

CITY OF ANDERSON, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2009

CITY OF ANDERSON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009

CITY OF ANDERSON
 TABLE OF CONTENTS
 JUNE 30, 2009

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	1
Organizational Chart	6
City Council and Administrative Personnel.....	7
 FINANCIAL SECTION	
Independent Auditors' Report	8
Management's Discussion and Analysis	10
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets, June 30, 2009	24
Statement of Activities, For the Year Ended June 30, 2009.....	26
 Fund Financial Statements:	
Balance Sheet – Governmental Funds, June 30, 2009	28
Reconciliation of Fund Balances to Net Assets June 30, 2009	34
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, For the Year Ended June 30, 2009.....	35
Reconciliation of Change in Fund Balances to Change in Net Assets, For the Year Ended June 30, 2009.....	41

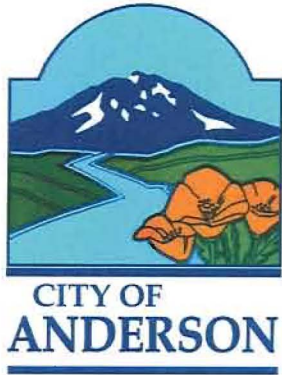
CITY OF ANDERSON
 TABLE OF CONTENTS
 JUNE 30, 2009

	Page
FINANCIAL SECTION (Continued)	
Basic Financial Statements: (Continued)	
Fund Financial Statements: (Continued)	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund and Major Special Revenue Funds, For the Year Ended June 30, 2009.....	42
Statement of Net Assets – Proprietary Funds, June 30, 2009	52
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds, For the Year Ended June 30, 2009.....	54
Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2009.....	56
Statement of Fiduciary Assets and Liabilities – Agency Funds June 30, 2009	59
Notes to the Financial Statements.....	60
 Combining and Individual Fund Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds, June 30, 2009	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds, For the Year Ended June 30, 2009.....	98
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds June 30, 2009	109
Combining Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds For the Year Ended June 30, 2009.....	110

CITY OF ANDERSON
TABLE OF CONTENTS
JUNE 30, 2009

	Page
GAO AND SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards	114
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	115
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	117
Schedule of Findings and Questioned Costs	120
Summary Schedule of Prior Audit Findings.....	124
STATISTICAL SECTION	126 – 153

INTRODUCTORY SECTION



January 19, 2010

Honorable Mayor and Members of the City Council and Citizens of the City of Anderson:

State law requires that all general purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue for the City of Anderson the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of the City of Anderson. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Anderson has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Anderson's financial statements in conformity with GAAP.

Because the cost of internal controls should not outweigh their benefits, the City of Anderson's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Anderson's financial statements have been audited by Nystrom & Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Anderson for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Anderson's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Anderson was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and

compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The independent auditor's "Single Audit" reports are presented herein.

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

General Information

The City of Anderson has a population of 10,765 and is located on the west bank of the Sacramento River in southern Shasta County. It is ten miles south of Redding, population 90,201, and twenty miles north of Red Bluff, population 14,025. Anderson is situated along Interstate 5 and is 150 miles north of Sacramento, the state capital. The City was incorporated January 16, 1956, as a general law city and it employs the council-manager form of government. The governing council is responsible, among other things for passing ordinances, adopting the budget and appointing committees. The Council appoints a City Attorney as legal counsel and a City Manager who is the administrative head of the government. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing day-to-day operations of the government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with either two or three council members elected every two years.

A Mayor and Vice-mayor are selected by the council from its members.

The City of Anderson provides a full range of services, including police, the maintenance of streets and other infrastructure, recreational activities and cultural events. The City also provides water and sewer services to its citizens.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Anderson operates.

Local Economy

Historically, the Anderson local economy has been primarily influenced by wood and lumber related industries. Of the 13 largest manufacturers in 1990, ten were directly involved in wood products processing and accounted for 2,000 of the total 2,112 manufacturing related jobs in the greater Anderson area. Mill closures culminating in the 2001 closure of the Shasta Paper Company resulted in elimination of many of these jobs, however, numerous jobs have been created in retail and tourist related businesses. Also, a number of new jobs have been developed in non-timber related manufacturing. While the timber is still very important and the City continues to actively promote the unique characteristics of the community that make it attractive to timber product industries, the local economy is increasingly influenced by non-timber related businesses.

In 1999, the City annexed 186 acres of industrially zoned property in the Ox Yoke Road area with the intention of encouraging the diversification of manufacturing.

In 2000, the Anderson Redevelopment Agency formed the Southwest Redevelopment Project Area. Subsequently, the Agency acquired and sold a 4.3-acre industrial parcel in the Barney Street/Marx Way industrial area to Outdoor Creations, a manufacturer of concrete picnic tables, grills, benches, and monument signs. The Agency has also acquired and sold property in the downtown area to facilitate commercial development and constructed substantial public improvements along the business district core area.

In 2004, the City Council and Shasta County Board of Supervisors adopted a joint action plan to encourage new manufacturing southeast of the City. Plans to improve the area's infrastructure have begun, with improvement plans for the I-5/Deschutes Interchange being developed in a cooperative process with California Department of Transportation and Federal Highway Administration officials.

In 2008-2009, the local housing market in Anderson and surrounding communities continued its decline, although since the audit period a modest improvement has been seen. Commercial development remains very slow.

Accounting, Budgetary and Loss Control

Fund Accounting

The City's accounting system is organized and operated on a "fund basis." A fund is defined as a fiscal accounting entity with a self-balancing set of accounts. Individual funds are used for the purpose of carrying on specific activities or attaining certain objectives. The accounting system has been developed to make it possible to present fairly and with full disclosure the financial position and results of financial operations of each fund. Additional information about the

City's use of fund accounting is in note 1 to the financial statement.

Internal Control

The City's general policies and procedures are designed to reasonably safeguard its assets, check the reliability of its accounting data and promote operational efficiency. We believe that the city's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of all financial transactions.

Budgetary Control

In June of odd numbered years, the City Council considers and adopts a budget plan for the coming two fiscal years. In June of each fiscal year, appropriations are adopted for the upcoming fiscal year for each fund and for departmental units within each fund. Budgetary control is maintained at the fund level; the City Manager may transfer appropriations between accounts in each fund. However, any revision that alters the total expenditure level of a fund must be approved by the City Council. Additional information about the City's budget policies can be found in note 1 to the financial statements.

Cash Management

The City of Anderson follows the practice of pooling temporarily idle cash during the year. Monies not required for immediate expenditure are invested in accordance with State law and the City's formal investment policy. These monies were invested in demand deposits, U.S. Government securities, and the Local Agency Investment fund. Notes 1 and 2 to the financial statements contain additional information.

Fiduciary Operations

The City maintains a number of fiduciary funds, which contain assets held in trust for other agencies.

Fixed Assets

The general fixed assets of the City are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of Enterprise fund. As of June 30, 2009, the City's capital assets, including both governmental and business-type, amounted to \$26,377,231. Note 3 to the financial statements contains additional information about fixed assets.

Debt Obligations

The City uses lease-purchase financing and certificates of participation, as well as traditional debt instruments, when deemed appropriate. The City has neither outstanding general obligation bonds nor authorized but unused general obligations bonds at this time. A complete description of all outstanding debts can be found in note 4 to the financial statements.

Risk Management

The City is a member of the Northern California Cities Self-Insurance Fund, a Joint Powers Authority providing its member cities a shared risk plan for worker's compensation and liability insurance. The City's Workers' Compensation Program comprises a banking or deductible layer for claims up to \$100,000 and a shared risk pool for claims from \$100,000 to \$500,000. Excess coverage is provided for claims over the shared risk layer up to \$100,000,000. The Liability Program comprises a banking or deductible layer for claims up to \$50,000, and a shared risk pool for claims from \$50,000 to \$1,000,000. Excess coverage is provided for claims over the shared risk layer up to \$40,000,000. A

complete discussion of the City's worker's compensation and liability insurance programs is in note 5 to the financial statements.

Pension Benefits

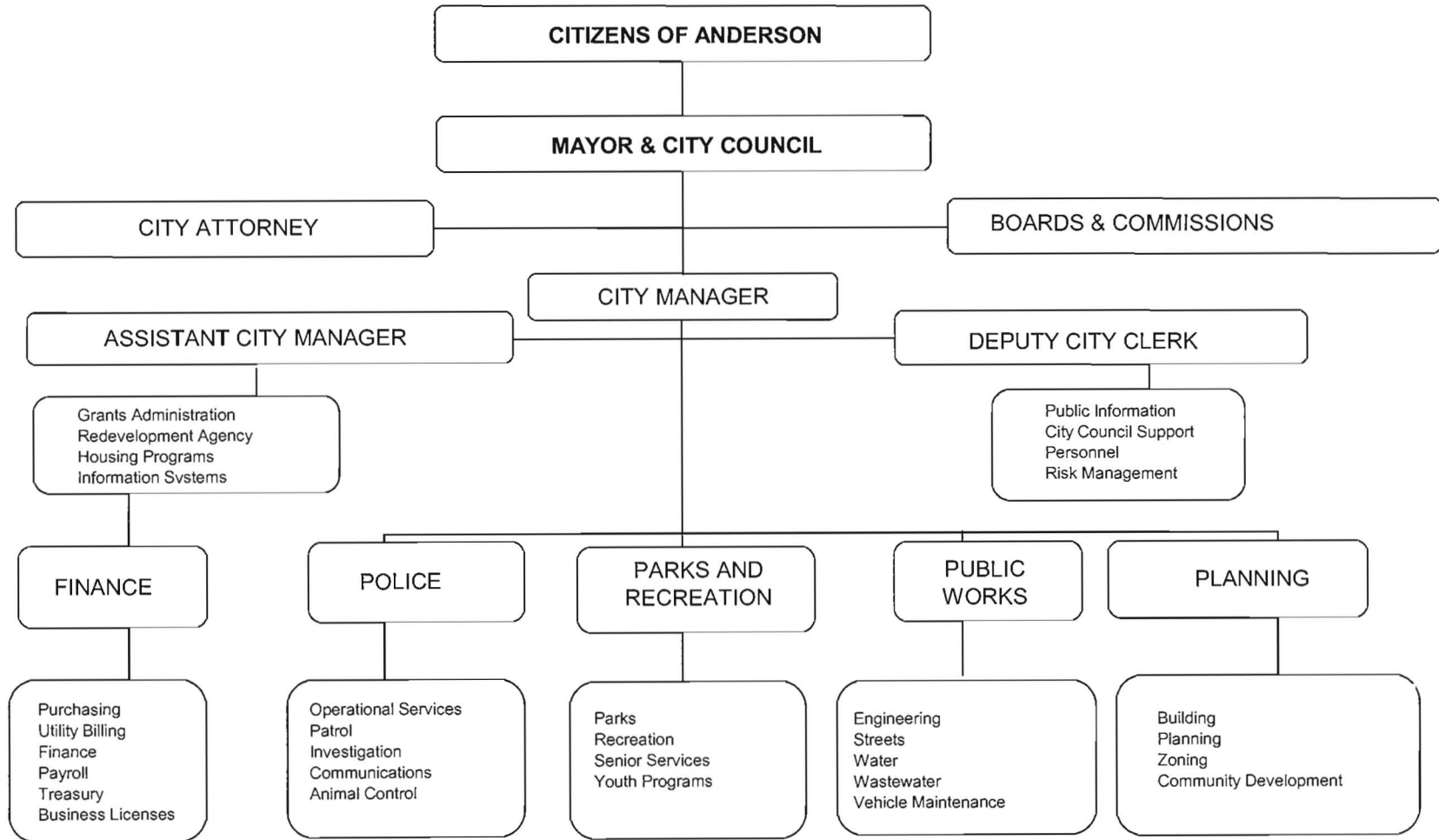
The City of Anderson contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. A complete discussion of the City's retirement plan is in note 7 to the financial statements.

Acknowledgements

Despite the current recession, the City's fiscal condition remains relatively strong. This is not achieved without the commitment and leadership of the City Council and City Manager, as well as the cooperation of all department heads and employees. I would especially like to thank Finance Office Manager Liz Cottrell, Accountant Kelly Parker, and the entire staff of the Finance Department for their dedication to processing the daily fiscal transactions of the City in an efficient manner. Without their hard work and dedication, this CAFR would not be possible.

Dana Shigley
Finance Director

City of Anderson



CITY OF ANDERSON
CITY COUNCIL AND ADMINISTRATIVE PERSONNEL
YEAR ENDED JUNE 30, 2009

CITY COUNCIL

Mayor Butch Schaefer
Vice Mayor Norma Comnick
Council Member Melissa Hunt
Council Member James Yarbrough
Council Member Keith Webster

ADMINISTRATIVE PERSONNEL

City Manager Scott Morgan
Assistant City Manager Dana Shigley
Deputy City Clerk Juanita Barnett
City Attorney Michael Fitzpatrick
Finance Director/Treasurer Dana Shigley
Director of Public Works Jeff Kiser
Planning Director John Stokes
Director of Parks & Recreation Ken Hartman
Police Chief Dale Webb

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Anderson, 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 Anderson, California, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Anderson, California's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Anderson, California, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2010, on our consideration of the City of Anderson, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 10 through 23 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anderson, California's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Anderson, California. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections 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.

Nystrom & Company LLP

January 7, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This section of the Comprehensive Annual Financial Report provides a narrative overview and analysis of the financial activities of the City of Anderson for the fiscal year ended June 30, 2009. This should be read in conjunction with the transmittal letter and the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Anderson exceeded its liabilities at June 30, 2009, by \$31.78 million (net assets). Of this amount, \$3.87 million (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- Total net assets increased by \$1.39 million, with an increase of \$1.23 million in net assets of governmental activities, and an increase of \$0.16 million in business-type activities.
- Governmental funds reported combined June 30, 2009, fund balances of \$14.78 million, a decrease of \$2.42 million in comparison to the previous fiscal year. These fund balances are largely reserved for various purposes, with \$3.28 million (22.2%) being unreserved and available for spending (unreserved fund balance).
- As of June 30, 2009, the General Fund had a year-end unreserved and undesignated fund balance of \$912,591, an increase of 4.7% over the prior year fund balance of \$871,963. The unreserved General Fund balance at June 30, 2009 represented 16.0% of 2008-2009 General Fund expenditures of \$5,477,380.
- As of June 30, 2009, the Gas Tax Fund had a year-end unreserved fund balance of \$390,875, all of which was undesignated. The unreserved Gas tax Fund balance at June 30, 2009, represented 36.2% of 2008-2009 Gas Tax Fund expenditures of \$1,080,780. The unreserved Gas Tax Fund balance decreased by \$280,746 from June 30, 2008, to June 30, 2009.
- During the fiscal year ended June 30, 2009, the City's net long-term liabilities were decreased by \$149,218, with an ending long-term liability balance of \$14,527,711 (See Note 4).

OVERVIEW OF THE FINANCIAL HIGHLIGHTS

The basic financial statements are comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also includes other supplementary information as well as a *Single Audit* section that presents required reports on internal controls and compliance with laws and regulations related to federal grants.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This set of statements is designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* (Statement 1) presents information on all the City's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the City of Anderson is improving or declining.

The *statement of activities* (Statement 2) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as for uncollected taxes and earned but not yet used vacation time.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or are required by grantor agencies to be accounted for in this fashion (*business-type activities*). The governmental activities include general government, public safety, public works, planning, community development, and recreation and cultural. The business-type activities of the City are water and sewer.

The government-wide financial statements include not only the City of Anderson itself (known as the *primary government*), but also its component units, entities for which the government is considered to be financially responsible. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government.

The Anderson Redevelopment Agency is reported as a blended component unit in these statements. The Agency Board is composed of the members of the City Council, and certain City staff additionally serve as staff officers of the Agency. The Anderson Public Financing Authority is a Joint Powers Agency formed by the City of Anderson and Anderson Redevelopment Agency. Directors of the Authority are the members of the City Council, and staff of the City and Agency also serve as staff for the Authority.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Anderson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Anderson can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impacts of the government's near-term decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Anderson maintains 31 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Gas Tax Fund, the Anderson Downpayment Assistance (ADAP) & HOME Fund, the Community Development Block Grant (CDBG) Fund, the Riverside East Debt Service Fund, and five funds for the Southwest Redevelopment Project area (Housing Fund, Debt Service Fund, Capital Projects Fund, 2005 Capital Projects Fund and 2008 Capital Projects Fund) all of which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Anderson adopts annual appropriations for its major governmental funds. As required supplementary statements, budgetary comparison statements have been provided for the General Fund and Major Special Revenue Funds to demonstrate compliance with adopted appropriations. The basic governmental fund financial statements can be found on pages 28-51 of this report.

Proprietary Funds. The City of Anderson maintains enterprise and internal service proprietary funds.

Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City of Anderson uses enterprise funds to account for its water and sewer enterprises. Both of the City's enterprise funds are considered major funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Anderson's various functions. The City of Anderson uses its Internal Service Fund to account for public works charges to other departments, maintenance of the City's vehicle fleet, maintenance of the City's buildings and equipment, maintenance of the City's computer systems, and charges for worker's compensation and general liability insurance. Because these services primarily benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City's Enterprise and Internal Service Funds are shown in detail on pages 52-58 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Anderson's own programs. The accounting used for fiduciary funds is much like that use for proprietary funds. The basic fiduciary fund financial statements can be found on page 59 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. For the City of Anderson, assets exceeded liabilities by \$31.78 million at June 30, 2009. Net assets increased by \$1.39 million in Fiscal Year 2008-2009.

The City of Anderson’s net assets increased in both governmental activities and business-type activities during the 2008-2009 fiscal year. Net assets in governmental activities increased by \$1.23 million, and net assets in business-type activities increased by \$0.16 million.

Change in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
REVENUES						
Program Revenues:						
Charges for services	\$ 766,649	\$ 849,004	\$ 2,520,378	\$ 2,488,433	\$ 3,287,027	\$ 3,337,437
Operating grants and contributions	770,090	792,556	-	-	770,090	792,556
Capital grants and contributions	1,138,888	2,282,029	-	1,204,507	1,138,888	3,486,536
General Revenues:						
Taxes:						
Sales taxes	2,251,205	2,294,897	-	-	2,251,205	2,294,897
Property taxes	2,760,033	2,370,051	-	-	2,760,033	2,370,051
Motel taxes	297,570	206,291	-	-	297,570	206,291
Special gas taxes	615,000	1,046,178	-	-	615,000	1,046,178
Franchise taxes	297,520	289,434	-	-	297,520	289,434
Other taxes	53,988	62,610	-	-	53,988	62,610
Motor vehicle license fees	995,349	951,033	-	-	995,349	951,033
Impact fees	149,832	506,864	-	-	149,832	506,864
Investment earnings	394,865	344,886	76,944	102,907	471,809	447,793
Total revenues	10,490,989	11,995,833	2,597,322	3,795,847	13,088,311	15,791,680

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Expenses:						
General Government	1,119,510	1,026,519	-	-	1,119,510	1,026,519
Public Safety	3,609,235	3,507,962	-	-	3,609,235	3,507,962
Public Works	1,174,858	1,641,531	-	-	1,174,858	1,641,531
Planning	205,234	469,393	-	-	205,234	469,393
Community Development	2,027,445	2,415,156	-	-	2,027,445	2,415,156
Recreation and cultural	786,046	808,201	-	-	786,046	808,201
Water	-	-	1,269,132	1,209,211	1,269,132	1,209,211
Sewer	-	-	1,325,183	1,293,099	1,325,183	1,293,099
Total Expenses	<u>8,922,328</u>	<u>9,868,762</u>	<u>2,594,315</u>	<u>2,502,310</u>	<u>11,516,643</u>	<u>12,371,072</u>
Excess (deficiency) of revenues over (under) expenditures	1,568,661	2,127,071	3,007	1,293,537	1,571,668	3,420,608
Other financing sources (uses)	<u>(338,443)</u>	<u>(123,735)</u>	<u>157,537</u>	<u>123,735</u>	<u>(180,906)</u>	<u>-</u>
Increase in net assets	1,230,218	2,003,336	160,544	1,417,272	1,390,762	3,420,608
Net assets, beg. of year, restated*	<u>19,218,443</u> *	<u>17,396,013</u>	<u>11,173,793</u>	<u>9,756,521</u>	<u>30,392,236</u> *	<u>27,152,534</u>
Net assets, end of year	<u>\$ 20,448,661</u>	<u>\$ 19,399,349</u>	<u>\$ 11,334,337</u>	<u>\$ 11,173,793</u>	<u>\$ 31,782,998</u>	<u>\$ 30,573,142</u>

A large portion of the City of Anderson's net assets (50.6 percent) reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Anderson uses these assets to serve its citizens and businesses; consequently, these assets are *not* available for spending. Although the City of Anderson'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 the capital assets themselves cannot be used to liquidate these liabilities.

Another large portion (37.2 percent) of the City of Anderson’s net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets totaling \$3.87 million (12.2 percent) may be used to meet the government’s ongoing obligations to its citizens and creditors.

Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
ASSETS						
Current and other assets	\$ 21,490,649	\$ 23,570,031	\$ 3,342,958	\$ 3,434,943	\$ 24,833,607	\$ 27,004,974
Capital assets	16,392,236	12,856,751	9,984,995	9,987,059	26,377,231	22,843,810
Total assets	<u>37,882,885</u>	<u>36,426,782</u>	<u>13,327,953</u>	<u>13,422,002</u>	<u>51,210,838</u>	<u>49,848,784</u>
LIABILITIES						
Long-term liabilities	13,469,008	13,352,779	1,058,703	1,324,150	14,527,711	14,676,929
Other liabilities	3,965,216	3,674,654	934,913	924,059	4,900,129	4,598,713
Total liabilities	<u>17,434,224</u>	<u>17,027,433</u>	<u>1,993,616</u>	<u>2,248,209</u>	<u>19,427,840</u>	<u>19,275,642</u>
NET ASSETS						
Invested in Capital assets, net of related debt	7,082,022	4,889,006	9,001,855	8,735,950	16,083,877	13,624,956
Restricted	11,832,537	10,311,501	-	-	11,832,537	10,311,501
Unrestricted	1,534,102	4,198,842	2,332,482	2,437,843	3,866,584	6,636,685
Total net assets	<u>\$ 20,448,661</u>	<u>\$ 19,399,349</u>	<u>\$ 11,334,337</u>	<u>\$ 11,173,793</u>	<u>\$ 31,782,998</u>	<u>\$ 30,573,142</u>

Governmental Activities. Primary Governmental activity expenses totaled \$8.92 million in Fiscal Year 2008-2009. Program revenues totaled \$2.68 million. General revenues and transfers totaled \$7.47 million. Tax revenues of \$6.28 million (84 percent) represented the largest share of general revenues and transfers.

Public safety activity expenses of \$3.61 million represented the largest portion of governmental activity expenses (40.5 percent). Community development activity expenses of \$2.03 million accounted for another 22.8 percent. Public works activity expenses of \$1.17 million represented 13.2 percent. General government activity expenses of \$1.12 million represented 12.6 percent, recreation and cultural activity expenses of \$0.79 million represented 8.8 percent, and planning activity expenses of \$0.21 million represented 2.1 percent.

Business-type Activities. Business-type activity expenses totaled \$2.59 million in Fiscal Year 2008-2009. Charges for services totaled \$2.52 million. Water enterprise expenses totaled \$1.27 million, with charges for water services totaling \$1.10 million. Sewer enterprise expenses totaled \$1.33 million, with charges for sewer services totaling \$1.42 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier in this discussion and analysis, the City of Anderson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These funds have been classified as governmental or proprietary.

Governmental funds. The focus of the *City's governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2009, the City of Anderson's governmental funds reported combined ending fund balances of \$14.78 million. Of this total, 22.2% (\$3.28 million) was unreserved, which is available for spending at the City's discretion.

General Fund. The General Fund is the chief operating fund of the City of Anderson. In 2008-2009, the City experienced an excess of General Fund revenues and other financing sources over expenditures and other financing uses in the amount of \$40,628. This increased the year-end General Fund balance to \$912,591.

General Fund revenues. Sales and use tax revenues decreased 5% from 2007-2008 to 2008-2009, primarily due to the worsening general economy and consumers reducing their overall spending. Property tax revenues decreased 3% due to the significant slowdown in the housing market and resulting decreases in assessed valuations. Transient occupancy (motel) taxes grew 44.2% reflecting a full year of operations for the new Gaia Anderson Hotel Franchise taxes grew 2.8%.

Licenses and permits decreased 39.2%, primarily a result of continuing declines in building permit and plan check activities. The category of fines, forfeitures and penalties increased 7.9%. Intergovernmental revenues were up 3.3%. Charges for services increased by 6.3%.

Overall, general fund revenues decreased 1.7%, from \$5,635,366 in fiscal year 2007-2008 to \$5,540,091 in fiscal year 2008-2009.

General Fund Revenues

	<u>2008/09</u>	<u>% of Total</u>	<u>Change from 2007/08</u>
Sales and use taxes	\$ 2,279,018	41.1%	\$ (120,296)
Property taxes	746,602	13.5%	(22,186)
Motel taxes	297,570	5.4%	91,279
Franchise taxes	297,520	5.4%	8,086
Licenses and permits	172,348	3.1%	(111,205)
Fines, forfeitures and penalties	111,232	2.0%	8,179
Use of money and property	13,664	0.2%	1,394
Intergovernmental	1,199,849	21.7%	38,717
Charges for services	406,562	7.3%	24,028
Other	15,726	0.3%	(13,271)
Total revenues	<u>\$ 5,540,091</u>	100.0%	<u>\$ (95,275)</u>

General Fund expenditures. General Fund expenditures totaled \$5,477,380 in 2008-2009. This was a decrease of 2.9% compared to 2007-2008 General Fund expenditures.

Expenditures on the Planning function decreased 56.4% from the previous year, reflecting a downsizing of the department, a significant one-time write-off in the previous year, and reduction in the use of consultants and other services no longer needed as fewer applications are processed. Other reductions are seen in Community Development (down 10.9% over the previous year) and Recreation and Cultural (down 4.6% over the previous year.) General government expenditures increased 11.5% and Public Safety expenditures grew 2.3%.

Overall, general fund expenditures were down 2.9% over the 2007/2008 fiscal year. However, excluding the effect of the one-time write off in the previous year, general fund expenditures increased 1% over the previous year.

General Fund Expenditures

	2008/09	% of Total	Change from 2007/08
General government	\$ 836,522	15.0%	\$ 99,482
Public safety	3,481,969	63.7%	79,592
Community development	396,911	7.3%	(48,783)
Planning	204,491	3.7%	(264,262)
Recreation and cultural	501,977	9.2%	(24,060)
Principal retirement	38,256	0.7%	1,548
Interest and fiscal charges	11,116	0.2%	(1,687)
Capital outlay	6,138	0.1%	(273)
Total expenditures	\$ 5,477,380	100.0%	\$ (158,443)

General Fund analysis. General Fund revenues exceeded General Fund expenditures by \$77,086 in fiscal year 2008-2009. Including a \$36,458 transfer out, the year-end General Fund balance was increased by \$40,628 to \$912,591.

Expressed as a percentage of annual expenditures, the General Fund balance stood at 16.7% on June 30, 2009. While the City's General Fund balance remains within the City Council's target 15% to 20% range, it remains near the low end of the range.

Governmental Funds. Governmental funds posted the following results for 2008-2009:

	Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	Year End Fund Balance
Gas Tax Fund	\$ (280,746)	\$ 390,875
ADAP and HOME Fund	\$ 244,863	\$ 4,382,518
CDBG Fund	\$ 146,903	\$ 1,986,480
SW RDA Housing Set-aside	\$ 153,271	\$ 156,633
Riverside East Debt Service	\$ 3,005	\$ 357,976
Southwest RDA Debt Service	\$ (46,560)	\$ 43,040
Southwest RDA Capital Fund	\$ 10,649	\$ 38,000
2005 SW RDA Bond Fund	\$ (725,831)	\$ 195,241
2008 SWRDA Bond Fund	\$ (893,982)	\$ 3,937,218
Other Governmental Funds	\$ (1,074,115)	\$ 2,384,362

Of these funds, the most significant change was in the Gas Tax Fund, which experienced a decrease of 41.8% in fund balance. This is a result of the State delaying and reducing local allocations of gas tax, as well as decreases in both the price and demand for gasoline. The remaining fund balance still represents 36% of annual expenditures.

Proprietary funds. The City's two enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Highlights of the annual activity for these funds have already been provided in the discussion of the business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budgetary comparison schedule for the General Fund for the year ended June 30, 2009, is presented as a part of the basic financial statements. This can be found on pages 42 and 43. The table below summarizes the original and final General Fund budget compared to actual results for 2008-2009:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues	\$ 5,531,500	\$ 5,531,500	\$ 5,540,091
Expenses	<u>(5,519,500)</u>	<u>(5,549,850)</u>	<u>(5,477,380)</u>
Excess (Deficiency)	<u>\$ 12,000</u>	<u>\$ (18,350)</u>	<u>\$ 62,711</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Anderson's investment in capital assets for its governmental and business type activities as of June 30, 2009, amounted to \$26.38 million (net of accumulated depreciation). This investment in capital assets includes land, park improvements, buildings and improvements, vehicles and equipment, streets, bikeways, water, sewer, storm drain systems, and construction in progress.

At June 30, 2009, there were projects valued at \$2.69 million in construction, representing the largest component of increases to capital assets. The most notable of these projects were street, drainage and streetscape improvements to downtown Anderson, sidewalk and related improvements to the Mill Street area, and street widening of North Street.

Additional information on the City's capital assets may be found in note 3 to the basic financial statements.

Long-term debt. At June 30, 2009, the City and its Redevelopment Agency had \$13.47 million in governmental activity debt outstanding. In addition, the City had \$1.06 million in business-type activity debt outstanding. Net long-term debt decreased by \$0.15 million during fiscal year 2008-2009.

Additional information about the nature and type of long-term debt can be found in note 4 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Annually each May, the State Department of Finance releases their January 1 population estimates for all California cities and counties. The State Department of Finance estimated that Anderson's population was 10,765 as of January 1, 2009, up only 1.2 percent from the prior year.

It is expected that the current depressed local, statewide and national housing market will continue to persist throughout early 2010, with some improvement late in the year. As such, it is expected that the City will continue to experience low near-term population growth. In the longer term, it is expected that more robust population growth will tend to drive both City revenues and expenditures upwards. There are currently five active subdivisions within the City. With a large number of ready-to-go lots available in inventory, these subdivisions are poised to be able to quickly respond to any increased local demand for new housing.

On the nonresidential side, the most significant private development project within the City in 2008-2009 was the construction of two commercial buildings on East Center Street in downtown Anderson. These buildings were occupied early in 2009. In addition, Rite Aid constructed a new store on McMurray Drive. All of these buildings are producers of sales tax revenues to the City.

This local development notwithstanding, in the larger view, the local, state and national economy was in recession throughout 2009. The Governor of the State of California has declared a fiscal emergency, and local agency revenue streams are at risk. Few proposed new private projects are in the City's present development pipeline, however, in recent months we have noticed a modest increase. Planning Commission agendas have had little substance for several months.

In order to solve the State of California's own fiscal shortfalls, the adopted state budget for 2009-2010 calls for shifting various local taxes to meet the State's obligations. The California Redevelopment Association and others are fighting the largest of these shifts in court. However, even if the shift ultimately fails, the State's worsening budget situation is likely to result in continuing pressure for the Governor and Legislature to redirect traditionally local revenues.

In addition to a continued slowing of revenue growth, in 2005, the City took on a large long-term financial obligation to its employees in the form of labor agreements that greatly increased retirement benefits for both safety and miscellaneous employees effective July 2008.

In response to the twin pressures of slowing revenue growth and increasing labor costs, authorized positions in 2008-2009 were reduced by seven positions compared to 2007-2008. While the City's 2009-2010 general fund budget is balanced, economic recovery is not anticipated until 2011 and the 2010-2011 budget is likely to be quite difficult.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Anderson's financial condition for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director/Treasurer, City of Anderson, 1887 Howard Street, Anderson, California 96007.

Basic Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ANDERSON
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,702,386	\$ 2,177,978	\$ 8,880,364
Receivables:			
Taxes	2,003,249	-	2,003,249
Accounts	211,841	144,093	355,934
Interest	1,050,220	-	1,050,220
Due from other governments	1,281,751	49,574	1,331,325
Inventories	45,574	39,985	85,559
Prepaid expenses and deferred charges	282,208	-	282,208
Land held for resale	65,179	-	65,179
Internal balances	(892,374)	892,374	-
Restricted assets:			
Cash and cash equivalents	2,389,341	21,044	2,410,385
Loans receivable	7,863,701	12,683	7,876,384
Unamortized issuance costs	487,573	5,227	492,800
Non-depreciable capital assets	5,365,007	118,918	5,483,925
Depreciable capital assets, net	11,027,229	9,866,077	20,893,306
Total assets	<u>\$ 37,882,885</u>	<u>\$ 13,327,953</u>	<u>\$ 51,210,838</u>

(Continued on following page)

CITY OF ANDERSON
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 849,403	\$ 135,597	\$ 985,000
Accrued payroll and benefits	222,023	40,249	262,272
Accrued interest	275,192	7,851	283,043
Customer/employee deposits	217,072	43,715	260,787
Other liabilities	22,725	-	22,725
Deferred revenue	2,378,801	707,501	3,086,302
Long-term liabilities:			
Due within one year	327,105	297,695	624,800
Due in more than one year	13,141,903	761,008	13,902,911
Total liabilities	17,434,224	1,993,616	19,427,840
NET ASSETS			
Investment in capital assets, net of related debt	7,082,022	9,001,855	16,083,877
Restricted for:			
Redevelopment	-	-	-
Capital improvements	2,298,802	-	2,298,802
Debt service	1,212,502	-	1,212,502
Transportation	460,190	-	460,190
Grants	7,861,043	-	7,861,043
Unrestricted	1,534,102	2,332,482	3,866,584
Total net assets	20,448,661	11,334,337	31,782,998
Total liabilities and net assets	\$ 37,882,885	\$ 13,327,953	\$ 51,210,838

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Program Revenue				Net (Expense)/ Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General government	\$ 1,119,510	\$ 110,734	\$ 22,162	-	\$ (986,614)
Public safety	3,609,235	162,897	276,077	15,504	(3,154,757)
Public works	1,174,858	73,878	183,402	530,622	(386,956)
Planning	205,234	4,850	-	-	(200,384)
Community development	2,027,445	169,775	263,568	477,593	(1,116,509)
Recreation and cultural	786,046	244,515	24,881	115,169	(401,481)
Total governmental activities	<u>8,922,328</u>	<u>766,649</u>	<u>770,090</u>	<u>1,138,888</u>	<u>(6,246,701)</u>
Business-type activities:					
Water	1,269,132	1,104,653	-	-	(164,479)
Sewer	1,325,183	1,415,725	-	-	90,542
Total business-type activities	<u>2,594,315</u>	<u>2,520,378</u>	<u>-</u>	<u>-</u>	<u>(73,937)</u>
Total primary government	<u>\$ 11,516,643</u>	<u>\$ 3,287,027</u>	<u>\$ 770,090</u>	<u>\$ 1,138,888</u>	<u>\$ (6,320,638)</u>

(Continued on following page)

CITY OF ANDERSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Change in net assets:			
Net (expense)/revenue	\$ (6,246,701)	\$ (73,937)	\$ (6,320,638)
General revenues and transfers:			
General revenues:			
Taxes:			
Sales taxes	2,251,205	-	2,251,205
Property taxes	2,760,033	-	2,760,033
Motel taxes	297,570	-	297,570
Special gas taxes	615,000	-	615,000
Franchise taxes	297,520	-	297,520
Other taxes	53,988	-	53,988
Motor vehicle license fees	995,349	-	995,349
Impact fees	149,832	-	149,832
Investment earnings	394,865	76,944	471,809
Loss on sale of assets	(180,906)	-	(180,906)
Transfers	(157,537)	157,537	-
Total general revenues and transfers	7,476,919	234,481	7,711,400
Change in net assets	1,230,218	160,544	1,390,762
Net assets, beginning of year, as restated	19,218,443	11,173,793	30,392,236
Net assets, end of year	\$ 20,448,661	\$ 11,334,337	\$ 31,782,998

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Gas Tax Fund	ADAP & Home Fund	CDBG Fund
ASSETS				
Cash and cash equivalents	\$ 348,753	\$ 233,676	\$ 26	\$ 85,962
Receivables:				
Taxes	82,338	-	-	-
Accounts	124,011	523	22,333	768
Interest	29,886	-	481,772	403,078
Loans	-	-	4,360,158	2,065,980
Due from other governments	124,230	183,804	8,845	41,117
Due from other funds	257,526	-	-	-
Inventories	1,210	-	-	-
Prepaid expenses and deferred charges	279,565	-	-	-
Advances to other funds	-	-	-	-
Land held for resale	-	-	-	-
Restricted cash	-	-	-	-
Total assets	\$ 1,247,519	\$ 418,003	\$ 4,873,134	\$ 2,596,905

(Continued on following page)

CITY OF ANDERSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

LIABILITIES AND FUND BALANCES	General Fund	Gas Tax Fund	ADAP & Home Fund	CDBG Fund
LIABILITIES				
Accounts payable	\$ 91,620	\$ 26,216	-	\$ 16,237
Accrued payroll and benefits	180,367	-	-	3,795
Accrued interest	1,945	-	-	-
Customer/employee deposits	39,183	-	-	-
Other liabilities	21,813	912	-	-
Deferred revenue	-	-	481,772	403,074
Due to other funds	-	-	8,844	187,319
Advances from other funds	-	-	-	-
Total liabilities	<u>334,928</u>	<u>27,128</u>	<u>490,616</u>	<u>610,425</u>
FUND BALANCES (DEFICIT)				
Reserved for loans receivable	-	-	4,360,158	2,065,980
Reserved for advances	-	-	-	-
Reserved for assets held for resale	-	-	-	-
Reserved for debt service	-	-	-	-
Reserved for line extension	-	-	-	-
Reserved for parkland acres	-	-	-	-
Unreserved:				
Undesignated, reported in:				
General fund	912,591	-	-	-
Special revenue funds	-	390,875	22,360	(79,500)
Capital project funds	-	-	-	-
Total fund balances	<u>912,591</u>	<u>390,875</u>	<u>4,382,518</u>	<u>1,986,480</u>
Total liabilities and fund balances	<u>\$ 1,247,519</u>	<u>\$ 418,003</u>	<u>\$ 4,873,134</u>	<u>\$ 2,596,905</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	Southwest Redevelopment Housing Fund	Riverside East Debt Service Fund	Southwest Redevelopment Debt Service Fund	Southwest Redevelopment Capital Projects Fund
ASSETS				
Cash and cash equivalents	-	\$ 256,571	\$ 161,603	-
Receivables:				
Taxes	1,182	1,915,000	4,729	-
Accounts	31,896	-	-	150
Interest	133,799	-	-	-
Loans	1,121,348	-	-	-
Due from other governments	-	5,473	-	-
Due from other funds	-	-	249,981	-
Inventories	-	-	-	-
Prepaid expenses and deferrred charges	-	-	-	-
Advances to other funds	-	-	-	-
Land held for resale	-	-	-	51,723
Restricted cash	-	123,252	-	-
	<u>-</u>	<u>123,252</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,288,225</u>	<u>\$ 2,300,296</u>	<u>\$ 416,313</u>	<u>\$ 51,873</u>

(Continued on following page)

CITY OF ANDERSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

LIABILITIES AND FUND BALANCES	Southwest Redevelopment Housing Fund	Riverside East Debt Service Fund	Southwest Redevelopment Debt Service Fund	Southwest Redevelopment Capital Projects Fund
LIABILITIES				
Accounts payable	-	-	\$ 210,357	\$ 9,021
Accrued payroll and benefits	954	-	-	4,852
Accrued interest	-	27,320	162,916	-
Customer/employee deposits	-	-	-	-
Other liabilities	-	-	-	-
Deferred revenue	133,799	1,915,000	-	-
Due to other funds	109,852	-	-	-
Advances from other funds	886,987	-	-	-
Total liabilities	<u>1,131,592</u>	<u>1,942,320</u>	<u>373,273</u>	<u>13,873</u>
FUND BALANCES (DEFICIT)				
Reserved for loans receivable	1,121,348	-	-	-
Reserved for advances	-	-	-	-
Reserved for assets held for resale	-	-	-	51,723
Reserved for debt service	-	357,976	43,040	-
Reserved for line extension	-	-	-	-
Reserved for parkland acres	-	-	-	-
Unreserved:				
Undesignated, reported in:				
General fund	-	-	-	-
Special revenue funds	(964,715)	-	-	-
Capital project funds	-	-	-	(13,723)
Total fund balances	<u>156,633</u>	<u>357,976</u>	<u>43,040</u>	<u>38,000</u>
Total liabilities and fund balances	<u>\$ 1,288,225</u>	<u>\$ 2,300,296</u>	<u>\$ 416,313</u>	<u>\$ 51,873</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	2005 Southwest Redevelopment Capital Projects Fund	2008 Southwest Redevelopment Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,893	\$ 3,399,601	\$ 908,071	\$ 5,397,156
Receivables:				
Taxes	-	-	-	2,003,249
Accounts	-	1,213	3,545	184,439
Interest	-	-	1,685	1,050,220
Loans	-	-	316,215	7,863,701
Due from other governments	-	-	901,891	1,265,360
Due from other funds	-	-	674,506	1,182,013
Inventories	-	-	-	1,210
Prepaid expenses and deferred charges	-	-	-	279,565
Advances to other funds	-	-	162,443	162,443
Land held for resale	13,456	-	-	65,179
Restricted cash	179,619	631,867	1,454,603	2,389,341
	\$ 195,968	\$ 4,032,681	\$ 4,422,959	\$ 21,843,876
Total assets				

(Continued on following page)

CITY OF ANDERSON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

LIABILITIES AND FUND BALANCES	2005 Southwest Redevelopment Capital Projects Fund	2008 Southwest Redevelopment Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
LIABILITIES				
Accounts payable	\$ 727	\$ 95,463	\$ 358,368	\$ 808,009
Accrued payroll and benefits	-	-	168	190,136
Accrued interest	-	-	-	192,181
Customer/employee deposits	-	-	177,889	217,072
Other liabilities	-	-	-	22,725
Deferred revenue	-	-	458,344	3,391,989
Due to other funds	-	-	1,043,828	1,349,843
Advances from other funds	-	-	-	886,987
Total liabilities	<u>727</u>	<u>95,463</u>	<u>2,038,597</u>	<u>7,058,942</u>
FUND BALANCES (DEFICIT)				
Reserved for loans receivable	-	-	316,215	7,863,701
Reserved for advances	-	-	162,443	162,443
Reserved for assets held for resale	13,456	-	-	65,179
Reserved for debt service	179,619	631,867	1,454,603	2,667,105
Reserved for line extension	-	-	387,746	387,746
Reserved for parkland acres	-	-	362,944	362,944
Unreserved:				
Undesignated, reported in:				
General fund	-	-	-	912,591
Special revenue funds	-	-	(411,030)	(1,042,010)
Capital project funds	2,166	3,305,351	111,441	3,405,235
Total fund balances	<u>195,241</u>	<u>3,937,218</u>	<u>2,384,362</u>	<u>14,784,934</u>
Total liabilities and fund balances	<u>\$ 195,968</u>	<u>\$ 4,032,681</u>	<u>\$ 4,422,959</u>	<u>\$ 21,843,876</u>

The accompanying notes are an integral part of these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ANDERSON
RECONCILIATION OF FUND BALANCES TO NET ASSETS
JUNE 30, 2009

Total fund balances included in the Balance Sheet - Governmental Funds		\$ 14,784,934
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		15,087,959
Debt issuance costs expensed in the governmental funds are capitalized and amortized in the Statement of Net Assets.		487,573
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred or are not reported in the governmental funds.		1,054,133
An internal service fund is used by management to charge the costs of data processing, customer service, maintenance, insurance and fleet management services to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.		2,213,403
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term obligations	\$ (12,880,590)	
Compensated absences	(223,859)	
Accrued interest	<u>(74,892)</u>	<u>(13,179,341)</u>
Net assets reported within the Statement of Net Assets - Governmental Activities		<u>\$ 20,448,661</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Gas Tax Fund	ADAP & Home Fund	CDBG Fund
Revenues:				
Sales taxes	\$ 2,279,018	-	-	-
Property taxes	746,602	-	-	-
Motel taxes	297,570	-	-	-
Franchise taxes	297,520	-	-	-
Licenses and permits	172,348	-	-	-
Fines, forfeitures and penalties	111,232	-	-	-
Use of money and property	13,664	9,819	-	18,878
Intergovernmental revenue	1,199,849	798,402	392,665	296,962
Charges for current services	406,562	-	-	-
Other revenues	15,726	6,749	-	196
Total revenues	<u>5,540,091</u>	<u>814,970</u>	<u>392,665</u>	<u>316,036</u>
Expenditures:				
Current:				
General government	836,522	-	-	-
Public safety	3,481,969	-	-	-
Public works	-	862,261	-	-
Planning	204,491	-	-	-
Community development	396,911	-	147,802	168,700
Recreation and cultural	501,977	-	-	-
Capital outlay	6,138	218,519	-	433
Debt Service:				
Principal	38,256	-	-	-
Interest and fiscal charges	11,116	-	-	-
Total expenditures	<u>5,477,380</u>	<u>1,080,780</u>	<u>147,802</u>	<u>169,133</u>

(Continued on following page)

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Gas Tax Fund	ADAP & Home Fund	CDBG Fund
Excess (deficiency) of revenues over (under) expenditures	62,711	(265,810)	244,863	146,903
Other financing sources (uses):				
Loss on sale of assets	-	-	-	-
Operating transfers in	14,375	131,024	440,394	108,493
Operating transfers out	(36,458)	(145,960)	(440,394)	(108,493)
Total other financing sources (uses)	(22,083)	(14,936)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	40,628	(280,746)	244,863	146,903
Fund balances, beginning of year, as restated	871,963	671,621	4,137,655	1,839,577
Fund balances, end of year	<u>\$ 912,591</u>	<u>\$ 390,875</u>	<u>\$ 4,382,518</u>	<u>\$ 1,986,480</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Southwest Redevelopment Housing Fund	Riverside East Debt Service Fund	Southwest Redevelopment Debt Service Fund	Southwest Redevelopment Capital Projects Fund
Revenues:				
Sales taxes	-	-	-	-
Property taxes	-	108,802	1,164,233	-
Motel taxes	-	-	-	-
Franchise taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Use of money and property	51,050	6,885	6,221	-
Intergovernmental revenue	-	-	-	-
Charges for current services	-	-	-	-
Other revenues	1,000	-	-	-
Total revenues	<u>52,050</u>	<u>115,687</u>	<u>1,170,454</u>	<u>-</u>
Expenditures:				
Current:				
General government	-	3,112	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Planning	-	-	-	-
Community development	60,944	-	321,282	389,642
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	15,197	26,000	35,000	-
Interest and fiscal charges	55,485	83,979	385,286	-
Total expenditures	<u>131,626</u>	<u>113,091</u>	<u>741,568</u>	<u>389,642</u>

(Continued on following page)

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Southwest Redevelopment Housing Fund	Riverside East Debt Service Fund	Southwest Redevelopment Debt Service Fund	Southwest Redevelopment Capital Projects Fund
Excess (deficiency) of revenues over (under) expenditures	<u>(79,576)</u>	<u>2,596</u>	<u>428,886</u>	<u>(389,642)</u>
Other financing sources (uses):				
Loss on sale of assets	-	-	-	-
Operating transfers in	232,847	409	173,887	400,291
Operating transfers out	<u>-</u>	<u>-</u>	<u>(649,333)</u>	<u>-</u>
Total other financing sources (uses)	<u>232,847</u>	<u>409</u>	<u>(475,446)</u>	<u>400,291</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	153,271	3,005	(46,560)	10,649
Fund balances, beginning of year, as restated	<u>3,362</u>	<u>354,971</u>	<u>89,600</u>	<u>27,351</u>
Fund balances, end of year	<u>\$ 156,633</u>	<u>\$ 357,976</u>	<u>\$ 43,040</u>	<u>\$ 38,000</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	2005 Southwest Redevelopment Capital Projects Fund	2008 Southwest Redevelopment Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Sales taxes	-	-	-	\$ 2,279,018
Property taxes	-	-	728,301	2,747,938
Motel taxes	-	-	-	297,570
Franchise taxes	-	-	-	297,520
Licenses and permits	-	-	149,832	322,180
Fines, forfeitures and penalties	-	-	1,366	112,598
Use of money and property	7,952	90,427	83,604	288,500
Intergovernmental revenue	-	-	1,270,454	3,958,332
Charges for current services	-	-	51,595	458,157
Other revenues	-	1,199	204,919	229,789
Total revenues	<u>7,952</u>	<u>91,626</u>	<u>2,490,071</u>	<u>10,991,602</u>
Expenditures:				
Current:				
General government	-	-	39,784	879,418
Public safety	-	-	135,553	3,617,522
Public works	-	-	159,395	1,021,656
Planning	-	-	-	204,491
Community development	-	36,690	8,338	1,530,309
Recreation and cultural	-	-	203,112	705,089
Capital outlay	552,877	767,765	2,891,457	4,437,189
Debt Service:				
Principal	-	-	56,355	170,808
Interest and fiscal charges	-	-	121,442	657,308
Total expenditures	<u>552,877</u>	<u>804,455</u>	<u>3,615,436</u>	<u>13,223,790</u>

(Continued on following page)

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>2005 Southwest Redevelopment Capital Projects Fund</u>	<u>2008 Southwest Redevelopment Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(544,925)</u>	<u>(712,829)</u>	<u>(1,125,365)</u>	<u>(2,232,188)</u>
Other financing sources (uses):				
Loss on sale of assets	(180,906)	-	-	(180,906)
Operating transfers in	-	-	194,929	1,696,649
Operating transfers out	<u>-</u>	<u>(181,153)</u>	<u>(143,679)</u>	<u>(1,705,470)</u>
Total other financing sources (uses)	<u>(180,906)</u>	<u>(181,153)</u>	<u>51,250</u>	<u>(189,727)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(725,831)	(893,982)	(1,074,115)	(2,421,915)
Fund balances, beginning of year, as restated	<u>921,072</u>	<u>4,831,200</u>	<u>3,458,477</u>	<u>17,206,849</u>
Fund balances, end of year	<u><u>\$ 195,241</u></u>	<u><u>\$ 3,937,218</u></u>	<u><u>\$ 2,384,362</u></u>	<u><u>\$ 14,784,934</u></u>

The accompanying notes are an integral part of these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ANDERSON
RECONCILIATION OF CHANGE IN FUND BALANCES
TO CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

Total net change in fund balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds		\$ (2,421,915)
<p>Governmental funds report capital outlay and capitalized interest as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 4,447,316	
Capital assets contributed to enterprise fund	(148,716)	
Depreciation expense	<u>(517,251)</u>	3,781,349
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. In addition, some revenues are reported in the funds in the year of collection and not reported in the Statement of Activities as they had been previously accrued and reported.</p>		
		(274,817)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		142,811
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(76,924)
<p>An internal service fund is used by management to charge the costs of data processing, customer service, maintenance, insurance and fleet management services to individual funds. The net revenue of certain activities of the internal service fund is reported within governmental activities.</p>		
		<u>79,714</u>
Net change in net assets reported within the Statement of Activities - Governmental Activities		<u>\$ 1,230,218</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Sales taxes	\$ 2,233,000	\$ 2,233,000	\$ 2,279,018	\$ 46,018
Property taxes	1,676,700	1,676,700	746,602	(930,098)
Motel taxes	345,000	345,000	297,570	(47,430)
Franchise taxes	289,000	289,000	297,520	8,520
Licenses and permits	257,600	257,600	172,348	(85,252)
Fines, forfeitures and penalties	87,200	87,200	111,232	24,032
Use of money and property	18,400	18,400	13,664	(4,736)
Intergovernmental revenue	237,300	237,300	1,199,849	962,549
Charges for current services	370,800	370,800	406,562	35,762
Other revenue	16,500	16,500	15,726	(774)
Total revenues	<u>5,531,500</u>	<u>5,531,500</u>	<u>5,540,091</u>	<u>8,591</u>
Expenditures:				
Current:				
General government	876,664	879,552	836,522	43,030
Public safety	3,523,591	3,558,151	3,481,969	76,182
Public works	-	-	-	-
Planning	186,195	190,581	204,491	(13,910)
Community development	348,027	329,473	396,911	(67,438)
Recreation and cultural	535,439	542,509	501,977	40,532
Capital outlay	-	-	6,138	(6,138)
Debt service:				
Principal	38,254	38,254	38,256	(2)
Interest and fiscal charges	11,330	11,330	11,116	214
Total expenditures	<u>5,519,500</u>	<u>5,549,850</u>	<u>5,477,380</u>	<u>72,470</u>

(Continued on following page)

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	12,000	(18,350)	62,711	81,061
Other financing sources (uses):				
Sale of capital assets	500	500	-	(500)
Operating transfers in	-	-	14,375	14,375
Operating transfers out	(12,500)	(12,500)	(36,458)	(23,958)
Total other financing sources (uses)	(12,000)	(12,000)	(22,083)	(10,083)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	(30,350)	40,628	70,978
Fund balances, beginning of year, as restated	871,963	871,963	871,963	-
Fund balances, end of year	<u>\$ 871,963</u>	<u>\$ 841,613</u>	<u>\$ 912,591</u>	<u>\$ 70,978</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Gas Tax Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Sales taxes	-	-	-	-
Property taxes	-	-	-	-
Motel taxes	-	-	-	-
Franchise taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Use of money and property	18,000	18,000	9,819	(8,181)
Intergovernmental revenue	1,133,750	1,133,750	798,402	(335,348)
Charges for current services	-	-	-	-
Other revenue	5,500	5,500	6,749	1,249
Total revenues	<u>1,157,250</u>	<u>1,157,250</u>	<u>814,970</u>	<u>(342,280)</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,059,607	1,109,127	862,261	246,866
Planning	-	-	-	-
Community development	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	64,250	283,965	218,519	65,446
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,123,857</u>	<u>1,393,092</u>	<u>1,080,780</u>	<u>312,312</u>

(Continued on following page)

CITY OF ANDERSON
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

	Gas Tax Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	33,393	(235,842)	(265,810)	(29,968)
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	188,828	188,828	131,024	(57,804)
Operating transfers out	(200,301)	(200,301)	(145,960)	54,341
Total other financing sources (uses)	(11,473)	(11,473)	(14,936)	(3,463)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	21,920	(247,315)	(280,746)	(33,431)
Fund balances, beginning of year, as restated	671,621	671,621	671,621	-
Fund balances, end of year	\$ 693,541	\$ 424,306	\$ 390,875	\$ (33,431)

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	ADAP & Home Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Sales taxes	-	-	-	-
Property taxes	-	-	-	-
Motel taxes	-	-	-	-
Franchise taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Use of money and property	75,000	-	-	-
Intergovernmental revenue	400,000	400,000	392,665	(7,335)
Charges for current services	-	-	-	-
Other revenue	-	-	-	-
Total revenues	475,000	400,000	392,665	(7,335)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Planning	-	-	-	-
Community development	400,000	400,000	147,802	252,198
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	400,000	400,000	147,802	252,198

(Continued on following page)

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	ADAP & Home Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	75,000	-	244,863	244,863
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	440,394	440,394
Operating transfers out	-	(441,000)	(440,394)	606
Total other financing sources (uses)	-	(441,000)	-	441,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	75,000	(441,000)	244,863	685,863
Fund balances, beginning of year, as restated	4,137,655	4,137,655	4,137,655	-
Fund balances, end of year	<u>\$ 4,212,655</u>	<u>\$ 3,696,655</u>	<u>\$ 4,382,518</u>	<u>\$ 685,863</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	CDBG Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Sales taxes	-	-	-	-
Property taxes	-	-	-	-
Motel taxes	-	-	-	-
Franchise taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Use of money and property	30,500	30,500	18,878	(11,622)
Intergovernmental revenue	111,200	175,200	296,962	121,762
Charges for current services	-	-	-	-
Other revenue	-	-	196	196
Total revenues	141,700	205,700	316,036	110,336
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Planning	-	-	-	-
Community development	281,586	409,583	168,700	240,883
Recreation and cultural	-	-	-	-
Capital outlay	-	-	433	(433)
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	281,586	409,583	169,133	240,450

(Continued on following page)

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	CDBG Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	(139,886)	(203,883)	146,903	350,786
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	-	143,500	108,493	(35,007)
Operating transfers out	-	(143,500)	(108,493)	35,007
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(139,886)	(203,883)	146,903	350,786
Fund balances, beginning of year, as restated	1,839,577	1,839,577	1,839,577	-
Fund balances, end of year	<u>\$ 1,699,691</u>	<u>\$ 1,635,694</u>	<u>\$ 1,986,480</u>	<u>\$ 350,786</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Southwest Redevelopment Housing Fund			
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Sales taxes	-	-	-	-
Property taxes	-	-	-	-
Motel taxes	-	-	-	-
Franchise taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Use of money and property	6,500	6,500	51,050	44,550
Intergovernmental revenue	-	-	-	-
Charges for current services	-	-	-	-
Other revenue	2,000	2,000	1,000	(1,000)
Total revenues	<u>8,500</u>	<u>8,500</u>	<u>52,050</u>	<u>43,550</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Planning	-	-	-	-
Community development	67,721	68,621	60,944	7,677
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	32,556	32,556	15,197	17,359
Interest and fiscal charges	-	-	55,485	(55,485)
Total expenditures	<u>100,277</u>	<u>101,177</u>	<u>131,626</u>	<u>(30,449)</u>

(Continued on following page)

CITY OF ANDERSON
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

	Southwest Redevelopment Housing Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	(91,777)	(92,677)	(79,576)	13,101
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	197,000	232,000	232,847	847
Operating transfers out	-	-	-	-
Total other financing sources (uses)	197,000	232,000	232,847	847
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	105,223	139,323	153,271	13,948
Fund balances, beginning of year, as restated	3,362	3,362	3,362	-
Fund balances, end of year	\$ 108,585	\$ 142,685	\$ 156,633	\$ 13,948

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 17,030	\$ 2,160,948	\$ 2,177,978	\$ 1,305,230
Receivables:				
Accounts	143,358	735	144,093	2,848
Loans	-	12,683	12,683	-
Due from other governments	1,592	47,982	49,574	-
Inventories	37,964	2,021	39,985	44,364
Due from other funds	26,941	140,889	167,830	-
Prepaid expenses and deferred charges	-	-	-	2,643
Total current assets	<u>226,885</u>	<u>2,365,258</u>	<u>2,592,143</u>	<u>1,355,085</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	18,852	2,192	21,044	-
Advances to other funds	724,544	-	724,544	21,836
Unamortized issuance costs	2,625	2,602	5,227	-
Non-depreciable capital assets	60,995	57,923	118,918	110,350
Depreciable capital assets, net	4,400,764	5,465,313	9,866,077	1,193,927
Total noncurrent assets	<u>5,207,780</u>	<u>5,528,030</u>	<u>10,735,810</u>	<u>1,326,113</u>
Total assets	<u>\$ 5,434,665</u>	<u>\$ 7,893,288</u>	<u>\$ 13,327,953</u>	<u>\$ 2,681,198</u>

(Continued on following page)

CITY OF ANDERSON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

LIABILITIES AND NET ASSETS	Business Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 48,704	\$ 86,893	\$ 135,597	\$ 41,394
Accrued payroll and benefits	11,781	28,468	40,249	31,887
Accrued interest	3,647	4,204	7,851	8,119
Customer/employee deposits	43,715	-	43,715	-
Compensated absences payable, current	4,637	14,254	18,891	13,734
Deferred revenue	6,764	700,737	707,501	-
Bonds and loans payable, current	175,779	103,025	278,804	67,696
Total current liabilities	295,027	937,581	1,232,608	162,830
Noncurrent liabilities:				
Advances from other funds	-	-	-	21,836
Compensated absences, net	13,910	42,762	56,672	41,202
Bonds and loans payable, net	388,489	315,847	704,336	241,927
Total noncurrent liabilities	402,399	358,609	761,008	304,965
Total liabilities	697,426	1,296,190	1,993,616	467,795
NET ASSETS				
Invested in capital assets, net of related debt	3,897,491	5,104,364	9,001,855	994,654
Unrestricted	839,748	1,492,734	2,332,482	1,218,749
Total net assets	4,737,239	6,597,098	11,334,337	2,213,403
Total liabilities and net assets	\$ 5,434,665	\$ 7,893,288	\$ 13,327,953	\$ 2,681,198

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Water Fund	Sewer Fund	Total	Governmental Activities - Internal Service Fund
Operating revenues:				
Charges for current services:				
Water and waste water charges	\$ 1,082,107	\$ 1,415,692	\$ 2,497,799	-
Internal service fund charges	-	-	-	2,134,723
Permits and fees	104	-	104	-
Rental revenue	9,117	-	9,117	-
Other revenues	13,325	33	13,358	3,672
Total operating revenues	<u>1,104,653</u>	<u>1,415,725</u>	<u>2,520,378</u>	<u>2,138,395</u>
Operating expenses:				
Cost of sales and services	599,326	985,836	1,585,162	1,857,676
Administrative services	451,339	140,314	591,653	-
Depreciation expense	189,967	182,870	372,837	204,650
Total operating expenses	<u>1,240,632</u>	<u>1,309,020</u>	<u>2,549,652</u>	<u>2,062,326</u>
Operating income (loss)	<u>(135,979)</u>	<u>106,705</u>	<u>(29,274)</u>	<u>76,069</u>
Nonoperating revenues (expenses):				
Intergovernmental revenues	-	-	-	5,000
Investment income	36,262	40,682	76,944	-
Interest expense	(28,500)	(16,163)	(44,663)	(9,517)
Gain on sale of assets	-	-	-	8,162
Total nonoperating revenues (expenses)	<u>7,762</u>	<u>24,519</u>	<u>32,281</u>	<u>3,645</u>

(Continued on following page)

CITY OF ANDERSON
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Water Fund	Sewer Fund	Total	Governmental Activities - Internal Service Fund
Income (loss) before contributions and transfers	(128,217)	131,224	3,007	79,714
Capital contributions	-	148,716	148,716	-
Operating transfers in	34,546	94,758	129,304	14,702
Operating transfers out	-	(120,483)	(120,483)	(14,702)
Change in net assets	(93,671)	254,215	160,544	79,714
Total net assets, beginning of year	4,830,910	6,342,883	11,173,793	2,133,689
Total net assets, end of year	<u>\$ 4,737,239</u>	<u>\$ 6,597,098</u>	<u>\$ 11,334,337</u>	<u>\$ 2,213,403</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Water Fund	Sewer Fund	Total	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,129,081	\$ 1,462,297	\$ 2,591,378	\$ -
Cash received from interfund services provided	-	-	-	2,135,547
Cash paid to employees (including employee benefits)	(315,651)	(601,177)	(916,828)	(817,669)
Cash paid to suppliers	(326,233)	(432,714)	(758,947)	(820,247)
Cash paid for interfund services used	(422,671)	(98,091)	(520,762)	(220,321)
Net cash provided by operating activities	<u>64,526</u>	<u>330,315</u>	<u>394,841</u>	<u>277,310</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from (paid to) other funds	408	(140,889)	(140,481)	(1)
Intergovernmental revenue received	-	-	-	5,000
Operating transfers in	34,546	94,758	129,304	14,702
Operating transfers out	-	(120,483)	(120,483)	(14,702)
Net cash provided (used) by noncapital financing activities	<u>34,954</u>	<u>(166,614)</u>	<u>(131,660)</u>	<u>4,999</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments for the purchase of property	(66,252)	(155,805)	(222,057)	(102,983)
Debt principal paid	(169,104)	(98,865)	(267,969)	(14,702)
Debt interest paid	(29,441)	(16,611)	(46,052)	(1,446)
Cash received from sale of capital assets	-	-	-	8,162
Net cash (used) by capital and related financing activities	<u>(264,797)</u>	<u>(271,281)</u>	<u>(536,078)</u>	<u>(110,969)</u>

(Continued on following page)

CITY OF ANDERSON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Water Fund	Sewer Fund	Total	Governmental Activities - Internal Service Fund
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	36,262	40,682	76,944	-
Net cash provided by investing activities	<u>36,262</u>	<u>40,682</u>	<u>76,944</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(129,055)	(66,898)	(195,953)	171,340
Cash and cash equivalents, beginning of year	<u>164,937</u>	<u>2,230,038</u>	<u>2,394,975</u>	<u>1,133,890</u>
Cash and cash equivalents, end of year	<u>\$ 35,882</u>	<u>\$ 2,163,140</u>	<u>\$ 2,199,022</u>	<u>\$ 1,305,230</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital assets contributed from governmental funds	<u>\$ -</u>	<u>\$ 148,716</u>	<u>\$ 148,716</u>	<u>\$ -</u>
Capital assets purchased under capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,521</u>

(Continued on following page)

CITY OF ANDERSON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Water Fund	Sewer Fund	Total	Governmental Activities - Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (135,979)	\$ 106,705	\$ (29,274)	\$ 76,069
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization expense	193,223	186,096	379,319	204,650
(Increase) decrease in:				
Accounts receivable	25,436	(331)	25,105	(2,848)
Loans receivable	-	(7,657)	(7,657)	-
Due from other governments	674	17,899	18,573	-
Inventories	(6,837)	847	(5,990)	17,135
Prepaid expenses and deferred charges	-	-	-	27,614
Increase (decrease) in:				
Accounts payable	(11,360)	(22,801)	(34,161)	(51,446)
Accrued payroll and benefits	3,868	7,557	11,425	6,031
Customer/employee deposits	(1,740)	-	(1,740)	-
Compensated absences payable	(2,817)	5,339	2,522	105
Deferred revenue	58	36,661	36,719	-
Total adjustments	200,505	223,610	424,115	201,241
Net cash provided by operating activities	\$ 64,526	\$ 330,315	\$ 394,841	\$ 277,310
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS:				
Cash and cash equivalents	\$ 17,030	\$ 2,160,948	\$ 2,177,978	\$ 1,305,230
Restricted assets:				
Cash and cash equivalents	18,852	2,192	21,044	-
	\$ 35,882	\$ 2,163,140	\$ 2,199,022	\$ 1,305,230

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2009

	Total Agency Funds
ASSETS	
Cash in bank	\$ 1,065,498
Accounts receivable	-
Total assets	\$ 1,065,498
 LIABILITIES	
Accounts payable	\$ 161,040
Accrued liabilities	679,540
Due to other groups	224,918
Total liabilities	\$ 1,065,498

The accompanying notes are an integral part of these financial statements.

CITY OF ANDERSON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Anderson, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

REPORTING ENTITY

The City of Anderson, California is a municipal corporation governed by an elected five-member council. As required by accounting principles generally accepted in the United States of America, these financial statements include all of the funds of the City, as well as all of its component units. Component units are legally separate entities for which the City is financially accountable.

Due to financial and operational relationships the City has two component units – the Anderson Redevelopment Agency and the Anderson Public Financing Authority. Based on the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, these component units are blended into the City's basic financial statements, as the governing bodies are the same as the governing body of the City.

Anderson Redevelopment Agency

The Anderson Redevelopment Agency (Redevelopment Agency) is a community redevelopment agency formed, organized and existing pursuant to the provisions of the Community Redevelopment Law of the State of California (California Health and Safety Code, Section 33000 et seq.) The Redevelopment Agency is vested with the responsibility of carrying out a duly adopted redevelopment plan.

Anderson Public Financing Authority

In order to facilitate the financing of public improvements, as well as other facilities and improvements which can be funded through the issuance of tax exempt bonds, the City Council and the governing board of the Anderson Redevelopment Agency established a joint powers agency known as the Anderson Public Financing Authority (Authority). The Authority is authorized, among other things, to issue bonds pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 for the purpose of financing facilities and improvements.

Complete financial statements of the Anderson Redevelopment Agency may be obtained from the Finance Department of the City of Anderson at 1887 Howard St., Anderson, California 96007.

BASIS OF PRESENTATION

The financial statement presentation required by Governmental Accounting Standards Board (GASB) Statements No. 34, 37, 38, and 39 provides a comprehensive, entity-wide perspective of the City's overall financial position and results of operations while maintaining the presentation of the financial position, results of operations and cash flows, as applicable, of the City's major funds.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the City of Anderson. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, other than grant revenue, to be available if they are collected within 90 days of the end of the current fiscal period. A one-year availability period is used for grant revenue recognition. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Gas Tax Fund accounts for State funds received for use in providing construction and maintenance of the street system of the City.

The ADAP and Home Fund accounts for the operating and financing of funds provided by Federal Housing and Urban Development for the rehabilitation and financing of homes.

The CDBG Fund accounts for funds provided by Federal Housing and Urban Development for the rehabilitation of homes and government structures in addition to accounting for program income from closed grants/loans.

The Southwest Redevelopment Housing Fund accounts for funds for providing housing for the Southwest Redevelopment Project Area.

The Riverside East Debt Service Fund accounts for debt service reserves as required by USDA for the Riverside East Sewer/Storm Drain project.

The Southwest Redevelopment Debt Service Fund accounts for debt service reserves for the Southwest Redevelopment Project Area.

The Southwest Redevelopment Capital Projects Fund accounts for the project related redevelopment activities of the Southwest Redevelopment Project Area.

The 2005 Southwest Redevelopment Capital Projects Fund accounts for the project related redevelopment activities associated with the 2005 Southwest Redevelopment Tax Allocation Bonds.

The 2008 Southwest Redevelopment Capital Projects Fund accounts for the project related redevelopment activities associated with the 2008 Southwest Redevelopment Tax Allocation Bonds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water utility.

The Sewer Fund accounts for the operation and maintenance of the City's waste water utility.

Additionally, the City reports the following fund types:

Internal Service Fund accounts for data processing, customer service, maintenance, insurance, fleet management, and services provided to other departments on a cost reimbursement basis.

Agency Funds account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. These funds include Senior Bingo, Shasta Interagency Narcotics Task Force (SINTF), and the County Seizure Agency Funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, including fees, fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

BUDGETS

Budgets for the General Fund, special revenue funds and debt service funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Formal budgetary integration is employed as a management control device during the year for these funds. Proprietary fund budgeting parallels that of private business enterprises. Expenditures may not legally exceed budgeted appropriations at the fund level. The City Manager is authorized to make budget transfers within any fund (the legal level). All revisions must be reported to the City Council before the end of the fiscal year. All unencumbered and unexpended appropriations lapse at the end of the fiscal year. Encumbrances are reappropriated in the ensuing year's budget.

CASH AND CASH EQUIVALENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments that are both readily convertible to known amounts of cash and (if applicable), so near (three months) their original maturity, that there is insignificant risk of value changes because of interest rate changes. Funds in the State Treasurer's Investment Pool (LAIF) are considered cash equivalents.

All of the City's investments at June 30, 2009 meet the above definition of cash equivalents.

The City follows the practice of pooling cash and investments of all funds, except for restricted funds required to be held separately. Interest income earned on pooled cash and investments is allocated semi-annually to the various funds based on monthly cash balances.

The California Government Code and the investment policy of the City authorize the City to invest in obligations, participations, or other instruments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor's Corporation or Moody's Investor Service, Inc., bankers' acceptances, repurchase agreements, the State Treasurer's Investment Pool (LAIF), certificates of deposit or time deposits, and passbook savings account demand deposits. Reverse repurchase agreements may be made only when prior approval of the City Council has been given.

Investments are reported at fair value based on quoted market prices with realized and unrealized gains or losses reported in the statements of activities and the statements of revenues, expenditures and changes in fund balances. The State Treasurer's Investment Pool (LAIF) operates in accordance with appropriate state laws and regulations. The reported value of the pool is materially equivalent to the fair value of the pool shares.

RECEIVABLES

Accounts receivable consist of water and sewer billings and other miscellaneous billings. The water and sewer departments record service fees when earned with a corresponding receivable. The City also records receivables for other miscellaneous user fees and charges. Management records an allowance for doubtful accounts for all receivables which they deem uncollectible. Management determined there were no material uncollectible receivables at June 30, 2009.

Loans receivable consist of loans to individuals for housing rehabilitation and to businesses for construction and business loans. Management considers all loans receivable to be collectible.

Taxes receivable consist of various sales and use taxes, property taxes, and special assessments. Management considers all taxes receivable to be collectible.

INVENTORIES

Proprietary Fund inventories are adjusted to annual physical counts and are valued at cost, which approximates market, utilizing the weighted average method of valuation. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

PREPAID EXPENSES AND DEFERRED CHARGES

Payments made to vendors for services that will benefit the City for periods beyond the current fiscal year are recorded as prepaid expenses.

INTERFUND TRANSACTIONS AND BALANCES

During the course of operations, numerous transactions that constitute reimbursements to a fund for expenditures/expenses initially made from one fund that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. In addition, on a less occasional basis, the City incurs transactions that constitute quasi-external transactions between funds. These transactions are accounted for as revenues, expenditures or expenses in the funds involved in these transactions.

All other interfund transactions are reported as transfers.

Fund transfers are necessary to properly account for cash increases/decreases in the appropriate funds. Transfers include, but are not limited to, the following:

1. To allocate funds for operations;
2. To allocate funds for equipment replacement;
3. To allocate funds for capital projects.

These transactions result in short-term interfund receivables and payables that are classified as "due from other funds" or "due to other funds" and in long-term interfund receivables and payables that are classified as "advances to other funds" or "advances from other funds" on the Balance Sheet – Governmental Funds and Statement of Net Assets – Proprietary Funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

RESTRICTED ASSETS

Certain proceeds of debt issues, as well as certain reserves set aside for their repayment, are classified as restricted assets on the statement of net assets and balance sheets because their use is limited by applicable bond covenants.

NONCURRENT RECEIVABLES

Noncurrent portions of loans and interest receivable are reported on the governmental funds balance sheet in spite of the spending measurement focus of the governmental funds. As they are not "available spendable resources," noncurrent portions of loans receivable are offset by a reservation of fund balance, and noncurrent portions of interest receivable are offset by a corresponding deferred revenue (other liability) amount.

CAPITAL ASSETS

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at actual historical cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	Primarily 25 to 50 years
Improvements	Primarily 10 to 30 years
Equipment	Primarily 5 to 10 years
Vehicles	Primarily 5 to 10 years
Furniture and fixtures	Primarily 7 years

It is the policy of the City to capitalize all land, buildings, improvements, equipment, vehicles and infrastructure assets, except assets costing less than \$1,000. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

The City's capital assets include infrastructure acquired on or after July 1, 2002. GASB Statement No. 34 does not require retrospective reporting of infrastructure for the City.

COMPENSATED ABSENCES

Vested or accumulated vacation leave, sick leave and compensatory time are accrued in the proprietary funds and in the government-wide statements as the benefits accrue to employees. However, a liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. In accordance with accounting principles generally accepted in the United States of America, no liability is recorded for nonvesting accumulated rights to receive sick pay benefits.

DEFERRED REVENUES

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

LONG-TERM LIABILITIES

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental funds financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NET ASSETS/FUND EQUITY

Net assets represent the difference between assets and liabilities. The City's net assets are classified as follows:

- *Invested in capital assets, net of related debt* – This represents the City's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.
- *Restricted net assets-expendable* – Restricted expendable net assets represent resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.
- *Unrestricted net assets* – Unrestricted net assets represent resources derived from taxes; licenses and permits; fines; forfeitures and penalties; and charges for services. These resources are used for transactions relating to the general operations of the City, and may be used at the discretion of the City Council to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the City's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

In the fund financial statements, governmental fund reserves represent those portions of fund balance not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances, if any, represent tentative plans for future use of financial resources.

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 the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

PROPERTY TAXES

Property taxes are assessed and collected by Shasta County. The County remits the property taxes to the City when the taxes are collected and the allocation has been determined. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1, and are payable in two installments and become delinquent if not paid by December 10 and April 10.

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan." The State Revenue and Taxation Code allows counties to distribute secured real property, assessment and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and related penalties and interest during a fiscal year will revert to Shasta County. The Teeter Plan payment is included in property tax revenue.

NOTE 2 CASH AND CASH EQUIVALENTS

The City's cash and cash equivalents as of June 30, 2009 consisted of the following:

Cash on hand and in banks	\$ 1,712,670
State of California – Local Agency Investment Fund (LAIF)	8,377,488
Union Bank of California money market funds:	
Fidelity Government Institutional share CL-1	1,454,603
U.S. Bank money market funds:	
First American Prime Obligation Fund Class Y	<u>811,486</u>
	12,356,247
Less: Agency funds cash and cash equivalents	<u>1,065,498</u>
Total City-wide cash and cash equivalents	\$ <u>11,290,749</u>

Cash and cash equivalents as of June 30, 2009 are displayed on the government-wide Statement of Net Assets as follows:

Cash and cash equivalents	\$ 8,880,364
Restricted cash and cash equivalents	<u>2,410,385</u>
Total	\$ <u>11,290,749</u>

Custodial credit risk:

This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy does not address custodial credit risk. As of June 30, 2009, \$915,325 of the City's cash balances in banks were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name. The funds in U.S. Bank and Union Bank of California are not subject to custodial credit risk as they are funds under contractual obligation. Both funds are rated AAAM.

Interest Rate Risk:

While the City's investment policy does not address interest rate risk, the City manages its exposure to interest rate risks through reliance on the managers of LAIF.

Equity in Pooled Cash and Investments:

The City invests funds in the State Treasurer's Pooled Money Investment Account (PMIA) through the Local Agency Investment Fund (LAIF), a voluntary program created by statute in 1977. The PMIA has regulatory oversight from the Pooled Money Investment Board and an in-house Investment Committee. The Local Agency Investment Advisory Board has oversight of LAIF. The fair value of the City's position in the pool is materially equivalent to the value of pool shares. LAIF is an unrated external investment pool.

In accordance with authorized investment laws, the State Treasurer's Investment Pool (LAIF) invests in various structured notes and mortgage-backed securities, such as collateralized mortgage obligations. As of June 30, 2009, 14.71% of LAIF's investment portfolio was invested in structured notes and other asset-backed securities. In addition, PMIA's weighted average maturities was .61 years at June 30, 2009. (Copies of a report of LAIF's investments may be obtained from the State Treasurer's Office; Local Agency Investment Fund; P. O. Box 942809; Sacramento, CA 94209-0001).

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, is summarized as follows:

Governmental activities:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciable capital assets:					
Land	\$ 2,032,943	\$ 410,662	\$ -	\$ 353,433	\$ 2,797,038
Construction in progress	<u>1,675,002</u>	<u>3,447,536</u>	<u>-</u>	<u>(2,554,569)</u>	<u>2,567,969</u>
Non-depreciable capital assets total	<u>3,707,945</u>	<u>3,858,198</u>	<u>-</u>	<u>(2,201,136)</u>	<u>5,365,007</u>
Depreciable capital assets:					
Buildings	5,142,081	-	-	-	5,142,081
Improvements	5,520,596	540,128	-	2,052,420	8,113,144
Equipment	<u>2,488,384</u>	<u>438,492</u>	<u>214,742</u>	<u>-</u>	<u>2,712,134</u>
	<u>13,151,061</u>	<u>978,620</u>	<u>214,742</u>	<u>2,052,420</u>	<u>15,967,359</u>
Less accumulated depreciation:					
Buildings	1,579,009	136,930	-	-	1,715,939
Improvements	752,945	357,985	-	-	1,110,930
Equipment	<u>2,101,017</u>	<u>226,986</u>	<u>214,742</u>	<u>-</u>	<u>2,113,261</u>
	<u>4,432,971</u>	<u>721,901</u>	<u>214,742</u>	<u>-</u>	<u>4,940,130</u>
Depreciable capital assets, net	<u>8,718,090</u>	<u>256,719</u>	<u>-</u>	<u>2,052,420</u>	<u>11,027,229</u>
Governmental capital assets, net	<u>\$ 12,426,035</u>	<u>\$ 4,114,917</u>	<u>\$ -</u>	<u>\$ (148,716)</u>	<u>\$ 16,392,236</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 249,384
Public safety	51,485
Public works	161,883
Planning	-
Community development	201,027
Recreation and cultural	<u>58,122</u>
Total governmental activities depreciation expense	<u>\$ 721,901</u>

Business-type activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Non-depreciable capital assets:					
Construction in progress	\$ 88,931	\$ 188,056	\$ -	\$ (158,069)	\$ 118,918
Non-depreciable capital assets total	<u>88,931</u>	<u>188,056</u>	<u>-</u>	<u>(158,069)</u>	<u>118,918</u>
Depreciable capital assets:					
Buildings	914,788	-	-	-	914,788
Improvements	16,133,642	18,127	82,741	306,785	16,375,813
Equipment	454,403	15,874	30,189	-	440,088
	<u>17,502,833</u>	<u>34,001</u>	<u>112,930</u>	<u>306,785</u>	<u>17,730,689</u>
Less accumulated depreciation:					
Buildings	534,164	17,614	-	-	551,778
Improvements	6,766,098	334,157	82,741	-	7,017,514
Equipment	304,443	21,066	30,189	-	295,320
	<u>7,604,705</u>	<u>372,837</u>	<u>112,930</u>	<u>-</u>	<u>7,864,612</u>
Depreciable capital assets, net	<u>9,898,128</u>	<u>(338,836)</u>	<u>-</u>	<u>306,785</u>	<u>9,866,077</u>
Business-type capital assets, net	<u>\$ 9,987,059</u>	<u>\$ (150,780)</u>	<u>\$ -</u>	<u>\$ 148,716</u>	<u>\$ 9,984,995</u>

Depreciation expense was charged to functions as follows:

Business-type activities:

Water	\$ 189,967
Sewer	<u>182,870</u>
Total business-type activities depreciation expense	<u>\$ 372,837</u>

NOTE 4 LONG-TERM LIABILITIES

Following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2009:

Governmental activities:	Amount of Original Issuance	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and loans payable:						
Revenue bonds:						
Limited Obligation Improvement Bonds, Series 2001	\$ 2,076,000	\$ 1,941,000	\$ -	\$ 26,000	\$ 1,915,000	\$ 27,000
CSDA Wastewater Revenue Bonds, Series 2007A	1,600,000	<u>1,600,000</u>	<u>-</u>	<u>35,000</u>	<u>1,565,000</u>	<u>35,000</u>
Total revenue bonds		<u>3,541,000</u>	<u>-</u>	<u>61,000</u>	<u>3,480,000</u>	<u>62,000</u>
Tax allocation bonds:						
ARA Tax Allocation Bonds, 2005 Series Bonds	2,580,000	2,560,000	-	35,000	2,525,000	50,000
ARA Tax Allocation Bonds, 2008 Series Bonds	5,210,000	5,210,000	-	-	5,210,000	-
Less issuance discount		<u>(122,531)</u>	<u>-</u>	<u>(3,778)</u>	<u>(118,753)</u>	<u>-</u>
Total tax allocation bond		<u>7,647,469</u>	<u>-</u>	<u>31,222</u>	<u>7,616,247</u>	<u>50,000</u>
Financing leases:						
Financing lease – California Infrastructure and Economic Development Bank	1,000,000	979,285	-	21,355	957,930	22,015
Refunding lease - City National Bank	135,841	35,624	-	11,576	24,048	12,016
Financing lease - City National Bank	232,000	150,519	-	22,564	127,955	23,519
Financing lease - Redding Joint Powers Authority	101,881	82,264	-	4,113	78,151	4,271
Financing lease - West America Bank	72,056	37,805	-	14,702	23,103	15,321
Financing lease - Municipal Finance Corporation	286,521	<u>-</u>	<u>286,521</u>	<u>-</u>	<u>286,521</u>	<u>52,374</u>
Total financing leases		<u>1,285,497</u>	<u>286,521</u>	<u>74,310</u>	<u>1,497,708</u>	<u>129,516</u>

Governmental activities: (Continued)	Amount of Original Issuance	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable:						
Tri Counties Bank - The Oaks Loan	1,050,000	291,454	-	15,196	276,258	15,890
California Housing Finance Agency - HELP loan	320,000	<u>320,000</u>	<u>-</u>	<u>-</u>	<u>320,000</u>	<u>-</u>
Total notes payable		<u>611,454</u>	<u>-</u>	<u>15,196</u>	<u>596,258</u>	<u>15,890</u>
		13,085,420	286,521	181,728	13,190,213	257,406
Other liabilities:						
Compensated absences		<u>267,359</u>	<u>323,859</u>	<u>312,423</u>	<u>278,795</u>	<u>69,699</u>
Total governmental activities		<u>13,352,779</u>	<u>610,380</u>	<u>494,151</u>	<u>13,469,008</u>	<u>327,105</u>
Business-type activities:						
Bonds and loans payable:						
Certificates of Participation:						
2001 Wastewater System Improvements Certificates of Participation	232,570	<u>219,000</u>	<u>-</u>	<u>2,500</u>	<u>216,500</u>	<u>3,000</u>
Financing leases:						
Refunding lease - City National Bank	2,234,859	586,076	-	190,425	395,651	197,684
Financing lease - Department of Commerce	250,000	70,978	-	16,066	54,912	16,552
Installment sale agreement - City National Bank	320,000	193,421	-	31,740	161,681	33,185
Financing lease - West America Bank	280,000	<u>181,634</u>	<u>-</u>	<u>27,235</u>	<u>154,399</u>	<u>28,384</u>
Total financing leases		<u>1,032,109</u>	<u>-</u>	<u>265,466</u>	<u>766,643</u>	<u>275,805</u>
		1,251,109	-	267,966	983,143	278,805

Business-type activities: (Continued)	Amount of Original Issuance	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other liabilities:						
Compensated absences		<u>73,041</u>	<u>51,735</u>	<u>49,216</u>	<u>75,560</u>	<u>18,890</u>
Total business-type activities		<u>1,324,150</u>	<u>51,735</u>	<u>317,182</u>	<u>1,058,703</u>	<u>297,695</u>
Total long-term liabilities		<u>\$ 14,676,929</u>	<u>\$ 662,115</u>	<u>\$ 811,333</u>	<u>\$ 14,527,711</u>	<u>\$ 624,800</u>

REVENUE BONDS

- 2,076,000 Limited Obligation Improvement Bonds, Series 2001
Issued November 14, 2001, for the purpose of installation and construction of certain sewer and storm drain improvements in the Riverside Avenue Assessment District, payable from pledged property tax assessments and secured by sewer revenues. The balance is due in annual installments of \$39,358 to \$106,000 through September 2, 2041, bearing an interest rate of 4.375% payable semi-annually on March 2 and September 2. Principal and interest paid for the current year was \$110,350, which was equal to pledged property tax revenues received. Total principal and interest remaining on the bonds is \$3,612,916, which is the amount of the remaining property tax assessments pledged.
- 1,600,000 California Statewide Communities Development Authority Wastewater Revenue Bonds, Series 2007A
Issued December 1, 2007, to finance the construction of additional emergency storage capacity of an additional 3 million gallons, payable from sewer usage charges levied with property tax assessments. The balance is due in annual installments of \$35,000 to \$100,000 through October 1, 2033, bearing interest rates of 4% to 4.7% payable semi-annually on April 1 and October 1. Principal and interest paid for the current year was \$121,747 while total sewer usage charges were \$1,415,692. Total principal and interest remaining on the bonds is \$2,603,170, which is the amount of the remaining sewer usage charges pledged.

TAX ALLOCATION BONDS

- 2,580,000 Anderson Redevelopment Agency Tax Allocation Bonds, Series 2005
Issued August 1, 2005, for the purpose of financing redevelopment projects. Payable from future property tax increment in redevelopment project areas in annual installments of \$20,000 to \$165,000 through August 1, 2035 and bearing interest rates of 3% to 5.25% payable semi-annually on February 1 and August 1. Principal and interest paid for the current year was \$161,788 while total Agency property tax increment revenue was \$1,164,233. Total principal and interest remaining on the bonds is \$4,671,140, which is the amount of the remaining property tax increment revenue pledged.