

YUBA CITY  
CALIFORNIA

# CITY OF YUBA CITY

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED

JUNE 30, 2010

*Quality Service, Innovation, and Leadership*

**CITY OF YUBA CITY  
CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2010**

**CITY OF YUBA CITY  
Finance Department**

Robin Bertagna, CPA  
Finance Director

# Welcome to Yuba City

Located 40 minutes north of California's Capitol in Sacramento, Yuba City is the county seat of Sutter County and is the principal city of the Yuba City Metropolitan Area which encompasses all of Sutter and Yuba Counties. This growing metropolitan area provides unique opportunities for businesses to thrive, serving both the local area and the greater Sacramento Valley. The rich heritage, history, and recreational activities of the region bring a wonderful way of life to the citizens of Yuba City. Yuba City retains the atmosphere and friendliness of a small town while managing new businesses, retail and residential development.

Photography By:

**Spencer Morrison**

Graphics By:

**Marc Mattox**

**CITY OF YUBA CITY**  
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# CITY OF YUBA CITY



FINANCE DEPARTMENT

1201 Civic Center Blvd. • Yuba City California 95993 • Phone (530) 822-4618 • Fax (530) 822-4694

December 10, 2010

Honorable Mayor and Members of the City Council,

It is our pleasure to submit the City of Yuba City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. Management relies upon a comprehensive framework of internal controls to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control system is designed to provide reasonable, but not absolute, assurance that this objective is met. We believe the data, as presented, is accurate in all material aspects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

State statutes require an annual audit of the City's financial records by independent certified public accountants. The firm of Moss, Levy & Hartzheim, Certified Public Accountants audited the City's financial statements. In addition to meeting the requirements set forth in State statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget's Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's Governmental Auditing Standards were used by the auditors in conducting the engagement. The auditor's report on the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is combined in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in the separately issued single audit report.

The financial statements are prepared in accordance with Accounting Principles Generally Accepted in the United States of America (USGAAP) as promulgated by the Government Accounting Standards Board (GASB), and include the report of the City's independent public accountants. USGAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the

Accounting/Budget  
(530) 822-5196

Accounts Receivable  
(530) 822-4711

Accounts Payable  
(530) 822-4617

Payroll  
(530) 822-4616

Business License  
(530) 822-4619

Water/Sewer Bills  
(530) 822-4618

MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **GOVERNMENT PROFILE**

The City of Yuba City is a unique suburban/rural community located along the Feather River in Sutter County, 45 miles north of downtown Sacramento and 40 miles south of the City of Chico.

The City's population is currently estimated to be 65,372 and the City comprises 14.6 square miles. The City is the political, cultural, and economic center for the Yuba City Metropolitan Statistical Area (Yuba City MSA). The Yuba City MSA encompasses both Sutter and Yuba Counties. The MSA is comprised of nearly 1,250 square miles and is home to approximately 165,000 residents, 94,000 of whom reside in Sutter County and 71,000 of whom reside in Yuba County.

Yuba City was founded in 1849, as one of California's first communities that developed during the Gold Rush era. Since its incorporation in 1908, Yuba City has retained its link to the Sacramento Valley's rich agricultural heritage. Although Yuba City is home to hundreds of industrial, retail, and commercial businesses, and is responsible for providing a vast array of urban services to a growing population, agriculture continues to play an important role in the local economy. The area that surrounds Yuba City is one of the world's most productive agricultural regions. The region's leading commodities include rice, peaches, dried plums, walnuts, and tomatoes.

The City is a full-service general law city that operates under a Council-Manager form of government. The City Council consists of five members, elected at large to serve four-year terms. The elections are staggered every two years, with three seats open in one election and two seats open in the next election. The Mayor is elected by the City Council to serve a one-year term. The Mayor serves as the City Council's presiding officer. The City Treasurer and City Clerk are also elected to serve four-year terms.

The City Council appoints a City Manager to implement its policies and directives. All of the City departments operate under the supervision of the City Manager. In adhering to the City's mission statement (*To anticipate and provide for the needs of the community through quality services, innovation, and leadership, now and into the future*), each department provides the level of services that the Yuba City community wants, needs, and is willing to pay for. Municipal services include police and fire protection, water and sanitation services, construction and maintenance of streets and infrastructure, planning and zoning, recreational activities and cultural events, and general administrative/support services.

This report includes all of the funds of the City. This report also includes the financial activities considered to be part of, controlled by, and/or dependent on the City. Accordingly, this financial report incorporates financial data for *component units* of the City including the Yuba City Redevelopment Agency and the Yuba City Public Financing Authority. Component units are legally separate entities for which the City is financially accountable.

## **ECONOMIC CONDITION & FINANCIAL INFORMATION**

### Local Economy

The foreclosure and credit crisis, the State's budget deficit, and the recession have all had a remarkable effect on the Sacramento Valley. The number of housing foreclosures has reached new highs in many communities. Yuba City has not been buffered by this situation. Following years of significant residential development in Yuba City, new home construction has slowed to an almost halt and foreclosures are prevalent. In time, the housing construction cycle will return. The national economy entered a recession that has continued through 2010. Consumers have responded to all of the negative economic and financial news by reducing spending patterns.

The State's projected budget deficit may impact local government in spite of voter approval of Proposition 22 in the November, 2010, election. Passage of this measure, which takes away the State's ability to borrow from local government coffers, proves that Californians are in favor of locally provided services and are opposed to the State's ability to raid local funds.

Even though Proposition 1A passed by the voters in 2004 largely protected local revenues, the Governor and the Legislature have continued to find ways to raid local coffers. The FY 2009-10 and FY 2010-11 State Budgets include the takeaway of \$2.05 billion in local Redevelopment Agency funds. Yuba City's share was approximately \$1.3 million for FY 2009-10 and will be \$0.3 million for FY 2010-11. The California Redevelopment Association (CRA) already successfully challenged the State's take of redevelopment funds during FY 2008-09 and won the battle to retain redevelopment tax increment levels at the local level. Unfortunately, CRA was not successful in the most recent lawsuit against the State. Yuba City therefore made our required SERAF payment to Sutter County by the May 10, 2010, due date.

For additional information regarding Yuba City's local economy, please refer to Management's Discussion & Analysis, which begins on page 3.

### Budget Process and Long-Term Financial Planning

The City prepares a budget for each fiscal year on or before June 30. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund and special revenue funds are included in the annual appropriated budget. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the department level within an individual fund.

Due to the economic volatility in the past two years, beginning with FY 2008-09 the City returned to a one-year budget process with intermediate reviews conducted every 90 days due to rapidly changing economic conditions. The City remains committed to reviewing and updating its long range fiscal model which looks out ten years but is placing more emphasis and focus on evaluating the three-year sustainability of our general fund budget. Our budget policy specifically states "the City will strive to fund all current expenditures from current revenues, avoiding procedures that balance current budgets by postponing needed expenditures, accruing future revenues, or rolling over short-term debt." Although we strive to fund current

expenditures from current revenues, it is explained in more detail below, that the City consciously made the decision to fund a portion of on-going expenditures from one-time reserve sources during the present economic downturn.

During the budget development process for the FY 2008-09 City budget, City staff anticipated the revenue shortfall trend. As such, Yuba City adopted a budget for FY 2008-09 that included funding a \$2.3 million Economic Stabilization Reserve (ESR) Fund within the general fund. The intent was to utilize the ESR to cover general fund operating deficits until the economy turned around. The ESR was funded with \$2.3 million of general fund monies that had previously been designated for future capital improvement projects. \$0.6 million was utilized in FY 2008-09 and \$0.3 million in FY 2009-10 to fund operating deficits. This leaves a balance remaining of just under \$1.5 million as of June 30, 2010 (see designation of fund balance on page 18 of financial statements). The FY 2010-11 budget anticipates the use of \$0.7 million of the ESR to cover operating deficits, leaving an anticipated \$0.8 million for carryover into FY 2011-12.

The FY 2009-10 budget included the planned use of \$1.85 million in “one time funds” in addition to using the ESR. The source of the \$1.85 million is from prior year reserves contained within the City’s internal service funds (ISFs). Savings through attrition were significant enough that the ESR was sufficient to cover the operating deficit without utilizing the \$1.85 million in ISF Funding. As part of the FY 2010-11 budget adoption process, City Council approved staff’s recommendation to roll forward the \$1.85 million in funding to instead be utilized to balance the FY 2010-11 budget.

As the City’s primary general fund revenue sources of property and sales tax continued to decline, the FY 2010-11 budget also presented a significant challenge. Vacancies created through attrition were not authorized for rehire unless it was a necessary position for public safety or infrastructure maintenance. No increases were allowed in materials, supplies, and services budgets. All travel and training funding continued in a citywide general fund pooled training account except for mandatory training for safety and to meet certification requirements. The general fund budget was rolled back from a high of \$38.5 million in FY 2008-09, to \$37.1 million for FY 2009-10 and down to \$35.2 million for FY 2010-11.

Between the FY 2009-10 and FY 2010-11 budget years, estimated general fund revenues declined \$2.0 million and budgeted expenditures declined \$1.9 million. The City has clearly reduced general fund expenditures in response to the economic downturn. It is also clear that revenue declines have continued and that the City has further reductions to implement in the development of the FY 2011-12 budget in order to address our ongoing structural deficit. The City’s long term financial plan anticipates further cost increases as it relates to employee retirement and healthcare costs while growth in revenues is not expected to occur in the next several years.

Yuba City has continued to defer salary increases by negotiating concessions with employee bargaining groups. Concessions have included deferred salary increases, pay reductions, a reduction in overtime, use of acting pay instead of overtime, employees contributing more towards benefit costs, and furlough (non-paid) time off. Additionally, in order to encourage employee attrition through retirement, a retirement incentive was offered to eligible employees.

Bargaining units have agreed to extend their contracts and defer contracted salary increases which were due to be paid both July 1, 2009 and July 1, 2010 into future years. It is not expected that the City will have the ability to meet these contracted increases during the next several years without creating the necessity for additional layoffs. City representatives continue to meet with employee bargaining units to keep them informed of the changing circumstances and to discuss the City's on-going fiscal difficulties. In addition, when the economy does improve, the City will need to commit operating revenues to cover the cost of funding the 5% furlough that employees have voluntarily contributed valued at \$1.1 million.

The FY 2010-11 budget includes reduced estimates for both property and sales tax revenue sources, the combined total of which represents 60% of general fund revenues. Other general fund revenues such as franchise fees and hotel/motel surcharge revenues have also experienced declines.

As stated above, revenue declines are anticipated to continue into FY 2011-12 while costs for employee retirement and health care are expected to increase. The City does not have the ability to pay these increased costs without further layoffs and staffing reductions. Building these costs into the City's general fund budget, including further revenue declines, causes the general fund deficit to grow from \$2.6 million in FY 2010-11 to \$3.9 million in FY 2011-12. Employee bargaining units have generously agreed to maintain existing concessions and defer agreed upon raises, but have not agreed to any additional concessions. In order to achieve a budget that is closer to being structurally in balance, the City intends to move forward with a combination of solutions. Choices include:

- 1) Reduce staffing levels through layoffs and attrition;
- 2) Review opportunities for contracting out services;
- 3) Reduction of service levels;
- 4) Review additional opportunities for efficiencies through service consolidation in the form of restructuring and reorganizing City departments;
- 5) Continue to subsidize budget deficits with one time and reserve funds; or
- 6) A combination of alternatives 1 through 5.

During the remaining six months of FY 2010-11, the Executive Team, City staff, and the City Council will be meeting and reviewing the above alternatives. It is likely that a combination of all the items listed will be utilized to reduce the City's budget deficit to a sustainable level.

Finance staff has a long-term financial planning model that is used to project the impact of revenue and expenditure changes on the City's financial condition within the general fund. This model clearly indicates that corrective action continues to be necessary. The City cannot afford to continue providing the same level of City services and staffing levels with the current economic realities we are facing.

The City Council has communicated that prudent financial management is one of their top priorities. City staff will continue to take a proactive approach in responding to declining revenues while ensuring that we do not overreact and reduce service levels in an unnecessary manner. While City staff will continue to update its Long-Term Financial Planning model, we will continue the practice of providing quarterly financial reports to respond to the dynamic, ever changing economic challenges facing us in the short term.

## Cash Management & Investments

The City invests temporarily idle funds in accordance with the Government Code and the Investment Policy approved by the City Council. The City pools all cash funds not held by fiscal agents in order to maximize investment opportunities and increase flexibility. Investments are conservatively managed with the three primary objectives of safety of principal, liquidity to meet disbursement requirements, and investment yield (pursued in that order).

During fiscal year 2009-10, investments consisted primarily of U.S. Government Agency securities, commercial paper, the Local Agency Investment Fund (LAIF), which is managed by the State Treasurer, and the California Asset Management Program (CAMP), a joint powers authority and common law trust created to meet local government investments needs. The amount of interest earned on investments controlled by the City was \$1,871,692 for all funds during the year. Additional information regarding cash and investments is provided in Note 2 to the Basic Financial Statements.

## Risk Management, Pension Benefits & Other Postemployment Benefits

The City is a member of the Northern California Cities Self-Insurance Fund (NCCSIF) pool for general liability insurance and workers' compensation and is self-insured for claims up to \$50,000 and \$100,000, respectively. Claims above these levels are covered by the insurance pool and excess insurance coverage. The City takes an active role attempting to reduce its liabilities through employee education programs.

The City's annual pension cost is expected to increase for the next several of years. The investment losses CalPERS experienced during FY 2008-09 will have a significant negative impact on future year's rates. CalPERS actuaries have developed a methodology whereby these losses are spread over a 30 year period with the increases in cost being phased in over a three year period. This means the City's rate is going up significantly in each of three fiscal years beginning with FY 2011-12. In addition, CalPERS recently prepared a demographic study which has affects rates beginning in FY 2011-12. The CalPERS Board is also evaluating investment return assumptions for actuarial purposes and will decide in February, 2011, whether to reduce assumed rates of return from the existing 7.75% to 7.5% or 7.25% or leave them as is. All of these assumption changes will cause retirement contribution rates to increase. The City's rate increase for FY 2011-12 was received in our actuarial reports last week. The increase for Safety Tier 1 is 6.063%, Safety Tier 2 is 5.042% and Miscellaneous is 2.745% more than those included in the FY 2010-11 budget. This causes a projected increase of \$710,000 to the general fund and \$812,000 citywide.

For the fiscal year ended June 30, 2010, the City implemented the requirements of GASB Statement No. 51, No. 53, No. 57 and No. 58. None of these new pronouncements had an effect on the financial statements.

The City implemented the requirements of GASB Statement No. 45 as it relates to our Other Post-Employment Benefits (OPEB) liability last fiscal year. With regard to other post employment benefits, the City provides retiree health benefits to employees within the executive service who meet certain criteria. In addition, the City has an implied subsidy for retirees that

participate in the City's health plan. Historically, the City has had a blended health insurance rates wherein retirees who have not reached the age for medicare eligibility pay the same rate as other City employees. Last year, the City began a three-year phase-in to pass the actual cost of the benefit on to retirees. At the end of the three-year period, there will be no more implied subsidy cost and retirees will be paying their full cost of benefits as determined by the City's health insurance company. The City has contributed an amount sufficient to pay the current year premiums of \$142,859 and the implied subsidy transfer, but did not include any additional prefunding of benefits. The increase in the City's new OPEB obligation for FY 2009-10 was \$228,141.

More information on these matters is available in Notes 7 and 8 to the Basic Financial Statements.

### Major Initiatives

As set forth in the adopted budget of the City Council, there are several key issues and priorities of the City including flood control, economic development, public safety staffing, and infrastructure maintenance. Additionally, notable capital improvement projects include the expansion conversion of groundwater customers to City surface water, purchase of additional homes for Low/Moderate income qualifying individuals and families, development of the Feather River Parkway Project, general plan implementation, Queens Avenue and SR 99 Interchange modifications, Western Parkway and SR 20 intersection improvements, Fifth Street Bridge replacement technical studies, water storage tanks and pumping station, and coating and rehabilitation of the oxygen reactors at the wastewater plant.

## **AWARDS AND ACKNOWLEDGEMENTS**

### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Yuba City for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the tenth year that the City received the award. The Certificate of Achievement is a prestigious award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily read and efficiently organized comprehensive annual financial report. This report must satisfy both USGAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA for consideration of another Certificate.

Acknowledgments

Publication of this report was made possible by the efficient and dedicated service of the Finance Department staff. Furthermore, the professional expertise and commitment of Derek Rampone of the auditing firm of Moss, Levy & Hartzheim was appreciated.

In closing, without the interest and support of the City Council, preparation of this report would not have been possible.

Respectfully submitted,

A handwritten signature in cursive script that reads "Robin Bertagna".

Robin Bertagna, CPA  
Finance Director

**CITY OF YUBA CITY**  
**CITY OFFICIALS**  
For the Fiscal Year Ended June 30, 2010

**CITY COUNCIL**

Kash Gill, Mayor

John M. Dukes, Vice Mayor

Leslie McBride, Council Member

Tej Maan, Council Member

John Miller, Council Member

**ELECTED OFFICIALS**

Terrel Locke, City Clerk

Steven C. Kroeger, City Treasurer

**APPOINTED OFFICIALS**

Steven Jepsen, City Manager

Timothy Hayes, City Attorney

**EXECUTIVE TEAM**

Steven C. Kroeger, Assistant City Manager

Devin Barber, General Services/IT Director

Robin Bertagna, Finance Director

Pete Daley, Fire Chief

Aaron Busch, Community Development Director

Robert Landon, Police Chief

Bill Lewis, Utilities Director

Brad McIntire, Parks and Recreation Director

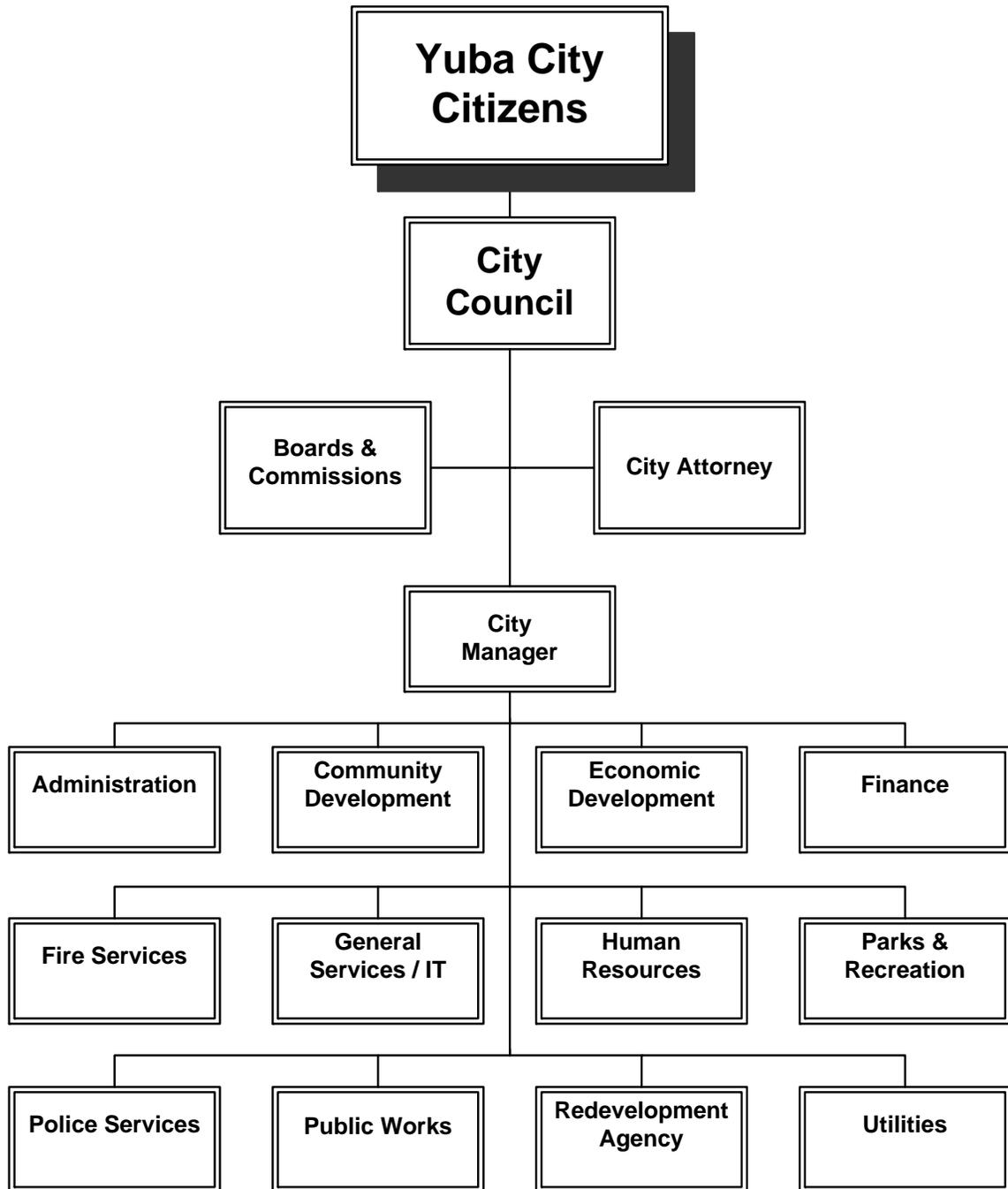
George Musallam, Public Works Director

Susan Pearson, Human Resources Director

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# City Organization Chart

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Yuba City  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

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Executive Director

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA

9107 WILSHIRE BLVD., SUITE 400  
BEVERLY HILLS, CA 90210  
TEL: 310.273.2745  
FAX: 310.273.1689  
www.mlhcpas.com

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members  
of the City Council of the City of Yuba City  
Yuba City, 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 Yuba City (City), California, as of and for the fiscal year ended June 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2009, the City adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with the *Government Auditing Standards*, we have also issued a report dated December 10, 2010, on our consideration of the City of Yuba City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress, and the Budgetary Comparison Schedules of the General Fund and major special revenue funds on pages 3 through 14, page 71, and pages 73 through 77 respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yuba City's basic financial statements. The Introductory Section, the Budgetary Comparison Schedules for the Nonmajor Governmental Funds, the Combining Financial Statements for the Nonmajor Governmental Funds, Internal Service Funds, and Agency Funds, and the Statistical Section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Budgetary Comparison Schedules for the Nonmajor Governmental Funds, the Combining Financial Statements for the Nonmajor Governmental Funds, Internal Service Funds, and Agency Funds are the responsibility of management and were derived from and related 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 our 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 Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, CA  
December 10, 2010

This discussion and analysis of the City of Yuba City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the preceding transmittal letter and the City's financial statements and related notes, which follow this section.

#### **A. FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$625.5 million. Of this amount, \$31.5 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$1.8 million.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$36.8 million, a decrease of \$5.9 million from the prior fiscal year.
- The General Fund reported excess revenues (and other financing sources) over expenditures (and other financing uses) of \$2.2 million.

#### **B. OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements, commonly referred to as the *City's Basic Financial Statements*. Management's Discussion and Analysis introduces these statements and includes two different views of the City's financial activities and position: (1) Government-Wide Financial Statements provide information about the activities of the City as a whole and present a longer-term view of the City's finances; (2) Fund Financial Statements provide detailed information about the individual functions of City government, telling how services were financed in the short-term as well as what remains for future spending.

Each set of statements presents the City's finances in a distinct way. To assist the reader in understanding the differences between them, a brief discussion of each follows, including the relationship of these statements to each other and the significant differences in the information they provide.

##### **Government-Wide Financial Statements**

The Government-Wide Financial Statements provide a broad overview of City finances in a manner similar to private-sector business. These statements separate the City's activities into two areas:

**Governmental Activities** – these services are principally supported by taxes and intergovernmental revenues. Most of the City's basic services are considered to be governmental activities including public safety, community development, public works, parks and recreation, and general administration.

**Business-Type Activities** – these services rely upon user fees and charges to help cover all or most of their costs. The City's water and wastewater operations are reported here.

Within the framework of these activities, a Statement of Net Assets and a Statement of Activities report information about the City as a whole. These statements include all assets and liabilities of the City (i.e., infrastructure and long-term debt) and use the *full accrual basis of accounting* in which all the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

The two statements can be generally described as follows:

**The Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**The Statement of Activities** presents information showing how the City's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows.

Notably, these statements differ from the Fund Financial Statements in that they *include* all assets of the City (including infrastructure) and all liabilities (including long-term debt) and *exclude* certain interfund receivables, payables and other interfund activity as prescribed by GASB Statement No. 34. For an additional reference, a reconciliation between the two is provided on page 21 of this report.

### **Fund Financial Statements**

The Fund Financial Statements provide detailed information about each of the City's most significant funds – not the City as a whole. Management establishes funds to help control and manage money for particular purposes. There are three categories of funds: governmental, proprietary, and fiduciary.

**Governmental Funds** – most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. This information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and the governmental *funds* in a separate reconciliation page.

The City's major governmental funds include the General Fund, Redevelopment Agency Special Revenue Fund, Streets and Roads Special Revenue Fund, Redevelopment Agency Debt Service Fund, General Capital Improvement Projects Fund, and Impact Fee Capital Improvement Projects Fund. All other funds are combined in a single, aggregated presentation. Individual data for each of these non-major governmental funds is provided in the form of combining statements beginning on page 80 of this report.

**Proprietary Funds** – when the City charges customers for services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds provide the same type of information as shown in the government-wide financial statements (i.e., business-type activities), only in more detail. The City has two types of proprietary funds: enterprise funds and internal service funds. The City uses enterprise funds to account for its water and wastewater operations. The City uses internal service funds to account for its general support services, employee benefits, and risk management services – activities that provide supplies and services for the City's other programs and activities. Since they predominantly serve the governmental rather than business-type activities, they are included within the governmental activities in the government-wide financial statements.

**Fiduciary Funds** – the City is the trustee, or fiduciary, for certain funds held on behalf of external parties. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the City's other financial statements because the resources of the funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for the intended purposes.

### **Notes to Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents the following required supplementary information: budgetary comparisons for the City's General Fund, Redevelopment

Agency and Streets and Roads Fund; a description of the City's accounting policies with regard to the annual budget; and information regarding any excess of expenditures over appropriations.

**C. GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS**

The City's combined Net Assets for the fiscal year ended June 30, 2010, totaled \$625.5 million, a decrease of \$1.8 million from the prior fiscal year (the detail in the table below may not add due to rounding).

**Summary of Net Assets**  
(Amounts in Millions)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Total % Change</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	
<b>Assets:</b>							
Current and Other Assets	\$ 90.0	\$ 92.4	\$ 19.6	\$ 28.4	\$ 109.6	\$ 120.7	-9.2%
Capital Assets	448.5	448.5	200.9	192.3	649.5	640.8	1.4%
<b>Total Assets</b>	<b>538.5</b>	<b>540.8</b>	<b>220.6</b>	<b>220.7</b>	<b>759.1</b>	<b>761.5</b>	<b>-0.3%</b>
<b>Liabilities:</b>							
Current and Other Liabilities	25.2	23.7	3.5	2.7	28.7	26.4	8.8%
Long-term Liabilities	60.5	62.1	44.5	45.7	105.0	107.8	-2.6%
<b>Total Liabilities</b>	<b>85.6</b>	<b>85.8</b>	<b>48.0</b>	<b>48.4</b>	<b>133.6</b>	<b>134.2</b>	<b>-0.4%</b>
<b>Net Assets:</b>							
Invested in Capital Assets, net of related debt	402.0	403.4	155.3	144.5	557.3	547.9	1.7%
Restricted	33.4	29.8	3.2	0.4	36.6	30.2	21.1%
Unrestricted	17.5	21.8	14.0	27.4	31.5	49.2	-36.0%
<b>Total Net Assets</b>	<b>\$ 452.9</b>	<b>\$ 455.0</b>	<b>\$ 172.6</b>	<b>\$ 172.3</b>	<b>\$ 625.5</b>	<b>\$ 627.3</b>	<b>-0.3%</b>

At June 30, 2010, a significant portion of net assets (89 percent) consisted of the City's investment in capital assets, net of related debt. This component, which reflects the total amount of funds used to acquire those assets less any outstanding debt used for such acquisition, increased from the prior fiscal year by \$9.4 million. The increase is comprised of a decrease of \$1.4 million in governmental net assets and a \$10.8 million increase in business type net assets. Governmental net assets increased by \$11.4 million due to the City's investment in new capital assets, \$2.6 million due to the change in the long-term debt associated with capital assets, and the exclusion of deferred amounts, such as costs of issuance and refunding differences (not excluded in the prior fiscal year), and decreased by \$11.3 million due to depreciation and \$4.1 million due to cash with fiscal agent monies being used to fund capital asset acquisitions. This leaves a net decrease of \$1.4 million, which reconciles to the amount of net assets invested in capital assets, net of related debt. The largest additions and completed governmental type capital assets were the completion of the new Fire Station 4 project of \$5.7 million, the Police Department Expansion project of \$2.9 million, and various road improvements projects of \$3.9 million.

Business type net assets increased by \$15.3 million due to the investment in new assets and \$2.2 million due to the change in the long-term debt associated with capital assets, and the exclusion of deferred amounts, such as costs of issuance, bond discounts, and refunding differences (not excluded in the prior fiscal year), and decreased by \$6.7 million due to depreciation. Increases in business type assets include an increase in construction in progress of \$14.7 million, which includes renovations to the Water Treatment Plant of \$1.3 million.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets are not generally liquidated for such purposes.

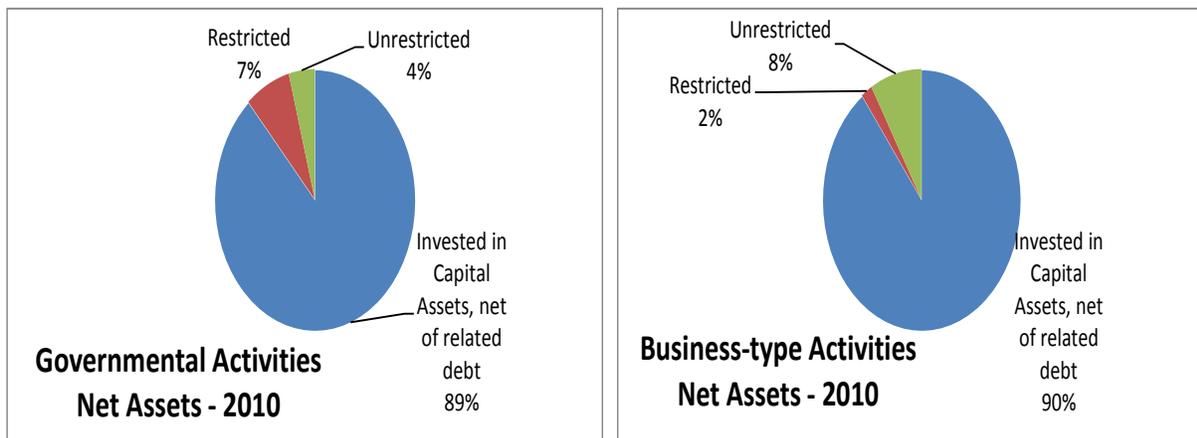
Restricted net assets of \$36.6 million (6 percent) represent resources subject to external restrictions as to how they may be used. Of the \$6.4 million increase in restricted net assets, \$3.6 million occurred within governmental activities due to the additions of the restricted balance for future claims from the City's internal service funds and \$2.8 in business activities for debt service reserve funds (not included in the prior fiscal year).

Unrestricted Net Assets of \$31.5 million (5 percent) represent amounts that may be used to meet the City's ongoing obligations to its residents, businesses, customers, and creditors have decreased \$17.7 million from the prior fiscal year. Of this decrease, \$4.4 million occurred in the governmental activities due to showing \$3.4 million as restricted for future claims from the City's internal service funds. The remaining \$13.3 million occurred within business activities due to restricting \$2.8 million for debt service reserve and the depletion of cash reserves used to finance large water enterprise capital improvement projects funded through ARRA grants and SRF loans reimbursed after the end of the fiscal year (see Note 13 Subsequent Events on page 68).

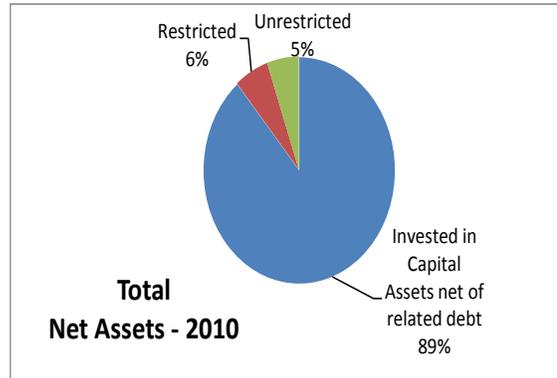
The decrease in Current and Other Assets of \$11.1 million is largely related to the expenditure of cash reserves to finance the water enterprise fund improvements described above.

The increase in Current and Other Liabilities for governmental activities of \$1.5 million is primarily attributable to an increase in accounts payable of \$0.6 million and deferred revenue of \$0.8 million.

Long-term Liabilities decreased by \$2.8 million with a decrease of \$1.6 million in the governmental activities and \$1.2 million in business activities. Governmental activities had an increase in compensated absences and other post employee benefits of \$0.4 million and a decrease of \$1.9 million due to regular principal payments on the City's outstanding debt obligations. The decreases in business activities were due to regular principal payments on the City's outstanding debt obligations.



City of Yuba City  
**Management's Discussion and Analysis**  
For the Fiscal Year Ended June 30, 2010



The following table shows the changes in net assets for governmental and business-type activities (the detail may not add due to rounding):

**Statement of Activities**  
(Amounts in Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total % Change</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
<b>Revenues:</b>							
Program Revenues:							
Charges for services	5.1	6.0	18.0	17.7	23.1	23.6	-2.5%
Operating Grants and Contributions	3.8	3.5	3.8	0.1	7.6	3.5	115.4%
Capital Grants and Contributions	9.6	6.7	0.5	0.4	10.1	7.2	40.4%
General Revenues:							
Property Taxes	17.2	17.9	-	-	17.2	17.9	-4.1%
Sales and Other Taxes	10.0	10.0	-	-	10.0	10.0	-0.7%
Investment Income	4.2	5.0	0.4	1.3	4.6	6.3	-26.8%
Other	0.2	0.0	-	-	0.2	0.0	644.6%
<b>Total Revenues</b>	<b>50.0</b>	<b>49.2</b>	<b>22.8</b>	<b>19.5</b>	<b>72.8</b>	<b>68.7</b>	<b>6.0%</b>
<b>Expenses:</b>							
General Government	4.8	5.2	-	-	4.8	5.2	-7.7%
Public Safety	23.7	24.7	-	-	23.7	24.7	-3.9%
Parks and Recreation	2.1	4.1	-	-	2.1	4.1	-47.6%
Public Works and Facilities	14.1	11.2	-	-	14.1	11.2	25.5%
Community Development	4.9	3.6	-	-	4.9	3.6	35.0%
Interest on Long-term Debt	5.8	5.6	-	-	5.8	5.6	3.3%
Water	-	-	9.8	9.9	9.8	9.9	-1.8%
Wastewater	-	-	9.7	9.8	9.7	9.8	-0.5%
<b>Total Expenses</b>	<b>55.4</b>	<b>54.4</b>	<b>19.5</b>	<b>19.7</b>	<b>74.9</b>	<b>74.1</b>	<b>1.1%</b>
Transfers	3.0	2.7	(3.0)	(2.7)	-	-	n/a
Change in Net Assets	(2.3)	(2.4)	0.2	(3.0)	(2.1)	(5.4)	-61.5%
Net Assets - Beginning	455.0	457.8	172.3	175.3	627.3	633.1	-0.9%
Prior Period Adjustment	0.2	(0.3)	-	-	0.2	(0.3)	N/A
Net Assets - Beginning, Restated	455.2	457.5	172.3	175.3	627.6	632.8	-0.8%
Net Assets - Ending	452.9	455.0	172.6	172.3	625.5	627.3	-0.3%

**Governmental Activities**

The City's governmental activities decreased the City's net assets by \$2.1 million. Revenues increased by 1.6 percent (\$0.8 million), while total expenditures increased by 1.8 percent (\$1.0 million). Revenue Highlights include the following:

- Capital Grants and Contributions increased by \$2.8 million due to a \$0.2 million increase in public safety grants and an increase of \$3.1 million in Streets & Roads intergovernmental revenue combined with a decrease of \$0.5 million in HUD grant revenues.
- Charges for services decreased by \$0.9 million due to \$0.3 million less in Emergency Response reimbursements from the State for Fire Strike Teams, \$0.2 million less in Recreation revenues and \$0.5 million less in developer impact fee revenues.
- Secured and unsecured property tax revenues decreased \$0.7 million due to declines in assessed valuations and Proposition 8 reassessments.
- Sales and use taxes increased by \$0.2 million due to increases in sales tax revenues.
- Miscellaneous revenues increased by \$0.2 million.
- Investment Income, which is a combination of interest earnings and change in the fair value of investments, decreased by \$0.8 million due to declining interest rates and cash balances.

Total expenses for governmental activities were \$55.4 million, which is a \$1.0 million increase from the prior fiscal year. This includes a \$1.4 million increase in depreciation expense (see page 50, Note 3, for depreciation expense totals by governmental function). If depreciation had not increased over the previous year, expenses for governmental activities would have declined.

**Net Cost of Governmental Activities**  
(Amounts in Millions)

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
General Government	\$ 4.8	\$ 5.2	\$ (4.7)	\$ (5.1)
Public Safety	23.7	24.7	(20.2)	(20.8)
Parks and Recreation	2.1	4.1	(0.9)	(2.6)
Public Works and Facilities	14.1	11.2	(3.6)	(3.3)
Community Development	4.9	3.6	(1.7)	(0.8)
Interest on Long-term Debt	5.8	5.6	(5.8)	(5.6)
<b>Total Net Cost</b>	<b>\$ 55.4</b>	<b>\$ 54.4</b>	<b>\$ (37.0)</b>	<b>\$ (38.2)</b>

As shown in the Statement of Activities, the amount that taxpayers ultimately financed for governmental activities was \$37.0 million because some of the cost was paid by those who directly benefited from the programs (\$5.1 million), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$3.8 million), and capital grants and contributions (\$9.6 million). Overall, these governmental program revenues totaled \$18.5 million. The City paid for the remaining "public benefit" portion of the governmental activities with \$27.2 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

**Business-type Activities**

The City's business-type activities increased the City's net assets by \$0.2 million. Total revenues increased by 16.9 percent (\$3.3 million), while total expenditures decreased by 1 percent (\$0.2 million).

The net revenue increase includes the combination of an increase in service fees (\$0.4 million), a reduction in connection fees (\$0.1 million), an increase in operating grants and contributions (\$3.7 million), an increase in capital contributions and grants (\$0.1 million), and a decrease in investment earnings (\$0.9 million). The service fee increase was attributable to an increase in the Wastewater enterprise. Connection fees are collected from new development and dedicated to current and future system expansion (i.e., capital costs, not operating); the City saw minimal further declines in these revenues during FY 2009-10 due to reduced development activities. Operating grants and contributions increased due to an ARRA grant (\$3.5 million) received for construction of two water lines and installation of water meters.

Operating costs within both the water and wastewater enterprise experienced a decrease in expenses of 1.0 percent (\$0.2 million) which was a combination of a decrease in employee costs (\$0.2 million) and materials, supplies and services (\$0.3 million) and an increase in depreciation (\$0.3 million).

#### **D. FUND FINANCIAL STATEMENT ANALYSIS**

The fund financial statements provide detailed information about each of the City's most significant funds; not the City as a whole. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

##### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances that are available for spending. Unreserved fund balance is a measure of the City's net resources available for spending or designation at the end of the fiscal year.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and total fund balance to total funding requirements. As of June 30, 2010, the total fund balance of the General Fund was \$34.5 million (of which 84 percent is attributable to a long-term receivable from the City's Redevelopment Agency). The unreserved fund balance of \$3.5 million is equal to 9.9 percent of total General Fund expenditures. Total fund balance increased by \$2.2 million over the previous fiscal year. At the beginning of FY 2008-09 the City transferred \$2.3 million of one-time funds to the General Fund to fund the City's Economic Stabilization Reserve (ESR) fund. The ESR is intended to provide funding to cover revenue shortfalls during the current economic downturn. During FY 2008-09, \$0.6 million was utilized to cover funding shortfalls with an additional \$0.3 million utilized during FY 2009-10. The remaining balance of just under \$1.5 million is shown in the financial statements as a designation of fund balance for economic stabilization.

Although there is a net positive change in fund balance within the General Fund of \$2.2 million, it is noteworthy that this includes the \$2.7 million of interest earnings on the Long-Term Advance to the City's Redevelopment Agency which is not a spendable resource, it is added to the long-term receivable due back to the General Fund. As such, the net change in fund balance from all operating activities for the year is a negative \$0.5 million.

The Redevelopment Agency fund shows an increase in fund balance of \$0.8 million, which is attributable to receipt of revenues in excess of expenditure for the fiscal year.

The Streets and Roads Special Revenue fund shows a decrease in fund balance of \$1.2 million from the prior fiscal year and a cumulative fund balance deficit of \$.4 million, which is attributable to contributions made to the Streets and Roads Capital Improvement Project fund for projects which will be reimbursed by ARRA, RSTP, FAU, or TEA Grant funds or Proposition 1B monies.

The Redevelopment Agency Debt Service fund shows a decrease in fund balance of \$2.6 million from the prior year and a cumulative fund balance deficit of \$29.2 million, which is attributable to the fact that the Agency's Advances from the City's general fund are required under GASB Statement No. 34 to be shown in the Debt Service funds.

The General Capital Improvement Projects fund shows a decrease in fund balance of \$0.4 million. The decline in fund balance is directly attributable to the planned payment of debt service on the SunTrust lease payable utilized to construct the new Fire Station 4 and provide funding for the Police Department expansion project.

The Impact Fee CIP fund balance is not the best indicator of the fund's financial position since revenues are not realized until spent. However, the unearned revenue of \$17.5 million, an increase of \$0.9 million from the previous fiscal year, represents the balance available for spending on projects included in the City's Impact Fee Ordinance.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail. Factors concerning these funds have already been addressed in the discussion of Government-Wide Financial Analysis of business type activities.

## **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

A detailed budgetary comparison schedule for the year ended June 30, 2010, is presented as required supplementary information following the notes to the financial statements. The Approved Budget is adopted by the City Council prior to the July 1 start of the fiscal year (the "Original Budget"). The City Council usually makes expenditure and revenue estimate changes during the course of the fiscal year as new information becomes available (resulting in the "Final Budget").

The net increase in budgeted expenditures from the original budget to the final budget is \$1.2 million, which was attributable to: 1) Carryover expenditures from the previous fiscal year for existing contractual obligations that totaled \$0.2 million; 2) appropriations for grant activities in the amount of \$0.7 million, which are not included in the budget until funds are physically received by the City; 3) appropriations of \$0.2 million for unanticipated fire department strike team costs which were reimbursed by the State; 4) other minor budget adjustments of \$0.1 million. Actual expenditures were \$1.6 million less than the original budget and \$2.8 million less than the final budget.

The net increase in budgeted revenues from the original budget to the final budget was \$0.6 million. This was entirely attributable to increasing revenue budgets to account for the receipt of grant funds. Actual revenues were \$0.4 million more than the original budget and \$0.1 million less than the final budget.

At fiscal year end, in accordance with the City's budget policies, year-end fund balance above the required reserve of 10 percent was transferred to the general fund capital improvement project account (\$0.2 million). The increase in final budget transfers out of the General Fund reflects these actions.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – the capital assets of the City are those assets which are used in the performance of the City's functions, including infrastructure. The City has elected to use the "Basic Approach" as defined by GASB Statement No. 34 for infrastructure reporting. Accordingly, eligible infrastructure assets are depreciated under the straight-line method. At June 30, 2010, net capital assets of the governmental activities totaled \$448.5 million and the net capital assets of business-type activities totaled \$200.9 million. Depreciation on capital assets is recognized in the Government-Wide Financial Statements (the detail may not add due to rounding).

**Summary of Capital Assets**  
(Amounts in Thousands)  
(details may not add due to rounding)

<b>Government Activities:</b>	
Land	\$ 128,984
Buildings and Improvements	46,728
Equipment, Vehicles, Machinery	17,331
Construction in Progress	5,740
Infrastructure	<u>341,796</u>
Total Governmental Capital Assets	540,579
Less: Depreciation	<u>(92,036)</u>
Total Net Government Activities:	<u><u>\$ 448,543</u></u>
 <b>Business-Type Activities:</b>	
Land	\$ 1,675
Buildings and Improvements	99,048
Equipment, Vehicles, Machinery	24,106
Construction in Progress	12,439
Infrastructure	<u>123,334</u>
Total Business-Type Capital Assets	260,601
Less: Depreciation	<u>(59,666)</u>
Total Net Business-Type Activities:	<u><u>\$ 200,935</u></u>

This year's major capital asset completions were:

- Fire Station 4 Project \$5.7 million
- Police Department Expansion Project \$2.9 million
- Flood Control (through SBFCA Loans) \$0.9 million
- Street Rehabilitation and Improvement Projects \$3.9 million
- Water Treatment Plant Office Renovations \$1.3 million
- Wastewater Plant Thickening Facility Project \$1.6 million
- Wastewater Facility Improvements \$0.5 million

**Long-Term Debt** – as of June 30, 2010, the City had outstanding debt issues as listed below. Not included in the table are Assessment District and Community Facility District bonds since the City has no obligation for their repayment. Each of the City's other bonds are backed by certain specific revenues or General Fund lease payments. The City received rating changes from Fitch Ratings during the current fiscal year due to a ratings recalibration. Fitch Ratings upgraded the rating from A+ to AA- based on a bond class recalibration which affected most municipal utilities that Fitch Ratings rates based on the relatively low default rate of these types of municipal bonds compared to other types, e.g. corporate bonds. The affected bond issues for the City were the Wastewater Revenue Certificates 2000 and 2002, the Water Revenue Certificates 2001 and 2005, and the Gauche Park/Aquatic Complex Certificates.

City of Yuba City  
**Management's Discussion and Analysis**  
For the Fiscal Year Ended June 30, 2010

**Summary of Long Term Indebtedness**  
(not including compensated absences or post-employment benefits)

(Amounts in Thousands)  
(details may not add due to rounding)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2008
RDA Tax Allocation and Revenue Bonds	\$ 34,327	\$ 34,712	\$ -	\$ -	\$ 34,327	\$ 34,712
Loans Payable	1,728	1,774			1,728	1,774
Capital Lease Payable	5,344	5,969	-	-	5,344	5,969
Certificates of Participation	11,301	11,539			11,301	11,539
Pension Obligation Bonds	6,007	6,579			6,007	6,579
Water Certificates of Participation	-	-	27,035	27,635	27,035	27,635
Wastewater Certificates of Participation	-	-	19,662	20,181	19,662	20,181
Total Indebtedness	<u>\$ 58,707</u>	<u>\$ 60,572</u>	<u>\$ 46,697</u>	<u>\$ 47,816</u>	<u>\$ 105,403</u>	<u>\$108,388</u>

During the fiscal year 2010, the City did not issue any new bonded indebtedness.

For more detailed information on Capital Assets and Long-Term Debt, see Notes 3 and 5 to the Basic Financial Statements.

**G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

On June 15, 2010, the Council adopted the FY 2010-11 Operating Budget with total appropriations of \$74 million. Adequate resources are available to fund the proposed expenditures. The budget reflects a carefully developed financial plan that balances the highest priorities with the resources available. It reflects significant budget reductions and a planned use of one-time sources in light of current economic circumstances. After many years of significant economic growth, Yuba City is experiencing an economic downturn similar to that being experienced both statewide and nationally. The worldwide economy has continued to worsen with historically high unemployment, a crisis in housing foreclosures, weakened retail sales and a tightened credit market. The full impacts of the situation are still being felt, but we know that our local economic outlook is not as bright as it has been in years past. At present, the duration of this situation is uncertain. The current economic decline has negatively impacted virtually every sector of the business and government community. This fact is clearly illustrated in that revenue declines have continued to outpace expenditure reduction efforts with the City's FY 2010-11 adopted general fund budget utilizing \$2.6 million in one-time money. This structural deficit is not sustainable, and will be addressed further prior to FY 2011-12 through a combination of reductions, concessions and layoffs as necessary.

As stated, the FY 2010-11 adopted budget has a \$2.6 million structural deficit that was funded with a combination of one-time reserve funds. Approximately \$700,000 of the deficit is funded from the Economic Stabilization Reserve that was set up as part of the FY 2008-09 adopted budget and the remainder was funded with prior year reserves from the City's various internal service funds. The FY 2010-11 budget included the elimination of 32 full time equivalent positions through-out the City (22 within the general fund). This was done both through attrition and implementation of the layoff list that was established in July, 2009. The City is further addressing this deficit by leaving positions vacant unless they are critical to the City's priority focus of public safety and infrastructure maintenance. City staff will meet with bargaining unit representatives at the beginning of calendar year 2011 to determine if employees are willing to agree to any additional concessions in order to avoid further layoffs. To date, City employees have been willing to keep their currently agreed to concessions and to continue to defer raises, but not to provide any additional concessions beyond what was already agreed to. It is therefore the City's intent to implement additional layoffs effective July 1, 2011. Additionally, the City will analyze opportunities for contracting out for services and/or possible service level reductions in order to achieve a budget that will be structurally in balance as we move into FY 2011-12.

The FY 2010-11 adopted budget projected a 4% decline in property taxes. Based upon the final assessed valuation reports from the Sutter County Auditor-Controller's Office, general fund assessed values decreased by 4.8% so the City anticipates property tax revenues for the year to be approximately \$100,000 less than budgeted. The three largest components of the change in values are as follows:

- o For the first time, properties were adjusted by a negative CPI factor of .237% between FY 2009-10 and FY 2010-11 (a reduction of \$10 million in assessed valuations). This affected 10,503 properties within the City.
- o Residential decreased by 7.26% due to Proposition 8 reductions (\$219 million in assessed valuations).
- o Commercial increased by 1.75% (13.7 million in assessed valuations).

The foreclosed housing market continues to hold prices down. As of December, 2010, the City had approximately 205 properties in default, 266 properties scheduled for trustee sale, and 297 homes that are bank owned.

In light of the recession, sales tax revenues have declined in nearly every major category as consumer confidence has decreased. Revenue projections included in the FY 2010-11 budget include a projected 4% decline for sales tax revenues.

The State budget continues to be another source of economic uncertainty. The State resolved its budget problem with one-time solutions, transfers, and loans that push the problem out into the future. The opportunity for threats of State raids on local resources continues as long as the State fails to develop a long term strategy that is sustainable. The State declared a fiscal emergency under the terms outlined in Proposition 1A approved by the voters in 2004. This allowed the State to borrow 8% of property taxes from cities, counties, and special districts throughout California. The City participated in a securitization process through California Communities whereby we sold our receivable of \$1,148,688 and obtained payment from the bond proceeds in January and May instead of waiting until 2013 to receive repayment of these funds from the State.

The City's unemployment rate has increased since the 2007/08 fiscal year; current data approximates the annualized unemployment rate around 21.6 percent (an increase from the prior year amount of 75 percent). Due to the area's reliance on agriculture, employment rates fluctuate seasonally. This seemingly high rate, when compared to a statewide average between 10 – 11 percent, is nonetheless predictable and appropriately considered by City management when planning for operational costs and available resources.

As stated previously, when positions have been vacant, they have not been approved for re-hire and have been left vacant in order to achieve budgetary savings. The FY 2010-11 budget reduced the full time equivalent employee count by 32 positions. These positions have been across all departments, citywide, and include the following departments: one in human resources, one in building inspection, one in police traffic education and enforcement, five in police field operations, one in police community outreach, one in police crime analysis and intelligence, two in police communications, four in general services, four in parks maintenance, two in recreation supervision, one in vehicle maintenance, one in water distribution, four in water treatment plant, three in wastewater treatment plant, and one in the wastewater treatment plant lab.

Even with the planned use of a portion of its Economic Stabilization Reserve, the City continues to maintain City Council's goal of having a 10 percent budget reserve. The City has positioned its operations so that this reserve can be properly maintained into the future. Taking into consideration the impacts of the recession, the foreclosure crisis, government bailouts of the financial sector, and the impact that declines in the stock market and a recent demographics study will ultimately have on PERS retirement costs, the City continues to closely monitor its revenue projections in comparison with its expenditure commitments; adjusting service levels accordingly in order to provide priority services to its citizens during this economic downturn.

The City's water and wastewater enterprises have not been exempt from current economic conditions. City staff has reviewed the water and wastewater budgets and reduced them where practical. The City continues to construct necessary capital improvement projects in order to expand or enhance existing infrastructure. Most notable is the project recently completed to convert approximately 4,000 customers from the former Hillcrest groundwater system to the City's surface water system. This has an estimated cost of \$19 million which was funded with a Safe Drinking State Revolving Fund loan and \$4.0 million in grant funds from the American Recovery and Reinvestment Act. A priority has been placed on preservation of existing capital in order ensure connection fee balances are available to pay debt service during the period where housing development (and therefore receipt of new customer connection fees) is all but non-existent.

#### **H. CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, would like separate reports of the City's component units, or need any additional financial information, contact the Finance Department at 1201 Civic Center Boulevard, Yuba City, CA 95993, phone 530-822-5196, or email: [lhaile@yubacity.net](mailto:lhaile@yubacity.net).

**CITY OF YUBA CITY**  
**STATEMENT OF NET ASSETS**  
June 30, 2010

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 55,787,926	\$ 12,367,438	\$ 68,155,364
Cash and investments with fiscal agents	5,840,842	2,933,102	8,773,944
Restricted cash and investments with fiscal agents	2,343,145	850,535	3,193,680
Interest receivable	480,963	519	481,482
Accounts receivable	2,579,933	3,402,491	5,982,424
Taxes and assessments receivable	3,131,908	110,000	3,241,908
Internal balances	228,975	(228,975)	
Prepaid expenses	1,622,151	106,333	1,728,484
Inventory	266,885	94,114	360,999
Deposits receivable	24,800		24,800
Notes receivable	11,804,500		11,804,500
Net pension assets	5,892,695		5,892,695
Capital assets:			
Nondepreciable:			
Land	128,984,329	1,674,698	130,659,027
Construction in progress	5,740,187	12,438,555	18,178,742
Depreciable:			
Buildings	39,445,591	25,267,392	64,712,983
Improvements	7,282,256	73,780,541	81,062,797
Machinery and equipment	17,331,022	24,106,012	41,437,034
Infrastructure	341,795,532	123,333,651	465,129,183
Accumulated depreciation	(92,035,573)	(59,665,987)	(151,701,560)
Total assets	<u>538,548,067</u>	<u>220,570,419</u>	<u>759,118,486</u>
<b>LIABILITIES</b>			
Accounts payable	2,052,657	1,356,149	3,408,806
Accrued liabilities	945,493	160,210	1,105,703
Accrued interest payable	771,589	175,750	947,339
Deposits payable	1,209,449	77,528	1,286,977
Unearned revenue	18,031,670	183,851	18,215,521
Compensated absences, due within one year	128,166	388,916	517,082
Noncurrent liabilities, due within one year	2,037,244	1,172,772	3,210,016
Noncurrent liabilities:			
Other post-employment benefits obligation	442,131		442,131
Compensated absences, due in more than one year	3,341,603	73,794	3,415,397
Other, due in more than one year	56,669,341	44,427,604	101,096,945
Total liabilities	<u>85,629,343</u>	<u>48,016,574</u>	<u>133,645,917</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	402,012,636	155,334,486	557,347,122
Restricted for:			
Low and moderate income housing	7,552,388		7,552,388
Capital projects	22,467,252		22,467,252
Debt service		2,757,352	2,757,352
Future claims	3,395,799		3,395,799
Future water purchases		448,717	448,717
Unrestricted	<u>17,490,649</u>	<u>14,013,290</u>	<u>31,503,939</u>
Total net assets	<u>\$ 452,918,724</u>	<u>\$ 172,553,845</u>	<u>\$ 625,472,569</u>

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

**CITY OF YUBA CITY**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental activities:</b>				
General government	\$ 4,779,423	\$ 24,097	\$ 30,251	\$ -
Public safety	23,727,230	2,355,913	909,495	216,714
Public works and facilities	14,056,362	497,209	1,041,773	8,930,790
Community development	4,876,451	940,205	1,832,737	402,746
Parks and recreation	2,125,010	1,237,924		
Interest on long term debt	5,832,196			
<b>Total governmental activities</b>	<b>55,396,672</b>	<b>5,055,348</b>	<b>3,814,256</b>	<b>9,550,250</b>
<b>Business-type activities:</b>				
Water	9,758,320	8,653,769	3,544,850	251,009
Wastewater	9,746,836	9,353,229	265,369	272,859
<b>Total business-type activities</b>	<b>19,505,156</b>	<b>18,006,998</b>	<b>3,810,219</b>	<b>523,868</b>
<b>Total government</b>	<b>\$ 74,901,828</b>	<b>\$ 23,062,346</b>	<b>\$ 7,624,475</b>	<b>\$ 10,074,118</b>

**General Revenues**

Taxes:

Secured and unsecured property taxes

Sales and use taxes

Transient lodging taxes

Franchise taxes

Other taxes

Motor vehicle in lieu, unrestricted

Use of money and property

Miscellaneous revenue

Transfers

Total general revenues and transfers

Change in net assets

Net Assets, July 1, 2009

Prior period adjustments

Net Assets, July 1, 2009, restated

Net assets, June 30, 2010

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

Net (Expense) Revenue and Change in Net Assets		
Net Governmental Activities	Net Business-type Activities	Total
\$ (4,725,075)	\$ -	\$ (4,725,075)
(20,245,108)		(20,245,108)
(3,586,590)		(3,586,590)
(1,700,763)		(1,700,763)
(887,086)		(887,086)
(5,832,196)		(5,832,196)
<u>(36,976,818)</u>		<u>(36,976,818)</u>
	2,691,308	2,691,308
	144,621	144,621
	<u>2,835,929</u>	<u>2,835,929</u>
(36,976,818)	2,835,929	(34,140,889)
17,216,421		17,216,421
7,009,127		7,009,127
530,582		530,582
1,357,607		1,357,607
864,948		864,948
209,236		209,236
4,193,845	429,220	4,623,065
244,794		244,794
3,035,849	(3,035,849)	
<u>34,662,409</u>	<u>(2,606,629)</u>	<u>32,055,780</u>
<u>(2,314,409)</u>	<u>229,300</u>	<u>(2,085,109)</u>
455,011,641	172,324,545	627,336,186
<u>221,492</u>		<u>221,492</u>
<u>455,233,133</u>	<u>172,324,545</u>	<u>627,557,678</u>
<u>\$ 452,918,724</u>	<u>\$ 172,553,845</u>	<u>\$ 625,472,569</u>

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

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## **FUND FINANCIAL STATEMENTS**

**CITY OF YUBA CITY**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
June 30, 2010

	General Fund	Redevelopment Agency Special Revenue Fund	Streets and Roads Special Revenue Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	\$ 2,978,009	\$ 838,662	\$ -
Cash and investments with fiscal agent			
Restricted cash and investments with fiscal agent		2,343,145	
Interest receivable	473,244	535	
Accounts receivable	724,481	29,570	879,781
Taxes and assessments receivable	2,873,485	108,814	99,081
Prepaid expenditures	23,613	272	
Due from other funds	1,040,974	2,393,622	
Deposits receivable	15,000		
Notes receivable		76,500	
Advances to other funds	29,214,558		
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 37,343,364</u>	<u>\$ 5,791,120</u>	<u>\$ 978,862</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 444,614	\$ 4,969	\$ -
Accrued liabilities	932,413	846	
Deposits payable	358,994	76,516	
Deferred revenue	1,039,909	76,500	906
Due to other funds			1,419,536
Advances from other funds		1,349,289	
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>2,775,930</u>	<u>1,508,120</u>	<u>1,420,442</u>
 Fund Balances:			
Reserved:			
Low/moderate housing			
Debt service		103,500	
Encumbrances	371,181	45,703	
Construction			
Prepaid expenditures	23,613	272	
Advances receivable	29,214,558		
Unreserved, designated:			
Capital improvement projects			
Economic stabilization	1,452,830		
Unreserved, undesignated			
General	3,505,252		
Special revenue funds		4,133,525	(441,580)
Debt service funds			
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances (deficits)	<u>34,567,434</u>	<u>4,283,000</u>	<u>(441,580)</u>
	<u>\$ 37,343,364</u>	<u>\$ 5,791,120</u>	<u>\$ 978,862</u>

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

RDA Debt Service Fund	General CIP Capital Projects Fund	Impact Fees CIP Capital Projects Fund	Other Governmental Funds	Total
\$ -	\$ 10,993,763	\$ 20,698,985	\$ 6,727,169	\$ 42,236,588
			5,840,842	5,840,842
				2,343,145
			7,184	480,963
	86,389	24,681	672,539	2,417,441
			50,528	3,131,908
				23,885
	87,690		1,419,536	4,941,822
			9,800	24,800
	373,589	2,538,380	8,816,031	11,804,500
			1,349,289	30,563,847
\$ -	\$ 11,541,431	\$ 23,262,046	\$ 24,892,918	\$ 103,809,741
\$ -	\$ 36,247	\$ 670,303	\$ 728,500	\$ 1,884,633
				933,259
		36,801	737,138	1,209,449
	373,589	17,455,987	8,973,928	27,920,819
		87,690	2,985,621	4,492,847
29,214,558				30,563,847
29,214,558	409,836	18,250,781	13,425,187	67,004,854
			3,464,517	3,464,517
			842,298	945,798
	236,848	1,809,670	1,408,149	3,871,551
	4,179,700			4,179,700
				23,885
			1,349,289	30,563,847
	6,715,047	3,201,595	3,193,239	13,109,881
				1,452,830
				3,505,252
			1,210,239	4,902,184
(29,214,558)				(29,214,558)
(29,214,558)	11,131,595	5,011,265	11,467,731	36,804,887
\$ -	\$ 11,541,431	\$ 23,262,046	\$ 24,892,918	\$ 103,809,741

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**CITY OF YUBA CITY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
June 30, 2010

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 36,804,887

In the governmental funds balance sheet, only current assets are reported.  
In the statement of net assets, all assets are reported,  
including capital assets and accumulated depreciation.

Capital assets	\$ 528,729,613	
Accumulated depreciation	<u>(83,576,191)</u>	
Net		445,153,422

In the governmental funds balance sheet, interest on long-term debt is not recognized until the period in which it matures and is paid.  
In government-wide statement of net assets, it is recognized in the period that it is incurred. (771,589)

Under the modified accrual basis of accounting used in governmental funds, revenues and expense are not recognized for transactions that do not represent available financial resources. In the statement of net assets and statement of activities, however, revenues, assets, expenses, and liabilities are reported regardless of when financial resources are available.

Accounts receivable	104,951
Deferred revenue	9,896,942
Accounts payable	(82,087)

The net pension asset pertaining to governmental fund types is not a current financial resource and therefore is not recorded in the governmental fund statements. 5,892,695

Long-term liabilities: In the governmental funds balance sheet, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Other post-employment benefits obligation	\$ (442,131)	
Tax allocation bonds, net of refunding difference (\$588,111), bond issue costs (\$499,613), and bond premium \$214,595	(34,326,871)	
Certificates of participation, net of issue costs (\$463,582)	(11,301,418)	
Loans payable	(1,727,641)	
Pension obligation bonds, net of bond issue costs (\$128,005)	(6,006,995)	
Capital leases payable	(5,343,660)	
Compensated absences	<u>(3,446,309)</u>	
Net		(62,595,025)

Internal service funds are used by management to charge the cost of certain activities such as insurance and equipment maintenance and operations, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets. 18,514,528

TOTAL NET ASSETS, GOVERNMENTAL ACTIVITIES \$ 452,918,724

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

**CITY OF YUBA CITY**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2010

	General Fund	Redevelopment Agency Special Revenue Fund	Streets and Roads Special Revenue Fund
<b>Revenues:</b>			
Taxes and assessments	\$ 23,302,323	\$ 2,784,746	\$ 1,217,612
Use of money and property	2,738,932	69,829	(1,158)
Intergovernmental revenues	1,062,108		4,120,699
Charges for services	2,618,789		
Licenses, permits, and fees	701,347		
Fines and forfeitures	49,006		
Program income			
Other revenues	213,655	199,565	614,813
<b>Total revenues</b>	<b>30,686,160</b>	<b>3,054,140</b>	<b>5,951,966</b>
<b>Expenditures:</b>			
Current:			
General government	4,351,233		
Public safety	23,099,011		
Parks and recreation	1,864,729		
Public works and facilities	4,327,544		
Community development	1,555,157	2,007,924	
Capital outlay	190,172	281,342	
Debt service:			
Principal	109,026		
Interest and other charges	19,123		
<b>Total expenditures</b>	<b>35,515,995</b>	<b>2,289,266</b>	
Excess of revenues over (under) expenditures	(4,829,835)	764,874	5,951,966
<b>Other Financing Sources (Uses):</b>			
Transfers in	7,238,891	3,992,711	
Transfers out	(195,249)	(3,984,519)	(7,108,786)
<b>Total other financing sources (uses)</b>	<b>7,043,642</b>	<b>8,192</b>	<b>(7,108,786)</b>
Net changes in fund balances	2,213,807	773,066	(1,156,820)
Fund balances (deficits) - July 1, 2009	32,353,627	3,509,934	715,240
Fund balances (deficits) - June 30, 2010	\$ 34,567,434	\$ 4,283,000	\$ (441,580)

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

<u>RDA Debt Service Fund</u>	<u>General CIP Capital Projects Fund</u>	<u>Impact Fees CIP Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 1,258,844	\$ 28,563,525
	60,457	686,283	247,002	3,801,345
	102,475	711,763	2,046,321	8,043,366
	4,354	2,141,886	855,701	5,620,730
			59,686	761,033
			441,875	490,881
			111,464	111,464
			67,910	1,095,943
	<u>167,286</u>	<u>3,539,932</u>	<u>5,088,803</u>	<u>48,488,287</u>
			3,509	4,354,742
			63,990	23,163,001
			269,602	2,134,331
		586,775	262,198	5,176,517
			2,015,640	5,578,721
	309,267	1,907,534	6,642,032	9,330,347
			1,822,365	1,931,391
<u>2,655,869</u>			<u>3,071,742</u>	<u>5,746,734</u>
<u>2,655,869</u>	<u>309,267</u>	<u>2,494,309</u>	<u>14,151,078</u>	<u>57,415,784</u>
<u>(2,655,869)</u>	<u>(141,981)</u>	<u>1,045,623</u>	<u>(9,062,275)</u>	<u>(8,927,497)</u>
	491,547	2,813,677	9,968,386	24,505,212
	<u>(725,163)</u>	<u>(3,652,173)</u>	<u>(5,803,473)</u>	<u>(21,469,363)</u>
	<u>(233,616)</u>	<u>(838,496)</u>	<u>4,164,913</u>	<u>3,035,849</u>
<u>(2,655,869)</u>	<u>(375,597)</u>	<u>207,127</u>	<u>(4,897,362)</u>	<u>(5,891,648)</u>
<u>(26,558,689)</u>	<u>11,507,192</u>	<u>4,804,138</u>	<u>16,365,093</u>	<u>42,696,535</u>
<u>\$ (29,214,558)</u>	<u>\$ 11,131,595</u>	<u>\$ 5,011,265</u>	<u>\$ 11,467,731</u>	<u>\$ 36,804,887</u>

**CITY OF YUBA CITY**  
**RECONCILIATION OF THE STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2010

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES \$ (5,891,648)

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

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

Capital outlay expenditures are, therefore, added back to fund balances	9,288,754
Depreciation expense not reported in governmental funds	(10,322,684)
Capital outlay expenditures reported as salary expenditures in governmental funds	359,708
Contributed capital not reported in governmental funds	1,175,884

Gain or loss on disposition of capital assets is not reported in the governmental funds. This is the loss on disposition of capital assets that occurred during the current period (47,381)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but are deferred and amortized throughout the period during which the related debt is outstanding in the statement of net assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but in the statement of net assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balances	1,931,391
Amortization expense of costs of issuance not reported in governmental funds	(52,768)
Amortization of premium and deferred loss on refunding	(13,127)

The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenue or expenditures in governmental funds (net change). These are the current year changes:

Interest payable	(929)
Compensated absences	(159,070)

Certain revenues are offset by deferred revenue in the governmental funds because they are not available to pay for current period expenditures. This amount represents the amount by which current year deferred revenue exceeded prior year. 588,505

The net pension asset pertaining to governmental fund types is not a current financial resource and therefore is not recorded in the governmental fund statements. This amount represents the amount of the change in the net pension asset during the fiscal year (608,639)

Other postemployment benefits payable is not a current liability and therefore is not recorded in the governmental fund statements. This amount represents the amount of the change in the payable in the current period. (228,141)

Certain revenues and expenses reported in the statement of activities are not current financial resources or do not require the use of current financial resources, and therefore, are not reported as revenues or expenditures in the governmental funds. These amounts represent the amounts that prior year accounts receivable and accounts payable exceeded current year. 22,864

Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment maintenance and operations, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities. 1,642,872

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (2,314,409)

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

**CITY OF YUBA CITY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
June 30, 2010

	<b>Business-type Activities Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Water</b>	<b>Wastewater</b>	<b>Totals</b>	
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ -	\$ 12,367,438	\$ 12,367,438	\$ 13,551,338
Cash and investments with fiscal agents	1,886,522	1,046,580	2,933,102	
Restricted cash and investments		850,535	850,535	
Accounts receivable - net	2,513,459	889,032	3,402,491	57,541
Taxes and assessments receivable		110,000	110,000	
Interest receivable	519		519	
Due from other funds	166,000	20,000	186,000	
Inventory		94,114	94,114	266,885
Prepaid expenses	106,061	272	106,333	1,598,266
<b>Total Current Assets</b>	<b>4,672,561</b>	<b>15,377,971</b>	<b>20,050,532</b>	<b>15,474,030</b>
Noncurrent Assets:				
Deferred charges, net of accumulated amortization	583,663	512,510	1,096,173	
Capital Assets:				
Nondepreciable				
Land	974,698	700,000	1,674,698	
Construction in progress	12,432,075	6,480	12,438,555	
<b>Total Nondepreciable Capital Assets</b>	<b>13,406,773</b>	<b>706,480</b>	<b>14,113,253</b>	
Depreciable				
Buildings	9,124,700	16,142,692	25,267,392	306,372
Improvements	40,950,556	32,829,985	73,780,541	
Infrastructure	82,492,605	40,841,046	123,333,651	
Machinery and equipment	9,750,439	14,355,573	24,106,012	11,542,932
<b>Total Depreciable Capital Assets</b>	<b>142,318,300</b>	<b>104,169,296</b>	<b>246,487,596</b>	<b>11,849,304</b>
Less Accumulated Depreciation	(30,212,353)	(29,453,634)	(59,665,987)	(8,459,382)
<b>Net Depreciable Capital Assets</b>	<b>112,105,947</b>	<b>74,715,662</b>	<b>186,821,609</b>	<b>3,389,922</b>
<b>Net Capital Assets</b>	<b>125,512,720</b>	<b>75,422,142</b>	<b>200,934,862</b>	<b>3,389,922</b>
<b>Total Noncurrent Assets</b>	<b>126,096,383</b>	<b>75,934,652</b>	<b>202,031,035</b>	<b>3,389,922</b>
<b>Total Assets</b>	<b>\$ 130,768,944</b>	<b>\$ 91,312,623</b>	<b>\$ 222,081,567</b>	<b>\$ 18,863,952</b>

(Continued)

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

**CITY OF YUBA CITY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2010**

	<b>Business-type Activities Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Water</b>	<b>Wastewater</b>	<b>Totals</b>	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 1,220,301	\$ 135,848	\$ 1,356,149	\$ 85,937
Accrued interest payable	100,236	75,514	175,750	
Accrued wages	65,672	94,538	160,210	12,234
Deferred revenue	69,140	114,711	183,851	7,793
Deposits payable	7,273	70,255	77,528	
Due to other funds	414,975		414,975	220,000
Compensated absences	177,987	210,929	388,916	
Certificates of participation	630,000	542,772	1,172,772	
<b>Total Current Liabilities</b>	<b>2,685,584</b>	<b>1,244,567</b>	<b>3,930,151</b>	<b>325,964</b>
Noncurrent Liabilities:				
Compensated absences	32,359	41,435	73,794	23,460
Certificates of participation	26,405,000	19,118,777	45,523,777	
<b>Total Noncurrent Liabilities</b>	<b>26,437,359</b>	<b>19,160,212</b>	<b>45,597,571</b>	<b>23,460</b>
<b>Total Liabilities</b>	<b>29,122,943</b>	<b>20,404,779</b>	<b>49,527,722</b>	<b>349,424</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	99,061,383	56,273,103	155,334,486	3,389,922
Restricted for:				
Debt service	1,786,286	971,066	2,757,352	
Future claims				3,395,799
Future water purchases	448,717		448,717	
Unrestricted	349,615	13,663,675	14,013,290	11,728,807
<b>Total Net Assets</b>	<b>\$ 101,646,001</b>	<b>\$ 70,907,844</b>	<b>\$ 172,553,845</b>	<b>\$ 18,514,528</b>

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

**CITY OF YUBA CITY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS**  
For the Fiscal Year Ended June 30, 2010

	<b>Business-type Activities</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Wastewater</b>	<b>Totals</b>	
Operating Revenues:				
Sales and charges for services	\$ 8,083,940	\$ 8,916,307	\$ 17,000,247	\$ 7,100,376
Connection fees	537,904	337,011	874,915	
Other revenues	31,925	99,911	131,836	48,538
Total Operating Revenues	<u>8,653,769</u>	<u>9,353,229</u>	<u>18,006,998</u>	<u>7,148,914</u>
Operating Expenses:				
Salaries and benefits	2,350,592	2,979,134	5,329,726	456,006
Professional services	283,109	272,069	555,178	20,844
Supplies	27,899	28,182	56,081	14,478
Benefits, claims, and insurance	30,638	42,675	73,313	3,838,818
Maintenance and operation	229,563	661,201	890,764	451,182
Tools and equipment	413,978	811,619	1,225,597	100,839
Rents and leases	617	737	1,354	
Power and utilities	978,291	989,004	1,967,295	32,577
Training	26,860	38,938	65,798	1,875
Water purchases	474,972		474,972	
Amortization	24,067	32,100	56,167	
Depreciation	3,702,704	2,950,667	6,653,371	987,461
Total Operating Expenses	<u>8,543,290</u>	<u>8,806,326</u>	<u>17,349,616</u>	<u>5,904,080</u>
Operating Income (Loss)	<u>110,479</u>	<u>546,903</u>	<u>657,382</u>	<u>1,244,834</u>
Non-Operating Revenues (Expenses):				
Interest income	13,739	415,481	429,220	392,260
Interest expense	(1,215,030)	(931,520)	(2,146,550)	
Gain (loss) on sale of capital assets		(8,990)	(8,990)	5,778
Intergovernmental revenues	3,544,850	265,369	3,810,219	
Total Non-Operating Revenue (Expenses)	<u>2,343,559</u>	<u>(259,660)</u>	<u>2,083,899</u>	<u>398,038</u>
Income (Loss) Before Transfers and Capital Contributions	2,454,038	287,243	2,741,281	1,642,872
Transfers:				
Transfers in	6,927	245,000	251,927	
Transfers out	(1,963,243)	(1,324,533)	(3,287,776)	
Total change in net assets before capital contributions	497,722	(792,290)	(294,568)	1,642,872
Capital contributions	<u>251,009</u>	<u>272,859</u>	<u>523,868</u>	
Change in Net Assets	748,731	(519,431)	229,300	1,642,872
Net Assets, July 1, 2009	<u>100,897,270</u>	<u>71,427,275</u>	<u>172,324,545</u>	<u>16,871,656</u>
Net Assets, June 30, 2010	<u>\$ 101,646,001</u>	<u>\$ 70,907,844</u>	<u>\$ 172,553,845</u>	<u>\$ 18,514,528</u>

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

**CITY OF YUBA CITY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2010

	<b>Business-type Activities</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Enterprise Funds</b>			
	<b>Water</b>	<b>Wastewater</b>	<b>Totals</b>	
Cash Flows from Operating Activities:				
Receipts from customers	\$ 6,868,309	\$ 9,340,119	\$ 16,208,428	\$ 7,141,089
Payments to suppliers and users	(1,356,811)	(2,887,875)	(4,244,686)	(5,104,204)
Payments to employees	(2,347,838)	(2,962,409)	(5,310,247)	(494,821)
Net Cash Provided (Used) by Operating Activities	<u>3,163,660</u>	<u>3,489,835</u>	<u>6,653,495</u>	<u>1,542,064</u>
Cash Flows from Non-Capital Financing Activities:				
Intergovernmental revenues	3,544,850	265,369	3,810,219	
Transfers in	6,927	245,000	251,927	
Transfers out	(1,963,243)	(1,324,533)	(3,287,776)	
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,588,534</u>	<u>(814,164)</u>	<u>774,370</u>	
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets	(13,673,138)	(1,607,059)	(15,280,197)	(396,775)
Proceeds from sale of capital assets		6,006	6,006	5,778
Capital contributions	251,009	272,859	523,868	
Principal paid on debt	(600,000)	(519,025)	(1,119,025)	
Interest paid on debt	(1,217,283)	(933,664)	(2,150,947)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(15,239,412)</u>	<u>(2,780,883)</u>	<u>(18,020,295)</u>	<u>(390,997)</u>
Cash Flows from Investing Activities:				
Interest received	14,628	415,481	430,109	392,260
Net Cash Provided by Investing Activities	<u>14,628</u>	<u>415,481</u>	<u>430,109</u>	<u>392,260</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(10,472,590)	310,269	(10,162,321)	1,543,327
Cash and Cash Equivalents, July 1, 2009	<u>12,359,112</u>	<u>13,954,284</u>	<u>26,313,396</u>	<u>12,008,011</u>
Cash and Cash Equivalents, June 30, 2010	<u>\$ 1,886,522</u>	<u>\$ 14,264,553</u>	<u>\$ 16,151,075</u>	<u>\$ 13,551,338</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets				
Cash and investments	\$ -	\$ 12,367,438	\$ 12,367,438	\$ 13,551,338
Cash and investments with fiscal agents	1,886,522	1,046,580	2,933,102	
Restricted cash and investments		850,535	850,535	
Total Cash and Investments	<u>\$ 1,886,522</u>	<u>\$ 14,264,553</u>	<u>\$ 16,151,075</u>	<u>\$ 13,551,338</u>

(Continued)

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

**CITY OF YUBA CITY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS (Continued)**  
For the Fiscal Year Ended June 30, 2010

	<b>Business-type Activities Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Water</b>	<b>Wastewater</b>	<b>Totals</b>	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 110,479	\$ 546,903	\$ 657,382	\$ 1,244,834
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Amortization	24,067	32,100	56,167	
Depreciation	3,702,704	2,950,667	6,653,371	987,461
(Increase) Decrease in Operating Assets:				
Accounts receivable	(1,699,418)	(49,126)	(1,748,544)	(8,065)
Inventory		(94,114)	(94,114)	27,762
Due from other funds	(20,000)		(20,000)	45,807
Prepaid expenses	1,963	(272)	1,691	(763,308)
Increase (Decrease) in Operating Liabilities:				
Accounts payable	712,178	50,936	763,114	30,727
Accrued wages	(6,960)	7,640	680	(1,400)
Compensated absences	9,714	9,085	18,799	3,814
Due to other funds	414,975		414,975	(25,808)
Deferred revenue	(52,336)	(34,239)	(86,575)	240
Deposits payable	(33,706)	70,255	36,549	
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,163,660</u>	<u>\$ 3,489,835</u>	<u>\$ 6,653,495</u>	<u>\$ 1,542,064</u>

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

**CITY OF YUBA CITY**  
**FIDUCIARY FUNDS**  
**STATEMENT OF ASSETS AND LIABILITIES**  
June 30, 2010

	<b>Agency</b>
<b>ASSETS</b>	
Cash and investments	\$ 4,348,450
Cash and investments with fiscal agent	964,594
Due from agency fund	96,126
Prepaid expenses	500
Interest receivable	852
Accounts receivable	5,984,764
Total Assets	\$ 11,395,286
<b>LIABILITIES</b>	
Due to agency fund	\$ 96,126
Accounts payable	194,351
Loan payable	5,876,442
Deposits payable	5,228,367
Total Liabilities	\$ 11,395,286

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

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Yuba City was founded in 1849, and is one of California's oldest cities. Yuba City was formally incorporated January 23, 1908, under the laws and regulations of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting methods and procedures adopted by the City conform to accounting principles generally accepted in the United States of America, as applied to governmental entities. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable under the criteria set by Governmental Accounting Standards Board (GASB) Statement No. 14, *the Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

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

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

For financial reporting purposes, the City's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the City's Council. The financial statements of the individual component units may be obtained by writing to the City of Yuba City, 1201 Civic Center Blvd., Yuba City, California 95993.

Blended Component Units

Component units that are blended into the reporting activity types of the City's report are presented below:

*Yuba City Redevelopment Agency*

The California Redevelopment process provides communities at a local level with a comprehensive tool for economic development. These tools are the powers of land assembly and site preparation for private development, the ability to finance necessary public improvements, the authority to impose conditions and restrictions for the quality of developments of an area, and the capability to broaden financing capabilities utilizing a variety of public and private sources. The Agency provides services entirely for the benefit of the City of Yuba City. The governing body is substantially the same as the primary government

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*Yuba City Redevelopment Agency (Continued)*

and the City and the component unit are financially interdependent; hence, the unit is blended with the primary government. Separate audited financial statements for the Redevelopment Agency may be obtained from the City Finance Department, 1201 Civic Center Boulevard, Yuba City, California 95993.

*Yuba City Public Finance Authority*

The Yuba City Public Finance Authority was formed by a joint exercise of power agreement dated November 5, 1992, between the City of Yuba City and the Redevelopment Agency of the City of Yuba City for the purpose of issuing bonds to be used to provide financial assistance to the City and the Agency. The governing body is substantially the same as the primary government and the City and the component unit are financially interdependent; hence, the unit is presented by blending with the primary government. Separate audited financial statements for the Public Finance Authority are not issued.

Debt of the Public Finance Authority and the Redevelopment Agency is shown as general obligation long-term debt of the City.

Discretely Presented Component Units

There are no component units of the City which meet the criteria for discrete presentation.

Joint Powers Agencies

The City also has ownership interests in the Northern California Cities Self Insurance Fund (NCCSIF). This entity has not met the criteria stated above, and its financial information is not combined with that of the City, although the City's investment in this entity has been included in the financial statements as prepaid insurance.

**B. Basis of Presentation and Accounting and Measurement Focus**

The accounts of the City are organized and operated on the basis of funds, each of which is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. These funds are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Government-wide Financial Statements

The Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary Activities of the City are not included in these statements.

The government-wide financial statements are reported using the *economic resources* measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. The types of transactions reported as program revenues for the City are reported in three categories:

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation and Accounting and Measurement Focus (Continued)**

- > Charges for services
- > Operating grants and contributions
- > Capital grants and contributions

There have been certain eliminations as prescribed by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*, in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- > Advances to/from other funds
- > Transfers in/out
- > Due to/ from

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements; Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

Major Funds

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

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation and Accounting and Measurement Focus (Continued)**

The City has presented all major funds that meet the qualifications for major fund reporting.

The following are descriptions of the major governmental funds:

- The **General Fund** is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. The General Fund includes such activities as public safety, parks and recreation, public works and facilities and community development.
- The **Redevelopment Agency Fund** is a special revenue fund used to account for the property tax increment levied for redevelopment.
- The **Streets and Roads Fund** is a special revenue fund used to account for monies to be used on transportation, road, and street programs.
- The **RDA Debt Service Fund** is a debt service fund used to account for the advance from the General Fund to the Yuba City Redevelopment Agency.
- The **General Capital Improvement Projects Fund** is a capital projects fund used to account for funds budgeted for capital improvements which are funded from general City revenue sources.
- The **Impact Fees CIP Projects Fund** is a capital projects fund used to account for funds budgeted for capital expenditures, which are funded from Development Impact Fees.

All Governmental Funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both *measurable* and *available* to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due.

Reconciliations of the Governmental Fund Financial Statements to the Government-wide Financial Statements are provided to explain the differences created by the integrated approach.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows for each major proprietary fund. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-wide Financial Statements.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation and Accounting and Measurement Focus (Continued)**

The following are descriptions of the major proprietary funds:

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

All proprietary fund types are accounted for on an *economic resources* measurement focus and full accrual basis of accounting. Accordingly, all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the full accrual basis of accounting, revenues are recognized in the accounting period in which they are *earned* and expenses are recognized in the accounting period *incurred*.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the funds. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Internal Service Funds

The City also reports the following fund type:

- Internal Service Funds - These funds are used to account for stores, vehicle replacement, insurance, technology replacement, and employee benefit services provided to other departments on a cost reimbursement basis.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary funds are used to account for assets held by the City as an agent for employees and various independent entities as well as independent assessment districts, the Net - 5 Operations, and the operations of the Sutter-Butte Flood Control Agency. The Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, however, they do use the full accrual basis of accounting to recognize receivables and payables.

**C. Cash and Investments**

The City pools cash and investments of all funds, except amounts held by fiscal agents. The City sponsors an investment pool that is managed by the Yuba City City Council. The Council invests on behalf of most funds of the City and external participants in accordance with the California State Government Code and the City's investment policy.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Cash and Investments (Continued)**

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

Participant's equity in an investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants annually. During the fiscal year ended June 30, 2010, the City has not entered into any legally binding guarantees to support the participant equity in the investment pool.

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB Statement No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas: Interest Rate Risk, Credit Risk, Custodial Credit Risk, and Concentrations of Credit Risk.

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

The City has implemented GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are not readily available.

The City participates in an investment pool LAIF, which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

For purposes of the accompanying statement of cash flows, the enterprise and internal service funds consider all highly liquid investments with a maturity date of three months or less when purchased, and their equity in the City's investment pool, to be cash equivalents.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Receivables**

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The major receivable balances for the governmental activities are taxes, grants, and interest. Business-type activities report user fees and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes and other similar intergovernmental revenues since they are not usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received.

**E. Interfund Transactions**

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

- Loans reported as receivables and payables are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.
- Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each governmental function and, therefore, are not eliminated in the process of preparing the government-wide Statement of Activities.
- Reimbursements occur when the funds responsible for particular expenditures or expenses repay the funds that initially paid for them. Such reimbursements are treated as an adjustment to expenditures or expenses; that is, a corresponding increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund.
- All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

See Note 6 for details of interfund transactions.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Inventory and Prepaid Items**

Inventories are stated at cost (first-in, first-out basis) for proprietary funds. Inventory recorded by proprietary funds includes supplies for internal service funds. Proprietary fund inventories are recorded as expenses at the time the inventory is consumed.

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

**G. Notes Receivable**

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

**H. Capital Assets**

Capital assets, which includes land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. Capital assets are defined by the City as assets with a cost of more than \$5,000 and an estimated useful life of more than two years.

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

Government-wide Financial Statements

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these capital assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation of all capital assets is charged as an expense against operations each fiscal year and is reported in the statement of activities. The total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net assets as a reduction in the value of capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital asset constructed, net of interest earned on the invested proceeds over the same period.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Capital Assets (Continued)**

The range of estimated useful lives by type of asset is as follows:

Depreciable Asset	Estimated Life
Equipment	3-25 years
Structures and improvements	5-50 years
Infrastructure	20-75 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Fund Financial Statements

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

**I. Deferred Revenue**

Under both the accrual and modified accrual basis of accounting, revenues are recognized only when earned. Thus, the government-wide statement of net assets, governmental funds, and enterprise funds defer revenue recognition for resources that have been received at fiscal year-end, but not yet earned. Assets recognized before the earning process is complete are offset by a corresponding liability as deferred revenue. In addition, loans receivable for which repayments are deferred, or for which the balance may be forgiven if certain terms and conditions of the loans are met, have also been offset by deferred revenue. Under the modified accrual basis of accounting, revenues are recognized when earned and susceptible to accrual. Revenues are considered susceptible to accrual if they are measurable and available to finance expenditures of the current period. Thus, governmental funds also defer revenue recognition for revenues not considered available to liquidate liabilities of the current period.

See Note 4 for details of deferred revenue at fiscal year-end.

**J. Long-term Debt**

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. The long-term debt consists of loans, compensated absences, bonds, and certificates of participation. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount and issuance costs.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Long-term Debt (Continued)**

Long-term debt for 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 are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**K. Compensated Absences**

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from City service. One hundred percent of unused vacation benefits are paid to employees upon termination. For employees hired prior to July 31, 1991, twenty-five percent of unused sick leave benefits vest with employees after five years and fifty percent vest with employees after fifteen years. For employees hired after July 31, 1991, fifteen percent of unused sick leave benefits vest with employees after five years and thirty percent vests with employees after fifteen years. In prior years, the General Fund has been used to liquidate the liability for non-proprietary fund compensated absences.

In the government-wide and proprietary fund financial statements, the accrued compensated absences is reported as an expense and related liability. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature. The City includes its share of medicare taxes and workers compensation payable on behalf of the employees in the accrual for compensated absences.

**L. Net Assets/Fund Balances**

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Assets are divided into three captions under GASB Statement No. 34. These captions apply only to Net Assets as determined at the government-wide level, and are described below:

- *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.
- *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 principally include debt service requirements, capital projects, and redevelopment funds restricted to low and moderate income housing purposes.
- *Unrestricted* describes the portion of Net Assets, which is not restricted as to use.

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

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Net Assets/Fund Balances (Continued)**

At June 30, 2010, the City had recorded restricted net assets in the Governmental Activities and Business-type Activities as follows:

	Governmental Activities	Business-type Activities
Restricted for:		
Low and moderate income housing	\$ 7,552,388	\$ -
Capital projects	22,467,252	
Debt service		2,757,352
Future claims	3,395,799	
Future water purchases		448,717
Total Restricted	\$ 33,415,439	\$ 3,206,069

Included in total restricted net assets at June 30, 2010 are net assets restricted by enabling legislation of \$10,430,507.

In the governmental fund financial statements, reserves and designations segregate portions of fund balance. Reservations of fund balance are for amounts that are not available or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance are established by action of management and represent tentative plans that are subject to change. The City's reserves and designations at June 30, 2010, are comprised of the following:

	General	Redevelopment Agency	General Capital Improvements Projects	Impact Fees CIP Capital Projects Fund	Other Governmental Funds
Reserved for:					
Low and moderate income housing	\$ -	\$ -	\$ -	\$ -	\$ 3,464,517
Encumbrances	371,181	45,703	236,848	1,809,670	1,408,149
Debt service		103,500			842,298
Construction			4,179,700		
Prepaid expenditures	23,613	272			
Advances receivable	29,214,558				1,349,289
Total Reserved	\$ 29,609,352	\$ 149,475	\$ 4,416,548	\$ 1,809,670	\$ 7,064,253
Designated for:					
Capital improvement projects	\$ -	\$ -	\$ 6,715,047	\$ 3,201,595	\$ 3,193,239
Economic stabilization	1,452,830				
Total Designated	\$ 1,452,830	\$ -	\$ 6,715,047	\$ 3,201,595	\$ 3,193,239

Reserves are described as follows:

- Reserved for low and moderate income housing – to reflect the portion of fund balance relating to State required low-to-moderate income housing set aside.
- Reserved for Encumbrances – to reflect the outstanding contractual obligations for which goods and services have not been received.
- Reserved for Debt Service - to reflect the funds held for future payment on debt principal and interest.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Net Assets/Fund Balances (Continued)**

- Reserved for construction - to reflect the funds the City has set aside to fund future capital improvements.
- Reserved for prepaid expenditures - to reflect an amount equal to the prepaid expenditures
- Reserved for advances receivable - to reflect an amount equal to the long-term receivable advances to other funds.

Designations are described as follows:

- Designated for capital improvement projects - to reflect the funds the City has set aside to fund future capital improvements.
- Designated for economic stabilization – to reflect the funds the City has set aside to cover revenue shortfalls during the current economic downturn.

**M. Property Tax Levy, Collections, and Maximum Rates**

The State of California’s (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value, as defined by Article XIII A, and may be adjusted by no more than 2% per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy amount to the County, cities, school districts, and other districts.

Tax Levy Dates

All lien dates attach annually on January 1 preceding 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 secured 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

The Sutter County tax collector is responsible for all property tax collections. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments; the first installment is due on November 1 of the fiscal year and is delinquent if not paid by December 10, the second installment 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 Sutter apportions secured property tax revenue in accordance with the alternate methods of distribution, the “Teeter Plan”, as described by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100 percent of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Grant Revenues**

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

**O. Estimates**

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

**P. New Accounting Pronouncements**

The City has implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 51, No. 53, No. 57, and No. 58 during the fiscal year ended June 30, 2010.

GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*”. This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce the inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments*”. This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 57, “*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*”. This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. New Accounting Pronouncements (Continued)**

GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 58, “*Accounting and Financial Reporting for Chapter 9 Bankruptcies*”. This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

**Q. Rebatable Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years.

**R. GANN Spending Limitation**

Under Article XIII B of the California Constitution (the GANN Spending Limitation), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules, or other refund arrangements.

**NOTE 2 - CASH AND INVESTMENTS**

The City maintains a cash and investment pool for all funds. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled.

Statement of Net Assets:	
Cash and investments	\$ 68,155,364
Cash and investments with fiscal agents	8,773,944
Restricted cash and investments with fiscal agents	3,193,680
Statement of Fiduciary Net Assets:	
Cash and investments	4,348,450
Cash and investments with fiscal agents	964,594
Total	\$ 85,436,032

Certain restricted cash and investments are held in separate cash accounts and with fiscal agents for the redemption of debt and for acquisition and construction of capital assets.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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

Cash on hand	\$	3,050
Deposits with financial institutions		1,297,984
Investments		84,134,998
Total		\$ 85,436,032

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$50 million
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	20%	None
State of California and Local Agency Obligations	5 years	None	15%
Yuba City and Yuba City RDA Obligations	None	None	15%
Special Assessment District Obligations	30 years	None	15%
Bankers Acceptance (must be dollar denominated)	180 days	40%	30%
Commercial Paper	270 days	10%	25%
Negotiable Certificates of Deposit	5 years	30%	None
Non-Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	5 years	None	None
Medium Term Notes	5 years	30%	10%
Asset Backed Obligations	5 years	20%	None
Money Market Funds	N/A	20%	None

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Investments Authorized by Debt Agreements**

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
State of California and Local Agency Obligations	5 years	None	15%
Special Assessment District Obligations	30 years	None	15%
Bankers Acceptance (must be dollar denominated)	180 days	40%	30%
Commercial Paper	270 days	10%	25%
Negotiable Certificates of Deposit	5 years	30%	None
Non-Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	5 years	None	None
Medium Term Notes	5 years	30%	10%
Asset Backed Obligations	5 years	20%	None
Money Market Funds	N/A	20%	None
Investment Agreements	7 years	None	None
Forward Delivery Agreements	None	None	None
California Asset Management Program	N/A	None	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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 so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Disclosures Relating to Interest Rate Risk (Continued)**

Investment Type	Totals	Remaining Maturity (in Months)						Weighted Average Maturity (Years)
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	More Than 60 Months	
State Investment Pool	\$ 9,687,518	\$ 9,687,518	\$ -	\$ -	\$ -	\$ -	\$ -	NA
California Asset Management Program (CAMP)	101,917	101,917						NA
Money market funds	9,573,330	9,573,330						NA
Special assessment district bonds	326,075			16,502			309,573	14.96
Yuba City RDA obligations	1,037,472						1,037,472	22.17
U.S. treasury obligations	8,211,538		5,310,616	2,137,384	763,538			1.80
U.S. government agency issues	38,934,172	11,748,359	15,926,941	8,153,560	1,600,777	1,504,535		1.74
Corporate bonds	4,181,293	1,565,688	2,083,690	531,915				1.14
Held by bond trustees:								
Money market funds	512,326	512,326						NA
State investment pool (LAIF)	6,097,554	6,097,554						NA
U.S. treasury obligations	772,000	772,000						0.00
U.S. government agency issues	4,699,803	4,699,803						0.37
	<u>\$ 84,134,998</u>	<u>\$ 44,758,495</u>	<u>\$ 23,321,247</u>	<u>\$ 10,839,361</u>	<u>\$ 2,364,315</u>	<u>\$ 1,504,535</u>	<u>\$ 1,347,045</u>	<u>2.01</u>

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

**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.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 9,687,518	N/A	\$ -	\$ -	\$ -	\$ -	\$ 9,687,518
California Asset Management Program (CAMP)	101,917	N/A					101,917
Money market funds	9,573,330	N/A		223,914			9,349,416
Special assessment district bonds	326,075	N/A					326,075
Local agency obligations	1,037,472	N/A					1,037,472
U.S. treasury obligations	8,211,538	N/A	8,211,538				
U.S. government agency issues	38,934,172	N/A		38,934,172			
Corporate bonds	4,181,293	N/A		1,323,631	2,325,747	531,915	
Held by bond trustees:							
Money market funds	512,326	N/A		512,326			
State investment pool (LAIF)	6,097,554	N/A					6,097,554
U.S. treasury obligations	772,000	N/A	772,000				
U.S. government agency issues	4,699,803	N/A		4,699,803			
Total	<u>\$ 84,134,998</u>		<u>\$ 8,983,538</u>	<u>\$ 45,693,846</u>	<u>\$ 2,325,747</u>	<u>\$ 531,915</u>	<u>\$ 26,599,952</u>

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Concentration of Credit Risk**

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are five investments that represent more than 5% of total City investments other than U.S. Government securities, external investment pools, and mutual funds (Federal Farm Credit - \$6,922,982, Federal National Mortgage - \$12,411,781, Federal Home Loan Bank - \$5,311,340, Federal Home Loan Mortgage Group - \$4,714,025, and Federal Home Loan - \$6,636,357). Due to the City's pooling of its cash and investments, it is indeterminable of the amounts of concentration included in individual opinion units.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The 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 governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2010, \$1,961,374 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The LAIF fair value factor of 1.001643776 was used to calculate the fair value of the investments in LAIF.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 3 - CAPITAL ASSETS**

At June 30, 2010, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<b>Nondepreciable Assets:</b>			
Land	\$ 128,984,329	\$ 1,674,698	\$ 130,659,027
Construction in progress	5,740,187	12,438,555	18,178,742
<b>Total nondepreciable assets</b>	<b>134,724,516</b>	<b>14,113,253</b>	<b>148,837,769</b>
<b>Depreciable Assets:</b>			
Buildings	39,445,591	25,267,392	64,712,983
Improvements	7,282,256	73,780,541	81,062,797
Machinery and equipment	17,331,022	24,106,012	41,437,034
Infrastructure	341,795,532	123,333,651	465,129,183
<b>Total depreciable assets</b>	<b>405,854,401</b>	<b>246,487,596</b>	<b>652,341,997</b>
Less accumulated depreciation	(92,035,573)	(59,665,987)	(151,701,560)
<b>Total depreciable assets, net</b>	<b>313,818,828</b>	<b>186,821,609</b>	<b>500,640,437</b>
<b>Total capital assets, net</b>	<b>\$ 448,543,344</b>	<b>\$ 200,934,862</b>	<b>\$ 649,478,206</b>

The following is a summary of capital asset activity for governmental activities for the fiscal year ended June 30, 2010:

	Balance June 30, 2009	Additions	Deletions	Transfers	Prior Period Adjustments	Balance June 30, 2010
<b>Governmental Activities</b>						
<b>Nondepreciable capital assets:</b>						
Land	\$ 128,532,658	\$ 337,301	\$ -	\$ -	\$ 114,370	\$ 128,984,329
Construction in progress	12,314,469	8,241,468		(14,815,750)		5,740,187
<b>Total nondepreciable capital assets</b>	<b>140,847,127</b>	<b>8,578,769</b>		<b>(14,815,750)</b>	<b>114,370</b>	<b>134,724,516</b>
<b>Depreciable capital assets:</b>						
Buildings	29,559,513	872,556		8,906,400	107,122	39,445,591
Improvements	6,457,269			824,987		7,282,256
Machinery and equipment	17,010,374	593,912	(331,707)	58,443		17,331,022
Infrastructure	335,593,728	1,175,884		5,025,920		341,795,532
<b>Total depreciable capital assets</b>	<b>388,620,884</b>	<b>2,642,352</b>	<b>(331,707)</b>	<b>14,815,750</b>	<b>107,122</b>	<b>405,854,401</b>
<b>Accumulated depreciation:</b>						
Buildings	(6,217,507)	(1,540,514)				(7,758,021)
Improvements	(2,629,800)	(279,480)				(2,909,280)
Machinery and equipment	(9,968,743)	(1,473,787)	284,326			(11,158,204)
Infrastructure	(62,193,704)	(8,016,364)				(70,210,068)
<b>Total accumulated depreciation</b>	<b>(81,009,754)</b>	<b>(11,310,145)</b>	<b>284,326</b>			<b>(92,035,573)</b>
<b>Net depreciable capital assets</b>	<b>307,611,130</b>	<b>(8,667,793)</b>	<b>(47,381)</b>	<b>14,815,750</b>	<b>107,122</b>	<b>313,818,828</b>
<b>Net capital assets</b>	<b>\$ 448,458,257</b>	<b>\$ (89,024)</b>	<b>\$ (47,381)</b>	<b>\$ -</b>	<b>\$ 221,492</b>	<b>\$ 448,543,344</b>

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 3 - CAPITAL ASSETS (Continued)**

Depreciation Allocation

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

**Governmental Activities:**

General government	\$ 399,249
Public safety	1,147,570
Public works	9,387,176
Parks and recreation	357,495
Community development	<u>18,655</u>
Subtotal Governmental Funds	<u>\$ 11,310,145</u>

Depreciation on capital assets held by the City's internal service funds of \$987,461 are charged to the various functions based on their usage of the assets and is included above.

The following is a summary of capital asset activity for business-type activities for the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<b>Business-type Activities</b>					
<b>Water</b>					
Nondepreciable capital assets:					
Land	\$ 974,698	\$ -	\$ -	\$ -	\$ 974,698
Construction in progress	1,834,903	13,422,129		(2,824,957)	12,432,075
Total nondepreciable capital assets	<u>2,809,601</u>	<u>13,422,129</u>		<u>(2,824,957)</u>	<u>13,406,773</u>
Depreciable capital assets:					
Buildings	7,781,945			1,342,755	9,124,700
Improvements	40,642,547			308,009	40,950,556
Machinery and equipment	9,730,311		(5,247)	25,375	9,750,439
Infrastructure	81,092,778	251,009		1,148,818	82,492,605
Total depreciable capital assets	<u>139,247,581</u>	<u>251,009</u>	<u>(5,247)</u>	<u>2,824,957</u>	<u>142,318,300</u>
Less accumulated depreciation	(26,514,896)	(3,702,704)	5,247		(30,212,353)
Net depreciable capital assets	<u>112,732,685</u>	<u>(3,451,695)</u>		<u>2,824,957</u>	<u>112,105,947</u>
Net capital assets	<u>\$ 115,542,286</u>	<u>\$ 9,970,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,512,720</u>

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 3 - CAPITAL ASSETS (Continued)**

	Balance July 1, 2009	Additions	Deletions	Transfers	Balance June 30, 2010
<b>Business-type Activities</b>					
<b>Wastewater</b>					
Nondepreciable capital assets:					
Land	\$ 700,000	\$ -	\$ -	\$ -	\$ 700,000
Construction in progress	1,013,357	1,297,916		(2,304,793)	6,480
Total nondepreciable capital assets	<u>1,713,357</u>	<u>1,297,916</u>		<u>(2,304,793)</u>	<u>706,480</u>
Depreciable capital assets:					
Buildings	16,127,112			15,580	16,142,692
Improvements	31,177,470			1,652,515	32,829,985
Machinery and equipment	14,368,869	36,284	(49,580)		14,355,573
Infrastructure	39,931,489	272,859		636,698	40,841,046
Total depreciable capital assets	101,604,940	309,143	(49,580)	2,304,793	104,169,296
Less accumulated depreciation	(26,537,551)	(2,950,667)	34,584		(29,453,634)
Net depreciable capital assets	<u>75,067,389</u>	<u>(2,641,524)</u>	<u>(14,996)</u>	<u>2,304,793</u>	<u>74,715,662</u>
Net capital assets	<u>\$ 76,780,746</u>	<u>\$ (1,343,608)</u>	<u>\$ (14,996)</u>	<u>\$ -</u>	<u>\$ 75,422,142</u>

**Depreciation Allocation**

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program were as follows:

**Business-Type Activities:**

Water	\$ 3,702,704
Wastewater	<u>2,950,667</u>

Total Depreciation Expense-Business-type Activities     \$ 6,653,371

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 4 – DEFERRED REVENUE**

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

General fund:	
Sales tax revenue accrued but not available	\$ 599,164
Business license and miscellaneous revenue received but not earned	323,242
Senior fund raising revenue received but not earned	46,238
Contributions collected for an undergrounding district, but not yet earned	47,400
Accounts receivable accrued but not available	23,865
Redevelopment Agency Special Revenue Fund:	
Notes receivable (balance may be forgiven)	76,500
Streets and Roads Special Revenue Fund:	
Impact fees collected but not earned	906
General CIP Capital Projects Fund:	
Notes receivable (balance may be forgiven)	373,589
Impact Fees CIP Capital Projects Fund:	
Impact fees collected but not earned	17,455,987
Low and Moderate Set Aside Special Revenue Fund:	
Notes receivable (balance may be forgiven)	2,723,488
HOME Grant Special Revenue Fund:	
Notes receivable (balance may be forgiven)	4,860,148
CDBG Program Income Special Revenue Fund:	
Notes receivable (balance may be forgiven)	1,194,895
CAL-HOME Grant Special Revenue Fund:	
Notes receivable (balance may be forgiven)	37,500
Harter Specific Plan Special Revenue Fund:	
Impact fees collected but not earned	30,000
Specific Plan Special Revenue Fund:	
Specific plan fees collected but not earned	71,342
Siller Ranch MP Special Revenue Fund:	
Fees collected but not earned	56,555
Water Fund:	
Water revenues collected but not earned	69,140
Wastewater Fund:	
Wastewater revenues collected but not earned	114,711
Employee Benefits Fund:	
Employee benefit contributions received but not earned	7,793

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 5 - LONG-TERM DEBT**

The following is a summary of long-term debt activity of the City for the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within one year
<b>Governmental Activities</b>					
Tax Allocation Revenue Bonds	\$ 35,615,000	\$ -	\$ (415,000)	\$ 35,200,000	\$ 425,000
Less Deferred Amounts:					
Refunding Difference	(608,391)		20,280	(588,111)	
Costs of Issuance	(516,267)		16,654	(499,613)	
Plus: Bond Premium	221,748		(7,153)	214,595	
Bonds, net	<u>34,712,090</u>		<u>(385,219)</u>	<u>34,326,871</u>	<u>425,000</u>
Certificates of Participation	12,020,000		(255,000)	11,765,000	265,000
Less Deferred Amounts:					
Costs of Issuance	(481,412)		17,830	(463,582)	
Certificates of Participation, net	<u>11,538,588</u>		<u>(237,170)</u>	<u>11,301,418</u>	<u>265,000</u>
Pension Obligation Bonds	6,725,000		(590,000)	6,135,000	650,000
Less Deferred Amounts:					
Costs of Issuance	(146,289)		18,284	(128,005)	
Pension Obligation Bonds, net	<u>6,578,711</u>		<u>(571,716)</u>	<u>6,006,995</u>	<u>650,000</u>
Other post-employment benefits	213,990	228,141		442,131	
Street Light Lease Payable	524,996		(109,026)	415,970	113,253
Fire Station #4 Lease Payable	5,443,594		(515,904)	4,927,690	536,168
Compensated Absences	3,306,885	2,015,328	(1,852,444)	3,469,769	128,166
Loans Payable	<u>1,774,102</u>		<u>(46,461)</u>	<u>1,727,641</u>	<u>47,823</u>
Total - Governmental Activities	<u>\$ 64,092,956</u>	<u>\$ 2,243,469</u>	<u>\$ (3,717,940)</u>	<u>\$ 62,618,485</u>	<u>\$ 2,165,410</u>
<b>Business-type Activities</b>					
Certificates of Participation	\$ 47,815,574	\$ -	\$ (1,119,025)	\$ 46,696,549	\$ 1,172,772
Less Deferred Amounts:					
Refunding Difference	(357,983)		22,491	(335,492)	
Bond Discount	(498,181)		20,757	(477,424)	
Costs of Issuance	(296,176)		12,919	(283,257)	
Bonds, net	<u>46,663,234</u>		<u>(1,062,858)</u>	<u>45,600,376</u>	<u>1,172,772</u>
Compensated Absences	<u>443,911</u>	<u>423,676</u>	<u>(404,877)</u>	<u>462,710</u>	<u>388,916</u>
Total Business-type Activities	<u>\$ 47,107,145</u>	<u>\$ 423,676</u>	<u>\$ (1,467,735)</u>	<u>\$ 46,063,086</u>	<u>\$ 1,561,688</u>

Compensated absences for governmental activities are generally liquidated by the fund where the accrued liability occurred, which is usually the General fund. Other post-employment benefits are generally liquidated by the fund in which the retiree was originally charged to, which is usually the General fund, but could also be Water, Wastewater, or Redevelopment Agency funds.

**Governmental Activities**

Tax Allocation Bonds – Series 2004A

On July 22, 2004, the Redevelopment Agency issued \$16,210,000 of Tax Allocation Bonds bearing interest between 2.000% and 5.375% and payable semi-annually on March 1 and September 1, maturing on September 1, 2039. These bonds will provide funds to aid in the financing of redevelopment in the project area and advance refund bonds issued in 1996. The outstanding principal balance of the 2004A Series bonds at June 30, 2010 was \$15,265,000.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 5 - LONG-TERM DEBT (Continued)**

**Governmental Activities (Continued)**

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 215,000	\$ 877,425	\$ 1,092,425
2012	225,000	868,344	1,093,344
2013	235,000	858,275	1,093,275
2014	245,000	847,230	1,092,230
2015	255,000	835,416	1,090,416
2016-2020	1,485,000	3,962,462	5,447,462
2021-2025	1,940,000	3,488,775	5,428,775
2026-2030	2,585,000	2,829,750	5,414,750
2031-2035	3,460,000	1,929,000	5,389,000
2036-2040	4,620,000	725,100	5,345,100
Totals	<u>\$ 15,265,000</u>	<u>\$ 17,221,777</u>	<u>\$ 32,486,777</u>

Tax Allocation Bonds – Series 2004B

On July 22, 2004, the Redevelopment Agency issued \$4,480,000 of Tax Allocation Bonds bearing interest between 2.000% and 5.375% and payable semi-annually on March 1 and September 1, maturing on September 1, 2039. These bonds will provide funds to aid in the financing of low and moderate income housing activities and advance refund bonds issued in 1996. The outstanding principal balance of the 2004B Series bonds at June 30, 2010 was \$4,215,000.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 60,000	\$ 242,166	\$ 302,166
2012	65,000	239,585	304,585
2013	65,000	236,741	301,741
2014	70,000	233,634	303,634
2015	70,000	230,326	300,326
2016-2020	410,000	1,092,106	1,502,106
2021-2025	535,000	961,943	1,496,943
2026-2030	710,000	780,600	1,490,600
2031-2035	955,000	532,350	1,487,350
2036-2040	1,275,000	200,250	1,475,250
Totals	<u>\$ 4,215,000</u>	<u>\$ 4,749,701</u>	<u>\$ 8,964,701</u>

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 5 - LONG-TERM DEBT (Continued)**

**Governmental Activities (Continued)**

Tax Allocation Bonds – Series 2007

On June 28, 2007, the Redevelopment Agency issued \$16,000,000 of Tax Allocation Bonds bearing interest of 5.00% and payable semi-annually on March 1 and September 1, maturing on September 1, 2039. These bonds will provide funds to aid in the financing of redevelopment in the project area. The outstanding principal balance of the 2007 Series bonds at June 30, 2010 was \$15,720,000.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 150,000	\$ 812,505	\$ 962,505
2012	155,000	804,880	959,880
2013	250,000	794,649	1,044,649
2014	260,000	782,424	1,042,424
2015	275,000	770,236	1,045,236
2016-2020	1,600,000	3,633,287	5,233,287
2021-2025	2,045,000	3,188,921	5,233,921
2026-2030	2,630,000	2,589,138	5,219,138
2031-2035	3,390,000	1,795,159	5,185,159
2036-2040	4,965,000	689,207	5,654,207
Totals	<u>\$ 15,720,000</u>	<u>\$ 15,860,406</u>	<u>\$ 31,580,406</u>

Certificates of Participation – Gauche Park/Aquatic Facility - 2006

On August 22, 2006, the City issued \$12,500,000 of Certificates of Participation bearing interest between 3.50% and 4.5% and payable semi-annually on December 1 and June 1, maturing on June 1, 2036. These certificates were used to finance the construction of the Gauche Aquatic Park. The outstanding principal balance of the 2006 Gauche Park/Aquatic Facility Certificates of Participation at June 30, 2010 was \$11,765,000.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 265,000	\$ 503,536	\$ 768,536
2012	270,000	493,996	763,996
2013	285,000	484,141	769,141
2014	295,000	473,596	768,596
2015	305,000	462,534	767,534
2016-2020	1,710,000	2,125,526	3,835,526
2021-2025	2,090,000	1,742,414	3,832,414
2026-2030	2,590,000	1,243,941	3,833,941
2031-2035	3,220,000	612,155	3,832,155
2036	735,000	33,075	768,075
Totals	<u>\$ 11,765,000</u>	<u>\$ 8,174,914</u>	<u>\$ 19,939,914</u>

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 5 - LONG-TERM DEBT (Continued)**

**Governmental Activities (Continued)**

Pension Obligation Bonds – Series 2007

On April 17, 2007, the City issued \$7,685,000 of Pension Obligation Bonds bearing interest between 5.21% and 5.37% and payable annually on June 1, maturing on June 1, 2017. These bonds were used to advance pay safety employee pension obligations. The outstanding principal balance of the 2007 Series bonds at June 30, 2010 was \$6,135,000.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 650,000	\$ 321,118	\$ 971,118
2012	715,000	288,033	1,003,033
2013	790,000	251,353	1,041,353
2014	865,000	210,590	1,075,590
2015	950,000	165,696	1,115,696
2016-2017	2,165,000	176,217	2,341,217
Totals	<u>\$ 6,135,000</u>	<u>\$ 1,413,007</u>	<u>\$ 7,548,007</u>

Capital Leases

The City has entered into a lease agreement with Pacific Gas & Electric Co. to acquire street lights. This equipment will become the property of the City when all terms of the lease agreement are met.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Total
2011	\$ 128,149
2012	128,149
2013	128,149
2014	64,075
Total requirements	448,522
Less: interest	(32,552)
Present value of remaining payments	<u>\$ 415,970</u>

The City has entered into a lease agreement to provide funds for the construction of Fire Station #4 and the police department expansion. The building of Fire Station #4 will become the property of the City when all terms of the lease agreement are met. The fire department and police department are providing the debt service for this lease at 83.8% and 16.2% respectively.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Total
2011	\$ 722,691
2012	722,691
2013	722,691
2014	722,691
2015	722,691
2016-2018	2,168,073
Total requirements	5,781,528
Less: interest	(853,838)
Present value of remaining payments	<u>\$ 4,927,690</u>

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 5 - LONG-TERM DEBT (Continued)**

**Governmental Activities (Continued)**

Loan Payable

The Redevelopment Agency has a loan with the California Infrastructure and Economic Development Bank, issued in the amount of \$1,905,700. The loan is payable in annual installments of \$45,139 to \$95,640, with an interest rate of 2.91%, with a maturity of September 1, 2034.

The loan was used to finance redevelopment activities. The outstanding principal balance of the loan at June 30, 2010 was \$1,727,641.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 47,823	\$ 49,919	\$ 97,742
2012	49,224	48,498	97,722
2013	50,666	47,034	97,700
2014	52,151	45,528	97,679
2015	53,679	43,978	97,657
2016-2020	292,927	194,994	487,921
2021-2025	338,430	148,824	487,254
2026-2030	391,002	95,484	486,486
2031-2035	451,739	33,856	485,595
Totals	<u>\$ 1,727,641</u>	<u>\$ 708,115</u>	<u>\$ 2,435,756</u>

**Business-type Activities**

Certificates of Participation – Water Revenue - 2001

On June 5, 2001, the City issued \$5,000,000 of Certificates of Participation bearing interest between 4.25% and 5.125% and payable semi-annually on December 1 and June 1, maturing on June 30, 2026. These Certificates were used for the acquisition of Hillcrest water and financing of capital projects. The outstanding principal balance of the 2001 Water Certificates of Participation at June 30, 2010 was \$3,900,000.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 160,000	\$ 192,549	\$ 352,549
2012	170,000	185,749	355,749
2013	175,000	178,099	353,099
2014	185,000	170,224	355,224
2015	195,000	161,622	356,622
2016-2020	1,150,000	656,068	1,806,068
2021-2025	1,510,000	331,589	1,841,589
2026	355,000	18,194	373,194
Totals	<u>\$ 3,900,000</u>	<u>\$ 1,894,094</u>	<u>\$ 5,794,094</u>

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 5 - LONG-TERM DEBT (Continued)**

**Business-type Activities (Continued)**

Certificates of Participation – Wastewater Revenue - 2002

On July 25, 2002, the City issued \$11,000,000 of Certificates of Participation bearing interest between 3.95% and 6.00% and payable semi-annually on December 1 and June 1, maturing on June 30, 2032. These Certificates were used for capital improvement projects and expansion of existing facilities. The outstanding principal balance of the 2002 Wastewater Certificates of Participation at June 30, 2010 was \$10,445,000.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 95,000	\$ 508,553	\$ 603,553
2012	95,000	504,753	599,753
2013	105,000	500,715	605,715
2014	105,000	496,568	601,568
2015	110,000	492,210	602,210
2016-2020	585,000	2,387,005	2,972,005
2021-2025	690,000	2,238,793	2,928,793
2026-2030	5,880,000	1,599,225	7,479,225
2031-2032	2,780,000	210,250	2,990,250
Totals	<u>\$ 10,445,000</u>	<u>\$ 8,938,072</u>	<u>\$ 19,383,072</u>

Certificates of Participation – Water Revenue - 2005

On October 1, 2005, the City issued \$25,625,000 of Certificates of Participation bearing interest between 3.375% and 4.75% and payable semi-annually on December 1 and June 1, maturing on June 1, 2035. These Certificates were used for capital improvement projects and expansion of existing facilities. The outstanding principal balance of the 2005 Water Certificates of Participation at June 30, 2010 was \$23,135,000.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 470,000	\$ 997,546	\$ 1,467,546
2012	485,000	976,396	1,461,396
2013	505,000	960,027	1,465,027
2014	520,000	942,983	1,462,983
2015	535,000	924,783	1,459,783
2016-2020	2,980,000	4,304,040	7,284,040
2021-2025	3,605,000	3,635,527	7,240,527
2026-2030	6,050,000	2,669,506	8,719,506
2031-2035	7,985,000	1,109,475	9,094,475
Totals	<u>\$ 23,135,000</u>	<u>\$ 16,520,283</u>	<u>\$ 39,655,283</u>

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 5 - LONG-TERM DEBT (Continued)**

**Business-type Activities (Continued)**

Certificates of Participation – Wastewater Revenue - 2007

On May 23, 2007, the City issued \$10,440,769 of Certificates of Participation bearing interest of 4.370% and payable semi-annually on December 1 and June 1, maturing on June 1, 2025. These Certificates were used to advance refund the 2000 Wastewater Certificates which had been used for capital improvement projects and expansion of existing facilities. The outstanding principal balance of the 2007 Wastewater Certificates of Participation at June 30, 2010 was \$9,216,549.

The scheduled annual minimum debt service requirements at June 30, 2010 were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2011	\$ 447,772	\$ 402,764	\$ 850,536
2012	467,340	383,196	850,536
2013	487,763	362,773	850,536
2014	509,078	341,457	850,535
2015	531,325	319,211	850,536
2016-2020	3,025,876	1,226,799	4,252,675
2021-2025	3,747,395	505,282	4,252,677
Totals	<u>\$ 9,216,549</u>	<u>\$ 3,541,482</u>	<u>\$ 12,758,031</u>

**Advance Refunding**

On May 23, 2007, the City issued \$10,440,769 of certificates of participation with an interest rate of 4.370% to advance refund prior certificates of participation with interest rates ranging from 5.125% to 5.750% and a par value of \$10,335,000. The prior certificates of participation mature annually on June 1 between 2007 and 2025 and are callable on June 1, 2010. The net proceeds from issuance of the certificates of participation were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the prior certificates of participation are called on June 1, 2010.

As a result of the advance refunding, the City reduced its total debt service requirements by \$587,033, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$235,950. The advance refunding met the certificates of participation requirements of an in-substance defeasance and the prior certificates of participation were removed from the City's government-wide financial statements. The City paid the remaining balance of \$9,315,000 during the fiscal year ended June 30, 2010.

**Non-City Obligations**

The City reports the debt service transactions of various special assessment issues for which the City is not obligated in any manner, in Agency funds. The debt will be paid from and secured solely by the revenues of these special assessment districts and does not constitute an indebtedness of the City. At June 30, 2010, the principal amount of special assessment debt outstanding for which the City is not obligated was \$7,867,792.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 6 - INTERFUND TRANSACTIONS**

**A. Long-Term Advances**

Advances to/from other funds are non-current interfund loans and are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriations and are not expendable available financial resources.

At June 30, 2010, the City had the following long-term advances:

Receivable Fund	Payable Fund	Amount
Major Governmental Fund: General Fund	Major Governmental Fund: Redevelopment Agency Debt Service Fund	\$ 29,214,558
Nonmajor Governmental Fund: Low & Moderate Set-Aside Special Revenue Fund	Major Governmental Fund: Redevelopment Agency Special Revenue Fund	1,349,289

**B. Due To/From Other Funds**

Receivables and payables between funds are classified as due from or due to other funds. Due from and due to other funds are usually a result of a shortfall of pooled cash.

Due to/from other funds as of June 30, 2010 were as follows:

Receivable Fund	Payable Fund	Amount
Major Governmental Funds: General Fund	Enterprise Funds: Water Fund	\$ 414,975
	Nonmajor Governmental Funds: CDBG Grant Special Revenue Fund	507,072
	Cal Home Grant Special Revenue Fund	43,374
	Neighborhood Stabilization Program Grant Special Revenue Fund	41,553
	Internal Service Funds: Store Fund	34,000
Redevelopment Agency Special Revenue Fund	Nonmajor Governmental Funds: Redevelopment Agency CIP Capital Projects Fund	2,393,622
General CIP Capital Projects Fund	Impact Fees CIP Capital Projects Fund	87,690
Enterprise Funds: Water Fund	Internal Service Funds: Store Fund	166,000
Wastewater Fund	Store Fund	20,000
Nonmajor Governmental Funds: Streets and Roads CIP Capital Projects Fund	Major Governmental Funds: Streets and Roads Special Revenue Fund	1,419,536
Agency Fund: City Trust Fund	Agency Fund: Cal-Met Program Fund	96,126

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 6 - INTERFUND TRANSACTIONS (Continued)**

**C. Transfers**

Transfers are indicative of funding for capital projects, lease payments or debt service, reimbursement of various City operations and re-allocations of special revenues.

Transfers for the fiscal year ended June 30, 2010 were as follows:

	Transfer In	Transfer Out
<b><u>Major Funds:</u></b>		
General Fund	\$ 6,879,183	\$ 195,249
Redevelopment Agency Special Revenue Fund	3,992,711	3,984,519
Streets & Roads Special Revenue Fund		7,108,786
General CIP Capital Projects Fund	491,547	680,504
Impact Fees CIP Capital Projects Fund	2,813,677	3,541,660
 <b><u>Enterprise Funds:</u></b>		
Water Fund	6,927	1,963,243
Wastewater Fund	245,000	1,324,533
 <b><u>Nonmajor Funds:</u></b>		
Traffic Safety Special Revenue Fund		250,000
Low & Moderate Set Aside Special Revenue Fund		346,424
Law Enforcement Services Special Revenue Fund		200,000
Landscape Districts Special Revenue Fund		210,042
CDBG Grant Special Revenue Fund		75,140
Miscellaneous Lighting Districts Special Revenue Fund		50,435
Neighborhood Stabilization Program Grant Special Revenue Fund		44,909
Gauche Park COP Debt Service Fund	731,286	
CIEDB Loan Debt Service Fund	54,400	
Yuba City RDA 2004 Series A Debt Service Fund	1,095,663	
Yuba City RDA Low/Mod Series B Debt Service Fund	304,491	
Yuba City RDA 2007 Series Debt Service Fund	964,880	
Fire Station #4 Lease Debt Service Fund	722,691	
Streets & Roads CIP Capital Projects Fund	5,068,843	122,934
Yuba City RDA CIP Project Capital Projects Fund	1,026,132	4,299,053
	\$ 24,397,431	\$ 24,397,431

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 7 - EMPLOYEE RETIREMENT PLANS**

Plan Description

The City's defined benefit pension plan, Public Employees' Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is part of the Public Agency portion of the California Public Employees' Retirement System, (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes with the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (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

The City contributes the employer's share for the Miscellaneous Plan and the Safety Plan. 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 fiscal year 2009-10 was 18.541% for miscellaneous employees and 21.468% for safety employees. The contribution requirements of the plan members are established by the State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2009-10, the City's contributions to CalPERS for the miscellaneous plan of \$1,978,403, and \$2,154,814 for the safety plan were equal to 100% of the required contributions. The required contributions were determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, (c) .25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010 was 14 years for safety and 21 years for miscellaneous.

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the miscellaneous plan and safety plan were 78.6% and 85.8% funded, respectively. The actuarial accrued liability for benefits was \$78,675,867 and the actuarial value of assets was \$61,875,871 for the miscellaneous plan, resulting in an unfunded actuarial accrued liability of \$16,799,996. The covered payroll was \$11,742,805, which results in a ratio of the unfunded actuarial accrued liability to the covered payroll of 143.1%. The safety plan is in a CalPERS risk pool, and therefore, is not required to be reported here.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 7 - EMPLOYEE RETIREMENT PLANS (Continued)**

The schedules of funding progress, presented as Required Supplementary Information (RSI) following the notes to the basic financial statements present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contribution</u>	<u>Net Pension Obligation (Asset)</u>
<b>Miscellaneous</b>			
6/30/2008	\$ 2,182,488	100%	\$ -
6/30/2009	2,261,377	100%	-
6/30/2010	1,978,403	100%	-
<b>Safety</b>			
6/30/2008	\$ 1,996,372	100%	\$ -
6/30/2009	2,213,104	100%	-
6/30/2010	2,154,814	100%	-

On April 17, 2007, the City issued \$7,685,000 of Pension Obligation Bonds. These bonds were used to advance pay safety employee pension obligations of \$7,498,612, which was paid to CalPERS on April 17, 2007. As of June 30, 2010, the net pension asset was \$5,892,695.

**PARS**

Part-time employees who work under 1,000 hours per year do not participate in the Public Employees Retirement System; however, they are covered through the City's participation in Public Alternative Retirement System (PARS).

**457 Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all permanent City employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Pursuant to changes in August, 1996, of IRC Section 457, in January, 1997, the City formally established a trust in which all assets and income of the 457 plan were placed. The asset, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries. These assets are no longer the property of the City, and as such are no longer subject to the claims of the City's general creditors. As a result, the assets of the 457 plan are not reflected in the City's financial statements.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 8 – OTHER POST EMPLOYMENT BENEFITS**

Plan Description

The City assumed certain post employment benefits payable when assuming the Walton Fire Protection District. These liabilities include a salary severance and health package for one former employee and funding for additional PERS benefits for a second employee. The City also provided health benefits for one retired City employee. In addition, Executive Service Employees/City Manager who retire from the City in good standing; have at least five years of City of Yuba City service; and are of full retirement age (55 for miscellaneous and 50 for public safety) are entitled to have the “Employee Only” medical premium paid by the City until such time as the employee is eligible to receive Medicare.

Funding Policy

The City’s adopted policy is to contribute an amount sufficient to pay the current fiscal year’s premium. For fiscal year 2009-10, the City contributed \$142,859, which consisted of current premiums and an implied subsidy transfer, but did not include any additional prefunding of benefits.

Annual OPEB and Net OPEB Obligation

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No.45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation.

Annual required contribution	\$	371,000	
Annual OPEB cost (expense)		371,000	
Contributions made		(142,859)	
Increase in net OPEB obligation		228,141	
Net OPEB obligation - beginning of fiscal year		213,990	
Net OPEB obligation - end of fiscal year	\$	442,131	

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and the preceding fiscal year were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contribution</b>	<b>Net OPEB Obligation (Asset)</b>
6/30/2009	\$ 350,000	38.9%	\$ 213,990
6/30/2010	371,000	38.5%	442,131

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,849,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,849,000. The covered payroll (annual payroll of active employees covered by the plan) was \$18,986,000, and the ratio of the UAAL to the covered payroll was 15 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

In the January 1, 2009 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, which is the expected long-term investment returns on plan assets, a projected salary increase assumption rate of 3.25 percent, and an annual healthcare cost trend rate of 3 percent. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at January 1, 2009 was thirty years.

**NOTE 9 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

There are no significant reductions in insurance coverage from prior years and there have been no settlements exceeding the insurance coverages for each of the past three fiscal years.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 9 – RISK MANAGEMENT (Continued)**

As of July 1, 1992, the City became a member of Northern California Cities Self Insurance Fund (NCCSIF), a joint powers agency which provides the City with a shared risk layer of coverage above the self insured \$25,000 (\$50,000 as of July 1, 2007) retention for liability and the self insured \$100,000 retention for workers compensation. The NCCSIF is composed of 20 member cities and is governed by a board of directors appointed by the member cities. The governing board has authority over budgeting and financing.

NCCSIF is a joint powers agency organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide excess liability insurance. The Authority provides claims processing administrative services, risk management services, and actuarial studies. It is governed by a member of each city. The City of Yuba City council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. However, ultimate liability for payment of claims and insurance premiums resides with member cities. The Authority is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If the JPA becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance.

Upon termination of the JPA agreement, all property of the Authority will vest in the respective parties which theretofore transferred, conveyed or leased said property to the Authority. Any surplus of funds will be returned to the parties in proportion to actual balances of each equity.

The Authority establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The participants as of June 30, 2010, were as follows:

Anderson	Corning	Galt	Lincoln	Oroville	Red Bluff	Willows
Auburn	Dixon	Gridley	Marysville	Paradise	Rio Vista	Yuba City
Colusa	Folsom	Jackson	Nevada City	Placerville	Rocklin	

The City's investment in the NCCSIF of \$1,381,117 is recorded in the General Liability Program and Workers' Compensation Program Internal Service funds as prepaid insurance. The net change is shown as an income or expense item in the internal service funds.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 9 – RISK MANAGEMENT (Continued)**

The NCCSIF’s June 30, 2010 financial statements were audited by a different accounting firm and received an unqualified opinion. The following is summary financial information of the NCCSIF for the liability and workers’ compensation programs for the fiscal year ended June 30, 2010:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>
Total assets	\$ 37,028,842	\$ 14,217,003
Total liabilities	23,164,839	7,153,671
Net assets	<u>\$ 13,864,003</u>	<u>\$ 7,063,332</u>
Operating revenue	\$ 8,309,130	\$ 5,907,809
Operating expenses	<u>8,122,407</u>	<u>5,865,087</u>
Operating income (loss)	186,723	42,722
Investment income	<u>1,714,227</u>	<u>710,131</u>
Net income (loss)	1,900,950	752,853
Beginning retained earnings	11,963,053	6,310,479
Ending retained earnings	<u>\$ 13,864,003</u>	<u>\$ 7,063,332</u>

Complete audited financial statements can be obtained from the Claims Administrator, 48 Hanover Lane, Suite 3, Chico, California, 95973.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**A. Construction**

The City has signed agreements to construct various capital improvement projects subsequent to June 30, 2010. The balance owed on these commitments at June 30, 2010 was \$6,829,120. The majority of these costs will be financed by proceeds of debt previously issued or existing reserves.

**B. Contingencies**

The City is involved in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of management and legal counsel, that the resolution of these matters will not have a material adverse effect on the City’s financial statements.

The City has received various state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

*SERAF Contingency.* During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various “budget trailer bills” were passed by the state legislature to balance the state’s budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the SERAF legislation, together with the effect of this legislation on the Redevelopment Agency of the City of Yuba City (the Agency).

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)**

**B. Contingencies (Continued)**

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portions of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the (CRA) filed a class action lawsuit on behalf of all California redevelopment agencies challenging the SERAF obligations as unconstitutional.

The Agency's SERAF contributions are \$1,349,289 for the fiscal year 2009-2010 and \$277,528 for 2010-2011. The Agency made the contribution for fiscal year 2009-2010.

**NOTE 11 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Deficit Fund Balances/Net Assets

As of June 30, 2010 the following funds had a deficit fund balance:

Major Funds:

Streets and Roads Special Revenue Fund	\$ 441,580
RDA Debt Service Fund	29,214,558

Nonmajor Special Revenue Funds:

CDBG Grant Fund	13,215
CAL-HOME Grant Fund	43,374
Neighborhood Stabilization Program Grant Fund	186,613

The Streets and Roads Special Revenue Fund deficit fund balance is expected to be eliminated in future years through intergovernmental revenue.

The RDA Debt Service Fund deficit fund balance is expected to be eliminated in future years through tax increment revenue.

The CDBG Grant Fund deficit fund balance is expected to be eliminated in future years through program income revenue.

The CAL-HOME Grant Fund deficit fund balance is expected to be eliminated in future years through intergovernmental revenue.

The Neighborhood Stabilization Program Grant Fund deficit fund balance is expected to be eliminated in future years through intergovernmental revenue.

**NOTE 12 - PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment of \$221,492 was made on the Statement of Activities for Governmental Activities for an understatement of capital assets in the prior fiscal year.

**CITY OF YUBA CITY**  
**Notes to Basic Financial Statements**  
**June 30, 2010**

**NOTE 13 – SUBSEQUENT EVENTS**

During the fiscal year 2010 the City entered into two loan agreements with the State of California Department of Public Health for State Revolving Fund loans in the amounts of \$19,133,209 (Region 2/3) and \$6,817,375 (Region 1). The City had expended \$4,490,409 (Region 2/3) and \$2,475,855 (Region 1) of these loans as of June 30, 2010 out of the Water Enterprise Fund, but had not received the loan proceeds as of this date. Subsequent to June 30, 2010, the City has received \$2,629,507 (Region 2/3) and \$1,976,063 (Region 1), of these loan proceeds.

**NOTE 14 – 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, 2010. 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 Yuba City was \$1,148,688.

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 the issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivables sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

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**CITY OF YUBA CITY**  
**Required Supplementary Information**  
**June 30, 2010**

Pension Trend Information

Required Supplementary Information  
Miscellaneous Plan

Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/(c)
6/30/2007	\$ 64,606,817	\$ 53,283,357	\$ 11,323,460	82.5%	\$ 11,355,034	99.7%
6/30/2008	70,538,951	58,066,143	12,472,808	82.3%	11,581,567	107.7%
6/30/2009	78,675,867	61,875,871	16,799,996	78.6%	11,742,805	143.1%

Other Postemployment Benefits

Schedule of Funding Progress

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/(c)
1/1/2009	\$ 2,849,000	\$ -	\$ 2,849,000	0.0%	\$ 18,986,000	15.0%

**CITY OF YUBA CITY**  
**Notes to Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2010**

**BUDGETARY BASIS OF ACCOUNTING**

The City prepares a budget for each fiscal year on or before June 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Resolution. This resolution mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the City Council.

From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The legal level of control is the department. The City Council may amend the budget by resolution during the fiscal year.

Formal budgetary integration is employed as a management control device during the fiscal year for the General fund and special revenue funds. Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP) and are consistent with the basis used for financial reporting. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any reconciliation. The General Fund budget is adopted on the budgetary basis, which is not consistent with accounting principles generally accepted in the United States of America. The City adopts project (versus annual) budgets (which can span a number of years) for the capital projects funds, therefore budgetary schedules for the capital projects funds are not presented. The debt service funds budgets are adopted when the debt issuances are authorized, therefore budgetary schedules for debt service funds are not presented.

The City uses an encumbrance system as an extension of normal budgetary accounting for the other governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriation lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

**CITY OF YUBA CITY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes and assessments	\$ 23,697,869	\$ 23,697,869	\$ 23,302,323	\$ (395,546)
Intergovernmental revenues	485,177	1,037,931	1,062,108	24,177
Licenses, permits, and fees	707,800	707,800	701,347	(6,453)
Fines and forfeitures	68,000	68,000	49,006	(18,994)
Use of money and property	59,648	59,648	83,063	23,415
Charges for services	2,504,021	2,504,021	2,618,789	114,768
Other revenues	61,600	63,100	213,655	150,555
	<u>27,584,115</u>	<u>28,138,369</u>	<u>28,030,291</u>	<u>(108,078)</u>
<b>Expenditures:</b>				
Current:				
General government:				
City council	135,612	135,612	109,011	26,601
City manager	697,170	697,170	689,692	7,478
City attorney	203,500	203,500	171,109	32,391
Finance	1,421,264	1,458,237	1,263,516	194,721
City treasurer	7,909	7,909	6,911	998
Information technology	559,948	580,301	513,227	67,074
General services	1,065,238	1,081,381	986,777	94,604
City clerk	22,134	22,134	13,794	8,340
Human resources	596,090	600,984	460,651	140,333
Non departmental	221,800	221,800	128,656	93,144
Contingency	187,000	78,886	7,889	70,997
	<u>5,117,665</u>	<u>5,087,914</u>	<u>4,351,233</u>	<u>736,681</u>
Public safety:				
Animal control	375,000	375,000	355,840	19,160
Police-traffic	1,040,007	1,092,822	1,000,663	92,159
Police-administration	1,253,023	1,257,820	1,168,900	88,920
Police-investigation	2,139,400	2,185,311	2,226,158	(40,847)
Police-field operations	7,673,327	7,678,551	7,044,925	633,626
Police-community outreach	88,145	88,145	84,042	4,103
Police-technology research	165,948	165,948	161,633	4,315
Police-information and analysis	120,898	120,898	121,024	(126)
Police-communications	1,211,996	1,211,996	1,068,091	143,905
Law Enforcement-grants		340,054	205,367	134,687
Fire-administration	855,982	855,982	863,045	(7,063)
Fire-operations	8,567,597	8,807,428	8,753,224	54,204
Fire-grants		61,280	46,099	15,181
	<u>23,491,323</u>	<u>24,241,235</u>	<u>23,099,011</u>	<u>1,142,224</u>

(Continued)

See notes to required supplementary information.

**CITY OF YUBA CITY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (Continued)**  
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures: (Continued)</b>				
Current:				
Parks and recreation:				
Administration	\$ 337,199	\$ 337,199	\$ 316,720	\$ 20,479
Supervision	402,165	402,378	336,967	65,411
Programs	961,634	670,420	579,271	91,149
Swimming pool	299,952	618,971	506,189	112,782
Senior center	148,038	148,038	125,582	22,456
Total parks and recreation	<u>2,148,988</u>	<u>2,177,006</u>	<u>1,864,729</u>	<u>312,277</u>
Public works and facilities:				
Streets	1,326,485	1,382,149	1,263,315	118,834
Parks	1,527,532	1,516,800	1,494,626	22,174
Electrical maintenance	619,631	627,617	420,260	207,357
Engineering	1,091,645	1,114,838	1,149,343	(34,505)
Total public works and facilities	<u>4,565,293</u>	<u>4,641,404</u>	<u>4,327,544</u>	<u>313,860</u>
Community development:				
Administration	303,781	303,781	297,597	6,184
Planning	450,331	450,331	425,179	25,152
Building	668,612	687,034	632,235	54,799
Economic development	196,955	268,386	200,146	68,240
Total community development	<u>1,619,679</u>	<u>1,709,532</u>	<u>1,555,157</u>	<u>154,375</u>
Debt Service:				
Principal	109,026	109,026	109,026	
Interest and other charges	19,123	19,123	19,123	
Total debt service	<u>128,149</u>	<u>128,149</u>	<u>128,149</u>	
Capital Outlay:				
Public safety		297,348	190,172	107,176
Total capital outlay		<u>297,348</u>	<u>190,172</u>	<u>107,176</u>
Total expenditures	<u>37,071,097</u>	<u>38,282,588</u>	<u>35,515,995</u>	<u>2,766,593</u>
Excess of revenues over (under) expenditures	<u>(9,486,982)</u>	<u>(10,144,219)</u>	<u>(7,485,704)</u>	<u>2,658,515</u>

(Continued)

See notes to required supplementary information.

**CITY OF YUBA CITY**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (Continued)**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses):</b>				
Transfers in	\$ 7,048,768	\$ 7,180,120	\$ 7,238,891	\$ 58,771
Transfers out		(213,249)	(195,249)	18,000
	<u>7,048,768</u>	<u>6,966,871</u>	<u>7,043,642</u>	<u>76,771</u>
Net changes in fund balance	(2,438,214)	(3,177,348)	(442,062)	2,735,286
Fund balance - July 1, 2009	<u>32,353,627</u>	<u>32,353,627</u>	<u>32,353,627</u>	
Fund balance - June 30, 2010	<u>\$ 29,915,413</u>	<u>\$ 29,176,279</u>	<u>\$ 31,911,565</u>	<u>\$ 2,735,286</u>

**Reconciliation of Net Changes in Fund Balances - Budgetary to USGAAP Basis:**

**Net Change in Fund Balances - Budgetary Basis** \$ (442,062)

The amount reported in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances was different because:

Accrued interest revenue on advances to Redevelopment Agency 2,655,869

**Net Change in Fund Balances - Statement of Revenues, Expenditures, and Changes in Fund Balances** \$ 2,213,807

**Reconciliation of Fund Balances - Budgetary to USGAAP Basis:**

**Fund Balances - June 30, 2010 - Budgetary Basis** \$ 31,911,565

Accrued interest revenue on advances to Redevelopment Agency 2,655,869

**Fund Balances - June 30, 2010 - USGAAP Basis** \$ 34,567,434

See notes to required supplementary information.

**CITY OF YUBA CITY**  
**REDEVELOPMENT AGENCY SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			<b>Variance with</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Taxes and assessments	\$ 3,078,000	\$ 3,078,000	\$ 2,784,746	\$ (293,254)
Use of money and property	100,000	100,000	69,829	(30,171)
Other revenues	253,900	253,900	199,565	(54,335)
	<u>3,431,900</u>	<u>3,431,900</u>	<u>3,054,140</u>	<u>(377,760)</u>
<b>Expenditures:</b>				
Current:				
Community development	1,029,693	2,119,169	2,007,924	111,245
Capital outlay		280,813	281,342	(529)
	<u>1,029,693</u>	<u>2,399,982</u>	<u>2,289,266</u>	<u>110,716</u>
Excess of revenues over (under) expenditures	<u>2,402,207</u>	<u>1,031,918</u>	<u>764,874</u>	<u>(267,044)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in		3,992,182	3,992,711	529
Transfers out	(3,032,147)	(4,003,884)	(3,984,519)	19,365
	<u>(3,032,147)</u>	<u>(11,702)</u>	<u>8,192</u>	<u>19,894</u>
Net changes in fund balance	(629,940)	1,020,216	773,066	(247,150)
Fund balance - July 1, 2009	<u>3,509,934</u>	<u>3,509,934</u>	<u>3,509,934</u>	
Fund balance - June 30, 2010	<u>\$ 2,879,994</u>	<u>\$ 4,530,150</u>	<u>\$ 4,283,000</u>	<u>\$ (247,150)</u>

See notes to required supplementary information.

**CITY OF YUBA CITY**  
**STREETS AND ROADS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes and assessments	\$ 1,368,247	\$ 1,368,247	\$ 1,217,612	\$ (150,635)
Use of money and property	50,000	50,000	(1,158)	(51,158)
Intergovernmental revenues	1,155,100	3,894,238	4,120,699	226,461
Other revenue	599,100	599,100	614,813	15,713
<b>Total revenues</b>	<u>3,172,447</u>	<u>5,911,585</u>	<u>5,951,966</u>	<u>40,381</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(3,674,676)</u>	<u>(7,108,786)</u>	<u>(7,108,786)</u>	
<b>Total other financing sources (uses)</b>	<u>(3,674,676)</u>	<u>(7,108,786)</u>	<u>(7,108,786)</u>	
<b>Net change in fund balance</b>	(502,229)	(1,197,201)	(1,156,820)	40,381
<b>Fund balance - beginning of fiscal year</b>	<u>715,240</u>	<u>715,240</u>	<u>715,240</u>	
<b>Fund balance (deficit) - end of fiscal year</b>	<u><u>\$ 213,011</u></u>	<u><u>\$ (481,961)</u></u>	<u><u>\$ (441,580)</u></u>	<u><u>\$ 40,381</u></u>

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## CITY OF YUBA CITY

### NONMAJOR GOVERNMENTAL FUNDS

#### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted by law or administrative action and expenditures for specified purposes. Nonmajor special revenue funds used by the City are listed below:

Traffic Safety Fund – This fund is used to account for court fines collected on the City’s account for moving violations.

Low and Moderate Set Aside Fund – This fund is used to account for property tax increment specifically levied for low and moderate income housing.

Law Enforcement Services Fund – This fund is used to account for special police revenue to be used for traffic enforcement services.

Landscape Districts Fund – This fund is used to account for monies to be used to landscape various areas of the City.

HOME Grant Fund – This fund is used to account for funds related to various HOME housing rehabilitation grant programs.

CDBG Grant Fund – This fund is used to account for CDBG open grant activities.

CDBG Program Income Fund – This fund is used to account for CDBG program income generated from loans made previously, which revolve back into the program for reuse.

Miscellaneous Lighting Districts Fund – This fund is used to account for monies to be used for various street lighting districts.

CAL-HOME Grant Fund – This fund is used to account for CAL-HOME grant activities.

Fire Mitigation Fees Fund – This fund is used to account for monies collected for fire mitigation purposes.

Harter Specific Plan Fund – This fund is used to account for monies to be used for the Harter Specific Plan.

Specific Plan Fund – This fund is used to account for Specific Plan amendments.

Siller Ranch MP Fund – This fund is used to account for monies to be used for the activities of the Siller Ranch Master Plan.

Neighborhood Stabilization Program Grant Fund – This fund is used to account for Neighborhood Stabilization Program federal grant monies that were used for program activities.

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## CITY OF YUBA CITY

### NONMAJOR GOVERNMENTAL FUNDS

#### Debt Service Funds

Debt Service Funds are used to account for accumulation of resources for, and payment of, principal and interest on the City's governmental activities long-term debt. Nonmajor debt service funds of the City are listed below:

Gauche Park COP Fund – This fund is used to account for the activity for the repayment of the 2006 Gauche Park Certificates of Participation.

CIEDB Loan Fund – This fund is used to account for the activity for the repayment of the CIEDB loan.

Yuba City RDA 2004 Series A Fund – This fund is used to account for the activity for the repayment of the 2004 Series A bonds.

Yuba City RDA Low/Mod Series B Fund – This fund is used to account for the repayment of the Yuba City RDA Low/Mod Series B bonds.

Yuba City RDA 2007 Series Fund – This fund is used to account for the repayment of the Yuba City RDA 2007 Series bonds.

Pension Obligation Bonds Fund – This fund is used to account for the repayment of the Pension Obligation Bonds.

Fire Station #4 Lease Fund – This fund is used to account for the capital lease payments associated with Fire Station #4.

#### Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition of land or acquisition and construction of major capital facilities other than those financed by the proprietary fund types. Nonmajor capital project funds are listed below:

Streets and Roads CIP Projects Fund – This fund is used to account for funds budgeted for capital expenditures, which are funded from gas tax revenue and streets and road fund sources.

Yuba City RDA CIP Project Fund – This fund is used to account for funds budgeted for the RDA projects.

**CITY OF YUBA CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2010

	<b>Special Revenue Funds</b>			
	<b>Traffic Safety Fund</b>	<b>Low &amp; Moderate Set Aside Fund</b>	<b>Law Enforcement Services Fund</b>	<b>Landscape Districts Fund</b>
<b>Assets</b>				
Cash and investments	\$ 84,481	\$ 2,871,153	\$ 136,029	\$ 938,626
Cash and investments with fiscal agent		617,546		
Interest receivable		758		
Accounts receivable	26,998			
Taxes and assessments receivable		36,922		7,937
Due from other funds				
Deposits receivable		9,800		
Notes receivable		2,723,488		
Advances to other funds		1,349,289		
Total assets	\$ 111,479	\$ 7,608,956	\$ 136,029	\$ 946,563
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 313	\$ 56,568	\$ -	\$ 10,586
Deposits payable	3,732			
Deferred revenue		2,723,488		
Due to other funds				
Total liabilities	4,045	2,780,056		10,586
<b>Fund Balances:</b>				
<b>Reserved:</b>				
Low and moderate income housing		3,464,517		
Debt service				
Encumbrances		15,094		6,506
Advances to other funds		1,349,289		
<b>Unreserved:</b>				
Designated for capital improvement projects				
Undesignated	107,434		136,029	929,471
Total fund balances (deficits)	107,434	4,828,900	136,029	935,977
Total liabilities and fund balances	\$ 111,479	\$ 7,608,956	\$ 136,029	\$ 946,563

**Special Revenue Funds**

<b>HOME Grant Fund</b>	<b>CDBG Grant Fund</b>	<b>CDBG Program Income Fund</b>	<b>Miscellaneous Lighting Districts Fund</b>	<b>CAL-HOME Grant Fund</b>
\$ 27,764	\$ -	\$ 131,922	\$ 380,475	\$ -
56,338	542,123		5,669	
4,860,148		1,194,895		37,500
<u>\$ 4,944,250</u>	<u>\$ 542,123</u>	<u>\$ 1,326,817</u>	<u>\$ 386,144</u>	<u>\$ 37,500</u>
\$ -	\$ 48,266	\$ -	\$ 9,735	\$ -
4,860,148	507,072	1,194,895		37,500
<u>4,860,148</u>	<u>555,338</u>	<u>1,194,895</u>	<u>9,735</u>	<u>43,374</u>
	60,956	26,625	12,623	
84,102	(74,171)	105,297	363,786	(43,374)
84,102	(13,215)	131,922	376,409	(43,374)
<u>\$ 4,944,250</u>	<u>\$ 542,123</u>	<u>\$ 1,326,817</u>	<u>\$ 386,144</u>	<u>\$ 37,500</u>

(Continued)

**CITY OF YUBA CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET (Continued)**  
June 30, 2010

	<b>Special Revenue Funds</b>				
	<b>Fire Mitigation Fees Fund</b>	<b>Harter Specific Plan Fund</b>	<b>Specific Plan Fund</b>	<b>Siller Ranch MP Fund</b>	<b>Neighborhood Stabilization Program Grant Fund</b>
<b>Assets</b>					
Cash and investments	\$ 85,817	\$ 853,682	\$ 89,750	\$ 62,023	\$ -
Cash and investments with fiscal agent					
Interest receivable					
Accounts receivable	1,163		45,917		
Taxes and assessments receivable					
Due from other funds					
Deposits receivable					
Notes receivable					
Advances to other funds					
Total assets	\$ 86,980	\$ 853,682	\$ 135,667	\$ 62,023	\$ -
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 10,453	\$ 5,080	\$ 145,060
Deposits payable		702,984	30,422		
Deferred revenue		30,000	71,342	56,555	
Due to other funds					41,553
Total liabilities		732,984	112,217	61,635	186,613
Fund Balances:					
Reserved:					
Low and moderate income housing					
Debt service					
Encumbrances			155,906	287,332	
Advances to other funds					
Unreserved:					
Designated for capital improvement projects					
Undesignated	86,980	120,698	(132,456)	(286,944)	(186,613)
Total fund balances (deficits)	86,980	120,698	23,450	388	(186,613)
Total liabilities and fund balances	\$ 86,980	\$ 853,682	\$ 135,667	\$ 62,023	\$ -

**Debt Service Funds**

<b>Gauche Park COP Fund</b>	<b>CIEDB Loan Fund</b>	<b>Yuba City RDA 2004 Series A Fund</b>	<b>Yuba City RDA Low/Mod Series B Fund</b>	<b>Yuba City RDA 2007 Series Fund</b>
\$ - 781,985	\$ -	\$ -	\$ -	\$ -
<u>\$ 781,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
781,985				
<u>781,985</u>				
<u>\$ 781,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**CITY OF YUBA CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET (Continued)**  
June 30, 2010

	<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>		<u>Totals</u>
	<u>Pension Obligation Bonds Fund</u>	<u>Fire Station #4 Lease Fund</u>	<u>Streets and Roads CIP Projects Fund</u>	<u>Yuba City RDA CIP Project Fund</u>	
<b>Assets</b>					
Cash and investments	\$ 60,243	\$ -	\$ 1,005,204	\$ -	\$ 6,727,169
Cash and investments with fiscal agent	70			4,441,241	5,840,842
Interest receivable				6,426	7,184
Accounts receivable					672,539
Taxes and assessments receivable					50,528
Due from other funds			1,419,536		1,419,536
Deposits receivable					9,800
Notes receivable					8,816,031
Advances to other funds					1,349,289
	<u>\$ 60,313</u>	<u>\$ -</u>	<u>\$ 2,424,740</u>	<u>\$ 4,447,667</u>	<u>\$ 24,892,918</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ 434,733	\$ 7,706	\$ 728,500
Deposits payable					737,138
Deferred revenue					8,973,928
Due to other funds				2,393,622	2,985,621
			<u>434,733</u>	<u>2,401,328</u>	<u>13,425,187</u>
<b>Fund Balances:</b>					
<b>Reserved:</b>					
Low and moderate income housing					3,464,517
Debt service	60,313				842,298
Encumbrances			794,965	48,142	1,408,149
Advances to other funds					1,349,289
<b>Unreserved:</b>					
Designated for capital improvement projects			1,195,042	1,998,197	3,193,239
Undesignated					1,210,239
	<u>60,313</u>		<u>1,990,007</u>	<u>2,046,339</u>	<u>11,467,731</u>
<b>Total fund balances (deficits)</b>	<u>60,313</u>		<u>1,990,007</u>	<u>2,046,339</u>	<u>11,467,731</u>
<b>Total liabilities and fund balances</b>	<u>\$ 60,313</u>	<u>\$ -</u>	<u>\$ 2,424,740</u>	<u>\$ 4,447,667</u>	<u>\$ 24,892,918</u>

**CITY OF YUBA CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2010

	<b>Special Revenue Funds</b>			
	<b>Traffic Safety Fund</b>	<b>Low &amp; Moderate Set Aside Fund</b>	<b>Law Enforcement Services Fund</b>	<b>Landscape Districts Fund</b>
<b>Revenues:</b>				
Taxes and assessments	\$ -	\$ 728,210	\$ -	\$ 194,694
Use of money and property	1,824	93,095	4,900	29,294
Intergovernmental revenues				
Charges for services				
Licenses, permits, and fees				
Fines and forfeitures	349,858		92,017	
Program income				
Other revenues		10,057		
	<u>351,682</u>	<u>831,362</u>	<u>96,917</u>	<u>223,988</u>
Total revenues				
<b>Expenditures:</b>				
Current:				
General government				
Public safety	63,990			
Parks and recreation				267,172
Public works and facilities				
Community development		99,552		
Capital outlay		1,258,778		
Debt Service:				
Principal				
Interest and other charges				
	<u>63,990</u>	<u>1,358,330</u>	<u></u>	<u>267,172</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>287,692</u>	<u>(526,968)</u>	<u>96,917</u>	<u>(43,184)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in				
Transfers out	(250,000)	(346,424)	(200,000)	(210,042)
	<u>(250,000)</u>	<u>(346,424)</u>	<u>(200,000)</u>	<u>(210,042)</u>
Total other financing sources (uses)				
Net changes in fund balances	37,692	(873,392)	(103,083)	(253,226)
Fund balances (deficits) - July 1, 2009	<u>69,742</u>	<u>5,702,292</u>	<u>239,112</u>	<u>1,189,203</u>
Fund balances (deficits) - June 30, 2010	<u>\$ 107,434</u>	<u>\$ 4,828,900</u>	<u>\$ 136,029</u>	<u>\$ 935,977</u>

**Special Revenue Funds**

<b>HOME Grant Fund</b>	<b>CDBG Grant Fund</b>	<b>CDBG Program Income Fund</b>	<b>Miscellaneous Lighting Districts Fund</b>	<b>CAL-HOME Grant Fund</b>
\$ -	\$ -	\$ -	\$ 335,940	\$ -
2,040		1,882	5,986	
58,033	694,624			
20,549	11,148	79,767		
<u>80,622</u>	<u>705,772</u>	<u>81,649</u>	<u>341,926</u>	
94,706	201,124	136,072	202,327	43,374
	402,746			
<u>94,706</u>	<u>603,870</u>	<u>136,072</u>	<u>202,327</u>	<u>43,374</u>
(14,084)	101,902	(54,423)	139,599	(43,374)
	(115,968)		(50,435)	
	(115,968)		(50,435)	
(14,084)	(14,066)	(54,423)	89,164	(43,374)
98,186	851	186,345	287,245	
<u>\$ 84,102</u>	<u>\$ (13,215)</u>	<u>\$ 131,922</u>	<u>\$ 376,409</u>	<u>\$ (43,374)</u>

(Continued)

**CITY OF YUBA CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (Continued)**  
For the Fiscal Year Ended June 30, 2010

	<b>Special Revenue Funds</b>				
	<b>Fire Mitigation Fees Fund</b>	<b>Harter Specific Plan Fund</b>	<b>Specific Plan Fund</b>	<b>Siller Ranch MP Fund</b>	<b>Neighborhood Stabilization Program Grant Fund</b>
<b>Revenues:</b>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	2,100	21,124	700	57	122
Intergovernmental revenues					1,293,664
Charges for services					
Licenses, permits, and fees	2,052		57,634		
Fines and forfeitures					
Program income					
Other revenues				9,169	
<b>Total revenues</b>	<b>4,152</b>	<b>21,124</b>	<b>58,334</b>	<b>9,226</b>	<b>1,293,786</b>
<b>Expenditures:</b>					
Current:					
General government					
Public safety					
Parks and recreation					
Public works and facilities			57,633	2,238	
Community development					1,435,490
Capital outlay					
Debt Service:					
Principal					
Interest and other charges					
<b>Total expenditures</b>			<b>57,633</b>	<b>2,238</b>	<b>1,435,490</b>
Excess of revenues over (under) expenditures	4,152	21,124	701	6,988	(141,704)
<b>Other Financing Sources (Uses):</b>					
Transfers in					
Transfers out					(44,909)
<b>Total other financing sources (uses)</b>					<b>(44,909)</b>
Net changes in fund balances	4,152	21,124	701	6,988	(186,613)
Fund balances (deficits) - July 1, 2009	82,828	99,574	22,749	(6,600)	
Fund balances (deficits) - June 30, 2010	<u>\$ 86,980</u>	<u>\$ 120,698</u>	<u>\$ 23,450</u>	<u>\$ 388</u>	<u>\$ (186,613)</u>

**Debt Service Funds**

<b>Gauche Park COP Fund</b>	<b>CIEDB Loan Fund</b>	<b>Yuba City RDA 2004 Series A Fund</b>	<b>Yuba City RDA Low/Mod Series B Fund</b>	<b>Yuba City RDA 2007 Series Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -
23,482				
	48,684			
23,482	48,684			
2,430				
	5,322			
255,000	46,461	210,000	60,000	145,000
512,589	51,301	885,663	244,491	819,880
770,019	103,084	1,095,663	304,491	964,880
(746,537)	(54,400)	(1,095,663)	(304,491)	(964,880)
731,286	54,400	1,095,663	304,491	964,880
731,286	54,400	1,095,663	304,491	964,880
(15,251)				
797,236				
\$ 781,985	\$ -	\$ -	\$ -	\$ -

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**CITY OF YUBA CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (Continued)**  
For the Fiscal Year Ended June 30, 2010

	<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>		<u>Totals</u>
	<u>Pension Obligation Bonds Fund</u>	<u>Fire Station #4 Lease Fund</u>	<u>Streets and Roads CIP Projects Fund</u>	<u>Yuba City RDA CIP Project Fund</u>	
<b>Revenues:</b>					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ 1,258,844
Use of money and property	22,636			37,760	247,002
Intergovernmental revenues					2,046,321
Charges for services	855,701				855,701
Licenses, permits, and fees					59,686
Fines and forfeitures					441,875
Program income					111,464
Other revenues					67,910
Total revenues	<u>878,337</u>			<u>37,760</u>	<u>5,088,803</u>
<b>Expenditures:</b>					
Current:					
General government	3,509				3,509
Public safety					63,990
Parks and recreation					269,602
Public works and facilities					262,198
Community development					2,015,640
Capital outlay			4,242,969	737,539	6,642,032
Debt Service:					
Principal	590,000	515,904			1,822,365
Interest and other charges	351,031	206,787			3,071,742
Total expenditures	<u>944,540</u>	<u>722,691</u>	<u>4,242,969</u>	<u>737,539</u>	<u>14,151,078</u>
Excess of revenues over (under) expenditures	<u>(66,203)</u>	<u>(722,691)</u>	<u>(4,242,969)</u>	<u>(699,779)</u>	<u>(9,062,275)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in		722,691	5,068,843	1,026,132	9,968,386
Transfers out			(286,642)	(4,299,053)	(5,803,473)
Total other financing sources (uses)		<u>722,691</u>	<u>4,782,201</u>	<u>(3,272,921)</u>	<u>4,164,913</u>
Net changes in fund balances	(66,203)		539,232	(3,972,700)	(4,897,362)
Fund balances (deficits) - July 1, 2009	<u>126,516</u>		<u>1,450,775</u>	<u>6,019,039</u>	<u>16,365,093</u>
Fund balances (deficits) - June 30, 2010	<u>\$ 60,313</u>	<u>\$ -</u>	<u>\$ 1,990,007</u>	<u>\$ 2,046,339</u>	<u>\$ 11,467,731</u>

**CITY OF YUBA CITY**  
**TRAFFIC SAFETY SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Fines and forfeitures	\$ 481,000	\$ 349,858	\$ (131,142)
Use of money and property	1,400	1,824	424
	<u>482,400</u>	<u>351,682</u>	<u>(130,718)</u>
<b>Total revenues</b>			
	<u>482,400</u>	<u>351,682</u>	<u>(130,718)</u>
<b>Expenditures:</b>			
Current:			
Public safety	225,000	63,990	161,010
	<u>225,000</u>	<u>63,990</u>	<u>161,010</u>
<b>Total expenditures</b>			
	<u>225,000</u>	<u>63,990</u>	<u>161,010</u>
Excess of revenues over (under) expenditures	<u>257,400</u>	<u>287,692</u>	<u>30,292</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	(250,000)	(250,000)	
	<u>(250,000)</u>	<u>(250,000)</u>	
<b>Total other financing sources (uses)</b>			
	<u>(250,000)</u>	<u>(250,000)</u>	
Net changes in fund balance	7,400	37,692	30,292
<b>Fund balance - beginning of fiscal year</b>	<u>69,742</u>	<u>69,742</u>	
<b>Fund balance - end of fiscal year</b>	<u>\$ 77,142</u>	<u>\$ 107,434</u>	<u>\$ 30,292</u>

**CITY OF YUBA CITY**  
**LOW AND MODERATE SET ASIDE SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes and assessments	\$ 800,300	\$ 728,210	\$ (72,090)
Use of money and property	40,000	93,095	53,095
Other revenues	11,000	10,057	(943)
<b>Total revenues</b>	<b>851,300</b>	<b>831,362</b>	<b>(19,938)</b>
<b>Expenditures:</b>			
Current:			
Community development	70,267	99,552	(29,285)
Capital outlay	1,650,000	1,258,778	391,222
<b>Total expenditures</b>	<b>1,720,267</b>	<b>1,358,330</b>	<b>361,937</b>
Excess of revenues over (under) expenditures	(868,967)	(526,968)	341,999
<b>Other Financing Sources (Uses):</b>			
Transfers out	(354,491)	(346,424)	8,067
<b>Total other financing sources (uses)</b>	<b>(354,491)</b>	<b>(346,424)</b>	<b>8,067</b>
Net changes in fund balance	(1,223,458)	(873,392)	350,066
<b>Fund balance - beginning of fiscal year</b>	<b>5,702,292</b>	<b>5,702,292</b>	
<b>Fund balance - end of fiscal year</b>	<b>\$ 4,478,834</b>	<b>\$ 4,828,900</b>	<b>\$ 350,066</b>

**CITY OF YUBA CITY**  
**LAW ENFORCEMENT SERVICES SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Fines and forfeitures	\$ 145,000	\$ 92,017	\$ (52,983)
Use of money and property	4,600	4,900	300
<b>Total revenues</b>	<u>149,600</u>	<u>96,917</u>	<u>(52,683)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	
<b>Total other financing sources (uses)</b>	<u>(200,000)</u>	<u>(200,000)</u>	
<b>Net changes in fund balance</b>	(50,400)	(103,083)	(52,683)
<b>Fund balance - beginning of fiscal year</b>	<u>239,112</u>	<u>239,112</u>	
<b>Fund balance - end of fiscal year</b>	<u>\$ 188,712</u>	<u>\$ 136,029</u>	<u>\$ (52,683)</u>

**CITY OF YUBA CITY**  
**LANDSCAPE DISTRICTS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes and assessments	\$ 151,689	\$ 194,694	\$ 43,005
Use of money and property	36,135	29,294	(6,841)
<b>Total revenues</b>	<u>187,824</u>	<u>223,988</u>	<u>36,164</u>
<b>Expenditures:</b>			
Current:			
Parks and recreation	159,811	267,172	(107,361)
<b>Total expenditures</b>	<u>159,811</u>	<u>267,172</u>	<u>(107,361)</u>
Excess of revenues over (under) expenditures	<u>28,013</u>	<u>(43,184)</u>	<u>(71,197)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	(220,447)	(210,042)	10,405
<b>Total other financing sources (uses)</b>	<u>(220,447)</u>	<u>(210,042)</u>	<u>10,405</u>
Net change in fund balance	(192,434)	(253,226)	(60,792)
<b>Fund balance - beginning of fiscal year</b>	<u>1,189,203</u>	<u>1,189,203</u>	
<b>Fund balance - end of fiscal year</b>	<u>\$ 996,769</u>	<u>\$ 935,977</u>	<u>\$ (60,792)</u>

**CITY OF YUBA CITY**  
**HOME GRANT SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental revenues	\$ 500,000	\$ 58,033	\$ (441,967)
Use of money and property		2,040	2,040
Program income	12,000	20,549	8,549
<b>Total revenues</b>	<b>512,000</b>	<b>80,622</b>	<b>(431,378)</b>
<b>Expenditures:</b>			
Current:			
Community development	500,000	94,706	405,294
<b>Total expenditures</b>	<b>500,000</b>	<b>94,706</b>	<b>405,294</b>
Net change in fund balance	12,000	(14,084)	(26,084)
<b>Fund balance - beginning of fiscal year</b>	<b>98,186</b>	<b>98,186</b>	
<b>Fund balance - end of fiscal year</b>	<b>\$ 110,186</b>	<b>\$ 84,102</b>	<b>\$ (26,084)</b>

**CITY OF YUBA CITY**  
**CDBG GRANT SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental revenues	\$ 1,069,126	\$ 694,624	\$ (374,502)
Program income	10,000	11,148	1,148
<b>Total revenues</b>	<u>1,079,126</u>	<u>705,772</u>	<u>(373,354)</u>
<b>Expenditures:</b>			
Current:			
Community development	400,893	201,124	199,769
Capital outlay	564,558	402,746	161,812
<b>Total expenditures</b>	<u>965,451</u>	<u>603,870</u>	<u>361,581</u>
Excess of revenues over (under) expenditures	<u>113,675</u>	<u>101,902</u>	<u>(11,773)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	(85,000)	(115,968)	(30,968)
<b>Total other financing sources (uses)</b>	<u>(85,000)</u>	<u>(115,968)</u>	<u>(30,968)</u>
Net change in fund balance	28,675	(14,066)	(42,741)
<b>Fund balance - beginning of fiscal year</b>	<u>851</u>	<u>851</u>	
<b>Fund balance (deficit) - end of fiscal year</b>	<u>\$ 29,526</u>	<u>\$ (13,215)</u>	<u>\$ (42,741)</u>

**CITY OF YUBA CITY**  
**CDBG PROGRAM INCOME SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 1,882	\$ 1,882
Program income	50,000	79,767	29,767
<b>Total revenues</b>	<b>50,000</b>	<b>81,649</b>	<b>31,649</b>
<b>Expenditures:</b>			
Current:			
Community development	300,000	136,072	163,928
<b>Total expenditures</b>	<b>300,000</b>	<b>136,072</b>	<b>163,928</b>
Net change in fund balance	(250,000)	(54,423)	195,577
<b>Fund balance - beginning of fiscal year</b>	<b>186,345</b>	<b>186,345</b>	
<b>Fund balance (deficit) - end of fiscal year</b>	<b>\$ (63,655)</b>	<b>\$ 131,922</b>	<b>\$ 195,577</b>

**CITY OF YUBA CITY**  
**MISCELLANEOUS LIGHTING DISTRICTS SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes and assessments	\$ 333,690	\$ 335,940	\$ 2,250
Use of money and property	3,203	5,986	2,783
<b>Total revenues</b>	<u>336,893</u>	<u>341,926</u>	<u>5,033</u>
<b>Expenditures:</b>			
Current:			
Public works and facilities	209,660	202,327	7,333
<b>Total expenditures</b>	<u>209,660</u>	<u>202,327</u>	<u>7,333</u>
Excess of revenues over (under) expenditures	<u>127,233</u>	<u>139,599</u>	<u>12,366</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	(53,766)	(50,435)	3,331
<b>Total other financing sources (uses)</b>	<u>(53,766)</u>	<u>(50,435)</u>	<u>3,331</u>
Net change in fund balance	73,467	89,164	15,697
<b>Fund balance - beginning of fiscal year</b>	<u>287,245</u>	<u>287,245</u>	
<b>Fund balance - end of fiscal year</b>	<u>\$ 360,712</u>	<u>\$ 376,409</u>	<u>\$ 15,697</u>

**CITY OF YUBA CITY**  
**CAL-HOME GRANT SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Expenditures:</b>			
Current:			
Community development	\$ 500,000	\$ 43,374	\$ 456,626
Total expenditures	500,000	43,374	456,626
Net change in fund balance	(500,000)	(43,374)	456,626
<b>Fund balance - beginning of fiscal year</b>			
<b>Fund balance (deficit) - end of fiscal year</b>	\$ (500,000)	\$ (43,374)	\$ 456,626

**CITY OF YUBA CITY**  
**FIRE MITIGATION FEES SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ 1,500	\$ 2,100	\$ 600
Licenses, permits, and fees	15,500	2,052	(13,448)
<b>Total revenues</b>	<u>17,000</u>	<u>4,152</u>	<u>(12,848)</u>
Net change in fund balance	17,000	4,152	(12,848)
<b>Fund balance - beginning of fiscal year</b>	<u>82,828</u>	<u>82,828</u>	
<b>Fund balance - end of fiscal year</b>	<u><u>\$ 99,828</u></u>	<u><u>\$ 86,980</u></u>	<u><u>\$ (12,848)</u></u>

**CITY OF YUBA CITY**  
**HARTER SPECIFIC PLAN SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 21,124	\$ 21,124
Total revenues		21,124	21,124
Net change in fund balance		21,124	21,124
<b>Fund balance - beginning of fiscal year</b>	99,574	99,574	
<b>Fund balance - end of fiscal year</b>	\$ 99,574	\$ 120,698	\$ 21,124

**CITY OF YUBA CITY**  
**SPECIFIC PLAN SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 700	\$ 700
Licenses, permits, and fees		57,634	57,634
Total revenues		58,334	58,334
<b>Expenditures:</b>			
Current:			
Public works and facilities		57,633	(57,633)
Total expenditures		57,633	(57,633)
Net change in fund balance		701	701
<b>Fund balance - beginning of fiscal year</b>	22,749	22,749	
<b>Fund balance - end of fiscal year</b>	\$ 22,749	\$ 23,450	\$ 701

**CITY OF YUBA CITY**  
**SILLER RANCH MP SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 57	\$ 57
Other revenue		9,169	9,169
Total revenues		9,226	9,226
<b>Expenditures:</b>			
Current:			
Public works and facilities		2,238	(2,238)
Total expenditures		2,238	(2,238)
Net change in fund balance		6,988	6,988
<b>Fund balance (deficit) - beginning of fiscal year</b>	(6,600)	(6,600)	
<b>Fund balance (deficit) - end of fiscal year</b>	\$ (6,600)	\$ 388	\$ 6,988

**CITY OF YUBA CITY**  
**NEIGHBORHOOD STABILIZATION PROGRAM GRANT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental revenues	\$ 1,451,852	\$ 1,293,664	\$ (158,188)
Use of money and property		122	122
<b>Total revenues</b>	<u>1,451,852</u>	<u>1,293,786</u>	<u>(158,066)</u>
<b>Expenditures:</b>			
Current:			
Community development	1,403,000	1,435,490	(32,490)
<b>Total expenditures</b>	<u>1,403,000</u>	<u>1,435,490</u>	<u>(32,490)</u>
Excess of revenues over (under) expenditures	<u>48,852</u>	<u>(141,704)</u>	<u>(190,556)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	<u>(48,852)</u>	<u>(44,909)</u>	<u>3,943</u>
<b>Total other financing sources (uses)</b>	<u>(48,852)</u>	<u>(44,909)</u>	<u>3,943</u>
Net change in fund balance		(186,613)	(186,613)
<b>Fund balance - beginning of fiscal year</b>			
<b>Fund balance (deficit) - end of fiscal year</b>	<u>\$ -</u>	<u>\$ (186,613)</u>	<u>\$ (186,613)</u>

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CITY OF YUBA CITY

## Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments on a cost reimbursement basis. Internal service funds used by the City are listed below:

Store Fund – This fund is used to account for the central stores function of the City.

Vehicle Replacement Fund – This fund is used to account for the replacement of City vehicles upon the expiration of their useful life.

Vehicle Maintenance Fund – This fund is used to account for the maintenance of City vehicles.

Technology Replacement Fund – This fund is used to account for the replacement of City computers and servers upon the expiration of their useful life.

Employee Benefits Fund – This fund is used to account for the provision of health and unemployment benefits.

Vision/Dental Fund – This fund is used to account for the provisions of employee vision and dental benefits.

Disability Program Fund – This fund is used to account for the City's self-funded employee disability benefits.

Workers' Compensation Program Fund – This fund is used to account for the City's self-insured employee workers' compensation benefits.

General Liability Program Fund – This fund is used to account for the provision of the City's self-insured general liability program.

**CITY OF YUBA CITY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
June 30, 2010

	<b>Store Fund</b>	<b>Vehicle Replacement Fund</b>	<b>Vehicle Maintenance Fund</b>	<b>Technology Replacement Fund</b>
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 1,722	\$ 8,675,017	\$ 494,382	\$ 2,598,328
Accounts receivable			238	
Inventory	257,360		9,525	
Prepaid expenses				
Total current assets	<u>259,082</u>	<u>8,675,017</u>	<u>504,145</u>	<u>2,598,328</u>
Capital Assets:				
Depreciable				
Buildings			306,372	
Machinery and equipment		9,630,573	88,821	1,823,538
Total depreciable capital assets		9,630,573	395,193	1,823,538
Less accumulated depreciation		<u>(6,814,806)</u>	<u>(228,019)</u>	<u>(1,416,557)</u>
Net depreciable capital assets		<u>2,815,767</u>	<u>167,174</u>	<u>406,981</u>
Net capital assets		<u>2,815,767</u>	<u>167,174</u>	<u>406,981</u>
Total noncurrent assets		<u>2,815,767</u>	<u>167,174</u>	<u>406,981</u>
Total assets	<u>259,082</u>	<u>11,490,784</u>	<u>671,319</u>	<u>3,005,309</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable		6,297	18,077	27,697
Accrued wages			12,234	
Deferred revenue				
Due to other funds	220,000			
Total current liabilities	220,000	6,297	30,311	27,697
Noncurrent Liabilities:				
Compensated absences			23,460	
Total liabilities	<u>220,000</u>	<u>6,297</u>	<u>53,771</u>	<u>27,697</u>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt		2,815,767	167,174	406,981
Restricted for future claims Unrestricted	39,082	8,668,720	450,374	2,570,631
Total net assets	<u>\$ 39,082</u>	<u>\$ 11,484,487</u>	<u>\$ 617,548</u>	<u>\$ 2,977,612</u>

<b>Employee Benefits Fund</b>	<b>Vision/ Dental Fund</b>	<b>Disability Program Fund</b>	<b>Workers' Compensation Program Fund</b>	<b>General Liability Program Fund</b>	<b>Totals</b>
\$ 157,208	\$ 120,398	\$ 138,279	\$ 837,990	\$ 528,014	\$ 13,551,338
57,288	15				57,541
217,149			1,010,009	371,108	1,598,266
431,645	120,413	138,279	1,847,999	899,122	15,474,030
					306,372
					11,542,932
					11,849,304
					(8,459,382)
					3,389,922
					3,389,922
					3,389,922
431,645	120,413	138,279	1,847,999	899,122	18,863,952
24,249	6,536	1,122	1,876	83	85,937
7,793					12,234
					7,793
					220,000
32,042	6,536	1,122	1,876	83	325,964
					23,460
32,042	6,536	1,122	1,876	83	349,424
					3,389,922
399,603	113,877	137,157	1,846,123	899,039	3,395,799
					11,728,807
<u>\$ 399,603</u>	<u>\$ 113,877</u>	<u>\$ 137,157</u>	<u>\$ 1,846,123</u>	<u>\$ 899,039</u>	<u>\$ 18,514,528</u>

**CITY OF YUBA CITY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
For the Fiscal Year Ended June 30, 2010

	<b>Store Fund</b>	<b>Vehicle Replacement Fund</b>	<b>Vehicle Maintenance Fund</b>	<b>Technology Replacement Fund</b>
<b>Revenues:</b>				
Charges for services	\$ 3,633	\$ 925,683	\$ 907,550	\$ 546,398
Other revenues			2,060	37,871
<b>Total revenues</b>	<b>3,633</b>	<b>925,683</b>	<b>909,610</b>	<b>584,269</b>
<b>Expenses:</b>				
Salaries and benefits			456,006	
Professional services			1,036	
Supplies		13,587	891	
Benefits, claims, and insurance			5,035	
Maintenance and operation			328,243	122,939
Tools and equipment			8,062	92,777
Power and utilities			9,596	22,981
Training			1,875	
Depreciation		880,849	10,458	96,154
<b>Total expenses</b>		<b>894,436</b>	<b>821,202</b>	<b>334,851</b>
<b>Operating Income (Loss)</b>	<b>3,633</b>	<b>31,247</b>	<b>88,408</b>	<b>249,418</b>
<b>Non-Operating Revenues (Expenses):</b>				
Gain (loss) on sale of capital assets		5,778		
Interest income		289,834	10,765	60,467
<b>Total non-operating revenues (expenses)</b>		<b>295,612</b>	<b>10,765</b>	<b>60,467</b>
<b>Change in net assets</b>	<b>3,633</b>	<b>326,859</b>	<b>99,173</b>	<b>309,885</b>
<b>Net Assets, July 1, 2009</b>	<b>35,449</b>	<b>11,157,628</b>	<b>518,375</b>	<b>2,667,727</b>
<b>Net Assets, June 30, 2010</b>	<b>\$ 39,082</b>	<b>\$ 11,484,487</b>	<b>\$ 617,548</b>	<b>\$ 2,977,612</b>

<b>Employee Benefits Fund</b>	<b>Vision/ Dental Fund</b>	<b>Disability Program Fund</b>	<b>Workers' Compensation Program Fund</b>	<b>General Liability Program Fund</b>	<b>Totals</b>
\$ 2,733,479	\$ 567,573	\$ 14,905	\$ 804,155	\$ 597,000 8,607	\$ 7,100,376 48,538
<u>2,733,479</u>	<u>567,573</u>	<u>14,905</u>	<u>804,155</u>	<u>605,607</u>	<u>7,148,914</u>
					456,006
18,283				1,525	20,844
					14,478
2,741,002	512,057	42,351	142,450	395,923	3,838,818
					451,182
					100,839
					32,577
					1,875
					987,461
<u>2,759,285</u>	<u>512,057</u>	<u>42,351</u>	<u>142,450</u>	<u>397,448</u>	<u>5,904,080</u>
<u>(25,806)</u>	<u>55,516</u>	<u>(27,446)</u>	<u>661,705</u>	<u>208,159</u>	<u>1,244,834</u>
					5,778
<u>3,432</u>	<u>2,651</u>	<u>3,770</u>	<u>16,035</u>	<u>5,306</u>	<u>392,260</u>
<u>3,432</u>	<u>2,651</u>	<u>3,770</u>	<u>16,035</u>	<u>5,306</u>	<u>398,038</u>
(22,374)	58,167	(23,676)	677,740	213,465	1,642,872
<u>421,977</u>	<u>55,710</u>	<u>160,833</u>	<u>1,168,383</u>	<u>685,574</u>	<u>16,871,656</u>
<u>\$ 399,603</u>	<u>\$ 113,877</u>	<u>\$ 137,157</u>	<u>\$ 1,846,123</u>	<u>\$ 899,039</u>	<u>\$ 18,514,528</u>

**CITY OF YUBA CITY**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended June 30, 2010

	<b>Store Fund</b>	<b>Vehicle Replacement Fund</b>	<b>Vehicle Maintenance Fund</b>	<b>Technology Replacement Fund</b>
Cash Flows from Operating Activities:				
Receipts from customers	\$ 3,792	\$ 925,683	\$ 909,684	\$ 584,269
Payment to suppliers and users	(2,070)	36,026	(355,922)	(211,051)
Payment to employees			(453,592)	
Net Cash Provided (Used) by Operating Activities	<u>1,722</u>	<u>961,709</u>	<u>100,170</u>	<u>373,218</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from sale of capital assets		5,778		
Acquisition of capital assets		(146,229)		(250,546)
Net Cash Provided (Used) by Capital and Related Financing Activities		<u>(140,451)</u>		<u>(250,546)</u>
Cash Flows from Investing Activities:				
Interest received		289,834	10,765	60,467
Net Cash Provided (Used) by Investing Activities		<u>289,834</u>	<u>10,765</u>	<u>60,467</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,722	1,111,092	110,935	183,139
Cash and Cash Equivalents, July 1, 2009		<u>7,563,925</u>	<u>383,447</u>	<u>2,415,189</u>
Cash and Cash Equivalents, June 30, 2010	<u>\$ 1,722</u>	<u>\$ 8,675,017</u>	<u>\$ 494,382</u>	<u>\$ 2,598,328</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 3,633	\$ 31,247	\$ 88,408	\$ 249,418
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation		880,849	10,458	96,154
(Increase) Decrease in Operating Assets:				
Accounts receivable	159		74	
Inventory	31,529		(3,767)	
Prepaid expenses				
Due from other funds		45,807		
Increase (Decrease) in Operating Liabilities:				
Accounts payable	(7,791)	3,806	2,583	27,646
Accrued wages			(1,400)	
Deferred revenue				
Due to other funds	(25,808)			
Compensated absences			3,814	
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,722</u>	<u>\$ 961,709</u>	<u>\$ 100,170</u>	<u>\$ 373,218</u>

<b>Employee Benefits Fund</b>	<b>Vision/ Dental Fund</b>	<b>Disability Program Fund</b>	<b>Workers' Compensation Program Fund</b>	<b>General Liability Program Fund</b>	<b>Totals</b>
\$ 2,725,436 (2,748,176)	\$ 567,558 (523,714)	\$ 14,905 (41,229)	\$ 804,155 (712,933)	\$ 605,607 (586,364)	\$ 7,141,089 (5,104,204) (494,821)
<u>(22,740)</u>	<u>43,844</u>	<u>(26,324)</u>	<u>91,222</u>	<u>19,243</u>	<u>1,542,064</u>
					5,778 (396,775)
					(390,997)
<u>3,432</u>	<u>2,651</u>	<u>3,770</u>	<u>16,035</u>	<u>5,306</u>	<u>392,260</u>
<u>3,432</u>	<u>2,651</u>	<u>3,770</u>	<u>16,035</u>	<u>5,306</u>	<u>392,260</u>
(19,308)	46,495	(22,554)	107,257	24,549	1,543,327
<u>176,516</u>	<u>73,903</u>	<u>160,833</u>	<u>730,733</u>	<u>503,465</u>	<u>12,008,011</u>
<u>\$ 157,208</u>	<u>\$ 120,398</u>	<u>\$ 138,279</u>	<u>\$ 837,990</u>	<u>\$ 528,014</u>	<u>\$ 13,551,338</u>
\$ (25,806)	\$ 55,516	\$ (27,446)	\$ 661,705	\$ 208,159	\$ 1,244,834
					987,461
(8,283)	(15)				(8,065) 27,762
(2,809)			(572,359)	(188,140)	(763,308) 45,807
13,918	(11,657)	1,122	1,876	(776)	30,727 (1,400)
240					240 (25,808) 3,814
<u>\$ (22,740)</u>	<u>\$ 43,844</u>	<u>\$ (26,324)</u>	<u>\$ 91,222</u>	<u>\$ 19,243</u>	<u>\$ 1,542,064</u>

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## CITY OF YUBA CITY

### Fiduciary Funds

Agency Funds are used to account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the City, acting in the capacity of an agent for distribution to other governmental units or other organizations. The agency funds maintained by the City are divided into the following categories for presentation in this report.

City Trust Fund – This fund is used to account for assets held for employees and outside independent entities in a fiduciary capacity.

Assessment District Funds – These funds are used to account for assets held for independent assessment districts in a fiduciary capacity.

Sunsweet Boulevard CFD Fund – This fund is used to account for assets held for an independent community facilities district in a fiduciary capacity.

Net – 5 Operations Fund – This fund is used to account for assets held for an independent agency in a fiduciary capacity.

Cal-Met Program Fund – This fund is used to account for Net-5 grant funded activity held for an independent agency in a fiduciary capacity.

Flood Control Agency Fund – This fund is used to account for the operating activities of the Sutter-Butte Flood Control Agency.

SBFCA Capital Fund – This fund is used to account for the capital project activities of the Sutter-Butte Flood Control Agency.

**CITY OF YUBA CITY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**June 30, 2010**

	<b>City Trust</b>	<b>Garden Highway Assessment District</b>	<b>North Yuba Drainage Assessment District</b>	<b>West Hillcrest Assessment District</b>
<b>Assets:</b>				
Cash and investments	\$ 448,480	\$ 4,669	\$ -	\$ 91,930
Cash and investments with fiscal agent				
Due from agency fund	96,126			
Prepaid expenses				
Interest receivable				
Accounts receivable	6,939	6,097		
<b>Total assets</b>	<b>\$ 551,545</b>	<b>\$ 10,766</b>	<b>\$ -</b>	<b>\$ 91,930</b>
<b>Liabilities:</b>				
Due to agency fund	\$ -	\$ -	\$ -	\$ -
Accounts payable	36,865			
Loan payable				
Deposits payable	514,680	10,766		91,930
<b>Total liabilities</b>	<b>\$ 551,545</b>	<b>\$ 10,766</b>	<b>\$ -</b>	<b>\$ 91,930</b>

<b>Ricky Drive Assessment District</b>	<b>Marcia Avenue Assessment District</b>	<b>East Hillcrest Assessment District</b>	<b>Jan Court Assessment District</b>	<b>Butte Vista Assessment District 2000-1</b>	<b>Butte Vista Assessment District 2002-1</b>
\$ 14,487	\$ 14,257	\$ 3,806	\$ 5,632	\$ 104,674 148,891	\$ 116,425 138,026
			197	124 279	112 5,844
<u>\$ 14,487</u>	<u>\$ 14,257</u>	<u>\$ 3,806</u>	<u>\$ 5,829</u>	<u>\$ 253,968</u>	<u>\$ 260,407</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ - 1,073
14,487	14,257	3,806	5,829	253,968	259,334
<u>\$ 14,487</u>	<u>\$ 14,257</u>	<u>\$ 3,806</u>	<u>\$ 5,829</u>	<u>\$ 253,968</u>	<u>\$ 260,407</u>

**CITY OF YUBA CITY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
June 30, 2010

	<b>Darrough Assessment District 2003</b>	<b>Tierra Buena Assessment District</b>	<b>Village Green - Del Wayne Assessment District 2003-2</b>	<b>Staple/Ashley/ Dennis/Cornwell Assessment District 2004-1</b>
<b>Assets</b>				
Cash and investments	\$ 40,898	\$ 101,455	\$ 40,514	\$ 11,698
Cash and investments with fiscal agent		381,056		
Due from agency fund				
Prepaid expenses				
Interest receivable		312		
Accounts receivable	420	4,481		
	<u>41,318</u>	<u>487,304</u>	<u>40,514</u>	<u>11,698</u>
Total assets	<u>\$ 41,318</u>	<u>\$ 487,304</u>	<u>\$ 40,514</u>	<u>\$ 11,698</u>
<b>Liabilities:</b>				
Due to agency fund	\$ -	\$ -	\$ -	\$ -
Accounts payable		1,693		674
Loan payable				
Deposits payable	41,318	485,611	40,514	11,024
	<u>41,318</u>	<u>487,304</u>	<u>40,514</u>	<u>11,698</u>
Total liabilities	<u>\$ 41,318</u>	<u>\$ 487,304</u>	<u>\$ 40,514</u>	<u>\$ 11,698</u>

<b>Sunsweet Boulevard CFD</b>	<b>Net-5 Operations</b>	<b>Cal-Met Program</b>	<b>Flood Control Agency</b>	<b>SBFCA Capital</b>	<b>Totals</b>
\$ 197,427 296,621	\$ 103,721	\$ -	\$ 363,093	\$ 2,685,284	\$ 4,348,450
					964,594
					96,126
304			500		500
					852
	6	110,904	5,593,534	256,063	5,984,764
<u>\$ 494,352</u>	<u>\$ 103,727</u>	<u>\$ 110,904</u>	<u>\$ 5,957,127</u>	<u>\$ 2,941,347</u>	<u>\$ 11,395,286</u>
\$ - 3,399	\$ - 4,384	\$ 96,126 761	\$ - 80,685 5,876,442	\$ - 64,817	\$ 96,126 194,351 5,876,442
490,953	99,343	14,017		2,876,530	5,228,367
<u>\$ 494,352</u>	<u>\$ 103,727</u>	<u>\$ 110,904</u>	<u>\$ 5,957,127</u>	<u>\$ 2,941,347</u>	<u>\$ 11,395,286</u>

**CITY OF YUBA CITY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
<b>CITY TRUST</b>				
<b>ASSETS</b>				
Cash and investments	\$ 433,584	\$ 111,022	\$ (96,126)	\$ 448,480
Accounts receivable	20,643	6,939	(20,643)	6,939
Due from agency fund	104,118	96,126	(104,118)	96,126
Total Assets	<u>\$ 558,345</u>	<u>\$ 214,087</u>	<u>\$ (220,887)</u>	<u>\$ 551,545</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 159,065	\$ 36,865	\$ (159,065)	\$ 36,865
Deposits payable	399,280	177,222	(61,822)	514,680
Total Liabilities	<u>\$ 558,345</u>	<u>\$ 214,087</u>	<u>\$ (220,887)</u>	<u>\$ 551,545</u>
<b>GARDEN HIGHWAY ASSESSMENT DISTRICT</b>				
<b>ASSETS</b>				
Cash and investments	\$ 4,554	\$ 115	\$ -	\$ 4,669
Accounts receivable		6,097		6,097
Total Assets	<u>\$ 4,554</u>	<u>\$ 6,212</u>	<u>\$ -</u>	<u>\$ 10,766</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 4,554	\$ 6,212	\$ -	\$ 10,766
Total Liabilities	<u>\$ 4,554</u>	<u>\$ 6,212</u>	<u>\$ -</u>	<u>\$ 10,766</u>
<b>NORTH YUBA DRAINAGE ASSESSMENT DISTRICT</b>				
<b>ASSETS</b>				
Cash and investments	\$ 126,999	\$ -	\$ (126,999)	\$ -
Total Assets	<u>\$ 126,999</u>	<u>\$ -</u>	<u>\$ (126,999)</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 126,999	\$ -	\$ (126,999)	\$ -
Total Liabilities	<u>\$ 126,999</u>	<u>\$ -</u>	<u>\$ (126,999)</u>	<u>\$ -</u>
<b>WEST HILLCREST ASSESSMENT DISTRICT</b>				
<b>ASSETS</b>				
Cash and investments	\$ 145,048	\$ 4,201	\$ (57,319)	\$ 91,930
Accounts receivable	536		(536)	
Total Assets	<u>\$ 145,584</u>	<u>\$ 4,201</u>	<u>\$ (57,855)</u>	<u>\$ 91,930</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 145,584	\$ 4,201	\$ (57,855)	\$ 91,930
Total Liabilities	<u>\$ 145,584</u>	<u>\$ 4,201</u>	<u>\$ (57,855)</u>	<u>\$ 91,930</u>

**CITY OF YUBA CITY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
<b>RICKY DRIVE ASSESSMENT DISTRICT</b>				
<b>ASSETS</b>				
Cash and investments	\$ 14,128	\$ 359	\$ -	\$ 14,487
Total Assets	<u>\$ 14,128</u>	<u>\$ 359</u>	<u>\$ -</u>	<u>\$ 14,487</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 14,128	\$ 359	\$ -	\$ 14,487
Total Liabilities	<u>\$ 14,128</u>	<u>\$ 359</u>	<u>\$ -</u>	<u>\$ 14,487</u>
<b>MARCIA AVENUE ASSESSMENT DISTRICT</b>				
<b>ASSETS</b>				
Cash and investments	\$ 14,048	\$ 6,417	\$ (6,208)	\$ 14,257
Total Assets	<u>\$ 14,048</u>	<u>\$ 6,417</u>	<u>\$ (6,208)</u>	<u>\$ 14,257</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 14,048	\$ 6,417	\$ (6,208)	\$ 14,257
Total Liabilities	<u>\$ 14,048</u>	<u>\$ 6,417</u>	<u>\$ (6,208)</u>	<u>\$ 14,257</u>
<b>EAST HILLCREST ASSESSMENT DISTRICT</b>				
<b>ASSETS</b>				
Cash and investments	\$ 3,573	\$ 7,327	\$ (7,094)	\$ 3,806
Total Assets	<u>\$ 3,573</u>	<u>\$ 7,327</u>	<u>\$ (7,094)</u>	<u>\$ 3,806</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 3,573	\$ 7,327	\$ (7,094)	\$ 3,806
Total Liabilities	<u>\$ 3,573</u>	<u>\$ 7,327</u>	<u>\$ (7,094)</u>	<u>\$ 3,806</u>
<b>JAN COURT ASSESSMENT DISTRICT</b>				
<b>ASSETS</b>				
Cash and investments	\$ 5,493	\$ 139	\$ -	\$ 5,632
Accounts receivable		197		197
Total Assets	<u>\$ 5,493</u>	<u>\$ 336</u>	<u>\$ -</u>	<u>\$ 5,829</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 5,493	\$ 336	\$ -	\$ 5,829
Total Liabilities	<u>\$ 5,493</u>	<u>\$ 336</u>	<u>\$ -</u>	<u>\$ 5,829</u>

(Continued)

**CITY OF YUBA CITY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
(Continued)

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2010</b>
<b>BUTTE VISTA ASSESSMENT DISTRICT 2000-1</b>				
<b>ASSETS</b>				
Cash and investments	\$ 105,682	\$ -	\$ (1,008)	\$ 104,674
Cash and investments with fiscal agent	145,785	3,106		148,891
Interest receivable	341	124	(341)	124
Accounts receivable	224	279	(224)	279
	<u>252,032</u>	<u>3,509</u>	<u>(1,573)</u>	<u>253,968</u>
Total Assets	<u>\$ 252,032</u>	<u>\$ 3,509</u>	<u>\$ (1,573)</u>	<u>\$ 253,968</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 441	\$ -	\$ (441)	\$ -
Deposits payable	251,591	3,509	(1,132)	253,968
	<u>252,032</u>	<u>3,509</u>	<u>(1,573)</u>	<u>253,968</u>
Total Liabilities	<u>\$ 252,032</u>	<u>\$ 3,509</u>	<u>\$ (1,573)</u>	<u>\$ 253,968</u>
<b>BUTTE VISTA ASSESSMENT DISTRICT 2002-1</b>				
<b>ASSETS</b>				
Cash and investments	\$ 110,670	\$ 5,755	\$ -	\$ 116,425
Cash and investments with fiscal agent	134,002	4,024		138,026
Interest receivable	310	112	(310)	112
Accounts receivable	3,053	5,844	(3,053)	5,844
	<u>248,035</u>	<u>15,735</u>	<u>(3,363)</u>	<u>260,407</u>
Total Assets	<u>\$ 248,035</u>	<u>\$ 15,735</u>	<u>\$ (3,363)</u>	<u>\$ 260,407</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,193	\$ 1,073	\$ (2,193)	\$ 1,073
Deposits payable	245,842	14,662	(1,170)	259,334
	<u>248,035</u>	<u>15,735</u>	<u>(3,363)</u>	<u>260,407</u>
Total Liabilities	<u>\$ 248,035</u>	<u>\$ 15,735</u>	<u>\$ (3,363)</u>	<u>\$ 260,407</u>
<b>DARROUGH ASSESSMENT DISTRICT 2003</b>				
<b>ASSETS</b>				
Cash and investments	\$ 39,811	\$ 1,087	\$ -	\$ 40,898
Accounts receivable	417	420	(417)	420
	<u>40,228</u>	<u>1,507</u>	<u>(417)</u>	<u>41,318</u>
Total Assets	<u>\$ 40,228</u>	<u>\$ 1,507</u>	<u>\$ (417)</u>	<u>\$ 41,318</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 40,228	\$ 1,507	\$ (417)	\$ 41,318
	<u>40,228</u>	<u>1,507</u>	<u>(417)</u>	<u>41,318</u>
Total Liabilities	<u>\$ 40,228</u>	<u>\$ 1,507</u>	<u>\$ (417)</u>	<u>\$ 41,318</u>

**CITY OF YUBA CITY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>TIERRA BUENA ASSESSMENT DISTRICT</b>				
<b>ASSETS</b>				
Cash and investments	\$ 89,522	\$ 11,933	\$ -	\$ 101,455
Cash and investments with fiscal agent	385,730		(4,674)	381,056
Interest receivable	856	312	(856)	312
Accounts receivable	8,340	4,481	(8,340)	4,481
Total Assets	<u>\$ 484,448</u>	<u>\$ 16,726</u>	<u>\$ (13,870)</u>	<u>\$ 487,304</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 764	\$ 1,693	\$ (764)	\$ 1,693
Deposits payable	483,684	15,033	(13,106)	485,611
Total Liabilities	<u>\$ 484,448</u>	<u>\$ 16,726</u>	<u>\$ (13,870)</u>	<u>\$ 487,304</u>
<b>VILLAGE GREEN - DEL WAYNE ASSESSMENT DISTRICT 2003-2</b>				
<b>ASSETS</b>				
Cash and investments	\$ 41,365	\$ -	\$ (851)	\$ 40,514
Total Assets	<u>\$ 41,365</u>	<u>\$ -</u>	<u>\$ (851)</u>	<u>\$ 40,514</u>
<b>LIABILITIES</b>				
Deposits payable	\$ 41,365	\$ -	\$ (851)	\$ 40,514
Total Liabilities	<u>\$ 41,365</u>	<u>\$ -</u>	<u>\$ (851)</u>	<u>\$ 40,514</u>
<b>STAPLE/ASHLEY/DENNIS/CORNWELL ASSESSMENT DISTRICT 2004-1</b>				
<b>ASSETS</b>				
Cash and investments	\$ 12,491	\$ 674	\$ (1,467)	\$ 11,698
Accounts receivable	433		(433)	
Total Assets	<u>\$ 12,924</u>	<u>\$ 674</u>	<u>\$ (1,900)</u>	<u>\$ 11,698</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 25	\$ 674	\$ (25)	\$ 674
Deposits payable	12,899		(1,875)	11,024
Total Liabilities	<u>\$ 12,924</u>	<u>\$ 674</u>	<u>\$ (1,900)</u>	<u>\$ 11,698</u>
<b>SUNSWEEET BOULEVARD CFD</b>				
<b>ASSETS</b>				
Cash and investments	\$ 169,776	\$ 27,651	\$ -	\$ 197,427
Cash and investments with fiscal agent	337,151		(40,530)	296,621
Interest receivable	834	304	(834)	304
Total Assets	<u>\$ 507,761</u>	<u>\$ 27,955</u>	<u>\$ (41,364)</u>	<u>\$ 494,352</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 310	\$ 3,399	\$ (310)	\$ 3,399
Deposits payable	507,451	24,556	(41,054)	490,953
Total Liabilities	<u>\$ 507,761</u>	<u>\$ 27,955</u>	<u>\$ (41,364)</u>	<u>\$ 494,352</u>

(Continued)

**CITY OF YUBA CITY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
(Continued)

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>NET-5 OPERATIONS</b>				
<b>ASSETS</b>				
Cash and investments	\$ 187,678	\$ 4,378	\$ (88,335)	\$ 103,721
Accounts receivable	80,528	6	(80,528)	6
Total Assets	<u>\$ 268,206</u>	<u>\$ 4,384</u>	<u>\$ (168,863)</u>	<u>\$ 103,727</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,910	\$ 4,384	\$ (5,910)	\$ 4,384
Deposits payable	262,296		(162,953)	99,343
Total Liabilities	<u>\$ 268,206</u>	<u>\$ 4,384</u>	<u>\$ (168,863)</u>	<u>\$ 103,727</u>
<b>CAL-MET PROGRAM</b>				
<b>ASSETS</b>				
Accounts receivable	\$ 123,287	\$ 110,904	\$ (123,287)	\$ 110,904
Total Assets	<u>\$ 123,287</u>	<u>\$ 110,904</u>	<u>\$ (123,287)</u>	<u>\$ 110,904</u>
<b>LIABILITIES</b>				
Due to agency fund	\$ 104,118	\$ 96,126	\$ (104,118)	\$ 96,126
Accounts payable	10,940	761	(10,940)	761
Deposits payable	8,229	14,017	(8,229)	14,017
Total Liabilities	<u>\$ 123,287</u>	<u>\$ 110,904</u>	<u>\$ (123,287)</u>	<u>\$ 110,904</u>
<b>FLOOD CONTROL AGENCY</b>				
<b>ASSETS</b>				
Cash and investments	\$ 655,998	\$ 363,093	\$ (655,998)	\$ 363,093
Prepaid expenses		500		500
Accounts receivable		5,593,534		5,593,534
Total Assets	<u>\$ 655,998</u>	<u>\$ 5,957,127</u>	<u>\$ (655,998)</u>	<u>\$ 5,957,127</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 22,874	\$ 80,685	\$ (22,874)	\$ 80,685
Deferred revenue	586,775		(586,775)	
Loan payable		5,876,442		5,876,442
Deposits payable	46,349		(46,349)	
Total Liabilities	<u>\$ 655,998</u>	<u>\$ 5,957,127</u>	<u>\$ (655,998)</u>	<u>\$ 5,957,127</u>
<b>SBFCA CAPITAL</b>				
<b>ASSETS</b>				
Cash and investments	\$ 3,684,368	\$ -	\$ (999,084)	\$ 2,685,284
Accounts receivable		256,063		256,063
Total Assets	<u>\$ 3,684,368</u>	<u>\$ 256,063</u>	<u>\$ (999,084)</u>	<u>\$ 2,941,347</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 211,643	\$ 64,817	\$ (211,643)	\$ 64,817
Deposits payable	3,472,725	191,246	(787,441)	2,876,530
Total Liabilities	<u>\$ 3,684,368</u>	<u>\$ 256,063</u>	<u>\$ (999,084)</u>	<u>\$ 2,941,347</u>

**CITY OF YUBA CITY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2010</b>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and investments	\$ 5,844,788	\$ 544,151	\$ (2,040,489)	\$ 4,348,450
Cash and investments with fiscal agent	1,002,668	7,130	(45,204)	964,594
Due from agency fund	104,118	96,126	(104,118)	96,126
Prepaid expenses		500		500
Interest receivable	2,341	852	(2,341)	852
Accounts receivable	237,461	5,984,764	(237,461)	5,984,764
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 7,191,376	\$ 6,633,523	\$ (2,429,613)	\$ 11,395,286
	<hr/>	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>				
Due to agency fund	\$ 104,118	\$ 96,126	\$ (104,118)	\$ 96,126
Accounts payable	414,165	194,351	(414,165)	194,351
Deferred revenue	586,775		(586,775)	
Loan payable		5,876,442		5,876,442
Deposits payable	6,086,318	466,604	(1,324,555)	5,228,367
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 7,191,376	\$ 6,633,523	\$ (2,429,613)	\$ 11,395,286
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## **CITY OF YUBA CITY STATISTICAL SECTION**

This part of the City's comprehensive annual financial report presents detailed information in a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

### **• Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

### **• Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

### **• Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

### **• Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

### **• Operating Information**

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

**CITY OF YUBA CITY**  
**NET ASSETS BY COMPONENT**  
**LAST EIGHT FISCAL YEARS**  
(Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>Governmental Activities</b>				
Invested In Capital Assets, net of related debt	\$ 18,012,834	\$ 27,740,167	\$ 18,162,443	\$ 25,793,897
Restricted	6,062,127	6,007,497	4,741,946	16,552,036
Unrestricted	18,294,769	17,752,933	43,119,246	30,678,331
<b>Total Governmental Activities Net Assets</b>	<b>\$ 42,369,730</b>	<b>\$ 51,500,597</b>	<b>\$ 66,023,635</b>	<b>\$ 73,024,264</b>
<b>Business-Type Activities</b>				
Invested In Capital Assets, net of related debt	\$ 22,663,423	\$ 36,771,797	\$ 53,889,915	\$ 48,346,102
Restricted	614,250	614,250	762,967	762,967
Unrestricted	30,662,845	25,507,906	25,259,121	37,874,324
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 53,940,518</b>	<b>\$ 62,893,953</b>	<b>\$ 79,912,003</b>	<b>\$ 86,983,393</b>
<b>Primary Government</b>				
Invested In Capital Assets, net of related debt	\$ 40,676,257	\$ 64,511,964	\$ 72,052,358	\$ 74,139,999
Restricted	6,676,377	6,621,747	5,504,913	17,315,003
Unrestricted	48,957,614	43,260,839	68,378,367	68,552,655
<b>Total Primary Government Net Assets</b>	<b>\$ 96,310,248</b>	<b>\$ 114,394,550</b>	<b>\$ 145,935,638</b>	<b>\$ 160,007,657</b>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002/2003. The City implemented retroactive reporting of infrastructure in fiscal year 2006/2007.

Source: Comprehensive Annual Financial Reports - City of Yuba City, California

Fiscal Year

2007	2008	2009	2010
\$ 398,797,672	\$ 403,278,221	\$ 403,377,779	\$ 402,012,636
26,188,402	32,249,323	29,786,112	33,415,439
10,968,014	22,227,025	21,847,750	17,490,649
<u>\$ 435,954,088</u>	<u>\$ 457,754,569</u>	<u>\$ 455,011,641</u>	<u>\$ 452,918,724</u>
\$ 141,461,866	\$ 145,579,890	\$ 144,507,456	\$ 155,334,486
762,967	762,967	448,717	3,206,069
28,969,981	28,952,704	27,368,372	14,013,290
<u>\$ 171,194,814</u>	<u>\$ 175,295,561</u>	<u>\$ 172,324,545</u>	<u>\$ 172,553,845</u>
\$ 540,259,538	\$ 548,858,111	\$ 547,885,235	\$ 557,347,122
26,951,369	33,012,290	30,234,829	36,621,508
39,937,995	51,179,729	49,216,122	31,503,939
<u>\$ 607,148,902</u>	<u>\$ 633,050,130</u>	<u>\$ 627,336,186</u>	<u>\$ 625,472,569</u>

**CITY OF YUBA CITY**  
**CHANGES IN NET ASSETS**  
**LAST EIGHT FISCAL YEARS**  
(Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
<b>Governmental Activities</b>				
General government	\$ 4,690,193	\$ 4,915,935	\$ 4,374,806	\$ 4,961,963
Public safety	11,103,416	13,310,227	15,739,089	17,342,884
Parks and recreation	2,421,961	2,983,167	2,879,858	3,287,171
Public works and facilities	2,780,827	2,804,148	3,261,043	4,450,059
Community development	1,604,772	1,661,702	3,934,728	3,930,166
Interest on long-term debt	1,974,712	2,025,268	2,669,496	3,007,720
<b>Total Governmental Activities Expenses</b>	<b>24,575,881</b>	<b>27,700,447</b>	<b>32,859,020</b>	<b>36,979,963</b>
<b>Business-Type Activities</b>				
Water	4,743,117	5,003,127	5,136,621	6,620,198
Wastewater	6,847,062	6,396,021	7,409,572	9,045,282
<b>Total Business-Type Activities Expenses</b>	<b>11,590,179</b>	<b>11,399,148</b>	<b>12,546,193</b>	<b>15,665,480</b>
<b>Total Primary Government Net Expenses</b>	<b>\$ 36,166,060</b>	<b>\$ 39,099,595</b>	<b>\$ 45,405,213</b>	<b>\$ 52,645,443</b>
<b>Program Revenues</b>				
<b>Governmental Activities</b>				
<b>Charges for Services</b>				
General government	\$ 895,573	\$ 520,408	\$ 715,587	\$ 710,437
Public safety	1,306,983	1,416,699	1,474,532	1,299,653
Parks and recreation	647,921	959,178	1,161,026	1,253,188
Public works and facilities	3,187,879	2,351,483	4,344,153	1,677,018
Community development		2,169,256	2,586,062	1,665,665
Operating Contributions and Grants	1,859,452	3,009,326	2,435,938	2,801,619
Capital Contributions and Grants	1,034,937	1,303,315	2,515,181	1,089,792
<b>Total Governmental Activities Program Revenues</b>	<b>8,932,745</b>	<b>11,729,665</b>	<b>15,232,479</b>	<b>10,497,372</b>
<b>Business-Type Activities</b>				
<b>Charges for Services</b>				
Water	7,356,855	10,395,107	14,975,662	12,530,784
Wastewater	7,787,553	10,731,002	11,589,788	10,986,322
Operating Contributions and Grants			4,550,414	
Capital Contributions and Grants			4,550,414	
<b>Total Business-Type Activities Program Revenues</b>	<b>15,144,408</b>	<b>21,126,109</b>	<b>35,666,278</b>	<b>23,517,106</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 24,077,153</b>	<b>\$ 32,855,774</b>	<b>\$ 50,898,757</b>	<b>\$ 34,014,478</b>

Source: Comprehensive Annual Financial Reports - City of Yuba, California

Fiscal Year			
2007	2008	2009	2010
\$ 5,196,149	\$ 5,363,212	\$ 5,176,267	\$ 4,779,423
20,685,388	23,282,357	24,688,420	23,727,230
3,825,886	4,113,957	4,054,318	3,619,636
9,832,488	10,417,186	11,203,066	12,561,736
5,228,659	3,900,994	3,612,257	4,876,451
3,979,112	5,337,470	5,644,530	5,832,196
48,747,682	52,415,176	54,378,858	55,396,672
8,618,468	9,706,835	9,938,304	9,758,320
9,585,377	9,749,245	9,797,636	9,746,836
18,203,845	19,456,080	19,735,940	19,505,156
\$ 66,951,527	\$ 71,871,256	\$ 74,114,798	\$ 74,901,828

\$ 736,964	\$ 993,453	\$ 27,482	\$ 24,097
1,850,442	1,891,045	2,710,690	2,355,913
1,391,504	1,142,165	1,446,139	1,237,924
7,636,006	587,212	475,349	497,209
1,100,788	1,723,654	1,304,404	940,205
4,279,532	3,800,202	3,488,022	3,814,256
1,598,196	18,809,192	6,728,478	9,550,250
18,593,432	28,946,923	16,180,564	18,419,854
10,334,839	9,237,474	8,629,300	8,653,769
9,515,078	9,695,363	9,054,820	9,353,229
166,030		51,196	3,810,219
166,030	773,751	448,415	523,868
20,181,977	19,706,588	18,183,731	22,341,085
\$ 38,775,409	\$ 48,653,511	\$ 34,364,295	\$ 40,760,939

**CITY OF YUBA CITY**  
**CHANGES IN NET ASSETS**  
**LAST EIGHT FISCAL YEARS**  
(Accrual Basis of Accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (15,643,136)	\$ (15,970,782)	\$ (17,626,541)	\$ (26,482,591)
Business-Type Activities	3,554,229	9,726,961	23,120,085	7,851,626
<b>Total Primary Government Net Expense</b>	<b>(12,088,907)</b>	<b>(6,243,821)</b>	<b>5,493,544</b>	<b>(18,630,965)</b>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental Activities				
Taxes				
Secured and unsecured property taxes	5,422,073	6,858,486	12,038,440	15,379,341
Sales and use taxes	8,409,524	8,555,594	7,572,037	9,133,964
Transient lodging taxes				
Franchise taxes	915,657	1,031,819	1,111,651	1,264,092
Other and public service taxes	728,842	827,673	988,635	952,458
Grants and Contributions - Unrestricted	2,831,220	2,282,332	1,414,503	395,439
Interest and Investment Earnings	2,033,927	1,942,486	2,689,592	4,260,089
Miscellaneous	661,832	1,069,668	467,851	409,790
Special items - sale of capital assets	2,083		3,466,483	
Transfers	1,849,314	2,294,924	2,285,892	2,229,069
<b>Total Governmental Activities</b>	<b>22,854,472</b>	<b>24,862,982</b>	<b>32,035,084</b>	<b>34,024,242</b>
Business-Type Activities				
Interest and Investment Earnings	948,518	470,276	734,271	1,718,768
Special items - sale of capital assets				
Transfers	(1,849,314)	(2,294,924)	(2,285,892)	(2,229,069)
<b>Total Business-Type Activities</b>	<b>(900,796)</b>	<b>(1,824,648)</b>	<b>(1,551,621)</b>	<b>(510,301)</b>
<b>Total Primary Government</b>	<b>21,953,676</b>	<b>23,038,334</b>	<b>30,483,463</b>	<b>33,513,941</b>
<b>Change in Net Assets</b>				
Governmental Activities	7,211,336	8,892,200	14,408,543	7,541,651
Business-Type Activities	2,653,433	7,902,313	17,018,050	7,341,325
<b>Total Primary Government</b>	<b>\$ 9,864,769</b>	<b>\$ 16,794,513</b>	<b>\$ 31,426,593</b>	<b>\$ 14,882,976</b>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002/03.

Source: Comprehensive Annual Financial Reports - City of Yuba City, California

Fiscal Year			
2007	2008	2009	2010
\$ (30,154,250)	\$ (23,468,253)	\$ (38,198,294)	\$ (36,976,818)
1,978,132	250,508	(1,552,209)	2,835,929
(28,176,118)	(23,217,745)	(39,750,503)	(34,140,889)
17,976,967	18,211,784	17,946,109	17,216,421
7,700,082	7,593,904	6,759,997	7,009,127
	744,133	648,209	530,582
1,377,674	1,374,274	1,431,844	1,357,607
903,836	1,008,694	960,949	864,948
369,722	313,876	238,821	209,236
5,531,403	6,666,935	5,006,289	4,193,845
728,673	506,607	7,062	244,794
	100,535	25,815	
3,639,983	1,733,485	2,727,978	3,035,849
38,228,340	38,254,227	35,753,073	34,662,409
1,560,862	1,774,540	1,309,171	429,220
	(912)		
(3,639,983)	(1,733,485)	(2,727,978)	(3,035,849)
(2,079,121)	40,143	(1,418,807)	(2,606,629)
36,149,219	38,294,370	34,334,266	32,055,780
8,074,090	14,785,974	(2,445,221)	(2,314,409)
(267,019)	290,651	(2,971,016)	229,300
\$ 7,807,071	\$ 15,076,625	\$ (5,416,237)	\$ (2,085,109)

**CITY OF YUBA CITY**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund					
Reserved	\$ 12,690,465	\$ 13,924,397	\$ 15,238,937	\$ 16,726,502	\$ 18,325,351
Unreserved	2,728,339	2,885,370	2,802,419	3,268,359	3,486,687
<b>Total General Fund</b>	<b>\$15,418,804</b>	<b>\$16,809,767</b>	<b>\$18,041,356</b>	<b>\$19,994,861</b>	<b>\$21,812,038</b>
All Other Governmental Funds					
Reserved	\$ 1,736,171	\$ 2,379,225	\$ 3,141,676	\$ 7,493,464	\$ 6,457,399
Unreserved, Reported In:					
Special Revenue Funds	5,543,029	4,523,185	3,250,205	(70,525)	5,351,375
Debt Service Funds	583,494	41,914	(14,936,066)	(16,467,034)	(18,139,942)
Capital Projects Funds	3,694,772	6,057,742	8,031,101	6,367,180	24,426,922
<b>Total All Other Governmental Funds</b>	<b>11,557,466</b>	<b>13,002,066</b>	<b>(513,084)</b>	<b>(2,676,915)</b>	<b>18,095,754</b>
<b>Total Governmental Funds</b>	<b>\$26,976,270</b>	<b>\$29,811,833</b>	<b>\$17,528,272</b>	<b>\$17,317,946</b>	<b>\$39,907,792</b>

Source: Comprehensive Annual Financial Reports - City of Yuba City, California

Fiscal Year				
2006	2007	2008	2009	2010
\$ 20,508,445	\$ 22,364,092	\$ 24,558,967	\$ 26,888,182	\$ 29,609,352
3,833,519	4,033,423	3,881,024	5,465,445	4,958,082
\$24,341,964	\$26,397,515	\$28,439,991	\$32,353,627	\$34,567,434
\$ 7,779,152	\$ 28,249,617	\$ 29,430,138	\$ 13,583,533	\$ 13,439,946
6,174,368	23,093,007	13,359,772	5,783,782	4,902,184
(19,953,937)	(20,904,593)	(24,144,263)	(26,558,689)	(29,214,558)
20,992,418	8,536,048	9,231,060	17,534,282	13,109,881
14,992,001	38,974,079	27,876,707	10,342,908	2,237,453
\$39,333,965	\$65,371,594	\$56,316,698	\$42,696,535	\$36,804,887

**CITY OF YUBA CITY**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2001	2002	2003	2004	2005
<b>Revenues</b>					
Taxes and Assessments	\$ 14,457,901	\$ 15,826,615	\$ 17,510,350	\$ 19,190,073	\$ 20,988,616
Licenses, Permits and Fees	535,366	1,375,894	1,759,227	2,682,272	3,599,183
Fines and Forfeitures	199,281	313,902	400,176	462,268	502,645
Use of Money and Property	2,029,603	1,964,663	1,912,404	1,860,369	2,673,731
Intergovernmental Revenues	5,407,874	5,481,368	4,868,529	5,741,581	7,244,922
Charges for Services	1,276,413	1,542,343	2,587,414	3,299,899	4,928,119
Other Revenue	2,073,617	1,747,854	663,413	995,979	1,525,897
<b>Total Revenues</b>	<b>25,980,055</b>	<b>28,252,639</b>	<b>29,701,513</b>	<b>34,232,441</b>	<b>41,463,113</b>
<b>Expenditures</b>					
<b>Current</b>					
General Government	3,913,212	3,667,037	4,550,798	4,807,359	4,156,553
Public Safety	7,835,786	9,826,998	10,612,894	12,597,055	14,969,069
Parks and Recreation	1,931,022	2,145,350	2,377,992	2,875,780	2,794,846
Public works and facilities	1,764,804	2,185,593	2,569,003	2,428,857	2,723,586
Community Development	1,794,020	2,106,061	1,604,026	1,659,113	3,925,128
Pension expenditures					
<b>Debt Service</b>					
Principal Retirement	820,048	1,154,043	592,821	720,191	1,334,439
Interest and Fiscal Charges	1,536,609	1,201,042	1,892,443	2,024,618	2,584,336
Bond Issue Cost					
<b>Capital Outlay</b>	2,289,327	5,016,659	4,472,735	10,238,565	4,066,608
<b>Total Expenditures</b>	<b>21,884,828</b>	<b>27,302,783</b>	<b>28,672,712</b>	<b>37,351,538</b>	<b>36,554,565</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,095,227</b>	<b>949,856</b>	<b>1,028,801</b>	<b>(3,119,097)</b>	<b>4,908,548</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	6,068,915	12,190,787	10,492,198	13,136,785	21,239,271
Transfers Out	(5,061,928)	(11,460,162)	(10,322,906)	(11,283,861)	(19,755,741)
Issuance of debt	1,126,348	1,238,982	147,163	1,055,847	
Sales of Property					3,466,483
Refunding Bond Proceeds					20,690,000
Payments to Refunding Agents					(8,073,210)
Loan Proceeds					
Certificates of Participation Issued					
Tax Allocation Bond Issued					
Premium on Tax Allocation Bond					
<b>Total Other Financing Sources (Uses)</b>	<b>2,133,335</b>	<b>1,969,607</b>	<b>316,455</b>	<b>2,908,771</b>	<b>17,566,803</b>
<b>Net Change In Fund Balances</b>	<b>\$6,228,562</b>	<b>\$2,919,463</b>	<b>\$1,345,256</b>	<b>(\$210,326)</b>	<b>\$22,475,351</b>
<b>Debt Service as a percentage of non-capital expenditures<sup>1</sup></b>	13.7%	11.8%	11.4%	11.3%	13.7%

<sup>1</sup>For 2008, 2009, and 2010 the debt service as a percentage of noncapital expenditures was calculated by excluding the capital outlay expenditure amount from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Fiscal Year				
2006	2007	2008	2009	2010
\$ 28,383,087	\$ 30,457,191	\$ 30,845,525	\$ 30,417,648	\$ 28,563,525
1,921,772	1,181,053	1,353,822	764,696	761,033
455,367	639,271	815,815	677,402	490,881
3,946,664	5,181,876	6,106,793	4,552,206	3,801,345
3,320,112	3,817,490	5,329,618	3,433,937	8,043,366
2,760,809	9,295,190	5,294,303	6,803,599	5,620,730
409,790	868,266	529,093	590,307	1,207,407
41,197,601	51,440,337	50,274,969	47,239,795	48,488,287
4,620,359	5,014,327	5,152,199	4,858,367	4,354,742
16,828,712	20,023,229	22,847,118	23,674,889	23,163,001
3,148,167	3,659,681	3,955,688	3,878,488	3,628,957
3,875,836	3,793,741	3,382,147	3,173,448	3,681,891
3,908,345	5,236,196	3,673,956	3,806,050	5,578,721
	7,498,612			
333,908	384,874	1,059,894	1,811,502	1,931,391
3,010,277	3,669,126	5,011,466	5,582,117	5,746,734
	1,270,865			
7,319,763	16,128,372	22,118,800	16,803,075	9,330,347
43,045,367	66,679,023	67,201,268	63,587,936	57,415,784
(1,847,766)	(15,238,686)	(16,926,299)	(16,348,141)	(8,927,497)
11,514,364	24,040,452	49,398,274	22,406,863	24,505,212
(9,553,285)	(20,707,525)	(47,850,239)	(19,678,885)	(21,469,363)
		6,323,368		
	7,685,000			
	1,522,332			
	12,500,000			
	16,000,000			
	236,056			
1,961,079	41,276,315	7,871,403	2,727,978	3,035,849
\$113,313	\$26,037,629	(\$9,054,896)	(\$13,620,163)	(\$5,891,648)
10.3%	14.1%	15.6%	15.8%	18.9%

**CITY OF YUBA CITY**  
**ASSESSED VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Real Property	Personal Property	Less: Tax-Exempt Real Property	Total Taxable Assessed Value <sup>1</sup>	Total Direct Tax Rate
2001	\$ 1,394,542,600	\$ 223,000,290	\$ 37,049,053	\$ 1,580,493,837	1.00000%
2002	1,769,719,864	246,286,225	49,980,177	1,966,025,912	1.00000%
2003	1,929,176,080	263,553,493	51,538,396	2,141,191,177	1.03840%
2004	2,196,686,176	346,089,378	93,317,063	2,449,458,491	1.03500%
2005	2,519,998,779	382,843,841	113,871,122	2,788,971,498	1.08250%
2006	3,291,827,504	344,080,281	134,077,257	3,501,830,528	1.06380%
2007	3,976,368,405	393,419,411	135,691,517	4,234,096,299	1.06840%
2008	4,362,825,195	398,556,414	148,818,949	4,612,562,660	1.07670%
2009	4,620,231,165	383,764,855	268,912,438	4,735,083,582	1.07503%
2010	4,476,330,929	395,589,268	289,743,659	4,582,176,538	1.11124%

<sup>1</sup> Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value as it appeared on the Assessor's 1975-76 assessment roll. Thereafter, full cash value can be increased to reflect:

- a) annual inflation up to 2 percent
- b) current market value at time of ownership change;
- c) market value for new construction

Note: Estimated actual value of taxable property cannot easily be determined as the property in the City is not reassessed annually. Reassessment normally occurs when ownership changes.

Source: Sutter County Tax Collector/Treasurer

**CITY OF YUBA CITY**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES<sup>1</sup>**  
**LAST TEN FISCAL YEARS**

Fiscal Year	County Direct Rate <sup>2</sup>	Yuba City Unified Bond	Field Bond	Total Rate
2001	1.00000	-	-	1.00000
2002	1.00000	-	-	1.00000
2003	1.00000	0.03840	-	1.03840
2004	1.00000	0.03500	-	1.03500
2005	1.00000	0.08250	-	1.08250
2006	1.00000	0.06380	-	1.06380
2007	1.00000	0.06840	-	1.06840
2008	1.00000	0.07670	-	1.07670
2009	1.00000	0.07503	-	1.07503
2010	1.00000	0.11124	-	1.11124

<sup>1</sup> On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or on bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

<sup>2</sup> Proposition 13 allows each county to levy a maximum of \$1 per \$100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

Source: Sutter County Auditor-Controller

**CITY OF YUBA CITY**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Fiscal Year 2010			Fiscal Year 2001		
	Taxable Assessed Value <sup>1</sup>	Percent Of Total Assessed Valuation	Rank	Taxable Assessed Value <sup>1</sup>	Percent Of Total Assessed Valuation	Rank
Sunsweet Growers Inc.	\$ 72,677,535	1.60%	1	51,855,917	3.56%	1
Wal Mart Stores Inc./Sam's West	40,336,639	0.89%	2	18,783,828	1.29%	7
Miravista LLC	38,494,800	0.85%	3			
Feather River Energy Center LLC	31,774,274	0.70%	4	-	-	
Yuba City Co Generation Limited	29,147,169	0.64%	5	48,660,846	3.34%	3
Butte House Bel Air Investors	19,507,661	0.43%	6	17,638,998	1.21%	8
Kats Family 87 Trust	18,393,960	0.40%	7	-	-	
Comcast of Northern California	17,840,624	0.39%	8	-	-	
Roy and Sondra Lanza Family 96 Trust	17,759,165	0.39%	9	-	-	
Bridge Street QC LLC	16,904,824	0.37%	10			
Fremont Hospital				49,576,010	3.40%	2
City of Yuba City				28,519,556	1.96%	4
Mediaone of Northern California				24,210,761	1.66%	5
Sutter County				19,874,198	1.36%	6
United Com Serve				13,702,076	0.94%	9
Western Properties Trust				10,269,433	0.70%	10
	<u>\$ 151,327,677</u>	<u>6.66%</u>		<u>\$ 283,091,623</u>	<u>19.41%</u>	

<sup>1</sup> Taxable assessed value includes tax assessments on real and personal properties.

Source: Sutter County Auditor-Controller

**CITY OF YUBA CITY**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Taxes Levied for the Fiscal Year			Collections within the Fiscal Year of the Levy	
	City	RDA	Total <sup>1</sup>	Amount	Percent of Levy
2001	\$ 2,496,895	\$ 1,232,368	\$ 3,729,263	\$ 3,729,263	100.00%
2002	3,100,979	1,351,856	4,452,835	4,452,835	100.00%
2003	3,289,782	1,639,739	4,929,521	4,929,521	100.00%
2004	3,654,765	2,738,215	6,392,980	6,392,980	100.00%
2005	4,117,593	2,480,294	6,597,887	6,597,887	100.00%
2006	5,108,389	3,031,149	8,139,538	8,139,538	100.00%
2007	6,529,780	3,533,990	10,063,770	10,063,770	100.00%
2008	7,148,318	3,338,218	10,486,536	10,486,536	100.00%
2009	7,091,491	3,712,359	10,803,850	10,803,850	100.00%
2010	5,663,900	3,512,956	9,176,856	9,176,856	100.00%

<sup>1</sup> Schedule excludes unitary tax.

<sup>2</sup> Yuba City is part of Sutter County which adopted the Teeter Plan in the 1993/94 fiscal year.

Source: Sutter County Tax Collector/Treasurer

**CITY OF YUBA CITY**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Governmental Activities						
Fiscal Year	Tax Allocation Revenue Bonds	Loans Payable	Certificates of Participation	Pension Obligation Bonds	Capital Lease Payable	Total
2001	\$ 8,505,000	\$ 142,372	\$ 1,695,000	\$ -	\$ -	\$ 10,342,372
2002	8,350,000	125,031	1,305,000	-	-	9,780,031
2003	8,185,000	107,210	895,000	-	147,163	9,334,373
2004	8,010,000	88,896	460,000	-	1,111,132	9,670,028
2005	20,690,000	-	-	-	972,169	21,662,169
2006	20,500,000	-	-	-	828,262	21,328,262
2007	36,255,000	1,479,727	12,500,000	7,685,000	730,993	58,650,720
2008	36,005,000	1,819,241	12,265,000	7,255,000	6,569,953	63,914,194
2009	35,615,000	1,774,102	12,020,000	6,725,000	5,968,590	62,102,692
2010	35,200,000	1,727,641	11,765,000	6,135,000	5,343,660	60,171,301

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

<sup>1</sup> See Demographic and Economic Indicators schedule for personal income and population data.

n/a: not available

Source: Comprehensive Annual Financial Reports - City of Yuba City, California

Business-Type Activities

<u>Revenue Bonds Payable</u>	<u>Certificates of Participation</u>	<u>Capital Lease Payable</u>	<u>Total</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income<sup>1</sup></u>	<u>Per Capita<sup>1</sup></u>
\$ -	\$ 16,750,000	\$ -	\$ 16,750,000	\$ 27,092,372	2.76%	\$ 612
-	16,390,000	-	16,390,000	26,170,031	2.41%	554
-	27,015,000	-	27,015,000	36,349,373	3.19%	752
-	26,560,000	-	26,560,000	36,230,028	2.70%	658
-	26,080,000	-	26,080,000	47,742,169	3.24%	818
-	50,410,000	-	50,410,000	71,738,262	4.63%	1,186
-	49,910,769	-	49,910,769	108,561,489	6.60%	1,749
-	48,891,634	2,279,648	51,171,282	115,085,476	6.88%	1,817
-	47,815,574	-	47,815,574	109,918,266	7.67%	1,727
-	46,696,549	-	46,696,549	106,867,850	n/a	1,635

**CITY OF YUBA CITY**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt Outstanding				Percentage of Personal Income <sup>1</sup>	Percentage of Total Taxable Assessed Value <sup>2</sup>	Per Capita <sup>1</sup>
	Certificates of Participation	Pension Obligation Bonds	Capital Lease Payable	Total			
2001	\$ 1,695,000	\$ -	\$ -	\$ 1,695,000	0.17%	0.11%	\$ 38
2002	1,305,000	-	-	1,305,000	0.12%	0.07%	28
2003	895,000	-	-	895,000	0.08%	0.04%	19
2004	460,000	-	1,055,847	1,515,847	0.11%	0.06%	28
2005	-	-	972,169	972,169	0.07%	0.03%	17
2006	-	-	828,262	828,262	0.05%	0.02%	14
2007	12,500,000	7,685,000	730,993	20,915,993	1.27%	0.49%	337
2008	12,265,000	7,255,000	6,569,953	26,089,953	1.56%	0.57%	412
2009	12,020,000	6,725,000	5,968,590	24,713,590	1.72%	0.52%	388
2010	11,765,000	6,135,000	5,343,660	23,243,660	n/a	0.51%	356

<sup>1</sup> See Demographic and Economic Indicators schedule for personal income and population data.

<sup>2</sup> See Assessed Value and Actual Value of Taxable Property schedule for property value data.

n/a - not available

Source: Comprehensive Annual Financial Reports - City of Yuba City, California

**CITY OF YUBA CITY**  
**DIRECT AND OVERLAPPING DEBT GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2010**

	Percent Applicable <sup>1</sup>	Debt June 30, 2010
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>		
Yuba Joint Community College District	16.741%	\$ 15,622,086
Sutter Union High School District	0.296%	35,291
Yuba City Unified School District School Facilities Improvement District No. 99-1	69.770%	16,666,549
Yuba City Unified School District School Facilities Improvement District No. 2004-1	70.004%	16,798,900
City of Yuba City Community Facilities District No. 2004-1	100.000%	3,025,000
City of Yuba City 1915 Act Bonds	100.000%	<u>3,963,000</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<u><u>56,110,826</u></u>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>		
Sutter County Certificates of Participation	53.051%	970,833
Sutter County Board of Education Certificates of Participation	53.051%	2,713,559
Yuba City Unified School District Certificates of Participation	77.290%	27,669,820
City of Yuba City Certificates of Participation	100.000%	11,765,000
City of Yuba City Pension Obligations	100.000%	<u>6,135,000</u>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<u><u>49,254,212</u></u>
<b>COMBINED TOTAL DEBT</b>		<u><u>\$ 105,365,038</u></u> <sup>2</sup>

<sup>1</sup> Percentage of overlapping agency's assessed valuation located within boundaries of the City of Yuba City.

<sup>2</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

**RATIOS TO 2009-10 ASSESSED VALUATION:**

Total Overlapping Tax and Assessment Debt	1.21%
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**DIRECT AND OVERLAPPING GENERAL FUND DEBT**

Combined Direct Debt (\$17,900,000)	0.42%
Combined Total Debt	2.49%

Source: California Municipal Statistics

**CITY OF YUBA CITY**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**

	Fiscal year			
	2001	2002	2003	2004
Total assessed value of all real and personal property	\$1,580,493,837	\$1,966,025,912	\$2,141,191,177	\$2,449,458,491
Debt limit percentage	15.00%	15.00%	15.00%	15.00%
Total debt limit	237,074,076	294,906,887	321,178,677	367,418,774
Amount application to debt limit	1,695,000	1,305,000	895,000	1,515,847
Legal debt margin	<u>\$ 235,379,076</u>	<u>\$ 293,598,887</u>	<u>\$ 320,283,677</u>	<u>\$ 365,902,927</u>
Total net debt applicable to the limit as a percentage of debt limit	0.71%	0.44%	0.28%	0.41%

Source: Comprehensive Annual Financial Reports - City of Yuba City, California

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 2,788,971,498	\$ 3,501,830,528	\$ 4,234,096,299	\$ 4,612,562,660	\$ 4,735,083,582	\$ 4,582,176,538
<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
418,345,725	525,374,579	635,114,445	691,884,399	710,262,537	687,326,481
<u>972,169</u>	<u>828,262</u>	<u>20,915,993</u>	<u>26,089,953</u>	<u>24,713,590</u>	<u>23,243,660</u>
<u>\$ 417,373,556</u>	<u>\$ 524,446,317</u>	<u>\$ 614,198,452</u>	<u>\$ 665,794,446</u>	<u>\$ 685,548,947</u>	<u>\$ 664,082,821</u>
0.23%	0.16%	3.29%	3.77%	3.48%	3.38%

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**CITY OF YUBA CITY**  
**PLEDGED REVENUE COVERAGE**  
**GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**

Tax Allocation Revenue Bonds

Fiscal Year	Property Tax Increment	Principal	Interest	Coverage
2001	\$ 1,232,368	\$ 150,000	\$ 481,884	1.95
2002	1,351,856	155,000	474,886	2.15
2003	1,672,991	165,000	467,361	2.65
2004	2,783,597	175,000	500,827	4.12
2005	2,526,031	-	818,351	3.09
2006	3,078,442	190,000	1,160,656	2.28
2007	3,584,401	287,605	1,232,577	2.36
2008	3,338,218	250,000	1,708,563	1.70
2009	3,712,359	390,000	1,966,559	1.58
2010	3,512,956	415,000	1,950,034	1.49

Loans Payable

Fiscal Year	Principal	Interest	Coverage
2001	-	16,873	4,264
2002	-	17,341	3,797
2003	-	17,821	3,317
2004	-	18,314	2,824
2005	-	88,896	326
2006	-	-	-
2007	-	-	410,276
2008	-	43,854	53,946
2009	-	45,139	52,642
2010	-	46,461	51,301

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements. Operating expenses do not include interest, depreciation or amortization.

Source: Comprehensive Annual Financial Reports - City of Yuba City, California

**CITY OF YUBA CITY**  
**PLEDGED REVENUE COVERAGE**  
**PROPRIETARY FUNDS**  
**LAST TEN FISCAL YEARS**

Water Revenue Bonds

Fiscal Year	Operating Revenue	Adjusted Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2001	\$ -	\$ -	\$ -	\$ -	\$ -	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-

Sewer Revenue Bonds

Fiscal Year	Operating Revenue	Adjusted Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2001	\$ -	\$ -	\$ -	\$ -	\$ -	-
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-

Note: Does not include 2000 Wastewater Certificates of Participation debt defeased of \$9,670,000.

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements. Operating expenses do not include interest, depreciation or amortization.

Source: Comprehensive Annual Financial Reports - City of Yuba City, California

Water Certificates of Participation

Operating Revenue	Adjusted Operating Expenses	Use of Stabilization Reserve	Other Allowed Sources (Uses)	Net Available Revenue	Principal	Interest	Coverage
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
7,032,705	(3,522,451)		(540,080)	2,970,174	100,000	234,479	8.88
7,356,855	(3,548,144)		(561,198)	3,247,513	105,000	254,636	9.03
10,395,107	(2,974,440)		(791,400)	6,629,267	110,000	230,137	16.55
14,975,662	(3,936,113)		(1,061,863)	9,977,686	115,000	225,441	29.22
12,530,784	(4,449,497)		(370,244)	7,711,043	910,000	1,008,170	4.02
10,334,839	(4,911,422)		(392,296)	5,031,121	525,000	1,291,689	2.77
9,237,474	(5,457,677)		(324,810)	3,454,987	550,000	1,267,282	1.90
8,629,300	(5,202,852)		(634,882)	2,791,566	575,000	1,241,738	1.54
8,653,769	(4,816,519)	290,290	(1,949,504)	2,178,036	600,000	1,215,030	1.20

Wastewater Certificates of Participation

Operating Revenue	Adjusted Operating Expenses	Use of Stabilization Reserve	Other Allowed Sources (Uses)	Net Available Revenue	Principal	Interest	Coverage
\$ 5,928,541	\$ (3,317,498)	\$ -	\$ 271,918	\$ 2,882,961	\$ 250,000	\$ 608,024	3.36
7,256,904	(3,640,448)		240,602	3,857,058	260,000	647,543	4.25
7,787,553	(4,678,874)		115,609	3,224,288	270,000	1,163,017	2.25
10,731,002	(4,197,468)		(561,746)	5,971,788	345,000	1,147,947	4.00
11,589,788	(4,639,677)		(448,566)	6,501,545	365,000	1,129,608	4.35
10,986,322	(5,600,344)		(511,629)	4,874,349	385,000	1,110,199	3.26
9,515,078	(5,846,877)		(254,145)	3,414,056	405,000	1,081,644	2.30
9,695,363	(6,046,042)		628,595	4,277,916	469,135	976,312	2.96
9,070,420	(5,937,384)		(265,983)	2,867,053	501,061	953,151	1.97
9,353,229	(5,823,559)		(673,042)	2,856,628	519,025	931,520	1.97

**CITY OF YUBA CITY**  
**DEMOGRAPHIC STATISTICS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Population <sup>1</sup>	Personal Income <sup>2</sup>		School Enrollment <sup>3</sup>	Unemployment Rate <sup>4</sup>	City Square Miles <sup>5</sup>
		Total (in thousands)	Per Capita			
2001	44,291	982,153	22,175	11,044	10.3%	10.60
2002	47,200	1,086,733	23,024	11,337	12.1%	10.76
2003	48,350	1,140,093	23,580	11,647	12.5%	11.23
2004	55,078	1,340,709	24,342	11,921	14.0%	12.86
2005	58,368	1,475,426	25,278	12,294	7.9%	13.30
2006	60,507	1,549,100	25,602	12,237	10.6%	13.89
2007	62,083	1,643,647	26,475	13,060	10.0%	13.94
2008	63,338	1,671,553	26,391	12,758	11.8%	14.58
2009	63,647	1,433,595	22,634	12,842	12.3%	14.58
2010	65,372	n/a	n/a	12,670	21.6%	14.65

<sup>1</sup> Source: California Department of Finance

<sup>2</sup> Source: California Franchise Tax Board

<sup>3</sup> Source: Yuba City Unified School District

<sup>4</sup> Source: California Employment Development Department

<sup>5</sup> Source: Yuba City Engineering Department

n/a: not available

**CITY OF YUBA CITY  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year 2010			Fiscal Year 2001		
	Employees	Percent of Total Employment	Rank	Employees	Percent of Total Employment	Rank
Fremont Rideout Medical	1,850	9.07%	1	1,700	9.53%	1
Yuba City Unified	1,316	6.45%	2	1,100	6.17%	2
County of Sutter	970	4.75%	3	860	4.82%	3
Sunsweet Growers	670	3.28%	4	430	2.41%	4
Sutter North Medical	575	2.82%	5	325	1.82%	5
Wal-Mart	525	2.57%	6	N/A	N/A	N/A
City of Yuba City	325	1.59%	7	250	1.40%	6
Sam's Club	198	0.97%	8	N/A	N/A	N/A
Bel Air/Raley's	184	0.90%	9	N/A	N/A	N/A
Winco Foods	150	0.74%	10	N/A	N/A	N/A
Yuba City Steel	N/A	N/A	N/A	150	0.84%	7
Siller Brothers	N/A	N/A	N/A	100	0.56%	8
Deluxe Packages	N/A	N/A	N/A	85	0.48%	9
Medallion Millwork	N/A	N/A	N/A	80	0.45%	10
	6,763	33.15%		5,080	28.48%	

Source: City of Yuba City Economic Development Division

N/A - Data not available

**CITY OF YUBA CITY**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES**  
**BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

	Fiscal Year				
	2001	2002	2003	2004	2005
Governmental Activities					
General Government					
City manager	2.00	2.00	2.00	2.00	2.00
Finance	12.50	14.00	14.00	14.00	14.00
Information services	3.00	4.00	4.00	4.00	4.00
General services	10.25	9.75	9.75	9.75	9.75
Human resources	5.00	4.50	4.50	5.50	6.00
Public Safety					
Police	70.50	71.50	72.50	84.50	84.50
Fire	33.10	43.60	46.60	46.60	47.10
Parks and Recreation	26.29	27.79	29.00	29.00	26.00
Public Works and facilities					
Administration	2.00	2.00	2.00	2.00	2.00
Streets	9.30	9.30	10.30	10.30	10.30
Engineering	8.50	8.50	9.00	9.00	8.00
Electrical maintenance		4.00	4.10	4.10	4.10
Community Development					
Planning	4.00	4.00	4.00	4.00	7.00
Building inspection	5.50	4.00	7.00	8.00	11.00
Economic development	3.00	2.50	3.50	3.50	2.60
Water	19.50	20.70	21.70	23.70	24.20
Wastewater	26.20	24.00	24.90	26.90	29.40
Vehicle maintenance	4.25	4.25	4.25	5.25	5.25
<b>Total Full-Time Equivalent Employees</b>	<b>244.89</b>	<b>260.39</b>	<b>273.10</b>	<b>292.10</b>	<b>297.20</b>

Source: City of Yuba City Finance Department

Fiscal Year				
2006	2007	2008	2009	2010
3.00	2.00	2.00	2.00	4.00
16.00	16.00	16.00	16.60	13.52
4.00	4.00	4.00	4.00	4.00
9.75	11.75	11.75	11.75	9.75
6.00	6.00	6.00	5.50	4.50
97.50	102.50	102.50	103.50	101.50
49.10	52.10	52.10	55.10	55.10
28.00	30.50	32.50	31.73	26.24
2.00	2.00	2.00	3.00	3.00
10.50	10.30	10.30	10.23	9.23
8.00	8.00	6.00	8.00	10.00
4.10	4.10	4.10	4.08	1.08
7.00	5.00	5.00	4.00	3.00
11.00	12.00	10.00	10.00	6.00
2.60	2.60	1.60	1.00	1.00
27.60	29.50	27.95	28.73	29.58
33.80	36.10	36.65	37.73	38.88
5.25	5.25	5.25	5.25	5.25
<u>325.20</u>	<u>339.70</u>	<u>335.70</u>	<u>342.20</u>	<u>325.63</u>

**CITY OF YUBA CITY  
OPERATING INDICATORS  
BY FUNCTION/PROGRAM  
LAST TEN YEARS**

	Calendar Year				
	2001	2002	2003	2004	2005
<b>Finance</b>					
Utility customers billed	10,167	10,667	13,875	15,319	16,861
<b>Community Development</b>					
Single family dwelling building permits issued	135	358	589	750	991
Land use entitlement applications	71	84	124	118	126
<b>Police</b>					
Citations issued	4,858	4,196	7,992	9,148	8,978
Arrests made	2,719	2,773	2,908	3,134	3,020
Requests for services	36,090	37,441	38,109	47,708	49,563
<b>Fire</b>					
Fire responses	4,217	4,275	5,148	5,205	5,384
Area served (sq. miles)	9.200	10.702	11.000	11.000	17.200
<b>Parks and Recreation</b>					
Classes held	n/a	n/a	n/a	n/a	n/a
Hours of recreation offered	n/a	n/a	n/a	n/a	n/a
Total participants	n/a	n/a	n/a	n/a	n/a
Park acres overseen	119.44	118.94	122.50	122.50	130.00
<b>Public Works</b>					
Encroachment permits	119	119	136	110	130
Subdivision agreements	n/a	n/a	22	21	21
Capital improvement projects	13	29	26	26	26
Street maintenance - crack seal (streets)	n/a	n/a	n/a	n/a	n/a
Street maintenance - traffic marking paint (gal.)	n/a	500	525	600	625
Street light repairs	n/a	n/a	n/a	n/a	418
<b>Water</b>					
Water introduced to system (million gallons)	3,785	4,771	3,923	5,481	5,933
Metered water deliveries (hundred cubic feet)	5,789,444	4,610,223	4,890,372	4,857,062	5,198,150
<b>Wastewater</b>					
Effluent (millions of gallons per day)	5.552	5.202	5.556	5.975	5.300

n/a - information was not required to be reported in prior years and was not retained

Source: City of Yuba City Finance Department

Calendar Year				
2006	2007	2008	2009	2010
17,100	17,896	17,570	17,628	17,806
869	292	54	39	37
119	74	92	42	37
8,130	10,298	12,597	11,769	8,485
3,126	3,140	3,465	3,452	3,336
58,368	44,593	43,936	48,053	44,856
5,852	6,119	6,591	7,169	7,101
17,200	17,200	30,000	30,000	30,000
754	320	500	1,182	2,762
13,977	6,000	5,800	8,190	17,530
12,220	7,402	12,500	36,749	93,103
130.00	130.00	130	133	133
122	105	117	83	98
12	3	3	-	-
9	10	17	20	20
30	-	52	93	70
650	1,175	910	925	538
304	588	621	468	398
5,435	6,128	6,008	6,220	6,091
5,229,748	7,404,329	6,010,883	5,976,940	5,450,998
5.281	6.088	5.366	5.150	6.500

**CITY OF YUBA CITY  
CAPITAL ASSET STATISTICS  
BY FUNCTION/PROGRAM  
LAST TEN YEARS**

	Calendar Year				
	2001	2002	2003	2004	2005
Police					
Stations	1	1	1	1	1
Fire					
Stations	3	5	5	5	5
Public Works					
Streets (centerline miles)	n/a	n/a	n/a	n/a	n/a
Street lights	n/a	n/a	n/a	n/a	n/a
Traffic signals	n/a	n/a	n/a	n/a	n/a
Parks and Recreation					
Office buildings	-	-	-	-	1
Park acreage	100	100	100	110	110
Playing fields/courts	7	7	7	7	7
Swimming pools	1	1	1	1	1
Water play features	-	-	-	1	1
Water					
Water mains (miles)	n/a	n/a	n/a	n/a	n/a
Fire hydrants	n/a	n/a	n/a	n/a	n/a
Storage capacity (million gallons)	9.25	10.25	10.25	10.25	14.00
Treatment capacity (million gallons)	20.0	24.0	24.0	27.0	36.3
Wastewater					
Sewer mains (miles)	n/a	n/a	n/a	n/a	158
Treatment capacity (million gallons)	7	7	7	7	7

n/a - information was not required to be reported in prior years and was not retained

Source: City of Yuba City Finance Department

Calendar Year				
2006	2007	2008	2009	2010
1	1	1	1	1
5	5	5	5	5
285	285	237	237	237
6,000	6,000	6,071	6,071	6,071
32	32	33	34	34
1	2	2	3	3
110	110	110	113	113
7	7	7	7	7
1	1	1	1	1
1	1	1	2	2
233	229	232	260	260
2,324	2,317	2,324	2,593	2,593
14.00	18.00	18.00	18.00	18.00
36.3	48.3	48.5	48.5	36.0
158	155	176.5	176.5	176.5
7	10.5	10.5	10.5	10.5



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Members of the City Council of the  
City of Yuba City  
Yuba City, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Yuba City, California, as of and for the fiscal year ended June 30, 2010 which collectively comprise the City of Yuba City's basic financial statements, and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

We noted certain other matters that we reported to management of the City of Yuba City in a separate letter dated December 10, 2010.

Compliance and Other Matters

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

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

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Beverly Hills, CA  
December 10, 2010