

**CITY OF RIPON, CALIFORNIA**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2012**

**CROCE & COMPANY**

Accountancy Corporation



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## CONTENTS

<b>Independent Auditors' Report</b>	1
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Assets – Modified Cash Basis	3
Statement of Activities – Modified Cash Basis	4
Fund Financial Statements	
Governmental Funds	
Balance Sheet – Modified Cash Basis	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis	6
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	7
Proprietary Funds	
Statement of Net Assets – Modified Cash Basis	8
Statement of Revenues, Expenses and Changes in Fund Net Assets – Modified Cash Basis	9
Fiduciary Funds	
Statement of Net Assets – Modified Cash Basis	10
Statement of Changes in Fiduciary Net Assets – Modified Cash Basis	11
Notes to Financial Statements	12
<b>Other Supplemental Information</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet – Modified Cash Basis	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis	45
Additional Information on the Successor Agency Trust Fund	46



## 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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. 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.

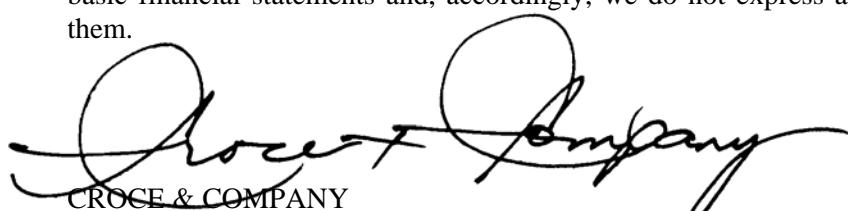
As described in Note A, the **City of Ripon, California** prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2012 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.

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

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 as a whole. The combining nonmajor governmental fund financial statements – modified cash basis and the additional information on the

Successor Agency Trust Fund are presented for purposes of additional analysis and are not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The additional information on the Successor Agency Trust Fund has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Croce & Company". The signature is fluid and cursive, with "Croce" on the left and "Company" on the right, connected by a horizontal line.

CROCE & COMPANY  
Accountancy Corporation  
Stockton, California  
December 20, 2012

# CITY OF RIPON, CALIFORNIA

## Statement of Net Assets - Modified Cash Basis

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 17,180,429	\$ 1,255,491	\$ 18,435,920
Cash and investments - restricted	217,499	889,715	1,107,214
Due from other funds	-	129,485	129,485
<b>Total assets</b>	<b>17,397,928</b>	<b>2,274,691</b>	<b>19,672,619</b>
<b>LIABILITIES</b>			
Due to other funds	129,485	-	129,485
Due to fiduciary funds	3,397,620		3,397,620
Long term liabilities			
Debt due within one year	-	460,000	460,000
Debt due in more than one year	-	11,785,000	11,785,000
<b>Total liabilities</b>	<b>3,527,105</b>	<b>12,245,000</b>	<b>15,772,105</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	(11,355,285)	(11,355,285)
Restricted for			
Public safety	96,637	-	96,637
Capital outlay	217,499	889,715	1,107,214
Unrestricted	13,556,687	495,261	14,051,948
<b>Total net assets (deficit)</b>	<b>\$ 13,870,823</b>	<b>\$ (9,970,309)</b>	<b>\$ 3,900,514</b>

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

**STATEMENT OF ACTIVITIES –  
MODIFIED CASH BASIS**

**CITY OF RIPON, CALIFORNIA**

**Statement of Activities - Modified Cash Basis**

For the year ended June 30, 2012

	<u>Expenses</u>		
<u>Functions/Programs</u>	<u>Direct</u>	<u>Indirect</u>	<u>Total</u>
<b>Governmental activities</b>			
Administrative	\$ 1,264,356	\$ (815,464)	\$ 448,892
Legislative	266,442	(259,994)	6,448
Police	4,310,973	602,898	4,913,871
Streets and public works	1,376,153	(320,401)	1,055,752
Culture and recreation	1,149,113	120,220	1,269,333
Redevelopment	844,565	131,073	975,638
Other	197,632	-	197,632
Capital outlay	259,635	13,777	273,412
Debt service - interest	673,488	-	673,488
Total governmental activities	<u>10,342,357</u>	<u>(527,891)</u>	<u>9,814,466</u>
<b>Business-type activities</b>			
Water	1,628,707	231,758	1,860,465
Sewer	943,706	132,296	1,076,002
Refuse	1,168,693	163,837	1,332,530
Total business-type activities	<u>3,741,106</u>	<u>527,891</u>	<u>4,268,997</u>
<b>Total government</b>	<b><u>\$ 14,083,463</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 14,083,463</u></b>
<b>General revenues</b>			
Taxes			
Property taxes			
Sales and use taxes			
Other			
Motor vehicle in lieu			
Investment income			
Miscellaneous			
<b>Transfers</b>			
Total general revenues, special items and transfers			
<b>Extraordinary item</b>			
Gain on transfer to Successor Agency (See Note M)			
<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
\$ 434,795	\$ -	\$ -	\$ (14,097)	\$ -	\$ (14,097)
-	-	-	(6,448)	-	(6,448)
289,439	109,618	-	(4,514,814)	-	(4,514,814)
372,008	1,320,072	-	636,328	-	636,328
394,316	-	5,177	(869,840)	-	(869,840)
-	8,196	-	(967,442)	-	(967,442)
-	300,466	-	102,834	-	102,834
58,282	-	1,407,591	1,192,461	-	1,192,461
-	-	-	(673,488)	-	(673,488)
<u>1,548,840</u>	<u>1,738,352</u>	<u>1,412,768</u>	<u>(5,114,506)</u>	<u>-</u>	<u>(5,114,506)</u>
2,387,938	-	197,620	-	725,093	725,093
1,188,252	-	91,415	-	203,665	203,665
1,390,482	-	13,322	-	71,274	71,274
4,966,672	-	302,357	-	1,000,032	1,000,032
<u>\$ 6,515,512</u>	<u>\$ 1,738,352</u>	<u>\$ 1,715,125</u>	<u>(5,114,506)</u>	<u>1,000,032</u>	<u>(4,114,474)</u>
			4,467,519	64,536	4,532,055
			2,240,166	-	2,240,166
			145,255	705	145,960
			1,113,669	-	1,113,669
			210,089	52,540	262,629
			279,501	162	279,663
			<u>3,093,035</u>	<u>(3,093,035)</u>	<u>-</u>
			<u>11,549,234</u>	<u>(2,975,092)</u>	<u>8,574,142</u>
			<u>21,672,720</u>	<u>-</u>	<u>21,672,720</u>
			28,107,448	(1,975,060)	26,132,388
			<u>(14,236,625)</u>	<u>(7,995,249)</u>	<u>(22,231,874)</u>
			<u>\$ 13,870,823</u>	<u>\$ (9,970,309)</u>	<u>\$ 3,900,514</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, 2012

	General <u>Fund</u>	Special Revenue Funds			Capital Projects Funds			Debt <u>Service Fund</u>	Other Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>			
		Redevelopment		Redevelopment <u>Regular</u>	Capital <u>Projects</u>								
		Low/Mod <u>GAP Loans</u>	Low/Mod										
<b>ASSETS</b>													
Cash and investments	\$ 9,755,627	\$ -	\$ -	\$ -	\$ 6,238,587	\$ -	\$ 1,186,215	\$ 17,180,429					
Cash and investments - restricted	-	-	-	-	-	-	-	217,499	217,499				
Due from other funds	-	-	-	-	123,056	-	174,055	174,055	297,111				
Total assets	<u>\$ 9,755,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,361,643</u>	<u>\$ -</u>	<u>\$ 1,577,769</u>	<u>\$ 17,695,039</u>					
<b>LIABILITIES AND FUND BALANCES</b>													
Liabilities													
Due to private-purpose trust funds	\$ 97,620	\$ -	\$ -	\$ -	\$ 3,300,000	\$ -	\$ -	\$ 3,397,620					
Due to other funds	252,541	-	-	-	-	-	174,055	174,055	426,596				
Total liabilities	<u>350,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,300,000</u>	<u>-</u>	<u>174,055</u>	<u>174,055</u>	<u>3,824,216</u>				
Fund balances													
Restricted for													
Public safety	96,637	-	-	-	-	-	-	-	96,637				
Capital projects	-	-	-	-	-	-	-	217,499	217,499				
Committed to													
Assessment Districts	-	-	-	-	-	-	-	134,682	134,682				
Assigned to													
Capital projects	-	-	-	-	3,061,643	-	609,097	3,670,740					
Subsequent year expenditures	4,840,671	-	-	-	-	-	-	-	4,840,671				
Other purposes	-	-	-	-	-	-	771,305	771,305					
Unassigned	<u>4,468,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(328,869)</u>	<u>4,139,289</u>					
Total fund balances	<u>9,405,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,061,643</u>	<u>-</u>	<u>1,403,714</u>	<u>13,870,823</u>					
Total liabilities and fund balances	<u>\$ 9,755,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,361,643</u>	<u>\$ -</u>	<u>\$ 1,577,769</u>	<u>\$ 17,695,039</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**

## **CITY OF RIPON, CALIFORNIA**

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

For the year ended June 30, 2012

Community development block grant	-	-	-	-	-	-	19,316	19,316
Special assessment districts	-	-	-	-	-	-	246,986	246,986
Housing/loan program expense	89,153	13	383,978	-	-	-	-	473,144
Intergovernmental passthroughs	-	-	-	31,962	-	-	-	31,962
Allocation to other department costs	(789,120)	-	34,204	96,869	13,777	-	116,379	(527,891)
Other	89,163	-	-	-	-	-	-	89,163
Project costs	-	-	-	428,612	-	-	-	428,612
Capital outlay	-	-	-	-	207,627	-	52,008	259,635
Debt service - principal	-	-	26,108	623,892	-	-	-	650,000
Debt service - interest	-	-	30,540	626,702	16,246	-	-	673,488
Total expenditures	<u>6,668,146</u>	<u>13</u>	<u>562,804</u>	<u>1,978,805</u>	<u>237,650</u>	<u>-</u>	<u>1,017,048</u>	<u>10,464,466</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,123,558</b>	<b>8,653</b>	<b>(393,691)</b>	<b>890,191</b>	<b>82,276</b>	<b>6,322</b>	<b>974,384</b>	<b>2,691,693</b>
<b>Other financing sources (uses)</b>								
Operating transfers in	38,799	-	1,477	4,867	3,348,974	-	873,684	4,267,801
Operating transfers out	(289,561)	-	-	-	-	(6,344)	(878,861)	(1,174,766)
Total other financing sources (uses)	<u>(250,762)</u>	<u>-</u>	<u>1,477</u>	<u>4,867</u>	<u>3,348,974</u>	<u>(6,344)</u>	<u>(5,177)</u>	<u>3,093,035</u>
<b>Extraordinary item</b>								
Loss on transfer to Successor Agency (see Note M)	<u>-</u>	<u>(318,496)</u>	<u>(94,573)</u>	<u>(4,642,159)</u>	<u>-</u>	<u>(1,967,052)</u>	<u>-</u>	<u>(7,022,280)</u>
<b>Net change in fund balances</b>	<b>872,796</b>	<b>(309,843)</b>	<b>(486,787)</b>	<b>(3,747,101)</b>	<b>3,431,250</b>	<b>(1,967,074)</b>	<b>969,207</b>	<b>(1,237,552)</b>
<b>Fund balances, beginning of year</b>	<b>8,532,670</b>	<b>309,843</b>	<b>486,787</b>	<b>3,747,101</b>	<b>(369,607)</b>	<b>1,967,074</b>	<b>434,507</b>	<b>15,108,375</b>
<b>Fund balances, end of year</b>	<b>\$ 9,405,466</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,061,643</b>	<b>\$ -</b>	<b>\$ 1,403,714</b>	<b>\$ 13,870,823</b>

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, 2012

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	\$ (1,237,552)
Repayment of debt principal is an expenditure in the governmental funds. The repayment reduces long-term liabilities in the Statement of Net Assets.	650,000
Extraordinary loss on transfer to Successer Agency for long-term debt that was not recognized in the governmental funds. (see Note M)	<u>28,695,000</u>
Net change in net assets of governmental activities	<u>\$ 28,107,448</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, 2012

	Sewer Enterprise Fund	Water Enterprise Fund	Refuse Enterprise Fund	<u>Total</u>
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 498,799	\$ 468,230	\$ 288,462	\$ 1,255,491
Cash and investments - restricted	-	889,715	-	889,715
Due from other funds	<u>-</u>	<u>129,485</u>	<u>-</u>	<u>129,485</u>
Total assets	<u>498,799</u>	<u>1,487,430</u>	<u>288,462</u>	<u>2,274,691</u>
<b>LIABILITIES</b>				
Current liabilities				
Current portion of bonds payable	105,000	355,000	-	460,000
Noncurrent liabilities				
Noncurrent portion of bonds payable	<u>1,955,000</u>	<u>9,830,000</u>	<u>-</u>	<u>11,785,000</u>
Total liabilities	<u>2,060,000</u>	<u>10,185,000</u>	<u>-</u>	<u>12,245,000</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(2,060,000)	(9,295,285)	-	(11,355,285)
Restricted for capital assets	-	889,715	-	889,715
Unrestricted	<u>498,799</u>	<u>(292,000)</u>	<u>288,462</u>	<u>495,261</u>
Total net assets (deficit)	<u><u>\$ (1,561,201)</u></u>	<u><u>\$ (8,697,570)</u></u>	<u><u>\$ 288,462</u></u>	<u><u>\$ (9,970,309)</u></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, 2012

	Sewer Enterprise <u>Fund</u>	Water Enterprise <u>Fund</u>	Refuse Enterprise <u>Fund</u>	<u>Total</u>
<b>Operating revenues</b>				
Charges for service				
Water revenue	\$ -	\$ 2,387,938	\$ -	\$ 2,387,938
Sewer usage services	1,188,252	-	-	1,188,252
Refuse revenue	-	-	1,390,482	1,390,482
Refuse capital fees	<u>-</u>	<u>-</u>	<u>13,322</u>	<u>13,322</u>
 Total operating revenues	 1,188,252	 2,387,938	 1,403,804	 4,979,994
 <b>Operating expenses</b>				
Salaries and wages	286,173	316,843	388,588	991,604
Employee benefits	149,106	180,575	206,029	535,710
Professional services	57,569	61,404	1,208	120,181
Repairs and maintenance	123,756	92,036	91,519	307,311
Gas and oil	20,951	16,339	53,915	91,205
Utilities	98,106	329,235	5,321	432,662
Supplies	5,854	8,522	6,004	20,380
Conference expenses	14	43	21	78
Communications	2,363	2,510	2,975	7,848
Memberships, dues, books, etc.	29,764	16,117	566	46,447
Postage	5,336	6,560	5,340	17,236
Refuse disposal	-	-	399,309	399,309
Other	5,877	6,496	7,898	20,271
Allocation of other department costs	<u>132,296</u>	<u>231,758</u>	<u>163,837</u>	<u>527,891</u>
 Total operating expenses	 917,165	 1,268,438	 1,332,530	 3,518,133
 <b>Operating income</b>	 <u>271,087</u>	 <u>1,119,500</u>	 <u>71,274</u>	 <u>1,461,861</u>

**Nonoperating revenues (expenses)**

Property taxes	64,536	-	-	64,536
State property tax reimbursements	705	-	-	705
Miscellaneous	-	162	-	162
Intergovernmental revenue	-	7,791	-	7,791
Interest revenue	5,498	39,234	7,808	52,540
Net litigation settlements	-	(127,415)	-	(127,415)
Bond issuance costs	(55,280)	-	-	(55,280)
Debt service - interest	<u>(103,557)</u>	<u>(464,612)</u>	<u>-</u>	<u>(568,169)</u>
 Total nonoperating revenues (expenses)	 <u>(88,098)</u>	 <u>(544,840)</u>	 <u>7,808</u>	 <u>(625,130)</u>
 Net income before contributions and transfers	 182,989	 574,660	 79,082	 836,731
Contributions/Developer fees	91,415	189,829	-	281,244
Transfers in	-	-	-	-
Transfers out	<u>(89,924)</u>	<u>(2,689,789)</u>	<u>(313,322)</u>	<u>(3,093,035)</u>
 <b>Change in net assets</b>	 184,480	 (1,925,300)	 (234,240)	 (1,975,060)
 <b>Total net assets (deficit) - beginning of year</b>	 <u>(1,745,681)</u>	 <u>(6,772,270)</u>	 <u>522,702</u>	 <u>(7,995,249)</u>
 <b>Total net assets (deficit) - end of year</b>	 <u>\$ (1,561,201)</u>	 <u>\$ (8,697,570)</u>	 <u>\$ 288,462</u>	 <u>\$ (9,970,309)</u>

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

**CITY OF RIPON, CALIFORNIA**

**Statement of Fiduciary Net Assets - Modified Cash Basis  
Private-Purpose Trust Funds**

June 30, 2012

	Successor Agency <u>Trust Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ (825,372)
Cash and investments - restricted	3,525,309
Due from governmental funds	<u>3,397,620</u>
Total assets	<u>6,097,557</u>
<b>LIABILITIES</b>	
Due to other government agency	4,742
Long-term liabilities	
Debt due within one year	675,000
Debt due in more than one year	<u>28,020,000</u>
Total liabilities	<u>28,699,742</u>
<b>NET ASSETS (DEFICIT)</b>	
Restricted for capital outlay	1,558,265
Restricted for debt service	1,967,044
Unrestricted	<u>(26,127,494)</u>
Total net assets (deficit)	<u>\$ (22,602,185)</u>

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

**CITY OF RIPON, CALIFORNIA**

**Statement of Changes in Fiduciary Net Assets - Modified Cash Basis  
Private-Purpose Trust Funds**

For the year ended June 30, 2012

	Successor Agency <u>Trust Fund</u>
<b>Additions</b>	
Investment income	\$ 27,727
Total additions	<u>27,727</u>
<b>Deductions</b>	
Administration	294,292
Project costs	18,224
Debt service - interest	<u>644,676</u>
Total deductions	<u>957,192</u>
<b>Extraordinary items</b>	
Loss on transfer from former Ripon Redevelopment Agency (see Note M)	<u>(21,672,720)</u>
<b>Change in net assets</b>	<u>(22,602,185)</u>
<b>Total net assets (deficit) - beginning of year</b>	<u>-</u>
<b>Total net assets (deficit) - end of year</b>	<u>\$ (22,602,185)</u>

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

# CITY OF RIPON, CALIFORNIA

## Notes to Financial Statements

June 30, 2012

### 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

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

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

the Agency have been included (termed “blended”) in these financial statements in the Special Revenue Fund, Capital Projects Fund and Debt Service Fund. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provides for the dissolution of all redevelopment agencies in the State of California. Accordingly, activities of the Redevelopment Agency are included through January 31, 2012, the date of dissolution.

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

(Continued)

# CITY OF RIPON, CALIFORNIA

## Notes to Financial Statements

June 30, 2012

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

organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- 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
- 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, Redevelopment Low/Mod Fund and the Redevelopment Low/Mod GAP Loans Fund, both qualify as nonmajor funds. The City has elected to report both the Redevelopment Low/Mod Fund and the Redevelopment Low/Mod GAP Loans Fund as major funds.

<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 for the acquisition and construction of capital facilities.

(Continued)

# CITY OF RIPON, CALIFORNIA

## Notes to Financial Statements

June 30, 2012

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

<u>Fund</u>	<u>Brief description</u>
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.

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 nonmajor fund. The City has elected to report the Debt Service Fund 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, water, sewer and refuse funds, all of which qualify as major funds.

<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, 2012

#### 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.

#### Fiduciary Funds

Private Purpose Trust Funds are established to serve as the custodian for assets held in a trustee or agency capacity for others and therefore cannot be used to support the City's own programs. The reporting entity includes one private purpose trust fund.

<u>Fund</u>	<u>Brief description</u>
Successor Agency Trust Fund	Accounts for activities related to the winding down of former Redevelopment Agency.

#### 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.

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

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

- c. The fiduciary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of additions, deductions, changes in net assets, and financial position. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Fiduciary 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, the proprietary fund statements, and the fiduciary 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.

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 and fiduciary 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.

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

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

Restricted cash and investments includes proceeds from the 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 capital projects and for repayment of bonds. Restricted cash and investments also include proceeds from grants for which the funds have not been expended.

##### 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.

##### 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.

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

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

Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – includes amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority which includes the City charter and resolutions. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (City charter, ordinance and resolution) it employed previously to commit these amounts.

Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the City Council, City manager or their designee as established in the City's Fund Balance Policy.

Unassigned – includes amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

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.

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

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

Interfund activity, if any, within and among the governmental, proprietary, and fiduciary 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.
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.

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

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

##### 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.

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

# CITY OF RIPON, CALIFORNIA

## Notes to Financial Statements

June 30, 2012

### Note B – Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

#### Statement of net assets:

(Governmental and proprietary funds)	
Cash and investments	\$ 18,435,920
Cash and investments – restricted	1,107,214
Fiduciary funds:	
Cash and investments	(825,372)
Cash and investments – restricted	<u>3,525,309</u>
Total cash and investments	<u>\$ 22,243,071</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 1,300
Deposits with financial institutions	115,307
Investments	<u>22,126,464</u>
	<u>\$ 22,243,071</u>

<u>Investment Type</u>	<u>Carrying value</u>	<u>Fair value</u>
Money Market Funds	\$ 486,336	\$ 486,336
California Local Agency Investment Fund (State Investment Pool)	5,316,926	5,323,411
Central San Joaquin Valley RMA Pool (CSJV Pool)	13,466,443	14,036,625
Held by Bond Trustees		
Money Market Funds	2,440,709	2,440,709
State Investment Pool	44,312	44,364
Guaranteed Investment Contracts	<u>371,738</u>	<u>371,738</u>
	<u>\$ 22,126,464</u>	<u>\$ 22,703,183</u>

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.

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

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

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, 2012

### 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>	12 months or less	13 – 24 months	25 – 36 months	37 – 48 months	49 – 60 months	More than 60 months
Money Market Funds	\$ 486,336	\$ 486,336	\$ -	\$ -	\$ -	\$ -	\$ -
State Investment Pool	5,323,411	5,323,411	-	-	-	-	-
CSJV Pool	14,036,625	-	-	14,036,625	-	-	-
Held by Bond Trustees:							
Money Market Funds	2,440,709	2,440,709	-	-	-	-	-
State Investment Pool	44,364	44,364	-	-	-	-	-
Guaranteed Investment Contracts	<u>371,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,738</u>
Total	<u><u>\$22,703,183</u></u>	<u><u>\$ 8,294,820</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,036,625</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 371,738</u></u>

### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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>	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End				As of Investment
				AAA	AA	A	Not Rated	
Money Market Funds	\$ 486,336	N/A	\$ -	\$ -	\$ -	\$ -	\$ 486,336	2.1%
State Investment Pool	5,323,411	N/A	-	-	-	-	5,323,411	23.4%
CSJV Pool	14,036,625*	N/A	-	-	-	-	14,036,625	61.8%
Held by Bond Trustees:								
Money Market Funds	2,440,709	N/A	-	-	-	-	2,440,709	10.8%
State Investment Pool	44,364	N/A	-	-	-	-	44,364	.3%
Guaranteed Investment Contracts	<u>371,738</u>	<u>N/A</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,738</u>	<u>1.6%</u>
Total	<u><u>\$22,703,183</u></u>	<u><u>N/A</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$22,703,183</u></u>	<u><u>100%</u></u>

\*Average rating of portfolio AA/aa1

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

#### 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, 2012, \$283,606 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 \$5,367,775. The total amount invested by all public agencies in LAIF is \$60,502,186,417 of which 3.47% 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 debentures, bank notes, certificates of deposit, commercial paper, corporate floaters and bonds, time

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

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

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 maintains an investment of \$13,466,443 in the Central San Joaquin Valley RMA Pool as of June 30, 2012. The total amount invested by all participants in the pool is \$47,064,324. 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 \$14,036,625 as of June 30, 2012. 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 pool's average maturity is 2.59 years and the average rating is AA/aa1. The pool portfolio consists of 67% Securities of U.S. Government Agencies and 33% 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 – 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.

Transfers between funds during the year ended June 30, 2012 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Fund		
General Fund	\$ 38,799	\$ 250,764
General Fund – Assessment Bonds	-	38,797
Special Revenue Fund – Redevelopment Low/Mod	1,477	-

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

#### Note C – Interfund Transactions (Continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Governmental Fund (Continued)</b>		
Capital Projects Fund – Redevelopment – Regular	4,867	-
Capital Projects Fund	3,348,974	-
Debt Service Fund	-	6,344
<b>Major Proprietary Fund</b>		
Sewer Enterprise	-	89,924
Water Enterprise	-	2,689,789
Refuse Enterprise	-	313,322
<b>Nonmajor Governmental Funds</b>		
Special Revenue Fund		
Streets and Roads	750,000	5,177
2103 Fund	123,684	156,412
2107.5 Fund	-	4,000
Traffic Congestion Relief Fund	-	163,272
COG/LTF	-	550,000
Total interfund transfers	<u>\$ 4,267,801</u>	<u>\$ 4,267,801</u>

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

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, 2012

### Note C – 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, 2012.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 123,056
Fiduciary Fund – Successor Agency Trust Fund	Capital Projects Fund	3,300,000
Fiduciary Fund – Successor Agency Trust Fund	General Fund	97,620
Special Revenue Fund – 2103 Fund	Special Revenue Fund – Traffic Congestion Relief Fund	54,490
Special Revenue Fund – 2103 Fund	Special Revenue Fund – 2107.5 Fund	119,565
Water Enterprise Fund	General Fund	<u>129,485</u>
Total interfund balances		<u>\$ 3,824,216</u>

#### Internal balances

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

### Note D – 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.

(Continued)

# CITY OF RIPON, CALIFORNIA

## Notes to Financial Statements

June 30, 2012

### Note D – Long-Term Debt (Continued)

#### 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, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Balance June 30, 2012</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	\$ 5,605,000	\$ -	\$ 110,000	\$ 5,495,000	\$ -	\$ -
2005 Tax Allocation							
Bonds	5,660,000	5,175,000	\$ -	105,000	5,070,000	\$ -	\$ -
2007 Tax Allocation							
Refunding Bonds	<u>20,395,000</u>	<u>18,565,000</u>	<u>\$ -</u>	<u>435,000</u>	<u>18,130,000</u>	<u>\$ -</u>	<u>\$ -</u>
	<u><u>\$ 32,375,000</u></u>	<u><u>\$ 29,345,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 650,000</u></u>	<u><u>\$ 28,695,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Business-type Activity Debt							
<i>Enterprise long-term debt</i>							
1999 Revenue Bonds (Sewer)	\$ 3,250,000	\$ 2,320,000	\$ -	\$ 2,320,000	\$ -	\$ -	\$ -
2011 Refunding Sewer Bonds	2,195,000	\$ -	2,195,000	135,000	\$ -	2,060,000	105,000
2002 Revenue Bonds (Water)	4,300,000	3,405,000	\$ -	135,000	\$ -	3,270,000	140,000
2006 Revenue Bonds (Water)	<u>7,845,000</u>	<u>7,120,000</u>	<u>\$ -</u>	<u>205,000</u>	<u>\$ -</u>	<u>6,915,000</u>	<u>215,000</u>
	<u><u>\$ 17,590,000</u></u>	<u><u>\$ 12,845,000</u></u>	<u><u>\$ 2,195,000</u></u>	<u><u>\$ 2,795,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,245,000</u></u>	<u><u>\$ 460,000</u></u>

#### Tax Allocation Bonds

The 2003, 2005 and 2007 Tax Allocation Bonds were transferred to the Successory Agency for the Redevelopment Agency of the City of Ripon on February 1, 2012. See Note M for details on these bonds.

#### Revenue Bonds

Enterprise fund long-term debt outstanding as of June 30, 2012 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

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

#### Note D – Long-Term Debt (Continued)

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 July 2012, these bonds were refunded. The refunding bonds have a coupon rate of 4.2%, with interest payable semi-annually on April 1 and October 1. Principal payments are due annually on October 1.

In 2011, the City entered into an Installment Purchase Agreement with Banc of America Leasing to refund the City's portion of the California Statewide Communities Development Authority Water and Wastewater Revenue Bonds (Pooled Financing Program) Series 1999A. The original borrowing was \$2,195,000. 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.

Debt outstanding as of June 30, 2012, consists of the following:

<u>Business-type Activity Debt</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Amounts issued</u>	<u>Outstanding</u>
Enterprise Fund Bonds 2011 Refunding Wastewater Revenue Bonds (Sewer) Term Bonds	4.20%	October 1, 2025	\$ 2,195,000	\$ 2,060,000

(Continued)

# CITY OF RIPON, CALIFORNIA

## Notes to Financial Statements

June 30, 2012

### Note D – Long-Term Debt (Continued)

<u>Business-type Activity Debt</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Amounts issued</u>	<u>Outstanding</u>
			<u>2,195,000</u>	<u>2,060,000</u>
2002 Revenue Bonds (Water)				
Serial Bonds	4.10% – 5.00%	October 1, 2018	2,155,000	1,125,000
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>3,270,000</u>
2006 Revenue Bonds (Water)				
Serial Bonds	3.625% – 4.30%	October 1, 2021	3,475,000	2,545,000
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>6,915,000</u>
			<u><u>\$ 14,340,000</u></u>	<u><u>\$ 12,245,000</u></u>

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

For the year ending June 30,	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 460,000	\$ 535,545
2014	480,000	516,784
2015	505,000	496,808
2016	525,000	475,563
2017	545,000	453,145
2018-2022	3,110,000	1,879,292
2023-2027	3,690,000	1,091,155
2028-2032	2,440,000	368,363
2033-2037	<u>490,000</u>	<u>11,025</u>
Total	<u><u>\$ 12,245,000</u></u>	<u><u>\$ 5,827,680</u></u>

### Note E – 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.

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

#### Note E – Site Lease (Continued)

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

<u>Year ending June 30.</u>	
2013	\$ 39,147
2014	39,147
2015	39,147
2016	39,147
2017	39,147
Later years	<u>195,735</u>
	<u>\$ 391,470</u>

Rental expense related to the site lease totaled \$39,147 for the year ended June 30, 2012.

#### Note F – 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 as follows:

*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 used 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 and intergovernmental revenue received for use on capital projects.

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

##### Fund balances (restricted)

In the fund financial statements, fund balances represent the net current assets of each fund. Portions of a fund balance may be restricted.

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

#### Note F – Net Assets and Fund Balances (Continued)

Restrictions are 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.

Restrictions for capital outlay are the portions of unspent bond proceeds reserved for capital projects, or unspent proceeds from grants from other governments.

#### Fund balance and net asset deficits

##### *Major funds*

The Sewer Enterprise Fund and the Water Enterprise Fund had net asset (deficits) of \$1,561,201 and \$8,697,570, respectively, at June 30, 2012. 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.

##### *Nonmajor funds*

A deficit fund balance of \$64,803 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 \$34,954 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 \$3,724 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 \$59,256 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 \$166,132 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.

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

#### Note G – 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, 2012, there were 64 plan members. Plan provisions and contribution 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 2012 was \$5,249,917. The City’s contributions were calculated using the base salary amount of \$3,237,032 for employees participating in the City’s defined contribution plan. The total employee and employer contributions for the year ended June 30, 2012 were \$282,259 and \$383,907, 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 is established by State statutes within the Public

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

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

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.

##### 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, 2012 was 28.934% for police officers. For the fiscal year ended June 30, 2012, the employees made 2.229% of the employers 28.934% required contribution. 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, 2012, the City's annual pension cost was \$452,538 and the City actually contributed \$452,538. The required contribution for the year ended June 30, 2012 was determined as part of the actuarial valuation as of June 30, 2009 using the entry age 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 fifteen-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, 2010 was 19 years. The Safety Plan of the City of Ripon had a net unfunded actuarial liability at June 30, 2010.

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

#### **Note G – Employee Retirement Systems (Continued)**

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

Fiscal Year <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/10	\$ 496,327	100%	\$ 0
6/30/11	425,314	100	0
6/30/12	452,538	100	0

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

<u>Actuarial date</u>	<u>Accrued liability</u>	Actuarial value of <u>assets</u>	Unfunded/ (Overfunded) <u>liability</u>	<u>Funded status</u>	Annual covered <u>payroll</u>	Unfunded actuarial accrued liability (excess assets) <u>as a % of payroll</u>
6/30/08	\$ 8,701	\$ 7,465	\$ 1,236	85.8%	\$ 915	135.1%
6/30/09	9,722	8,027	1,695	82.6	974	174.0
6/30/10	10,165	8,470	1,695	83.3	956	177.3

#### **Note H – 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 52 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 2007 through 2011 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 2007 through 2011 is \$244,172 as of June 30, 2011 (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, 2012 were \$108,263.

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

#### Note H – Risk Management (Continued)

##### 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 2007 through 2011 program years. The unobligated balance of program years 2007 through 2011 is \$60,361 as of June 30, 2011 (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).

Members of LAWCX risk share the layer between \$150,000 and \$5,000,000. Effective July 1, 2003, LAWCX joined the California State Association of Counties Excess Insurance Authority (CSAC EIA), a joint powers authority comprised of a number of individual public entities and other joint power authorities. CSAC EIA 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, 2012 were \$257,632.

#### Note I – 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.

##### Commitments

The City is undertaking a number of capital improvement projects, the most significant of which include the following at June 30, 2012:

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

#### Note I – Contingencies and Commitments (Continued)

	<u>Balance remaining on contracts outstanding</u>
Street maintenance, rehabilitation, signal lights, sidewalks, storm drains and bike trails	\$ 513,839
Wells and groundwater data	205,624
Parks	38,516
Other	59,130

#### Note J – 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 K – 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><u>\$ 262,334</u></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.

(Continued)

## **CITY OF RIPON, CALIFORNIA**

### **Notes to Financial Statements**

June 30, 2012

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

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.

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).

#### **Note L – Subsequent Events**

##### Water Enterprise Fund

On September 20, 2012, the City issued the City of Ripon Water Revenue Refunding Bonds Series 2012 in the amount of \$3,350,000. The 2012 refunding bonds were used to refund the California Statewide Communities Development Authority Water and Wastewater Revenue Bonds (Pooled Financing Program) Series 2002A. The refunding bonds are serial bonds with maturities beginning October 1, 2013 and ending October 1, 2027 and have coupon rates ranging from 2.00% to 3.375%.

#### **Note M – Successor Agency Trust For Assets of Former Redevelopment Agency**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Ripon that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-7.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

(Continued)

## CITY OF RIPON, CALIFORNIA

### Notes to Financial Statements

June 30, 2012

#### **Note M – Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported as fiduciary funds (private-purpose trust funds) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary loss.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds – increase to net assets of the Successor Agency Trust Fund	\$ 7,022,280
Long-term debt reported in the government-wide financial Statements – decrease to net assets of the Successor Agency Trust Fund	<u>(28,695,000)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u><u>\$ (21,672,720)</u></u>

(Continued)

# CITY OF RIPON, CALIFORNIA

## Notes to Financial Statements

June 30, 2012

### Note M – Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

#### Long-term debt

The Successor Agency's debt issues and transactions are summarized below and discussed in detail thereafter:

	<u>Original Amount</u>	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Reduc- tions</u>	<u>Transfers from Former Redevelop- ment Agency</u>	<u>Balance June 30, 2012</u>	<u>Current Total</u>
<b>Fiduciary Fund</b>							
Former Redevelopment Agency of the City of Ripon							
2003 Tax Allocation Bonds	\$ 6,320,000	\$ -	\$ -	\$ -	\$ 5,495,000	\$ 5,495,000	\$ 120,000
2005 Tax Allocation Bonds	5,660,000	-	-	-	5,070,000	5,070,000	105,000
2007 Tax Allocation Refunding Bonds	<u>20,395,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,130,000</u>	<u>18,130,000</u>	<u>450,000</u>
	<u><u>\$ 32,375,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,695,000</u></u>	<u><u>\$ 28,695,000</u></u>	<u><u>\$ 675,000</u></u>

#### Tax Allocation Bonds

In 2003, the Former 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 Former 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 Former 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 \$5,070,000 of escrow term bonds with an interest rate of 4.75% maturing in 2036. The

(Continued)

# CITY OF RIPON, CALIFORNIA

## Notes to Financial Statements

June 30, 2012

### Note M – Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)

bonds maturing on or after November 1, 2018 may be called before maturity and redeemed at the option of the Former 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 net proceeds of the 2007 Tax Allocation Refunding Bonds were \$19,581,738, after paying issuance costs of \$813,262. The Former 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 were used to pay the principal and interest on the refunded bonds on November 1, 2010, at a redemption price equal to 102% of par.

Fiduciary Fund debt outstanding as of June 30, 2012, consists of the following:

	<u>Interest rate</u>	<u>Maturity date</u>	<u>Amounts issued</u>	<u>Outstanding</u>
<u>Fiduciary Fund</u>				
Redevelopment Agency 2003				
Tax Allocation Bonds				
Serial Bonds	3.65% – 4.55%	November 1, 2020	\$ 2,060,000	\$ 1,235,000
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>5,495,000</u>
Redevelopment Agency 2005				
Tax Allocation Bonds				
Serial Bonds	3.50% – 3.625%	November 1, 2013	805,000	215,000
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>5,070,000</u>
Redevelopment Agency 2007				
Tax Allocation Bonds				
Serial Bonds	4.00% – 5.00%	November 1, 2027	11,025,000	9,205,000
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>4,625,000</u>
			<u>20,395,000</u>	<u>18,130,000</u>
			<u>\$ 32,375,000</u>	<u>\$ 28,695,000</u>

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Notes to Financial Statements**

June 30, 2012

**Note M – Successor Agency Trust For Assets of Former Redevelopment Agency (Continued)**

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

<u>For the year ending June 30,</u>	<u>Fiduciary Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 675,000	\$ 1,276,193
2014	700,000	1,249,230
2015	730,000	1,221,311
2016	760,000	1,192,449
2017	790,000	1,162,288
2018-2022	4,465,000	5,260,874
2023-2027	5,555,000	4,150,494
2028-2032	6,955,000	2,732,467
2033-2037	<u>8,065,000</u>	<u>958,575</u>
Total	<u>\$ 28,695,000</u>	<u>\$ 19,203,881</u>

**OTHER SUPPLEMENTAL INFORMATION**

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

**CITY OF RIPON, CALIFORNIA**

**Combining Balance Sheet - Modified Cash Basis**  
**Nonmajor Govermental Funds**

June 30, 2012

	Streets and Roads	2103 Fund	2105 Fund	2106 Fund	2107 Fund	2107.5 Fund	Traffic Congestion Relief Fund	Measure K	COG/LTF
<b>ASSETS</b>									
Cash and investments	\$ 371,942	\$ -	\$ 68,208	\$ 50,246	\$ 102,675	\$ 121,204	\$ 54,490	\$ 483,932	\$ 125,165
Cash and investments - restricted	-	-	-	-	-	-	-	-	-
Due from other funds	-	174,055	-	-	-	-	-	-	-
Total assets	<u>\$ 371,942</u>	<u>\$ 174,055</u>	<u>\$ 68,208</u>	<u>\$ 50,246</u>	<u>\$ 102,675</u>	<u>\$ 121,204</u>	<u>\$ 54,490</u>	<u>\$ 483,932</u>	<u>\$ 125,165</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,565	\$ 54,490	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,565</u>	<u>\$ 54,490</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances									
Nonspendable									
Advances to other funds	-	-	-	-	-	-	-	-	-
Restricted for									
Public safety	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Committed to									
Assessment Districts	-	-	-	-	-	-	-	-	-
Assigned to									
Capital projects	-	-	-	-	-	-	-	483,932	125,165
Subsequent year expenditures	-	-	-	-	-	-	-	-	-
Other purposes	371,942	174,055	68,208	50,246	102,675	1,639	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>371,942</u>	<u>174,055</u>	<u>68,208</u>	<u>50,246</u>	<u>102,675</u>	<u>1,639</u>	<u>-</u>	<u>483,932</u>	<u>125,165</u>
Total liabilities and fund balances	<u>\$ 371,942</u>	<u>\$ 174,055</u>	<u>\$ 68,208</u>	<u>\$ 50,246</u>	<u>\$ 102,675</u>	<u>\$ 121,204</u>	<u>\$ 54,490</u>	<u>\$ 483,932</u>	<u>\$ 125,165</u>

Special Revenue Funds

STA/BUS Fund	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
\$ 2,540 217,499	\$ (64,803)	\$ (34,954)	\$ 163	\$ (3,724)	\$ 22,545	\$ 29,282	\$ 33,313	\$ (59,256)	\$ 49,379	\$ (166,132)	\$ 1,186,215 217,499
-	-	-	-	-	-	-	-	-	-	-	174,055
<u>\$ 220,039</u>	<u>\$ (64,803)</u>	<u>\$ (34,954)</u>	<u>\$ 163</u>	<u>\$ (3,724)</u>	<u>\$ 22,545</u>	<u>\$ 29,282</u>	<u>\$ 33,313</u>	<u>\$ (59,256)</u>	<u>\$ 49,379</u>	<u>\$ (166,132)</u>	<u>\$ 1,577,769</u>
 \$ - -	 \$ - -	 \$ - -	 \$ - -	 \$ - -	 \$ - -	 \$ - -	 \$ - -	 \$ - -	 \$ - -	 \$ - -	 \$ 174,055 174,055
 - -	 - -	 - -	 - -	 - -	 - -	 - -	 - -	 - -	 - -	 - -	 - -
 217,499	 -	 -	 -	 -	 -	 -	 -	 -	 -	 -	 217,499
 - -	 - -	 - -	 163	 -	 22,545	 29,282	 33,313	 -	 49,379	 -	 134,682
 - -	 - -	 - -	 -	 -	 -	 -	 -	 -	 -	 -	 609,097
 2,540	 -	 -	 -	 -	 -	 -	 -	 -	 -	 -	 771,305
 <u>220,039</u>	 <u>(64,803)</u>	 <u>(34,954)</u>	 <u>163</u>	 <u>(3,724)</u>	 <u>22,545</u>	 <u>29,282</u>	 <u>33,313</u>	 <u>(59,256)</u>	 <u>49,379</u>	 <u>(166,132)</u>	 <u>(328,869)</u>
 <u>\$ 220,039</u>	 <u>\$ (64,803)</u>	 <u>\$ (34,954)</u>	 <u>\$ 163</u>	 <u>\$ (3,724)</u>	 <u>\$ 22,545</u>	 <u>\$ 29,282</u>	 <u>\$ 33,313</u>	 <u>\$ (59,256)</u>	 <u>\$ 49,379</u>	 <u>\$ (166,132)</u>	 <u>\$ 1,577,769</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, 2012

	Streets and Roads	2103 Fund	2105 Fund	2106 Fund	2107 Fund	2107.5 Fund	Traffic Congestion Relief Fund	Measure K	COG/LTF
<b>Revenues</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-	-	-	-	-	-
Licenses, permits and fees	5,177	-	-	-	-	-	-	-	-
Investment income	1,505	705	310	229	469	1,009	-	2,207	3,080
Intergovernmental revenue	126,691	206,078	71,113	52,156	105,011	4,000	-	270,837	602,719
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Housing/loan program income	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>133,373</b>	<b>206,783</b>	<b>71,423</b>	<b>52,385</b>	<b>105,480</b>	<b>5,009</b>	<b>-</b>	<b>273,044</b>	<b>605,799</b>
<b>Expenditures</b>									
General Government									
Administration	-	-	-	-	-	-	-	-	-
Legislative	-	-	-	-	-	-	-	-	-
Public Safety									
Police	-	-	-	-	-	-	-	-	-
Streets and Public Works									
Streets	575,452	-	-	-	-	-	-	-	-
Planning	-	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	-	-	-
Culture and Recreation									
Library	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-
Community center	-	-	-	-	-	-	-	-	-
Community development block grant	-	-	-	-	-	-	-	-	-
Special assessment districts	-	-	-	-	-	-	-	-	-
Housing/loan program expense	-	-	-	-	-	-	-	-	-
Intergovernmental passthroughs	-	-	-	-	-	-	-	-	-
Allocation to other department costs	80,670	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Project costs	-	-	-	-	-	-	-	-	-
Capital outlay	52,008	-	-	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>708,130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(574,757)</b>	<b>206,783</b>	<b>71,423</b>	<b>52,385</b>	<b>105,480</b>	<b>5,009</b>	<b>-</b>	<b>273,044</b>	<b>605,799</b>
<b>Other financing sources (uses)</b>									
Operating transfers in	750,000	123,684	-	-	-	-	-	-	-
Operating transfers out	(5,177)	(156,412)	-	-	-	(4,000)	(163,272)	-	(550,000)
<b>Total other financing sources (uses)</b>	<b>744,823</b>	<b>(32,728)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,000)</b>	<b>(163,272)</b>	<b>-</b>	<b>(550,000)</b>
<b>Extraordinary item</b>									
Loss on transfer to Successor Agency	-	-	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>170,066</b>	<b>174,055</b>	<b>71,423</b>	<b>52,385</b>	<b>105,480</b>	<b>1,009</b>	<b>(163,272)</b>	<b>273,044</b>	<b>55,799</b>
<b>Fund balances, beginning of year</b>	<b>201,876</b>	<b>-</b>	<b>(3,215)</b>	<b>(2,139)</b>	<b>(2,805)</b>	<b>630</b>	<b>163,272</b>	<b>210,888</b>	<b>69,366</b>
<b>Fund balances, end of year</b>	<b>\$ 371,942</b>	<b>\$ 174,055</b>	<b>\$ 68,208</b>	<b>\$ 50,246</b>	<b>\$ 102,675</b>	<b>\$ 1,639</b>	<b>\$ -</b>	<b>\$ 483,932</b>	<b>\$ 125,165</b>

Special Revenue Funds

STA/BUS Fund	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
\$ -	\$ -	\$ 5,635	\$ 9,642	\$ 4,224	\$ 6,856	\$ 11,825	\$ 7,547	\$ 13,277	\$ 13,284	\$ 14,408	\$ 14,408
-	-	-	-	-	-	-	-	-	-	-	356,595
-	-	-	-	-	-	-	-	-	-	-	5,177
1,040	-	-	-	-	-	-	-	-	-	-	10,706
157,000	7,528	-	-	-	-	-	-	-	-	-	1,603,291
1,255	-	-	-	-	-	-	-	-	-	-	1,255
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
159,295	7,528	5,635	9,642	4,224	6,856	11,825	7,547	13,277	13,284	299,023	1,991,432
6,907	-	-	-	-	-	-	-	-	-	-	582,359
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
19,316	-	-	-	-	-	-	-	-	-	-	19,316
-	-	3,493	2,528	2,036	2,088	3,961	3,266	9,696	4,165	215,753	246,986
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
968	-	490	354	286	293	555	458	1,358	584	30,363	116,379
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	52,008
-	-	-	-	-	-	-	-	-	-	-	-
7,875	19,316	3,983	2,882	2,322	2,381	4,516	3,724	11,054	4,749	246,116	1,017,048
151,420	(11,788)	1,652	6,760	1,902	4,475	7,309	3,823	2,223	8,535	52,907	974,384
-	-	-	-	-	-	-	-	-	-	-	873,684
-	-	-	-	-	-	-	-	-	-	-	(878,861)
-	-	-	-	-	-	-	-	-	-	-	(5,177)
-	-	-	-	-	-	-	-	-	-	-	-
151,420	(11,788)	1,652	6,760	1,902	4,475	7,309	3,823	2,223	8,535	52,907	969,207
68,619	(53,015)	(36,606)	(6,597)	(5,626)	18,070	21,973	29,490	(61,479)	40,844	(219,039)	434,507
\$ 220,039	\$ (64,803)	\$ (34,954)	\$ 163	\$ (3,724)	\$ 22,545	\$ 29,282	\$ 33,313	\$ (59,256)	\$ 49,379	\$ (166,132)	\$ 1,403,714

## CITY OF RIPON, CALIFORNIA

### Additional Information on the Successor Agency Trust Fund

June 30, 2012

The following information is presented to supplement the basic financial statements and provides additional information about the Successor Agency Trust Fund. The information includes: the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets in accordance with generally accepted accounting principles as of and for the year ended June 30, 2012. Accordingly, the fiduciary fund financial statements utilize the accrual basis of accounting. Also included in this section is a schedule of capital assets held by the Successor Agency Trust Fund. For additional information on the Successor Agency Trust Fund, refer to the notes to the City's financial statements.

#### Statement of Fiduciary Net Assets Private-Purpose Trust Fund

June 30, 2012

	<u>Successor Agency Trust Fund</u>
<b>Assets</b>	
Cash and investments	\$ (825,372)
Cash and investments – restricted	3,525,309
Interest receivable	3,248
Grants receivable	65,547
Due from governmental funds	3,397,620
Capital assets, net of accumulated depreciation	<u>1,157,200</u>
Total assets	<u>7,323,552</u>
<b>Liabilities</b>	
Due to other government agency	4,742
Interest payable	214,892
Long-term liabilities	
Debt due within one year	675,000
Debt due in more than one year	<u>28,020,000</u>
Total liabilities	<u>28,914,634</u>
<b>Net assets (deficit)</b>	
Restricted for capital outlay	1,558,265
Restricted for debt service	1,967,044
Unrestricted	<u>(25,116,391)</u>
Total net assets (deficit)	<u>\$ (21,591,082)</u>

(Continued)

**CITY OF RIPON, CALIFORNIA**

**Additional Information on the  
Successor Agency Trust Fund**

June 30, 2012

Statement of Changes in Fiduciary Net Assets  
Private-Purpose Trust Fund

For the year ended June 30, 2012

	<u>Successor Agency Trust Fund</u>
<b>Additions</b>	
Investment income	\$ 30,974
Grant Revenue	<u>65,547</u>
Total additions	<u>96,521</u>
<b>Deductions</b>	
Administration	294,293
Project costs	18,224
Debt service - interest	<u>859,566</u>
Total deductions	<u>1,172,083</u>
<b>Extraordinary item</b>	
Loss on transfer from former Redevelopment Agency	<u>(20,515,520)</u>
<b>Change in net assets</b>	(21,591,082)
<b>Total net assets (deficit) – beginning of year</b>	-
<b>Total net assets (deficit) – end of year</b>	<u><u>\$ (21,591,082)</u></u>

Schedule of capital asset activity for the fiscal year ended June 30, 2012, is as follows:

<u>Fiduciary Fund</u>	Beginning balance	Acquisitions	Transfers from Former Redevelopment Agency	Ending balance
Capital assets, not being depreciated				
Land	\$ -	\$ -	\$ 1,157,200	\$ 1,157,200