies (Continued)**

Equity classification

Equity in the government-wide statements is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of capital assets.
- b. 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 and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Governmental fund equity in the fund financial statements is classified as fund balance. Reservations of fund balances indicate those portions of fund balances which have been legally restricted to a specific use. Portions of unreserved fund balances have been designated to indicate that portion of fund equity for which the City has tentative plans for financial resource utilization in a future period. These amounts may not result in actual expenditures.

Proprietary fund equity is classified the same as in the government-wide statement.

Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

(Continued)



**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note A – Summary of Significant Accounting Policies (Continued)**

3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting described in Note A used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Budgetary accounting

The City does not adopt an appropriated budget and is not required to adopt such a budget by law. However, the City does adopt a nonappropriated budget annually which is approved by the City Council. The budget for all governmental and proprietary funds is on the cash basis of accounting.

Property taxes

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note A – Summary of Significant Accounting Policies (Continued)**

Property valuations are established by the Assessor of the County of San Joaquin for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax levies are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax levy dates are attached annually on January 1 proceeding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property, as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax collections are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments. The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10. The second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

The County of San Joaquin levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the "alternate method of property tax distribution", known as the Teeter Plan, by the City and the County of San Joaquin. The Teeter Plan authorizes the Auditor/Controller of the County of San Joaquin to allocate 100 percent of the secured property taxes billed, but not yet paid. The County of San Joaquin remits tax monies to the City in three installments as follows:

50 percent remitted in December  
45 percent remitted in April  
5 percent remitted in June

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note A – Summary of Significant Accounting Policies (Continued)**

*New accounting pronouncements*

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. In addition, it establishes the criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The District will be required to implement the provisions of this Statement for the year ended June 30, 2011. This Statement will not have a material impact on the financial statements.

**Note B – Cash and Investments**

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

Statement of net assets:	
Cash and investments	\$ 15,363,089
Cash and investments – restricted	<u>5,535,868</u>
Total cash and investments	<u>\$ 20,898,957</u>

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

Cash on hand	\$ 18,800
Deposits with financial institutions	276,817
Investments	<u>20,603,340</u>
	<u>\$ 20,898,957</u>

<u>Investment Type</u>	<u>Carrying value</u>	<u>Fair value</u>
California Local Agency Investment Fund (State Investment Pool)	\$ 2,093,642	\$ 2,097,083
Central San Joaquin Valley RMA Pool (CSJV Pool)	15,199,131	15,863,105
Held by Bond Trustees		
Money Market Funds	2,677,519	2,677,519
State Investment Pool	261,310	261,740
Guaranteed Investment Contracts	<u>371,738</u>	<u>371,738</u>
	<u>\$ 20,603,340</u>	<u>\$ 21,271,185</u>

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note B – Cash and Investments (Continued)**

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as "cash and investments". California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code Section 53600.

The Government Code and the City of Ripon Investment Policy allow investments in the following instruments:

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Authorized Limit%</u>	<u>Required Rating</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Bills, Notes or Bonds	5 years	None	None
State Registered Warrants, Notes, or Bonds	5 years	None	None
Notes and bonds of other Local California Agencies	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers Acceptances	180 days	40%	None
Prime Commercial Paper	270 days	15% or 30%	A1/P1
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase and Reverse Repurchase Agreements	1yr./92 days	None/20%	None
Medium Term Corporate Notes	5 years	30%	A
Money Market Mutual Funds	5 years	15%	2-AAA
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	AA
Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Funds held under the Terms of a Trust Indenture or other contract	*	*	*

\*Such funds may be invested according to the provisions of those indentures or agreements.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities as necessary to provide the cash flow and liquidity needed for operations.

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note B – Cash and Investments (Continued)**

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Totals</u>	<u>12 months or less</u>	<u>13 – 24 months</u>	<u>25 – 36 months</u>	<u>37 – 48 months</u>	<u>49 – 60 months</u>	<u>More than 60 months</u>
State Investment Pool	\$ 2,097,083	\$ 2,097,083	\$ -	\$ -	\$ -	\$ -	\$ -
CSJV Pool	15,863,105	-	-	15,863,105	-	-	-
Held by Bond Trustees:							
Money Market Funds	2,677,519	2,677,519	-	-	-	-	-
State Investment Pool	261,740	261,740	-	-	-	-	-
Guaranteed Investment Contracts	<u>371,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,738</u>
<b>Total</b>	<b>\$21,271,185</b>	<b>\$ 5,036,342</b>	<b>\$ -</b>	<b>\$15,863,105</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 371,738</b>

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>				<u>As of Investment</u>
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>	
State Investment Pool	\$ 2,097,083	N/A	\$ -	\$ -	\$ -	\$ -	\$ 2,097,083	10%
CSJV Pool	15,863,105*	N/A	-	-	-	-	15,863,105	74%
Held by Bond Trustees:								
Money Market Funds	2,677,519	N/A	-	-	-	-	2,677,519	13%
State Investment Pool	261,740	N/A	-	-	-	-	261,740	1%
Guaranteed Investment Contracts	<u>371,738</u>	<u>N/A</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,738</u>	<u>2%</u>
<b>Total</b>	<b>\$21,271,185</b>	<b>N/A</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$21,271,185</b>	<b>100%</b>

\*Average rating of portfolio AAA

(Continued)

CITY OF RIPON, CALIFORNIA

Notes to Financial Statements

June 30, 2010

**Note B – Cash and Investments (Continued)**

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in certain types of investments. The City's investments are concentrated in external investment pools which are not subject to investment limits.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2010, \$340,875 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

A description of the City's investments follows:

Investment in State Investment Pool

Although the City did not participate in any securities lending transactions or enter into any reverse repurchase agreements during the year, the City does have an investment in The California Local Agency Investment Fund (LAIF) with fair value in the amount of \$2,358,823. The total amount invested by all public agencies in LAIF is \$69,385,966,558 of which 5.42% is invested in medium-term and short-term structured notes and asset-backed securities. The Local Investment Advisory board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the City's portion in the pool. Included in LAIF's Investment Portfolio are United States Treasury and federal agency securities, International Bank for Reconstruction and Development federal agency floating rate

(Continued)

CITY OF RIPON, CALIFORNIA

Notes to Financial Statements

June 30, 2010

**Note B – Cash and Investments (Continued)**

debentures, bank notes, certificates of deposit, commercial paper, corporate floaters and bonds, time deposits, and California Assembly Bill 55 and State of California General Fund loans. Participants equity in LAIF is determined by the dollar amount at the participant's deposits, adjusted for withdrawals and distributed investment income. The State Treasurer's investment policy for LAIF and separately issued financial statements for LAIF are available at <http://www.treasurer.ca.gov/pmia-laif/>.

CSJV Pool

The City invested \$15,199,131 in the Central San Joaquin Valley RMA Pool as of June 30, 2010. The total amount invested by all participants in the pool is \$39,597,687. The value of the pool shares which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the City's portion in the pool. The fair value of the City's share of the pool is determined monthly and is \$15,863,105 as of June 30, 2010. The pool is not registered with the Securities Exchange Commission; however, it is managed by a registered investment advisor. Participation in the pool is voluntary. The pools average maturity is 2.65 years and the average rating is AAA. The pool portfolio consists of 82% Securities of U.S. Government Agencies and 18% U.S. Corporate Obligations. The pool complies with the City's investment policy.

Guaranteed Investment Contracts

The City invested \$371,738 (held by bond trustee) in a Guaranteed Investment Contract; yielding 3.31% annually and maturing November 1, 2030. Interest is received semi-annually.

**Note C – Receivables – Intergovernmental**

The San Joaquin County Community Development Department administers the City of Ripon Housing and Rental Rehabilitation Loan Program for the City of Ripon Redevelopment Agency. Accordingly, funds are on deposit with San Joaquin County and designated for this program in the amount of \$22,654.

**Note D – Interfund Transactions**

Interfund transactions consist of the following:

Transfers between funds

Resources may be transferred from one City fund to another with Council approval. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note D – Interfund Transactions (Continued)**

Transfers between funds during the year ended June 30, 2010 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Governmental Fund</b>		
General Fund	\$ 52,567	\$ 106,408
Special Revenue Fund – Redevelopment Low/Mod	2,691	-
Capital Projects Fund – Redevelopment – Regular	2,334,477	-
Capital Projects Fund	300,420	-
Debt Service Fund	-	2,337,167
<b>Major Proprietary Fund</b>		
Sewer Enterprise	-	97,768
Water Enterprise	-	61,994
Refuse Enterprise	-	6,750
<b>Nonmajor Governmental Funds</b>		
<b>Special Revenue Fund</b>		
Streets and Roads	609,114	237,356
2105 Fund	-	82,000
2106 Fund	-	55,000
2107 Fund	-	109,000
2107.5 Fund	-	4,000
Traffic Congestion Relief Fund	-	130,534
Measure K	-	150,000
COG/LTF	-	70,000
CDBG	<u>148,708</u>	<u>-</u>
<b>Total interfund transfers</b>	<b><u>\$ 3,447,977</u></b>	<b><u>\$ 3,447,977</u></b>

In general, the City uses interfund transfers to:

- Transfer unrestricted revenues collected in the general fund to help finance various programs and capital projects accounted for in other funds
- Fund operations (move revenues from the funds that collect them to the funds that statute or budget requires to expend them)
- Fund interdepartmental cost reimbursement
- Fund capital projects
- Transfer of interest earned on bond proceeds
- Transfer bond reserve to debt service fund

The effect of the interfund activity has been eliminated from the government-wide financial statements.

(Continued)



**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note D – Interfund Transactions (Continued)**

Current interfund balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2010.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Special Revenue Fund – Redevelopment Low/Mod	Special Revenue Fund - Redevelopment Low/Mod GAP Loans	\$ 17,500
Capital Projects Fund	General Fund	98,595
Sewer Enterprise Fund	Capital Projects Fund	<u>50,810</u>
Total interfund balances		<u>\$ 166,905</u>

Internal balances

Internal balances represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

**Note E – Long-Term Debt**

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

In governmental fund types, debt discounts and issuance costs are recognized in the current period. Debt discounts and issuance costs incurred by proprietary fund types have also been recorded in the period incurred in accordance with the modified cash basis of accounting.

Current year transactions and balances

The City’s debt issues and transactions are summarized below and discussed in detail thereafter:

	<u>Original Amount</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Current Total</u>
Governmental Activity Debt						
<i>General long-term debt</i>						
Redevelopment Agency of the City of Ripon 2003 Tax Allocation						
Bonds	\$ 6,320,000	\$ 5,820,000	\$ -	\$ 110,000	\$ 5,710,000	\$ 105,000

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note E – Long-Term Debt (Continued)**

	<u>Original Amount</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Current Total</u>
<b>Governmental Activity Debt</b>						
<i>General long-term debt</i>						
<i>(Continued)</i>						
2005 Tax Allocation Bonds	5,660,000	5,370,000	-	95,000	5,275,000	100,000
2007 Tax Allocation Refunding Bonds	<u>20,395,000</u>	<u>19,735,000</u>	<u>-</u>	<u>405,000</u>	<u>19,330,000</u>	<u>425,000</u>
	<u>\$ 32,375,000</u>	<u>\$ 30,925,000</u>	<u>\$ -</u>	<u>\$ 610,000</u>	<u>\$ 30,315,000</u>	<u>\$ 630,000</u>
<b>Business-type Activity Debt</b>						
<i>Enterprise long-term debt</i>						
1999 Revenue Bonds (Sewer)	\$ 3,250,000	\$ 2,525,000	\$ -	\$ 100,000	\$ 2,425,000	\$ 105,000
2002 Revenue Bonds (Water)	4,300,000	3,660,000	-	125,000	3,535,000	130,000
2006 Revenue Bonds (Water)	<u>7,845,000</u>	<u>7,510,000</u>	<u>-</u>	<u>190,000</u>	<u>7,320,000</u>	<u>200,000</u>
	<u>\$ 15,395,000</u>	<u>\$ 13,695,000</u>	<u>\$ -</u>	<u>\$ 415,000</u>	<u>\$ 13,280,000</u>	<u>\$ 435,000</u>

Tax Allocation Bonds

In 2003, the Redevelopment Agency of the City of Ripon issued Tax Allocation Bonds in the amount of \$6,320,000 to finance redevelopment projects. Agency tax increment revenue is pledged for the repayment of these Bonds. Principal and interest are payable semi-annually each May 1 and November 1.

In 2005, the Redevelopment Agency of the City of Ripon issued Tax Allocation Bonds in the amount of \$5,660,000 to finance redevelopment projects. Agency tax increment revenue is pledged for the repayment of these Bonds. Principal and interest are payable semi-annually each May 1 and November 1.

In 2007, the Redevelopment Agency of the City of Ripon, Ripon Community Redevelopment Project issued Tax Allocation Refunding Bonds in the amount of \$20,395,000 to provide funds for certain redevelopment projects and to defease the 2000 Tax Allocation Bonds. The bond issue included \$11,025,000 of serial bonds with interest rates ranging from 4% to 4.4% with maturities ranging from 2007 through 2027, \$4,300,000 of term bonds with an interest rate of 4.5% maturing in 2034 and

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note E – Long-Term Debt (Continued)**

\$5,070,000 of escrow term bonds with an interest rate of 4.75% maturing in 2036. The bonds maturing on or after November 1, 2018 may be called before maturity and redeemed at the option of the Redevelopment Agency of the City of Ripon, in whole or in part from proceeds of refunding bonds or other available funds, on November 1, 2017 or on any date thereafter. The escrow term bonds may be called before maturity and redeemed from funds released from the escrow proceeds account on November 1, 2010 at 100 percent of the principal amount of the escrow term bonds called for redemption, plus accrued interest at the redemption date, without premium. The net proceeds of the 2007 Tax Allocation Refunding Bonds were \$19,581,738, after paying issuance costs of \$813,262. The Redevelopment Agency of the City of Ripon deposited \$10,066,703, representing a portion of the net proceeds from the issuance of the 2007 Tax Allocation Refunding Bonds and \$806,580 representing funds held by trustee relating to the 2000 Tax Allocation Bonds into an irrevocable trust with an escrow agent for investment in U.S. government securities to defease the 2000 Tax Allocation Bonds. The funds deposited with the escrow agent will be used to pay the principal and interest on the refunded bonds due on or prior to November 1, 2010 and to redeem on November 1, 2010 the refunded bonds maturing on or after November 1, 2011, at a redemption price equal to 102% of par.

Revenue Bonds

Enterprise fund long-term debt outstanding as of June 30, 2010 consists of the following:

In 1999 the City was one of three participants in \$18,550,000 California Statewide Communities Development Authority Water and Wastewater Revenue Bonds (Pooled Financing Program) Series 1999A. The City's portion was \$3,250,000. The bonds are secured by a pledge of net revenues of the Sewer Enterprise Fund. The Sewer Enterprise Fund is required to establish user fees and rates that will yield net revenues equal to at least 1.2 times the annual debt service. Principal payments are due annually on October 1. Interest payments are payable semi-annually on April 1 and October 1.

In 2002 the City was one of four participants in \$34,335,000 California Statewide Communities Development Authority Water and Wastewater Revenue Bonds (Pooled Financing Program) Series 2002A. The City's portion was \$4,300,000. The bonds are secured by a pledge of net revenues of the Water Enterprise Fund. The Water Enterprise Fund is required to establish user fees and rates that will yield net revenues equal to at least 1.2 times the annual debt service. Principal payments are due annually on October 1. Interest payments are payable semi-annually on April 1 and October 1.

In August 2006 the City issued \$7,845,000 California Statewide Communities Development Authority Water Revenue Bonds Series 2006C. The bonds are secured by a pledge of net revenues of the Water Enterprise Fund. The Water Enterprise Fund is required to establish user fees and rates that will yield net revenues equal to at least 1.2 times the annual debt service. Principal payments are due annually on October 1. Interest payments are payable semi-annually on April 1 and October 1.

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note E – Long-Term Debt (Continued)**

Debt outstanding as of June 30, 2010, consists of the following:

	<u>Interest rate</u>	<u>Maturity date</u>	<u>Amounts issued</u>	<u>Outstanding</u>
<u>Governmental Activity Debt</u>				
Redevelopment Agency 2003				
Tax Allocation Bonds				
Serial Bonds	3.45% – 4.55%	November 1, 2020	\$ 2,060,000	\$ 1,450,000
Term Bonds	4.45%	November 1, 2027	1,345,000	1,345,000
Term Bonds	4.75%	November 1, 2032	<u>2,915,000</u>	<u>2,915,000</u>
			<u>6,320,000</u>	<u>5,710,000</u>
Redevelopment Agency 2005				
Tax Allocation Bonds				
Serial Bonds	3.5% – 3.625%	November 1, 2013	805,000	420,000
Term Bonds	3.00%	November 1, 2017	485,000	485,000
Term Bonds	5.00%	November 1, 2025	1,230,000	1,230,000
Term Bonds	4.75%	November 1, 2035	<u>3,140,000</u>	<u>3,140,000</u>
			<u>5,660,000</u>	<u>5,275,000</u>
Redevelopment Agency 2007				
Tax Allocation Bonds				
Serial Bonds	4.00% – 4.4%	November 1, 2027	11,025,000	9,960,000
Term Bonds	4.50%	November 1, 2034	4,300,000	4,300,000
Term Bonds	4.75%	November 1, 2036	<u>5,070,000</u>	<u>5,070,000</u>
			<u>20,395,000</u>	<u>19,330,000</u>
			<u>\$ 32,375,000</u>	<u>\$ 30,315,000</u>
<u>Business-type Activity Debt</u>				
Enterprise Fund Bonds				
1999 Revenue Bonds (Sewer)				
Serial Bonds	4.40% – 4.75%	October 1, 2014	\$ 1,390,000	\$ 565,000
Term Bonds	5.00%	October 1, 2025	<u>1,860,000</u>	<u>1,860,000</u>
			<u>3,250,000</u>	<u>2,425,000</u>

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note E – Long-Term Debt (Continued)**

	<u>Interest rate</u>	<u>Maturity date</u>	<u>Amounts issued</u>	<u>Outstanding</u>
<u>Business-type Activity Debt (Continued)</u>				
2002 Revenue Bonds (Water)				
Serial Bonds	4.00% –5.00%	October 1, 2018	2,155,000	1,390,000
Term Bonds	5.125%	October 1, 2022	840,000	840,000
Term Bonds	5.00%	October 1, 2032	<u>1,305,000</u>	<u>1,305,000</u>
			<u>4,300,000</u>	<u>3,535,000</u>
2006 Revenue Bonds (Water)				
Serial Bonds	3.60% –4.30%	October 1, 2021	3,475,000	2,950,000
Term Bonds	4.50%	October 1, 2027	2,120,000	2,120,000
Term Bonds	4.50%	October 1, 2032	<u>2,250,000</u>	<u>2,250,000</u>
			<u>7,845,000</u>	<u>7,320,000</u>
			<u>\$ 15,395,000</u>	<u>\$ 13,280,000</u>

Annual debt service requirements are shown below for all long-term debt:

For the year ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 630,000	\$ 1,342,643	\$ 435,000	\$ 593,905
2012	650,000	1,318,068	445,000	576,550
2013	680,000	1,292,224	465,000	558,261
2014	705,000	1,265,023	485,000	538,802
2015	735,000	1,236,868	510,000	518,017
2016-2020	4,135,000	5,703,046	2,890,000	2,226,983
2021-2025	5,115,000	4,697,057	3,635,000	1,470,649
2026-2030	6,375,000	3,404,057	3,005,000	614,876
2031-2035	7,785,000	1,756,775	1,410,000	96,975
2036-2037	<u>3,505,000</u>	<u>168,506</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 30,315,000</u>	<u>\$ 22,184,267</u>	<u>\$ 13,280,000</u>	<u>\$ 7,195,018</u>

CITY OF RIPON, CALIFORNIA

Notes to Financial Statements

June 30, 2010

**Note F – 2007 Debt Defeasance**

During the year ended June 30, 2007, the Redevelopment Agency of the City of Ripon defeased the 2000 tax allocation bond by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2010, the amount of defeased debt outstanding amounted to \$9,635,000.

**Note G – Site Lease**

October 11, 2006, the City entered into a lease-financing agreement with Municipal Finance Corporation to facilitate the purchase of street lighting. Municipal Finance Corporation assigned the lease to Westamerica Bank, which in turn, leases the property to the City. Westamerica prepaid all rental payments totaling \$420,422 in November, 2006.

Future minimum annual rental expense on the sublease with Westamerica Bank follows:

<u>Year ending June 30,</u>	
2011	\$ 39,147
2012	39,147
2013	39,147
2014	39,147
2015	39,147
Later years	<u>274,030</u>
	<u>\$ 469,765</u>

Rental expense related to the site lease totaled \$39,147 for the year ended June 30, 2010.

**Note H – Net Assets and Fund Balances**

Net assets and fund balances consist of the following:

Net assets

Net Assets in the Government-Wide Financial Statements represents the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions and are described below:

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note H – Net Assets and Fund Balances (Continued)**

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets. However, the City has not capitalized capital assets. Therefore, this caption reflects only the outstanding debt to finance capital assets.

*Restricted* describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

*Unrestricted* describes the portion of Net Assets which is not restricted as to use.

Fund balances, reserves and designations

In the fund financial statements, fund balances represent the net current assets of each fund. Portions of a fund balance may be reserved or designated for future expenditure.

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds.

Reserve for debt service is the portion of fund balance restricted under debt covenants for the payment of principal and interest on long-term liabilities.

Reserves for capital outlay are the portions of unspent bond proceeds reserved for capital projects.

Reserves for low and moderate income housing is the portion of redevelopment fund balance legally required to be set-aside for low and moderate income housing expenditures under the California Health and Safety Code.

Fund balance and net asset deficits

*Major funds*

The Capital Project Fund had a deficit fund balance of \$197,257. The deficit is due to the City incurring costs in excess of revenues. The fund deficit is expected to be offset in the future from the receipts of contributions and various fees.

The Sewer Enterprise Fund and the Water Enterprise Fund had net asset (deficits) of \$2,060,416 and \$8,124,514, respectively, at June 30, 2010. These deficits are due to the City incurring costs in excess of revenues and are expected to be offset in the future from the receipt of revenues from charges for services and construction permits.

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note H – Net Assets and Fund Balances (Continued)**

*Nonmajor funds*

A deficit fund balance of \$2,672 exists in the STA/BUS Fund. The deficit is due to the City incurring costs in advance of revenues. The fund deficit is expected to be offset in the future from charges for service.

A deficit fund balance of \$79,372 exists in the Community Development Block Grant Fund. The deficit is due to the City incurring costs in excess of revenues. The fund deficit is expected to be offset in the future from the receipt of grant revenue.

A deficit fund balance of \$38,989 exists in the Dutch Meadows Assessment District Fund. The deficit is due to the City incurring costs in advance of revenues. The fund deficit is expected to be offset in the future from the receipt of assessment revenue.

A deficit fund balance of \$11,158 exists in the Country Woods Assessment District Fund. The deficit is due to the City incurring costs in advance of revenues. The fund deficit is expected to be offset in the future from the receipt of assessment revenue.

A deficit fund balance of \$5,596 exists in the Farmland Estates District Fund. The deficit is due to the City incurring costs in advance of revenues. The fund deficit is expected to be offset in the future from the receipt of assessment revenue.

A deficit fund balance of \$51,687 exists in the Main Street Assessment District Fund. The deficit is due to the City incurring costs in advance of revenues. The fund deficit is expected to be offset in the future from the receipt of assessment revenue.

A deficit fund balance of \$233,893 exists in the Ripon Lighting Assessment District Fund. The deficit is due to the City incurring costs in advance of revenues. The fund deficit is expected to be offset in the future from the receipt of assessment revenue.

**Note I – Employee Retirement Systems**

*Defined contribution plan*

The City provides pension benefits for all of its permanent full-time employees, who completed six consecutive months of employment, through the City of Ripon Money Purchase Thrift Pension Plan, a defined contribution plan, with the exception of public safety officers. On April 4, 1990, the public safety officers elected to participate in the California Public Employees Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As of June 30, 2010, there were 66 plan members. Plan provisions and contribution

(Continued)



## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2010

#### Note I – Employee Retirement Systems (Continued)

requirements are established and may be amended by the City of Ripon City Council. The City contributes 10% of the total compensation of all participants who agree to contribute 5% of their compensation to the plan. The City entered into a Memorandum of Understanding with the Union representing its employees which requires the City to “pick up” the 5% employee contribution. All such contributions are designated as employee contributions and are fully vested. The plan also allows additional employee contributions up to 6.6% of annual compensation, and the City will match such contributions at a 50% rate up to 3.3% of the qualified employee’s annual compensation. The trust agreement provides that each participant directs the investments held in his/her individual account. Participants are immediately vested in their contributions plus actual earnings thereon. The City’s contributions for each employee and interest allocated to the employee’s account are fully vested after six years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before six years of service are redistributed to all participants based on salary and vesting levels with the exception of the additional contributions up to 6.6% of annual compensation referenced above, which are immediately fully vested.

The City’s total payroll in fiscal year 2010 was \$6,314,470. The City’s contributions were calculated using the base salary amount of \$3,786,493 for employees participating in the City’s defined contribution plan. The total employee and employer contributions for the year ended June 30, 2010 were \$333,024 and \$450,499, respectively. The employee and employer contributions represented 8.8% and 11.9% of covered payroll, respectively.

#### California Public Employees Retirement System

##### Plan Description

The City’s defined benefit pension plan, Safety Plan of the City of Ripon, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan members consist of public safety officers only. The Safety Plan of the City of Ripon is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees’ Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (or other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

(Continued)

CITY OF RIPON, CALIFORNIA

Notes to Financial Statements

June 30, 2010

Note I – Employee Retirement Systems (Continued)

Funding Policy

Active plan members in the Safety Plan of the City of Ripon are required to contribute 9% of their annual covered salary. The City makes the contributions required by City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2010 was 24.73% for police officers. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For the year ended June 30, 2010, the City's annual pension cost was \$496,327 and the City actually contributed \$496,327. The required contribution for the year ended June 30, 2010 was determined as part of the actuarial valuation as of June 30, 2007 using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases depending on age, service and type of employment ranging from 3.25% to 14.45%; (c) 3.0% inflation and (d) payroll growth of 3.25%. The actuarial value of the Safety Plan of the City of Ripon's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period. Changes in liability due to plan amendments, changes in actuarial assumptions or changes in actuarial methods are amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2007 was 16 years. The Safety Plan of the City of Ripon has a net unfunded actuarial liability at June 30, 2007.

Three-Year Trend Information for Safety Plan of the City of Ripon:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/06	\$ 350,800	100%	\$ 0
6/30/07	475,613	100	0
6/30/08	445,728	100	0

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note I – Employee Retirement Systems (Continued)**

*Funded status of pooled "Safety" plan (reported in millions)*

<u>Actuarial date</u>	<u>Accrued liability</u>	<u>Actuarial value of assets</u>	<u>Unfunded/ (Overfunded) liability</u>	<u>Funded status</u>	<u>Annual covered payroll</u>	<u>Unfunded actuarial accrued liability (excess assets) as a % of payroll</u>
6/30/06	\$ 7,278	\$ 6,103	\$ 1,175	83.9%	\$ 755	155.7%
6/30/07	7,986	6,827	1,159	85.5	832	139.4
6/30/08	8,700	7,465	1,236	85.8	915	135.1

**Note J – Risk Management**

The City is exposed to various risks of loss related to torts, errors and omissions and injuries to employees. The City participates in a pooled liability program for general liability and workers compensation through the Central San Joaquin Valley Risk Management Authority (Authority). The pooled liability program is an insurance pool provided through the deposits of approximately 58 member cities. The Authority is not an insurance company and does not charge a premium for coverage. Audited financial statements are available from the Central San Joaquin Valley Risk Management Authority at 1020 19<sup>th</sup> Street, Suite 200, Sacramento, CA 95814.

*General liability*

The liability coverage provided by the Authority is completely self-insured by its member cities and all losses and related costs are shared among the other member cities in the pool above the member City's retained limit of \$50,000 for the 2005 through 2009 program years. The Authority determines the amount of risk each member city brings to the pool and calculates a relative risk distribution factor. The unobligated balance of program years 2005 through 2009 is \$217,303 as of June 30, 2009 (most recent information). At the time the respective program year is closed any surplus will be refunded to the City and net deficits will be billed to the City. The City's financial statements are prepared on the modified cash basis of accounting and, accordingly, a liability for net fund deficits, if any, on open program years has not been recorded. Disbursements to the Authority for general liability coverage during the year ended June 30, 2010 were \$134,230.

*Workers' compensation*

The workers' compensation coverage is provided by the Authority through a pooling feature which requires the member cities to self-insure a portion of each claim. Sharing of the risk is accomplished by forming pooled layers above the member city's retained limit of \$50,000 for the 2005 through 2009 program years. The unobligated balance of program years 2005 through 2009 is \$113,241 as of June 30, 2009 (most recent information). At the time the respective program year is closed any surplus will be refunded to the City and net deficits will be billed to the City. The Pooled Workers' Compensation Program participates in Local Agency Workers' Compensation Joint Powers Authority (LAWCX).

(Continued)

CITY OF RIPON, CALIFORNIA

Notes to Financial Statements

June 30, 2010

**Note J – Risk Management (Continued)**

Members of LAWCX risk share the layer between \$150,000 and \$5,000,000. Effective July 1, 2003, LAWCX joined the California Public Entity Excess Insurance Authority (CPEIA), a joint powers authority comprised of a number of individual public entities and other joint power authorities. CPEIA provides coverage above \$5,000,000. The City's financial statements are prepared on the modified cash basis of accounting and, accordingly, a liability for net fund deficits, if any, on open program years has not been recorded. Disbursements to the Authority for workers' compensation coverage during the year ended June 30, 2010 were \$258,632.

**Note K – Contingencies and Commitments**

Contingencies

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The City is involved in litigation arising in the ordinary course of operations that, in the opinion of management, will not have a material effect on the financial condition of the City.

Commitments

The City is undertaking a number of capital improvement projects, the most significant of which include the following at June 30, 2010:

	Balance remaining on contracts <u>outstanding</u>
Street maintenance, rehabilitation, signal lights, sidewalks, storm drains and bike trails	\$ 1,511,502
Wells and groundwater data	229,081
Other	70,392

# CITY OF RIPON, CALIFORNIA

## Notes to Financial Statements

June 30, 2010

### Note L – Revenue Limitations Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

### Note M – 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 of Ripon was:

General Fund	\$ 256,375
Sewer Enterprise Fund	4,912
Ripon Lighting	<u>1,047</u>
	<u>\$ 262,334</u>

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's General Fund 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.

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2010

**Note M – Proposition 1A Borrowing by the State of California (Continued)**

The City's Sewer Enterprise Fund and Ripon Lighting District did not participate in the Securitization Program. Accordingly, under the modified cash basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements or the government-wide financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012-13).

**COMBINING BALANCE SHEET – MODIFIED CASH BASIS  
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF RIPON, CALIFORNIA

Combining Balance Sheet - Modified Cash Basis  
Nonmajor Governmental Funds

June 30, 2010

	Streets and Roads	2105 Fund	2106 Fund	2107 Fund	2107.5 Fund	Traffic Congestion Relief Fund	Measure K	COG/LTF	STA/BUS Fund
<b>ASSETS</b>									
Cash and investments	\$ 403,671	\$ 1,717	\$ 1,671	\$ 2,322	\$ 604	\$ -	\$ 27,545	\$ 3,471	\$ (2,672)
Cash and investments - restricted	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Receivables - intergovernmental	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 403,671</u>	<u>\$ 1,717</u>	<u>\$ 1,671</u>	<u>\$ 2,322</u>	<u>\$ 604</u>	<u>\$ -</u>	<u>\$ 27,545</u>	<u>\$ 3,471</u>	<u>\$ (2,672)</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>									
<b>Reserved for</b>									
Debt service	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Low and moderate income housing	-	-	-	-	-	-	-	-	-
<b>Unreserved</b>									
Designated for loans	-	-	-	-	-	-	-	-	-
Designated for capital outlay	403,671	1,717	1,671	2,322	604	-	27,545	3,471	-
Undesignated	-	-	-	-	-	-	-	-	(2,672)
Total fund balances	<u>403,671</u>	<u>1,717</u>	<u>1,671</u>	<u>2,322</u>	<u>604</u>	<u>-</u>	<u>27,545</u>	<u>3,471</u>	<u>(2,672)</u>
Total liabilities and fund balances	<u>\$ 403,671</u>	<u>\$ 1,717</u>	<u>\$ 1,671</u>	<u>\$ 2,322</u>	<u>\$ 604</u>	<u>\$ -</u>	<u>\$ 27,545</u>	<u>\$ 3,471</u>	<u>\$ (2,672)</u>



Special Revenue Funds

CDBG	Dutch Meadows	Country Woods	Farmland Estates	Jacobs Landing	Carolina's Landscape	Boesch/Kingery Assessment	Main Street Landscape	Cornerstone I	Ripon Lighting	Total Nonmajor Governmental Funds
\$ (79,372)	\$ (38,989)	\$ (11,158)	\$ (5,596)	\$ 15,259	\$ 14,760	\$ 25,826	\$ (51,687)	\$ 30,375	\$ (233,893)	\$ 103,854
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>\$ (79,372)</u>	<u>\$ (38,989)</u>	<u>\$ (11,158)</u>	<u>\$ (5,596)</u>	<u>\$ 15,259</u>	<u>\$ 14,760</u>	<u>\$ 25,826</u>	<u>\$ (51,687)</u>	<u>\$ 30,375</u>	<u>\$ (233,893)</u>	<u>\$ 103,854</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(79,372)	(38,989)	(11,158)	(5,596)	15,259	14,760	25,826	(51,687)	30,375	(233,893)	441,001
(79,372)	(38,989)	(11,158)	(5,596)	15,259	14,760	25,826	(51,687)	30,375	(233,893)	(337,147)
<u>\$ (79,372)</u>	<u>\$ (38,989)</u>	<u>\$ (11,158)</u>	<u>\$ (5,596)</u>	<u>\$ 15,259</u>	<u>\$ 14,760</u>	<u>\$ 25,826</u>	<u>\$ (51,687)</u>	<u>\$ 30,375</u>	<u>\$ (233,893)</u>	<u>\$ 103,854</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – MODIFIED CASH BASIS  
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF RIPON, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis  
Nonmajor Governmental Funds

For the year ended June 30, 2010

	Streets and Roads	2105 Fund	2106 Fund	2107 Fund	2107.5 Fund	Traffic Congestion Relief Fund	Measure K	COG/LTF	STA/BUS Fund
<b>Revenues</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less supplemental educational revenue augmentation fund payment	-	-	-	-	-	-	-	-	-
Assessments	-	-	-	-	-	-	-	-	-
Licenses, permits and fees	73,895	-	-	-	-	-	-	-	-
Investment income	18,274	1,194	808	1,588	66	-	2,532	1,048	34
Intergovernmental revenue	476,610	82,174	55,698	109,356	4,000	130,534	168,187	68,000	23
Charges for services	-	-	-	-	-	-	-	-	721
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Housing/loan program income	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<u>568,779</u>	<u>83,368</u>	<u>56,506</u>	<u>110,944</u>	<u>4,066</u>	<u>130,534</u>	<u>170,719</u>	<u>69,048</u>	<u>778</u>
<b>Expenditures</b>									
General Government									
Administration	-	-	-	-	-	-	-	-	-
Legislative	-	-	-	-	-	-	-	-	-
Public Safety									
Police	-	-	-	-	-	-	-	-	-
Streets and Public Works									
Streets	532,236	-	-	-	-	-	-	-	4,517
Planning	-	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	-	-	-
Culture and Recreation									
Library	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-
Community center	-	-	-	-	-	-	-	-	-
Community development block grant	-	-	-	-	-	-	-	-	-
Special assessment districts	-	-	-	-	-	-	-	-	-
Housing/loan program expense	-	-	-	-	-	-	-	-	-
Property tax collection fee	-	-	-	-	-	-	-	-	-
Intergovernmental passthroughs	-	-	-	-	-	-	-	-	-
Allocation to other department costs	67,431	-	-	-	-	-	-	-	572
Other	-	-	-	-	-	-	-	-	-
Capital outlay	748,025	-	-	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>1,347,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,089</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(778,913)</u>	<u>83,368</u>	<u>56,506</u>	<u>110,944</u>	<u>4,066</u>	<u>130,534</u>	<u>170,719</u>	<u>69,048</u>	<u>(4,311)</u>
<b>Other financing sources (uses)</b>									
Operating transfers in	609,114	-	-	-	-	-	-	-	-
Operating transfers out	(237,356)	(82,000)	(55,000)	(109,000)	(4,000)	(130,534)	(150,000)	(70,000)	-
<b>Total other financing sources (uses)</b>	<u>371,758</u>	<u>(82,000)</u>	<u>(55,000)</u>	<u>(109,000)</u>	<u>(4,000)</u>	<u>(130,534)</u>	<u>(150,000)</u>	<u>(70,000)</u>	<u>-</u>
<b>Special item</b>									
Sale of capital assets	-	-	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<u>(407,155)</u>	<u>1,368</u>	<u>1,506</u>	<u>1,944</u>	<u>66</u>	<u>-</u>	<u>20,719</u>	<u>(952)</u>	<u>(4,311)</u>
<b>Fund balances, beginning of year</b>	<u>810,826</u>	<u>349</u>	<u>165</u>	<u>378</u>	<u>538</u>	<u>-</u>	<u>6,826</u>	<u>4,423</u>	<u>1,639</u>
<b>Fund balances, end of year</b>	<u>\$ 403,671</u>	<u>\$ 1,717</u>	<u>\$ 1,671</u>	<u>\$ 2,322</u>	<u>\$ 604</u>	<u>\$ -</u>	<u>\$ 27,545</u>	<u>\$ 3,471</u>	<u>\$ (2,672)</u>

Special Revenue Funds

Special Revenue Funds										Total Nonmajor Governmental Funds
CDBG	Dutch Meadows	Country Woods	Farmland Estates	Jacobs Landing	Carolina's Landscape	Boesch/Kingery Assessment	Main Street Landscape	Cornerstone I	Ripon Lighting	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,970	\$ 13,970
-	-	-	-	-	-	-	-	-	-	-
-	4,540	7,809	3,330	5,701	8,668	6,061	10,818	27,625	229,991	304,543
-	-	-	-	-	-	-	-	-	143	73,895
97,989	-	-	-	-	-	-	-	-	77	25,687
-	-	-	-	-	-	-	-	-	-	1,192,648
-	-	-	-	-	-	-	-	-	-	721
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
97,989	4,540	7,809	3,330	5,701	8,668	6,061	10,818	27,625	244,181	1,611,464
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	536,753
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
131,791	-	-	-	-	-	-	-	-	-	131,791
-	2,912	5,592	3,654	6,794	2,160	6,231	24,410	2,998	207,167	261,918
-	-	-	-	-	-	-	-	-	-	-
-	369	707	463	871	273	789	3,093	380	26,247	101,195
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	748,025
-	-	-	-	-	-	-	-	-	-	-
131,791	3,281	6,299	4,117	7,665	2,433	7,020	27,503	3,378	233,414	1,779,682
(33,802)	1,259	1,510	(787)	(1,964)	6,235	(959)	(16,685)	24,247	10,767	(168,218)
148,708	-	-	-	-	-	-	-	-	-	757,822
-	-	-	-	-	-	-	-	-	-	(837,890)
148,708	-	-	-	-	-	-	-	-	-	(80,068)
-	-	-	-	-	-	-	-	-	-	-
114,906	1,259	1,510	(787)	(1,964)	6,235	(959)	(16,685)	24,247	10,767	(248,286)
(194,278)	(40,248)	(12,668)	(4,809)	17,223	8,525	26,785	(35,002)	6,128	(244,660)	352,140
\$ (79,372)	\$ (38,989)	\$ (11,158)	\$ (5,596)	\$ 15,259	\$ 14,760	\$ 25,826	\$ (51,687)	\$ 30,375	\$ (233,893)	\$ 103,854

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 Ripon, 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 Ripon, California** as of and for the year ended June 30, 2010, which collectively comprise the **City of Ripon, California's** basic financial statements and have issued our report thereon dated December 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered **City of Ripon, California'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 of Ripon, California's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **City of Ripon, California's** internal control over financial reporting.

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

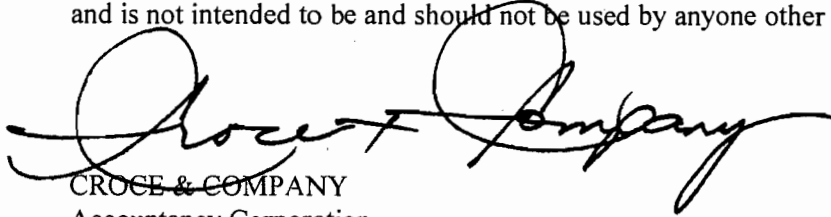
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting. Refer to page 44, Finding 2010-1. A significant deficiency is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **City of Ripon, California'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses on page 44 as item 2010-2.

**City of Ripon, California's** response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit **City of Ripon, California's** response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities, State Controller's Office and County of San Joaquin and is not intended to be and should not be used by anyone other than these specified parties.



CROCE & COMPANY  
Accountancy Corporation  
Stockton, California  
December 28, 2010

**CITY OF RIPON, CALIFORNIA**

**Schedule of Findings and Responses**

For the year ended June 30, 2010

**Internal Control Over Financial Reporting**

**Current Year Finding**

**2010-1. Financial Statement Preparation and Review**

The **City of Ripon, California** does not have an individual on staff that possesses the knowledge of accounting principles generally accepted in the United States of America sufficient to prepare its financial statements and related note disclosures.

**Management Response:**

We concur with the auditors' finding and recommendation and will develop the required expertise internally. We will continue to identify and attend governmental accounting classes to address the areas of expertise needed.

**Prior Year Findings**

**2009-1. Financial Statement Preparation and Review**

The **City of Ripon, California** does not have an individual on staff that possesses the knowledge of accounting principles generally accepted in the United States of America sufficient to prepare its financial statements and related note disclosures.

**Current Status:**

Refer to current year finding No. 2010-1.

**Compliance and Other Matters**

**Current Year Finding**

**2010-2. Compliance with Health and Safety Code Section 33080**

As of June 30, 2010, the City/Redevelopment Agency had an excess surplus of \$298,028 in the Low and Moderate Income Housing Fund.

***Response***

The City/Redevelopment Agency plans to use the surplus during the fiscal year ending June 30, 2011 on the Below Market Rate Program (BMR Program) to purchase homes and resell the homes below market value to moderate, low and very-low income families.