

Audited Financial Statements
City of Cudahy, California
Year ended June 30, 2010
with Report of Independent Auditors

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Report of Independent Auditors

The Honorable City Council of the City of Cudahy, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Cudahy, California as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cudahy'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 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, each major fund and the aggregate remaining fund information of the City of Cudahy, California as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, the budgetary comparison information, and the public employees retirement system schedule of funding progress, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 Cudahy's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. These 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.



In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2011 on our consideration of the City of Cudahy'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 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.

Vergara + Company LLP

Los Angeles, California

May 31, 2011

This section of the City's Annual Financial Report provides a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the City's financial statements beginning on page 11.

Financial Highlights

The following are some key financial highlights for the fiscal year:

- ❖ The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$28,414,815 (net assets). Unrestricted net assets amounted to \$2,232,652 at June 30, 2010.
- ❖ As of June 30, 2010, the City's governmental funds reported combined fund balances of \$23,439,496.
- ❖ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$8,968,448 or 144% of total General Fund expenditures.
- ❖ In the General Fund, expenditures exceeded revenues by \$332,516 before other financing sources. The actual excess of expenditures over revenues was greater than indicated in the budget.
- ❖ The City's total long-term liabilities decreased by \$0.30 million, or 2.1%, during the fiscal year ended June 30, 2010, to a level of \$14.37 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are 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* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the 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 the 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 (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues. The *governmental activities* of the City include general government, public safety, community services, public services, community development, pass through to other agencies, administrative, and debt service.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Cudahy Development Commission and the Cudahy Financing Authority. The City is financially accountable for these entities and financial information for these blended component units is reported within the financial information presented for the primary government itself.

The government-wide financial statements can be found beginning on page 11 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into two categories: governmental 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 the City's near-term financial 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 impact of the City's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 34 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, Debt Service Fund, Capital Projects Fund and Low/Moderate Housing Fund, each of which are considered to be major funds. Data from the other 29 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* in the *non-major governmental funds supplementary information* section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate its compliance with this budget.

The governmental fund financial statements can be found beginning on page 14 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 statements because the resources of those funds are *not* available to support the City's own programs.

The fiduciary fund financial statements can be found on page 22 of this report.

Notes to the Basic Financial Statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 23 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and a comparison of budgeted to actual results for the general fund. *Required supplementary information* can be found beginning on page 44 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following *the required supplementary information*. Combining and individual fund statements and schedules can be found beginning on page 52 of this report.

Government-wide Financial Analysis

A comparative analysis of government-wide data has been established and is being included in this report.

**Summary of Net Assets
June 30, 2010 and 2009**

| | Governmental Activities | |
|---|-------------------------|---------------|
| | June 30, 2010 | June 30, 2009 |
| Assets: | | |
| Current and other assets | \$ 26,070,349 | \$ 27,383,631 |
| Capital assets | 17,695,528 | 17,627,965 |
| Total assets | 43,765,877 | 45,011,596 |
| Liabilities: | | |
| Current and other liabilities | 983,994 | 922,023 |
| Long-term liabilities | 14,367,068 | 14,668,626 |
| Total liabilities | 15,351,062 | 15,590,649 |
| Net assets: | | |
| Invested in capital assets, net of related debt | 17,695,528 | 17,627,965 |
| Restricted | 8,486,635 | 12,154,261 |
| Unrestricted | 2,232,652 | (361,279) |
| Total net assets | \$ 28,414,815 | \$ 29,420,947 |

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Cudahy, assets exceeded liabilities by \$28,414,815 at June 30, 2010.

City of Cudahy
Management's Discussion and Analysis
Year ended June 30, 2010

The largest portion of the City's net assets (\$17,695,528) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, etc.). The City uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. As of June 30, 2010, the City has already paid the related debt used to acquire these assets.

A portion of the City's net assets (\$8,486,635) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, if any, may be used to meet the government's ongoing obligations to citizens and creditors.

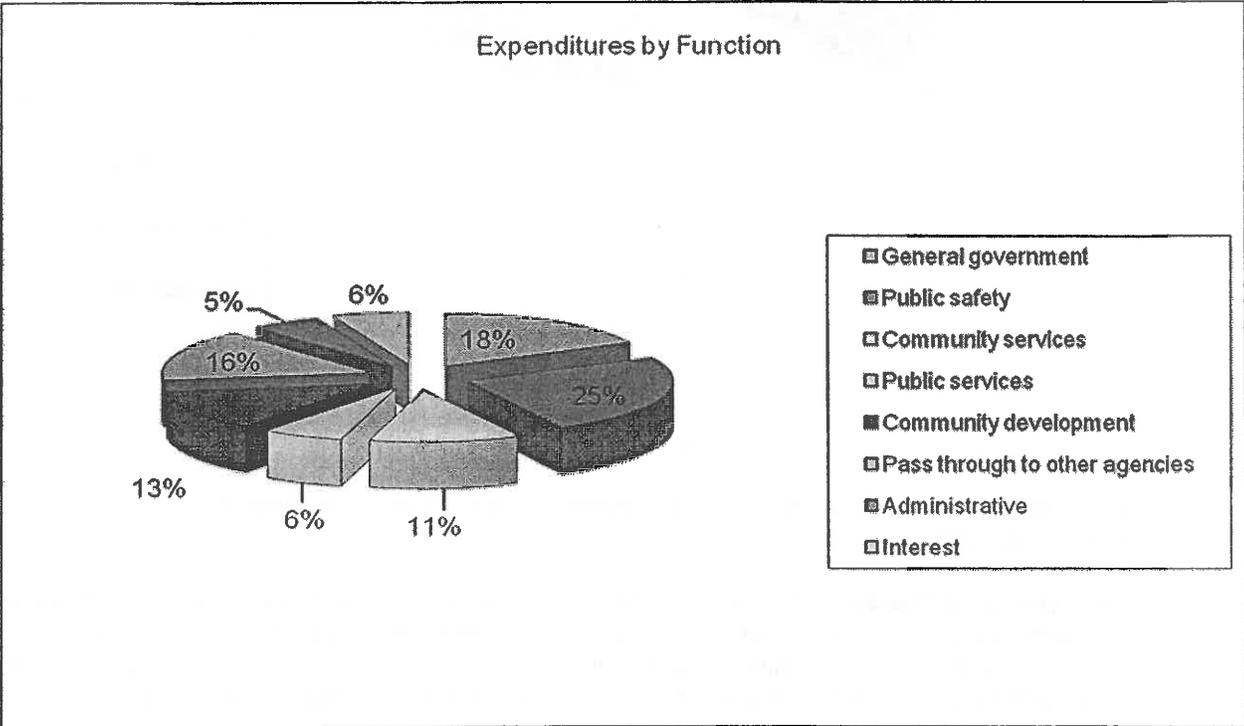
Governmental Activities. Governmental activities decreased the City's net assets by \$1,006,132 (3.42%) for fiscal year 2009/2010 and increased the City's net assets by \$2,098,835 (7.68%) for fiscal year 2008/2009.

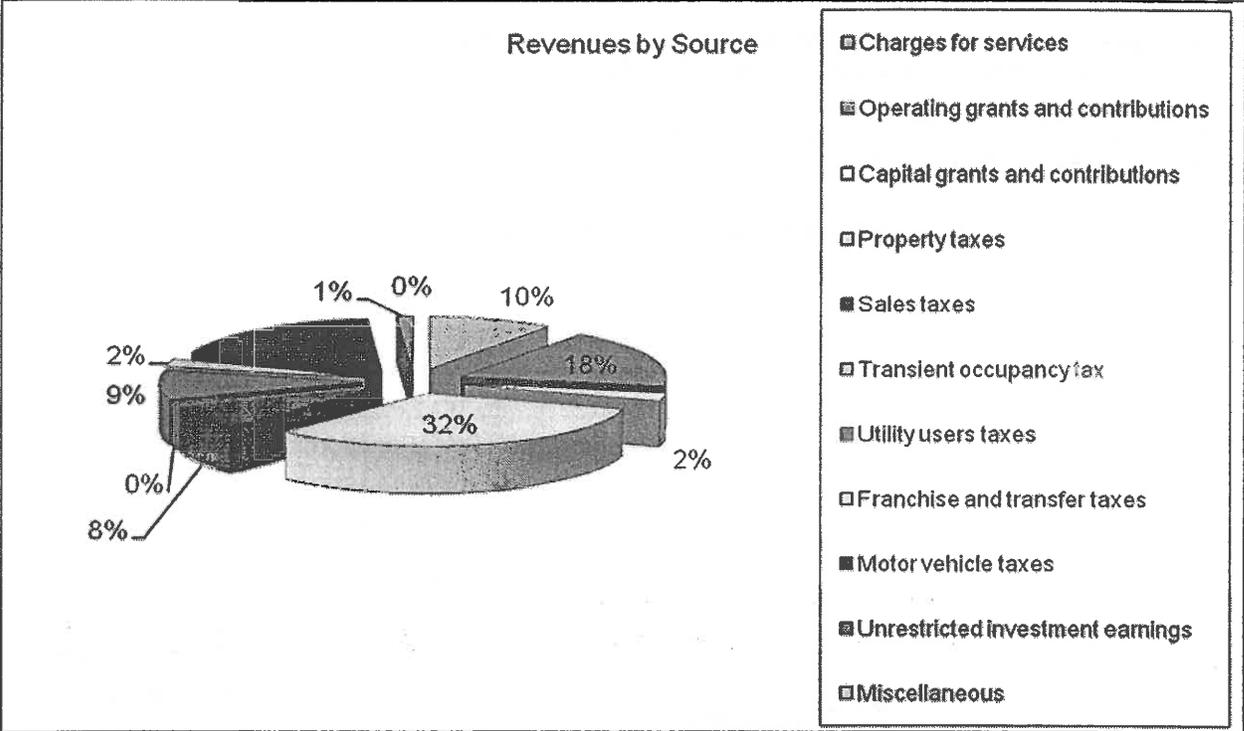
| | <u>Governmental Activities</u> | |
|--|--------------------------------|----------------------|
| | <u>Year ended June, 30,</u> | |
| | <u>2010</u> | <u>2009</u> |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 1,156,943 | \$ 1,385,576 |
| Operating grants and contributions | 2,166,086 | 2,068,980 |
| Capital grants and contributions | 239,304 | 870,782 |
| General revenues: | | |
| Property taxes | 3,798,711 | 4,068,816 |
| Sales taxes | 883,678 | 1,231,603 |
| Transient occupancy tax | 43,849 | 48,773 |
| Utility users taxes | 1,052,284 | 922,235 |
| Franchise and transfer taxes | 250,128 | 322,919 |
| Motor vehicle taxes | 2,158,838 | 2,187,065 |
| Contributions and donations not restricted to specific programs | - | - |
| Unrestricted investment earnings | 124,280 | 522,482 |
| Miscellaneous | 10,557 | 33,953 |
| Total revenue | <u>11,884,658</u> | <u>13,663,184</u> |
| Expenses: | | |
| General government | 2,273,112 | 1,986,902 |
| Public safety | 3,218,365 | 3,292,631 |
| Community services | 1,487,886 | 1,462,718 |
| Public services | 796,281 | 927,286 |
| Community development | 1,631,071 | 1,684,800 |
| Pass through to other agencies | 2,050,941 | 1,397,140 |
| Administrative | 687,622 | 58,232 |
| Interest | 745,512 | 754,640 |
| Total expenses | <u>12,890,790</u> | <u>11,564,349</u> |
| Change in net assets | (1,006,132) | 2,098,835 |
| Net assets, beginning of year | 29,420,947 | 27,322,112 |
| Net assets, end of year | <u>\$ 28,414,815</u> | <u>\$ 29,420,947</u> |

Key elements of the increase in net assets for fiscal year 2009/2010 are as follows:

- ❖ Operating grants and contributions increased by about \$0.1 million.
- ❖ Charges for services decreased by \$0.2million
- ❖ Capital grants and contributions decreased by \$0.6 million
- ❖ Property taxes decreased by \$ 0.3 million
- ❖ Sales taxes decreased by \$ 0.3 million

- ❖ Total overall expenditures were also higher this year by \$1.3 million.





Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,439,496. The City's governmental funds have \$19,529,563 in their *unreserved fund balance*. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$8,968,448. As a measure of General Fund liquidity, it may be useful to compare the total fund balance to total fund expenditures. General fund balance represents 144% of total general fund expenditures of \$6,236,443.

The fund balance of the City's General Fund decreased by \$332,516 during the current fiscal year. Actual revenues exceeded budgeted revenues by \$0.5 million mainly because of favorable variance for taxes, grants and fees, and services as the City becomes more aggressive in collecting these revenues.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities amounts to \$17,695,528 (net of accumulated depreciation of \$41,836,926) as of June 30, 2010. This investment in capital assets includes land, buildings, improvements other than building, infrastructure (roads, sidewalks, streetlights, etc.), and machinery and equipment

**Capital Assets
(Net of Accumulated Depreciation)
June 30, 2010 and 2009**

| | Governmental Activities | |
|-----------------------------------|-------------------------|----------------------|
| | June 30, 2010 | June 30, 2009 |
| Land | \$ 1,429,600 | \$ 1,429,600 |
| Structures and improvements | 10,707,667 | 10,707,667 |
| Infrastructure | 45,763,529 | 45,277,909 |
| Vehicles, furniture and equipment | 708,640 | 708,640 |
| Construction in-progress | 923,018 | 563,886 |
| Accumulated depreciation | (41,836,926) | (41,059,737) |
| Total | \$ 17,695,528 | \$ 17,627,965 |

Additional information on the City's capital assets can be found in Note 7 to the basic financial statements on page 35 of this report.

Major capital asset events during the current fiscal year included the following:

- ❖ Live Oak Street Overlay.
- ❖ Upgraded, Modified and Synchronized Traffic Lights Along Atlantic Avenue
- ❖ Clara Bridge Structural Repair and Beautification

Debt Administration. At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,010,000 representing tax allocation bonds issued for redevelopment projects.

**Outstanding Debt
June 30, 2010 and 2009**

| | Governmental Activities | |
|--------------------------------|-------------------------|----------------------|
| | June 30, 2010 | June 30, 2009 |
| Bonded indebtedness: | | |
| Tax allocation refunding bonds | \$ 13,010,000 | \$ 13,410,000 |
| Other long-term debt: | | |
| Compensated absences | 109,865 | 84,798 |
| County deferral | 224,414 | 185,455 |
| Note payable | 1,409,928 | 1,409,928 |
| Deferred amounts: | | |
| For issuance | (309,002) | (334,043) |
| On refunding | (78,137) | (87,512) |
| Total | \$ 14,367,068 | \$ 14,668,626 |

On August 1, 2003, the Cudahy Community Development Commission (CDC or Agency) issued, at discount, \$3,680,000 series 2003A, \$3,255,000 series 2003B, and \$6,680,000 series 2003C Tax Allocation Bonds. Out of the proceeds of approximately \$13,000,000, \$3,100,000 will be used to promote the supply of low and moderate income housing within the Project Area while the remaining proceeds were used to refund the Agency's previously issued Tax Allocation Bonds series 1994A and 1994B.

Economic Factors and Next Year's Budget

The City is negotiating with several reputable businesses to relocate or open branches in the City. CDC updated its five-year redevelopment plan, which includes plans to rehabilitate and generate more revenues for the City. The City has acquired several parcels of land during the year along the commercial corridor to develop them into revenue generating projects.

Request for Information

This financial report is designed to provide a general overview of the City's finances for readers of the financial statements. Questions concerning any of the information in this report or request for additional financial information should be addressed to the Director of Finance, City of Cudahy, CA.

City of Cudahy
Statement of Net Assets
June 30, 2010

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 16,469,203 |
| Receivables, net | 1,116,565 |
| Restricted cash and investments | 1,577,566 |
| Long-term receivables | 1,838,837 |
| Land held for sale | 5,068,178 |
| Capital assets, net | 17,695,528 |
| Total assets | 43,765,877 |
| LIABILITIES | |
| Accounts payable and other current liabilities | 579,402 |
| Accrued interest payable | 201,001 |
| Due to other government | 203,591 |
| Noncurrent liabilities: | |
| Due within one year | 420,000 |
| Due in more than one year | 13,947,068 |
| Total liabilities | 15,351,062 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 17,695,528 |
| Restricted for: | |
| Debt service | 3,909,933 |
| Capital improvements | 4,576,702 |
| Unrestricted | 2,232,652 |
| Total net assets \$ | 28,414,815 |

See notes to financial statements.

**City of Cudahy
Statement of Activities
Year ended June 30, 2010**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense)</u> |
|----------------------------------|----------------------|-------------------------|----------------------|----------------------|----------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Capital</u> | <u>Revenue and</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Grants and</u> | <u>Changes in</u> |
| | | | <u>Contributions</u> | <u>Contributions</u> | <u>Net Assets</u> |
| | | | | | <u>Governmental</u> |
| | | | | | <u>Activities</u> |
| Governmental activities: | | | | | |
| General government | \$ 2,273,112 | 849,787 | - | - | (1,423,325) |
| Public safety | 3,218,365 | 279,721 | 467,452 | - | (2,471,192) |
| Community services | 1,487,886 | - | 869,295 | 17,927 | (600,664) |
| Public services | 796,281 | 27,435 | 829,339 | 221,377 | 281,870 |
| Community development | 1,631,071 | - | - | - | (1,631,071) |
| Pass through to other agencies | 2,050,941 | - | - | - | (2,050,941) |
| Administrative | 687,622 | - | - | - | (687,622) |
| Interest | 745,512 | - | - | - | (745,512) |
| Total governmental activities | \$ <u>12,890,790</u> | <u>1,156,943</u> | <u>2,166,086</u> | <u>239,304</u> | <u>(9,328,457)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 3,798,711 |
| Sales taxes | | | | | 883,678 |
| Franchise and transfer taxes | | | | | 250,128 |
| Transient occupancy tax | | | | | 43,849 |
| Motor vehicle taxes | | | | | 2,158,838 |
| Utility user's tax | | | | | 1,052,284 |
| Unrestricted investment earnings | | | | | 124,280 |
| Miscellaneous | | | | | 10,557 |
| Total general revenues | | | | | <u>8,322,325</u> |
| Change in net assets | | | | | (1,006,132) |
| Net assets - beginning | | | | | <u>29,420,947</u> |
| Net assets - ending | | | | | <u>\$ 28,414,815</u> |

See notes to financial statements.

| | |
|--|--|
| General Fund | Accounts for all the general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City. |
| Redevelopment Agency Debt Service | Used to account for the accumulation of resources for, and payment of, interest and principal on redevelopment agency long-term debt, including tax allocation bonds and long-term notes payable. |
| Redevelopment Agency Capital Projects | Accounts for the financing and construction activities in the redevelopment project area of Cudahy. Financing is being provided by the Cudahy Redevelopment Agency. Project activities are on-going and are expected to continue for several years |
| Redevelopment Agency Low/Moderate Housing | Accounts for the financial transactions of low/moderate income housing within the redevelopment project area. Twenty percent of all taxes which are allocated to the Redevelopment Agency pursuant to Section 33670 are recorded here. |

| | General | Redevelopment | Redevelopment |
|--|---------------------|---------------------|---------------------|
| | | Agency | Agency |
| | | Debt | Capital |
| | | Service | Projects |
| ASSETS | | | |
| Cash and cash equivalents | \$ 6,735,335 | \$ 4,309,876 | \$ 2,958,651 |
| Receivables: | | | |
| Accounts | 187,074 | - | - |
| Taxes | 78,664 | 209,059 | - |
| Grants | - | - | - |
| Interest | 8,705 | 7,383 | 2,357 |
| Due from other funds | 2,421,040 | - | - |
| Restricted cash and investments | - | 1,577,566 | - |
| Long-term receivables | - | - | - |
| Land held for resale | - | - | 2,332,367 |
| Total assets | \$ 9,430,818 | \$ 6,103,884 | \$ 5,293,375 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 453,347 | \$ - | \$ 5,455 |
| Accrued liabilities | - | - | - |
| Due to governments | - | - | - |
| Due to other funds | - | - | 2,804,859 |
| Unearned revenue | 9,023 | - | - |
| Total liabilities | 462,370 | - | 2,810,314 |
| Fund balances | | | |
| Reserved | - | 1,577,566 | 2,332,367 |
| Unreserved: | | | |
| Designated | - | - | - |
| Undesignated | 8,968,448 | 4,526,318 | 150,694 |
| Total fund balances | 8,968,448 | 6,103,884 | 2,483,061 |
| Total liabilities and fund balances | \$ 9,430,818 | \$ 6,103,884 | \$ 5,293,375 |

See notes to financial statements.

City of Cudahy
Balance Sheet
Governmental Funds
June 30, 2010

| Redevelopment Agency <u>Low/Moderate Housing</u> | Other Governmental <u>Funds</u> | <u>Totals</u> |
|--|---------------------------------------|----------------------|
| \$ 433,219 | \$ 2,032,122 | \$ 16,469,203 |
| - | 192,104 | 379,178 |
| 46,550 | - | 334,273 |
| - | 380,869 | 380,869 |
| 950 | 2,850 | 22,245 |
| 1,360,185 | - | 3,781,225 |
| - | - | 1,577,566 |
| 1,838,837 | - | 1,838,837 |
| 2,735,811 | - | 5,068,178 |
| <u>\$ 6,415,552</u> | <u>\$ 2,607,945</u> | <u>\$ 29,851,574</u> |

| | | |
|---------------------|---------------------|----------------------|
| \$ 13 | \$ 120,587 | \$ 579,402 |
| - | - | - |
| - | 203,591 | 203,591 |
| - | 976,366 | 3,781,225 |
| 1,838,837 | - | 1,847,860 |
| <u>1,838,850</u> | <u>1,300,544</u> | <u>6,412,078</u> |
| - | - | 3,909,933 |
| 4,576,702 | 1,424,945 | 6,001,647 |
| - | (117,544) | 13,527,916 |
| <u>4,576,702</u> | <u>1,307,401</u> | <u>23,439,496</u> |
| <u>\$ 6,415,552</u> | <u>\$ 2,607,945</u> | <u>\$ 29,851,574</u> |

See notes to financial statements.

City of Cudahy
Reconciliation of the Balance Sheet
of Governmental Funds to the Statement of Net Assets
June 30, 2010

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

| | | | |
|--|--|----|---------------------|
| Total fund balances | | \$ | 23,439,496 |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:</p> | | | |
| Governmental capital assets | | \$ | 59,532,454 |
| Less accumulated depreciation | | | <u>(41,836,926)</u> |
| | | | 17,695,528 |
| <p>Notes receivable, including accrued interest, are not expected to be collected in the current period and therefore are not reported as revenues in the funds but are offset by unearned revenues.</p> | | | |
| | | | 1,838,837 |
| <p>Other long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds.</p> | | | |
| | | | 9,023 |
| <p>Interest on long-term debt, not due and payable in the current period, is not reported in the funds.</p> | | | |
| | | | (201,001) |
| <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:</p> | | | |
| Compensated absences | | | (109,865) |
| Tax allocation bonds | | | (13,010,000) |
| Unamortized bond issuance cost and discount | | | 387,139 |
| County deferral | | | (224,414) |
| Note payable | | | <u>(1,409,928)</u> |
| | | | <u>(14,367,068)</u> |
| Net assets of governmental activities | | \$ | <u>28,414,815</u> |

See notes to financial statements.

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| Revenues | General | Redevelopment | Redevelopment |
|--|---------------------|---------------------------|-------------------------------|
| | | Agency Debt Service | Agency Capital Projects |
| Taxes | \$ 2,325,961 | \$ 2,974,781 | \$ - |
| Licenses and permits | 292,847 | - | - |
| Intergovernmental | 2,158,838 | - | - |
| Charges for services | 36,695 | - | - |
| Fines, forfeitures and penalties | 527,466 | - | - |
| Use of money and property | 45,385 | 32,506 | 3,100 |
| Miscellaneous | 516,735 | - | - |
| Total revenues | <u>5,903,927</u> | <u>3,007,287</u> | <u>3,100</u> |
| Expenditures | | | |
| Current: | | | |
| General government | 1,978,783 | - | - |
| Public safety | 3,136,118 | - | - |
| Community services | 719,143 | - | - |
| Public services | - | - | - |
| Community development | 402,399 | - | - |
| Pass through to other agencies | - | 2,050,941 | - |
| Administrative | - | 69,323 | 530,138 |
| Debt service: | | | |
| Principal payments | - | 400,000 | - |
| Interest and fiscal charges | - | 711,646 | - |
| Total expenditures | <u>6,236,443</u> | <u>3,231,910</u> | <u>530,138</u> |
| Excess (deficiency) of revenues over expenditures | <u>(332,516)</u> | <u>(224,623)</u> | <u>(527,038)</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | - | 1,968,140 |
| Transfers out | - | (1,968,140) | - |
| Net other financing sources (uses) | <u>-</u> | <u>(1,968,140)</u> | <u>1,968,140</u> |
| Net change in fund balances | (332,516) | (2,192,763) | 1,441,102 |
| Fund balances - beginning | <u>9,300,964</u> | <u>8,296,647</u> | <u>1,041,959</u> |
| Fund balances - ending | <u>\$ 8,968,448</u> | <u>\$ 6,103,884</u> | <u>\$ 2,483,061</u> |

See notes to financial statements.

City of Cudahy
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2010

| Redevelopment Agency Low/Moderate Housing | Other Governmental Funds | Totals |
|--|--------------------------------|----------------------|
| \$ 766,837 | \$ 1,187,149 | \$ 7,254,728 |
| - | - | 292,847 |
| - | 984,596 | 3,143,434 |
| - | - | 36,695 |
| - | - | 527,466 |
| 15,345 | 16,593 | 112,929 |
| - | 27,435 | 544,170 |
| <u>782,182</u> | <u>2,215,773</u> | <u>11,912,269</u> |
| - | - | 1,978,783 |
| - | 82,247 | 3,218,365 |
| - | 1,613,495 | 2,332,638 |
| - | 313,421 | 313,421 |
| - | 1,228,672 | 1,631,071 |
| - | - | 2,050,941 |
| 63,094 | - | 662,555 |
| - | - | 400,000 |
| - | - | 711,646 |
| <u>63,094</u> | <u>3,237,835</u> | <u>13,299,420</u> |
| <u>719,088</u> | <u>(1,022,062)</u> | <u>(1,387,151)</u> |
| - | - | 1,968,140 |
| - | - | (1,968,140) |
| <u>-</u> | <u>-</u> | <u>-</u> |
| 719,088 | (1,022,062) | (1,387,151) |
| 3,857,614 | 2,329,463 | 24,826,647 |
| <u>\$ 4,576,702</u> | <u>\$ 1,307,401</u> | <u>\$ 23,439,496</u> |

See notes to financial statements.

City of Cudahy
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2010

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

Net change in fund balance- governmental funds \$ (1,387,151)

Governmental funds report capital asset acquisitions as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

| | | |
|----------------------------|------------------|--------|
| Capital asset acquisitions | \$ 844,752 | |
| Depreciation expense | <u>(777,189)</u> | 67,563 |

County deferral is reported as revenue in governmental funds and contributes to the change in fund balance. In the government-wide financial statements, obtaining debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities (38,959)

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

| | | |
|----------------------------------|--|----------|
| Principal payment | | 400,000 |
| Increase in compensated absences | | (25,067) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. Interest income on advances for administrative expenses 11,348

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | | |
|---|-----------------|-----------------|
| Accrued interest on long-term debt | 550 | |
| Amortization of bond discount and issuance cost | <u>(34,416)</u> | <u>(33,866)</u> |

Change in net assets of governmental activities \$ (1,006,132)

Agency Funds

Accounts for the assets held by the City as an agent for individuals, private organizations or other government units and/or other funds.

City of Cudahy
Agency Funds
Balance Sheet
June 30, 2010

| | <u>Cudahy Youth Foundation</u> | <u>HUD Loans</u> | <u>Seniors' Account</u> | <u>Refuse Assessment</u> | <u>Totals</u> |
|---------------------------|--|----------------------|-----------------------------|------------------------------|-------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 18,419 | \$ - | \$ - | \$ 133,348 | \$ 151,767 |
| Receivables | 23 | 361,600 | - | - | 361,623 |
| Total assets | <u>\$ 18,442</u> | <u>\$ 361,600</u> | <u>\$ -</u> | <u>\$ 133,348</u> | <u>\$ 513,390</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 18,442 | \$ 361,600 | \$ - | \$ 133,348 | \$ 513,390 |
| Total liabilities | <u>\$ 18,442</u> | <u>\$ 361,600</u> | <u>\$ -</u> | <u>\$ 133,348</u> | <u>\$ 513,390</u> |

See notes to financial statements.

NOTE 1 REPORTING ENTITY

The City is a municipal corporation governed by an elected five-member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. In accordance with GASB Statement No. 39, all of the City's component units are considered blended component units. Although legally separate entities, they are, in substance, part of the City's operations and therefore, data from these units are combined with data of the primary government. Each blended component unit has a June 30 year-end.

Blended component units

Blended component units are the Cudahy Community Development Commission, formerly known as Cudahy Redevelopment Agency (Agency), and the Cudahy Financing Authority. They are governed by a board comprised of the City Council and are reported as governmental funds. Separate audited financial statements of the Agency may be obtained through the City of Cudahy, Finance Department, 5220 Santa Ana Street, Cudahy, California 90201.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and fund financial statements

The statement of net assets and statement of activities (i.e., the government-wide financial statements) display information on all of the non-fiduciary activities of the primary government (the City) and its blended component units. Eliminations have been made to minimize the effect of interfund activity.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and fund financial statements (continued)

When both restricted and unrestricted net assets are available for use, the City's policy is to use restricted resources first, then the unrestricted resources as they are needed.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are separately aggregated and reported as nonmajor funds.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recognized when the liabilities are incurred regardless of the timing of related cashflows. 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 imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the 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. The City considers taxes and assessments associated with the current fiscal period to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The *General Fund* accounts for all the general revenue of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Measurement focus, basis of accounting, and financial statement presentation
(continued)*

The *Proposition C Fund* accounts for financial transactions in accordance with Proposition C of the Local Transit Assistance Act.

The *County Park Bond Fund* accounts for projects and grants funded by County/City Park Bond Act.

The *Debt Service Fund* is used to account for the accumulation of resources for, and payment of, interest and principal on redevelopment agency long-term debt, including tax allocation bonds and long-term notes payable.

The *Low/Moderate Housing Fund* accounts for the financial transactions of low/moderate income housing within the redevelopment project area. Twenty percent of all taxes, which are allocated to the Agency pursuant to Section 33670, are recorded here.

Additionally, the City reports the following nonmajor fund types:

Other governmental funds

Special revenue funds account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

Capital project fund accounts for the financing and construction activities in the redevelopment project area of Cudahy.

Fiduciary funds

Agency funds are used to account for the assets held by the City as an agent for individuals, private organizations or other government units and/or other funds.

Budgetary control and accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) as changes in net assets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary control and accounting (continued)

All governmental fund types and agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes and sales taxes to be available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due.

Revenues considered susceptible to accrual are property taxes, sales taxes, utility taxes, admission tax, interest revenue and grant revenues. All other revenues are not considered susceptible to accrual by the City.

The City at times reports unearned revenue in its financial statements. Unearned revenues arise when potential revenue does not meet the "available" criterion for recognition in the current period. Unearned revenues also arise when the City receives resources 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.

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the general and special revenue funds. Budgets are adopted for debt service funds relating to redevelopment project areas when required by State law. All unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the following fiscal year.

Capital projects are budgeted through the capital projects fund. Appropriations for capital projects are long-term in nature and budget comparisons on an annual basis would not be meaningful.

Financial statement elements

Investments

Investments are recorded at fair value. The estimated fair value of all investments is the quoted market price. Interest earned on cash and investments is credited to the fund which holds the investment.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial statement elements (continued)

Property taxes

Assessed values are levied on an annual basis by the Los Angeles County Assessor as of July 1. Taxes become a lien on real property on January 1 and are payable in two installments on November 1 and February 1. They become delinquent if not paid by December 10 and April 10, respectively.

Receivables and payables

Property, sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year-end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available.

Interfund transactions

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balance outstanding in the governmental activities is reported in the government-wide financial statements as "internal balance". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Restricted assets

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

Capital assets

Capital assets, which include lands, buildings, improvements, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are recorded at the lower of actual historical cost or fair value (as of the date donated for contributed assets).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial statement elements (continued)

Capital assets (continued)

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.

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

| | |
|-----------------------------------|----------------|
| Building and improvements | 40 years |
| Parks and park improvements | 40 years |
| Infrastructure | 10 to 40 years |
| Vehicles, furniture and equipment | 3 to 5 years |

It is the City's policy to capitalize all land, building, improvements, equipment and infrastructure assets, except assets costing less than \$5,000, and to capitalize infrastructure assets costing \$50,000 or more. In the government-wide financial statements, 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 statement of activities. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale.

Compensated absences

City employees receive from ten to twenty days vacation each year, depending upon their length of service.

In the fund financial statements, the City accounts for compensated absences (unpaid vacation and sick leave) as expenditures in the year paid, as it is the City's policy to liquidate any unpaid vacation or compensatory pay from future resources, rather than from currently available expendable resources.

All unpaid vacation pay is accrued when earned in the government-wide and fiduciary fund financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial statement elements (continued)

Unearned revenues

Unearned revenues in governmental funds arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the City receives resources before it has a legal claim to them (e.g., when grant monies are received prior to the incurrence of qualifying expenditures).

Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative plans by City Management for future use of financial resources.

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 NET ASSETS/ FUND BALANCES

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

- *Invested in capital assets, net of related debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category.
- *Restricted net assets* – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* – This category represents the City’s net assets, which are not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reservations and designations are established by actions of the City Council and management and can be increased, reduced, or eliminated by similar actions.

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Reservations and designations of fund balances

As of June 30, 2010, the debt service fund has a reserved fund balance of \$6,103,884. The debt service fund is used to account for the accumulation of resources for, and payment of, interest and principal on tax allocation refunding bonds.

Unreserved fund balances at June 30, 2010 consisted of the following:

| | |
|---------------------------------|---------------------|
| Major funds: | |
| Designated for special purposes | \$ 4,576,702 |
| Undesignated | 13,645,460 |
| Total major | 18,222,162 |
| Nonmajor funds: | |
| Designated for special purpose | 1,424,945 |
| Undesignated | (117,544) |
| Total nonmajor | 1,307,401 |
| Total \$ | 19,529,563 |

NOTE 4 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Deficit fund balance

The following funds have deficit unreserved fund balances at June 30, 2010. Management expects to eliminate the deficits with subsequent revenue in the funds or transfers from the General Fund:

| | Deficit at June 30, 2010 |
|--------------------------------|-----------------------------|
| <i>Nonmajor funds:</i> | |
| State Gas Tax | \$ 23,763 |
| CDBG | 143,870 |
| LLEBG | 28,397 |
| State Park Robert Z'berg Grant | 140,210 |
| Prop A Youth Employment | 9,633 |
| State Park Per Capita | 123,365 |
| LA River Access Grant | 154,152 |
| America Recovery Reinvestment | 12,203 |
| EPA Sewer | 1,000 |
| Emergency Preparedness | 3,291 |
| County Park Bond | 26,810 |
| Total \$ | 666,693 |

Expenditures in excess of appropriations

Expenditures for the year ended June 30, 2010 exceeded the appropriations by the following amounts in the following funds:

| | |
|---|--------|
| <i>Nonmajor funds:</i> | |
| Used Oil Recycling | \$ 660 |
| Prop A | 5,691 |
| State Park Clara Ph 3 | 50 |
| County Park Bond Community Development | 2,225 |

NOTE 5 CASH AND INVESTMENTS

To maximize returns, the City follows the practice of pooling cash and investments of all its funds, except for cash and investments required to be held by a trustee or fiscal agents. Interest income earned on pooled cash and investments is allocated to the various funds based on their monthly average cash balances. The carrying amount of deposits and investments as of June 30, 2010 is summarized, as follows:

| | | |
|------------------------|----|-------------------|
| Cash | \$ | 111 |
| Investments | | 16,469,092 |
| Restricted investments | | 1,577,566 |
| Total | \$ | <u>18,046,769</u> |

Statement of net assets classification:

| | | |
|---------------------------|----|-------------------|
| Cash and cash equivalents | \$ | 16,469,203 |
| Restricted investments | | 1,577,566 |
| Total | \$ | <u>18,046,769</u> |

Cash

At year-end, the carrying amount of the City's cash was \$111 and the bank balance was \$801,160. The difference between the bank balance and the carrying amount represents outstanding checks and deposits-in-transit.

Investments

Authorized investments

Under provisions of the City's Investment Policy, and in accordance with the California Government Code, the City may invest or deposit in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Certain Asset-Backed Securities
- Certificates of Deposit and Negotiable Certificates of Deposit
- Bankers Acceptances
- Commercial Paper of "prime" quality
- Passbook Savings Account Demand Deposits
- Repurchase Agreements
- Mutual Funds
- Corporate Debt

| | | |
|--|----|-------------------|
| State Treasurer's Local Agency Investment Fund | \$ | 16,469,203 |
| Investment held by fiscal agents, restricted | | 1,577,566 |
| Total investments | \$ | <u>18,046,769</u> |

NOTE 5 CASH AND INVESTMENTS (CONTINUED)

Local Agency Investment Fund (LAIF)

The City is authorized to participate in the State of California Local Agency Investment Fund (LAIF). The City's investment in LAIF is \$16.4 million. At June 30, 2010, the total market value of LAIF, including accrued interest was approximately \$69.5 billion. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The City's proportionate share of the estimated fair value is \$16.4 million. LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available.

Investments with Fiscal Agent

The City also has funds that are held by trustees or fiscal agents and pledged to the payment, or security, of certain bonds. The California Government Code provides that these monies, unless otherwise required by statute, may be invested in accordance with the ordinances, resolutions or indentures specifying the types of investments the trustees or fiscal agents may make.

Custodial Credit Risk and Fair Value

Credit risk on pooled deposits:

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a city's deposits. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the city's total deposits. The City may waive collateral requirements for deposits, which are fully insured up to \$100,000 by federal depository insurance.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. In accordance with GASB Statement 40, deposits are exposed to custodial credit risk if they are uninsured and either:

- a. Uncollateralized
- b. Collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the depositor-government's name.

Credit risk on investments

Investments are exposed to custodial credit risk if they are uninsured, unregistered and held by either:

- a. The counterparty
- b. The counterparty's trust department or agent but not in the government's name

The City's investments are in external investment pools (LAIF) and in mutual funds, which are not exposed to custodial credit risk.

NOTE 6 RECEIVABLES

Notes Receivable

Notes receivable as of June 30, 2010 are as follows:

| | | |
|--|----|-----------|
| CRA Housing Fund – Low/Moderate Income Housing | \$ | 1,838,837 |
| Agency Fund – HUD Loans | | 361,600 |

CRA Housing Fund - Low/Moderate Income Housing

Notes receivable represents loans made for assistance in rehabilitating property for affordable housing, plus accrued interest.

| | | <u>Balance</u> |
|---|----|------------------|
| a) In November 1995 and May 1997, the Agency loaned \$220,000 and \$60,000, respectively, to Elizabeth West & East L.P. The note is collateralized by a deed of trust on 5225-27 Elizabeth Street. The note bears interest at 6.55% and all principal and accrued interest is due in November 2025. | \$ | 543,092 |
| b) In June 1998, February 2000, and September 2000, the Agency loaned \$150,000, \$140,000 and \$210,000, respectively, to 5159 Clara Street LLP for a total loan of \$500,000. The note is collateralized by a deed of trust on 5159 Clara Street. The note bears interest at 1% and all principal and accrued interest are due in May 2026. | | 553,233 |
| c) During the year ended June 30, 2000, the Agency agreed to loan \$650,000 to Live Oak LLP, of which \$590,000 had been advanced through June 30, 2003. The note is collateralized by a deed of trust on 5203 Live Oak. The note bears interest at 2.5% and all unpaid principal and interest are due in August 2029. | | <u>742,512</u> |
| Total | \$ | <u>1,838,837</u> |

NOTE 6 RECEIVABLES (CONTINUED)

Agency Fund – HUD Loans

The City acts as custodian for the U.S. Department of Housing and Urban Development relative to its low and moderate-income housing improvement program. This program lends monies from the City's Community Development Block Grant for housing improvements and notes are collateralized by deeds of trust in favor of the City. The notes vary as to terms and conditions. Total Agency notes receivable, including accrued interest at June 30, 2010 amounted to \$361,600.

NOTE 7 CAPITAL ASSETS

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

Governmental activities:

| | Balance June 30, 2009 | Increases | Decreases | Balance June 30, 2010 |
|--|-----------------------------|------------------|------------------|-----------------------------|
| Capital assets, not being depreciated : | | | | |
| Land | \$ 1,429,600 | - | - | 1,429,600 |
| Construction-in-progress | 563,886 | 844,752 | (485,620) | 923,018 |
| | <u>1,993,486</u> | <u>844,752</u> | <u>(485,620)</u> | <u>2,352,618</u> |
| Capital assets, being depreciated | | | | |
| Structures and improvements | 10,707,667 | - | - | 10,707,667 |
| Infrastructure | 45,277,909 | 485,620 | - | 45,763,529 |
| Vehicles, furniture and equipment | 708,640 | - | - | 708,640 |
| Total capital assets being depreciated | <u>56,694,216</u> | <u>485,620</u> | <u>-</u> | <u>57,179,836</u> |
| Less accumulated depreciation : | | | | |
| Structures and improvements | 3,306,391 | 214,153 | - | 3,520,544 |
| Infrastructure | 37,349,087 | 482,860 | - | 37,831,947 |
| Vehicles, furniture and equipment | 404,259 | 80,176 | - | 484,435 |
| Total accumulated depreciation | <u>41,059,737</u> | <u>777,189</u> | <u>-</u> | <u>41,836,926</u> |
| Total capital assets being depreciated, net | <u>15,634,479</u> | <u>(291,569)</u> | <u>-</u> | <u>15,342,910</u> |
| Governmental activities capital assets, net | <u>\$ 17,627,965</u> | <u>553,183</u> | <u>(485,620)</u> | <u>17,695,528</u> |

NOTE 7 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the governmental activities as follows:

| | | |
|--|----|----------------|
| General government | \$ | 294,329 |
| Public services | | 482,860 |
| Total depreciation expense-governmental activities | \$ | <u>777,189</u> |

NOTE 8 LONG-TERM DEBT

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2010 follows:

| | Balance July 1, 2009 | Additions | Reductions | Balance June 30, 2010 | Due Within One Year |
|--------------------------------|----------------------------|---------------|------------------|-----------------------------|------------------------|
| Note payable | \$ 1,409,928 | - | - | 1,409,928 | - |
| Compensated absences | 84,798 | 25,067 | - | 109,865 | - |
| Tax allocation refunding bonds | 13,410,000 | - | (400,000) | 13,010,000 | 420,000 |
| Less deferred amounts: | | | | | |
| For issuance discount | (334,043) | - | 25,041 | (309,002) | - |
| On refunding | (87,512) | - | 9,375 | (78,137) | - |
| County deferral | 185,455 | 38,959 | - | 224,414 | - |
| Total | <u>\$ 14,668,626</u> | <u>64,026</u> | <u>(365,584)</u> | <u>14,367,068</u> | <u>420,000</u> |

On August 1, 2003, the City issued, at a discount of \$480,116, Tax Allocation Refunding Bonds series 2003A, 2003B, and 2003C amounting to \$3,680,000, \$3,255,000, and \$6,680,000, respectively. The 2003A Bonds were issued to provide funds to the City to promote the supply of low and moderate income housing within the Project Area. The 2003B and 2003C Bonds were issued for the purpose of refunding the City's previously issued \$7,245,000 Cudahy Redevelopment Project Tax Allocation Refunding Bonds, Series 1994A and Series 1994B. The 2003A and 2003B Bonds are secured on a parity basis with the City's outstanding \$1,425,000 Tax Allocation Refunding Bonds Series 1999. The 2003C Bonds are secured on a basis subordinate to the 1999 Bonds, 2003A and 2003B Bonds. The Bonds are payable from and secured by tax revenues to be derived from the Project Area.

Note Payable

In 1986-1987, the Agency borrowed a total of \$1,000,000 from a financial institution for costs associated with a development project (Parcel A). Payments are due in annual installments equal to the incremental difference between sales tax revenue from Parcel A as of the 1984-1985 tax year and sales tax revenues for each subsequent fiscal year. Sales tax incremental revenue from Parcel A is insufficient to make loan payments. The note is carried at \$1,409,928.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Tax Allocation Refunding Bonds

At June 30, 2010, bonded indebtedness consisted of the following Tax Allocation Refunding Bonds:

| | Date | Final | Interest Rate | Amount | |
|-----------------------|----------|----------|---------------|----------------------|-------------------|
| | Issued | Maturity | | Issued | Outstanding |
| Series 2003 A | 08/01/03 | 10/01/27 | 5.70%-5.75% | \$ 3,680,000 | 3,385,000 |
| Series 2003 B Taxable | 08/01/03 | 10/01/13 | 5.05%-6.40% | 3,255,000 | 1,535,000 |
| Series 2003 C | 08/01/03 | 10/01/27 | 6.50% | 6,680,000 | 6,665,000 |
| Series 1999 (Taxable) | 10/15/99 | 10/01/26 | 8.95% | 1,425,000 | 1,425,000 |
| | | | | <u>\$ 15,040,000</u> | <u>13,010,000</u> |

Interest is payable semi-annually. Principal redemptions begin October 2005, October 2008, October 2009, and October 2021 for the Series 2003 A, Series 2003 B, Series 2003 C and the Series 1999, respectively.

Annual requirements to amortize outstanding bonded debt, including interest payments, are as follows:

| Year ending | Principal | Interest | Total |
|-------------|----------------------|----------------------|----------------------|
| June 30 | | | |
| 2011 | \$ 420,000 | \$ 782,365 | \$ 1,202,365 |
| 2012 | 445,000 | 755,420 | 1,200,420 |
| 2013 | 470,000 | 726,615 | 1,196,615 |
| 2014 | 955,000 | 695,935 | 1,650,935 |
| 2015 | 475,000 | 671,185 | 1,146,185 |
| 2016-2020 | 1,000,000 | 3,106,385 | 4,106,385 |
| 2021-2025 | 1,680,000 | 2,851,693 | 4,531,693 |
| 2026-2029 | 7,565,000 | 1,061,038 | 8,626,038 |
| Total | <u>\$ 13,010,000</u> | <u>\$ 10,650,636</u> | <u>\$ 23,660,636</u> |

County Deferral

The City, Agency and County entered into an agreement whereby the County will defer tax increment generated within the project area to meet the Agency's debt service obligations. The outstanding balance accrues interest of five percent (5%) compounded annually and shall be repaid with the property tax revenues received by the Agency in excess of its debt service payment requirements. The County Deferral is recorded as governmental fund tax revenue when received and converted to debt in the government-wide financial statements. At June 30, 2010, the balance including interest amounted to \$224,414.

NOTE 9 INTERFUND BALANCES

At year-end, the City's interfund receivables and payables were as follows:

| | Due from Other Funds | Due to Other Funds |
|---------------------------|-------------------------|-----------------------|
| Major funds: | | |
| General Fund | \$ 2,421,040 | \$ |
| Low Moderate Housing Fund | 1,360,185 | |
| Capital Projects Fund | | 2,804,859 |
| Nonmajor funds | | 976,366 |
| | \$ 3,781,225 | \$ 3,781,225 |

NOTE 10 COMMITMENTS AND CONTINGENCIES

Lawsuits

Legal claims and lawsuits arise from time to time in the normal course of business, which, in the opinion of management, will have no material effect on the City's financial position.

Grant Audit Contingencies

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, would be immaterial.

NOTE 11 RETIREMENT PLAN

Plan Description

The City of Cudahy's defined benefit pension plan, Miscellaneous Plan of the City of Cudahy, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan of the City of Cudahy is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. These benefit provisions and all other requirements are established by State statutes within the Public Employees' Retirement Law. The City of Cudahy selects optional benefit provisions from the benefits available by contract with CalPERS and adopts those benefits through ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, CA 95814.

NOTE 11 RETIREMENT PLAN (CONTINUED)

Funding Policy

Active plan members in the Miscellaneous Plan of the City of Cudahy are required to contribute 8% of their annual covered salary. The City makes the contributions required of City personnel on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the 2009/10 fiscal year is 16.995% of annual covered payroll. The contribution rate is established, and may be amended, by CalPERS.

Annual Pension Contribution

For fiscal year 2009/10, the City's annual pension cost of \$340,637 was equal to the City's required and actual contributions.

The Miscellaneous Plan of the City of Cudahy's excess assets is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010 was 20 years.

Three-Year Trend Information For PERS

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|----------------|------------------------------|-------------------------------------|---------------------------|
| 6/30/08 | \$ 72,014 | 100% | \$ - |
| 6/30/09 | 305,488 | 100% | - |
| 6/30/10 | 340,637 | 100% | - |

NOTE 12 POST EMPLOYMENT BENEFITS

The City of Cudahy provides post-employment health care benefits through the Public Employees' Retirement System, with which the City contracts for health care insurance.

As of June 30, 2010, there were ten employees who received this benefit and the City recognized an expenditure of \$73,390 in fiscal year 2009/2010

NOTE 13 DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are under the participants control and are principally invested in demand deposits and mutual funds and are held in trust for the exclusive benefit of the participants and their beneficiaries. At June 30, 2010, the amount held by trustee for employees is \$99,696.

NOTE 14 INSURANCE PROGRAM

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 91 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Self-insurance programs of the Authority

General Liability - Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member; costs from \$30,001 to \$750,000 are pooled based on a member's share of costs under \$30,000; costs from \$750,001 to \$5,000,000 are pooled based on payroll. Costs of covered claims above \$5,000,000 are currently paid by reinsurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

Worker's Compensation - The City also participates in the worker's compensation pool administered by the Authority. Pool deposits and retrospective adjustments are valued in a manner similar to the General Liability pool. The City of Cudahy is charged for the first \$25,000 of each claim. Costs are pooled above that level to \$50,000. Costs from \$50,001 to \$100,000 per claim are pooled based on the member's losses under its retention level. Costs between \$100,001 and \$2,000,000 per claim are pooled based on payroll. Costs between \$2,000,000 and \$50,000,000 are paid by excess insurance purchased by the Authority. Costs in excess of \$50,000,000 are pooled by the members based on payroll.

NOTE 14 INSURANCE PROGRAM (CONTINUED)

Purchased insurance

Property Insurance - The City of Cudahy participates in the all-risk property protection program of the Authority. Several insurance companies underwrite this insurance protection. The City is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$11.3 million. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Fidelity Bonds - The City of Cudahy purchases blanket fidelity bond coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Environmental Liability Insurance - The City of Cudahy participates in the pollution legal liability and remediation legal liability insurance, which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Adequacy of protection

During the past three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

NOTE 15 NEW GOVERNMENTAL ACCOUNTING STANDARDS

GASB No. 54 - GASB has issued Statement No. 54, *Fund Balance Reporting and Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement also provides for additional fund classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

GASB No. 55 - GASB has issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The Board does not expect that this Statement will result in a change in current practice.

GASB No. 56 - GASB has issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes *accounting* principles—related party transactions, going concern considerations, and subsequent events. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards.

NOTE 16 SUBSEQUENT EVENTS

On April 15, 2011 The Cudahy Community Development commission issued Unrated Tax Allocation City Wide Area Series B bonds in the amount of \$ 8,920,000 and City Wide Area Series A in the amount of \$ 2,285,000 with interest ranging from 5.00% to 7.75% maturing in October 1, 2027 to fund redevelopment projects. The tax allocation bonds are payable solely from tax increment revenue and therefore are not an obligation of the City or the City General fund.

The City has evaluated events subsequent to June 30, 2010 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 31, 2011, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

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City of Cudahy
Schedule of Revenues, Expenditures
and Changes in Fund Balances – Budget and Actual
Year ended June 30, 2010

REQUIRED SUPPLEMENTARY INFORMATION

| | General Fund | | |
|---|---|---------------------|--|
| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| REVENUES | | | |
| Taxes | \$ 2,243,000 | \$ 2,325,961 | \$ 82,961 |
| Licenses and permits | 373,000 | 292,847 | (80,153) |
| Intergovernmental | 2,001,000 | 2,158,838 | 157,838 |
| Charges for services | 40,000 | 36,695 | (3,305) |
| Fines, forfeitures and penalties | 585,000 | 527,466 | (57,534) |
| Use of money and property | 100,000 | 45,385 | (54,615) |
| Miscellaneous | 483,000 | 516,735 | 33,735 |
| Total revenues | <u>5,825,000</u> | <u>5,903,927</u> | <u>78,927</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 1,975,272 | 1,978,783 | (3,511) |
| Public safety | 3,531,502 | 3,136,118 | 395,384 |
| Community services | 759,204 | 719,143 | 40,061 |
| Public services | - | - | - |
| Community development | 417,901 | 402,399 | 15,502 |
| Pass-through to other agencies | - | - | - |
| Debt service: | | | |
| Principal payment | - | - | - |
| Interest and charges | - | - | - |
| Total expenditures | <u>6,683,879</u> | <u>6,236,443</u> | <u>447,436</u> |
| Excess (deficiency) of revenues over expenditures | (858,879) | (332,516) | 526,363 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out | - | - | - |
| Net change in fund balance | (858,879) | (332,516) | 526,363 |
| Fund balance - beginning | 9,300,964 | 9,300,964 | - |
| Fund balance - ending | <u>\$ 8,442,085</u> | <u>\$ 8,968,448</u> | <u>\$ 526,363</u> |

City of Cudahy
Schedule of Revenues, Expenditures
and Changes in Fund Balances – Budget and Actual
Major Governmental Funds
Year ended June 30, 2010

| | Debt Service | | |
|--|---|---------------------|--|
| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| Revenues | | | |
| Taxes | \$ 2,575,238 | \$ 2,974,781 | \$ 399,543 |
| Licenses and permits | - | - | - |
| Intergovernmental | - | - | - |
| Charges for services | - | - | - |
| Fines, forfeitures and penalties | - | - | - |
| Use of money and property | 90,000 | 32,506 | (57,494) |
| Miscellaneous | - | - | - |
| Total revenues | <u>2,665,238</u> | <u>3,007,287</u> | <u>342,049</u> |
| Expenditures | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Community services | - | - | - |
| Public services | - | 69,323 | (69,323) |
| Community development | - | - | - |
| Pass-through to other agencies | 2,050,941 | 2,050,941 | - |
| Debt service: | | | |
| Principal payment | 360,000 | 400,000 | (40,000) |
| Interest and charges | 871,950 | 711,646 | 160,304 |
| Total expenditures | <u>3,282,891</u> | <u>3,231,910</u> | <u>50,981</u> |
| Excess (deficiency) of revenues over expenditures | <u>(617,653)</u> | <u>(224,623)</u> | <u>393,030</u> |
| Other financing sources (uses) | | | |
| Transfer out to low and moderate income housing | | - | - |
| Debt proceeds | - | - | - |
| Transfer in | - | - | - |
| Transfer out | - | (1,968,140) | (1,968,140) |
| Net other financing sources (uses) | <u>-</u> | <u>(1,968,140)</u> | <u>(1,968,140)</u> |
| Net change in fund balances | (617,653) | (2,192,763) | (1,575,110) |
| Fund balances - beginning | 8,296,647 | 8,296,647 | - |
| Fund balances - ending | <u>\$ 7,678,994</u> | <u>\$ 6,103,884</u> | <u>\$ (1,575,110)</u> |

City of Cudahy
Schedule of Revenues, Expenditures
and Changes in Fund Balances – Budget and Actual
Major Governmental Funds
Year ended June 30, 2010

| Capital Projects | | | Low/Moderate Housing | | |
|---|---------------------|--|---|---------------------|--|
| Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| \$ - | \$ - | \$ - | \$ 435,200 | \$ 766,837 | 331,637 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 3,100 | 3,100 | 25,000 | 15,345 | (9,655) |
| - | - | - | - | - | - |
| - | 3,100 | 3,100 | 460,200 | 782,182 | 321,982 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,780,324 | 530,138 | 1,250,186 | 375,000 | 63,094 | 311,906 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,780,324 | 530,138 | 1,250,186 | 375,000 | 63,094 | 311,906 |
| (1,780,324) | (527,038) | 1,253,286 | 85,200 | 719,088 | 633,888 |
| - | - | - | - | - | - |
| - | 1,968,140 | 1,968,140 | - | - | - |
| - | - | - | - | - | - |
| - | 1,968,140 | 1,968,140 | - | - | - |
| (1,780,324) | 1,441,102 | 3,221,426 | 85,200 | 719,088 | 633,888 |
| 1,041,959 | 1,041,959 | - | 3,857,614 | 3,857,614 | - |
| <u>\$ (738,365)</u> | <u>\$ 2,483,061</u> | <u>\$ 3,221,426</u> | <u>\$ 3,942,814</u> | <u>\$ 4,576,702</u> | <u>\$ 633,888</u> |

**City of Cudahy
Required Supplementary Information
Public Employees Retirement System
Schedule of Funding Progress**

Schedule Of Funding Progress For PERS (\$ Amount in Millions)

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL) Entry Age (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAAL as a % of Covered Payroll [(B-A)/C] |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 6/30/2007 | \$ 1,070 | \$ 1280 | \$ (210) | 83.6% | \$ 305 | 68.9% |
| 6/30/2008 | 1,362 | 1627 | (265) | 83.7% | 376 | 70.5% |
| 6/30/2009 | 1,529 | 1823 | (294) | 83.9% | 414 | 71.0% |

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to be expended for specific purposes.

| | |
|---------------------------------------|--|
| State Gas Tax | Accounts for maintenance and capital projects associated with motor vehicle travel. Financing is provided by the City's share of the State gasoline taxes. |
| ISTEA | To account for financial transactions in accordance with the Intermodal Surface Transportation Efficiency Act. |
| Quimby Act | To account for monies received through the implementation of a development fee for the acquisition and development of new parks. |
| Street Lighting | To account for revenues and costs associated with the City's street lighting program. |
| CDBG | Accounts for expenses of the Community Development Block Grant received through the County of Los Angeles. |
| LLEBG | To account for financial transactions in accordance with the Local Law Enforcement Block Grant. |
| State Park | To account for projects and grants funded by the State Park Bond Act. |
| AQMD | To account for financial transactions in accordance with AB 2766 as authorized by the --California Clean Air Act of 1988. |
| Used Oil Recycling | To account for funds received to develop and promote alternatives to the illegal disposal of used oil. |
| COPS | To account for financial transactions in accordance with grant requirements from the California Office of Criminal Justice. |
| State Park Robert Z'berg Grant | Grant is to provide safe open and accessible local park and recreational facilities |
| Cal Home | To account for transactions funded by the Cal Home program. |
| CLEEP | To account for transactions funded by the CLEEP program. |

SPECIAL REVENUE FUNDS (CONTINUED)

| | |
|--|---|
| Traffic Congestion Relief | This fund was created to monitor the use of funds provided by the State of California for street and highway pavement maintenance, rehabilitation and reconstruction of necessary associated facilities such as drainage and traffic control devices. |
| Aid to Cities | To account for revenues and projects funded by the State as Aid to Cities. |
| Prop A. Youth Employment | Grant funds available for employment of at risk youth. |
| State Park Per Capita | To account for the resources intended to develop, rehabilitate and enhance existing City parks and to acquire park playground equipment. |
| Drug Asset Seizure | To account for revenues and expenditures associated with the City's asset seizure monies. |
| Proposition A | Accounts for receipts and expenditures of projects from a voter approved sales tax override for public transportation purposes. |
| LA River Access Grant | To account for resources intended to improve access to LA River. |
| State Park Clara Ph 3 | Funding for this grant was from Urban Parks Act of 2001 Grant Program (UPA) through the Department of Park and Recreation, Office of Grants and Local Services for Clara Park Expansion . |
| Prop 1B Local Street Improvements | Prop 1B came from bond proceeds issued to fund maintenance and improvement of local streets and roads. |
| Recycling Conservation Grant | To account for revenue and expenditure pertaining to recycling and disposal of used oil. |
| Federal Aid STPL | Federally funded Project through the California Department of Transportation (CalTrans) for resurfacing and maintenance of streets. |
| America Recovery Reinvestment | Accounts for revenues and expenditures of Federally Funded programs under the American Recovery and Reinvestment Act. |
| Emergency Preparedness | Grant funds received to provide for an emergency operations center. Crucial in the city's ability to respond to emergency situations and catastrophic events. |
| Prop R | Measure R is funded with ½ percent sales tax revenues approved by Los Angeles voters to fund local street projects in LA County |

Proposition C

Accounts for financial transactions in accordance with Proposition C of the Local Transit Assistance Act.

County Park Bond

Accounts for projects and grants funded by County Park Bond Act.

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Special Revenue Funds

| | State Gas Tax | ISTEA | Quimby Act | Street Lighting | CDBG |
|--|------------------|------------------|-------------------|--------------------|-------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 992 | \$ 16,747 | \$ 143,685 | \$ 169,359 | \$ - |
| Accounts receivable | - | - | - | - | - |
| Grants receivable | - | - | - | - | 105,613 |
| Notes receivable | - | - | - | - | 184,000 |
| Interest receivable | 30 | 57 | 163 | 193 | - |
| Due from other funds | - | - | - | - | - |
| Land held for resale | - | - | - | - | - |
| Total assets | \$ 1,022 | \$ 16,804 | \$ 143,848 | \$ 169,552 | \$ 289,613 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 24,785 | \$ - | \$ - | \$ 15,395 | \$ 34,579 |
| Accrued liabilities | - | - | - | - | - |
| Due to governments | - | - | - | - | 203,591 |
| Due to other funds | - | - | - | - | 195,313 |
| Total liabilities | 24,785 | - | - | 15,395 | 433,483 |
| Fund balances: | | | | | |
| Unreserved: | | | | | |
| Designated for operations | (23,763) | 16,804 | - | 154,157 | - |
| Undesignated | - | - | 143,848 | - | (143,870) |
| Total fund balances | (23,763) | 16,804 | 143,848 | 154,157 | (143,870) |
| Total liabilities and fund balances | \$ 1,022 | \$ 16,804 | \$ 143,848 | \$ 169,552 | \$ 289,613 |

City of Cudahy
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

| Special Revenue Funds | | | | | |
|-----------------------|------------|----------|-----------------------|-----------|--------------------------------------|
| LLEBG | State Park | AQMD | Used Oil Recycling | COPS | State Park Robert Z'berg Grant |
| \$ - | \$ 2,211 | \$ - | \$ 9,378 | \$ 85,895 | \$ - |
| - | - | 7,869 | - | - | - |
| - | - | - | - | - | - |
| - | 3 | - | 18 | 117 | - |
| - | - | - | - | - | - |
| \$ - | \$ 2,214 | \$ 7,869 | \$ 9,396 | \$ 86,012 | \$ - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 28,397 | - | 6,501 | - | - | 140,210 |
| 28,397 | - | 6,501 | - | - | 140,210 |
| - | - | - | 9,396 | 86,012 | - |
| (28,397) | 2,214 | 1,368 | - | - | (140,210) |
| (28,397) | 2,214 | 1,368 | 9,396 | 86,012 | (140,210) |
| \$ - | \$ 2,214 | \$ 7,869 | \$ 9,396 | \$ 86,012 | \$ - |

| | Special Revenue Funds | | | | | |
|--|-----------------------|------------------|---------------------------------|------------------|-------------------------------|--------------------------|
| | Cal Home | CLEEP | Traffic Congestion Relief | Aid to Cities | Prop A Youth Employment | State Park Per Capita |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 154,757 | \$ 22,731 | \$ 145,245 | \$ 34,895 | \$ - | \$ - |
| Accounts receivable | - | - | - | - | - | - |
| Grants receivable | - | - | - | - | - | - |
| Notes receivable | - | - | - | - | - | - |
| Interest receivable | 175 | 26 | 321 | 40 | - | - |
| Due from other funds | - | - | - | - | - | - |
| Land held for resale | - | - | - | - | - | - |
| Total assets | \$ 154,932 | \$ 22,757 | \$ 145,566 | \$ 34,935 | \$ - | \$ - |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued liabilities | - | - | - | - | - | - |
| Due to governments | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | 9,633 | 123,365 |
| Total liabilities | - | - | - | - | 9,633 | 123,365 |
| Fund balances: | | | | | | |
| Unreserved | | | | | | |
| Designated for operations | 154,932 | 22,757 | - | - | - | - |
| Undesignated | - | - | 145,566 | 34,935 | (9,633) | (123,365) |
| Total fund balances | 154,932 | 22,757 | 145,566 | 34,935 | (9,633) | (123,365) |
| Total liabilities and fund balances | \$ 154,932 | \$ 22,757 | \$ 145,566 | \$ 34,935 | \$ - | \$ - |

City of Cudahy
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2010

| Special Revenue Funds | | | | | | |
|-----------------------|-------------------|--------------------------|--------------------------|---|------------------------------------|---------------------|
| Drug Asset Seizure | Proposition A | LA River Access Grant | State Park Clara Ph 3 | Prop 1B Local Street Improvements | Recycling Conservation Grant | Federal Aid STPL |
| \$ 94,612 | \$ 490,948 | \$ - | \$ 134,771 | \$ 118,731 | \$ 6,787 | \$ 207,537 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 107 | 927 | - | 153 | 424 | - | - |
| - | - | - | - | - | - | - |
| <u>\$ 94,719</u> | <u>\$ 491,875</u> | <u>\$ -</u> | <u>\$ 134,924</u> | <u>\$ 119,155</u> | <u>\$ 6,787</u> | <u>\$ 207,537</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 154,152 | - | - | - | - |
| - | 12,340 | 154,152 | - | 13,878 | - | - |
| 94,719 | 479,535 | (154,152) | 134,924 | 105,277 | 6,787 | 207,537 |
| - | - | - | - | - | - | - |
| <u>94,719</u> | <u>479,535</u> | <u>(154,152)</u> | <u>134,924</u> | <u>105,277</u> | <u>6,787</u> | <u>207,537</u> |
| <u>\$ 94,719</u> | <u>\$ 491,875</u> | <u>\$ -</u> | <u>\$ 134,924</u> | <u>\$ 119,155</u> | <u>\$ 6,787</u> | <u>\$ 207,537</u> |

| | Special Revenue Funds | | | |
|--|-------------------------------------|----------------|---------------------------|-------------------|
| | America Recovery Reinvestment | EPA Sewer | Emergency Preparedness | Prop R |
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 136,541 |
| Accounts receivable | 235 | - | - | - |
| Grants receivable | - | - | - | - |
| Notes receivable | - | - | - | - |
| Interest receivable | - | - | - | 96 |
| Due from other funds | - | - | - | - |
| Land held for resale | - | - | - | - |
| Total assets | \$ 235 | \$ - | \$ - | \$ 136,637 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued liabilities | - | - | - | - |
| Due to governments | - | - | - | - |
| Due to other funds | 12,438 | 1,000 | 3,291 | - |
| Total liabilities | 12,438 | 1,000 | 3,291 | - |
| Fund balances: | | | | |
| Unreserved | | | | |
| Designated for operations | (12,203) | (1,000) | (3,291) | 136,637 |
| Undesignated | - | - | - | - |
| Total fund balances | (12,203) | (1,000) | (3,291) | 136,637 |
| Total liabilities and fund balances | \$ 235 | \$ - | \$ - | \$ 136,637 |

City of Cudahy
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2010

| <u>Special Revenue Funds</u> | | |
|------------------------------|--------------------------|---------------------|
| <u>Proposition C</u> | <u>Country Park Bond</u> | <u>Totals</u> |
| \$ 56,300 | \$ - | \$ 2,032,122 |
| - | - | 8,104 |
| - | 275,256 | 380,869 |
| - | - | 184,000 |
| - | - | 2,850 |
| - | - | - |
| - | - | - |
| <u>\$ 56,300</u> | <u>\$ 275,256</u> | <u>\$ 2,607,945</u> |
| | | |
| \$ 19,610 | \$ - | \$ 120,587 |
| - | - | - |
| - | - | 203,591 |
| - | 302,066 | 976,366 |
| <u>19,610</u> | <u>302,066</u> | <u>1,300,544</u> |
| | | |
| 36,690 | (26,810) | 1,424,945 |
| - | - | (117,544) |
| <u>36,690</u> | <u>(26,810)</u> | <u>1,307,401</u> |
| <u>\$ 56,300</u> | <u>\$ 275,256</u> | <u>\$ 2,607,945</u> |

| | Special Revenue Funds | | | | |
|--|-----------------------|------------------|-------------------|--------------------|---------------------|
| | State Gas Tax | ISTEA | Quimby Act | Street Lighting | CDBG |
| Revenues: | | | | | |
| Taxes | \$ 417,138 | \$ - | \$ - | \$ 116,383 | \$ - |
| Intergovernmental | - | - | - | - | 452,103 |
| Use of money and property | 29 | 57 | 1,012 | 922 | - |
| Miscellaneous | - | - | - | - | - |
| | <u>417,167</u> | <u>57</u> | <u>1,012</u> | <u>117,305</u> | <u>452,103</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public safety | - | - | - | - | - |
| Community development | 35,916 | - | - | - | 472,055 |
| Community services | 523,973 | - | - | 100,751 | - |
| Public services | - | - | - | - | - |
| Administrative | - | - | - | - | - |
| Total expenditures | <u>559,889</u> | <u>-</u> | <u>-</u> | <u>100,751</u> | <u>472,055</u> |
| Excess (deficiency) of revenues over expenditures | (142,722) | 57 | 1,012 | 16,554 | (19,952) |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Net other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (142,722) | 57 | 1,012 | 16,554 | (19,952) |
| Beginning fund balances | 118,959 | 16,747 | 142,836 | 137,603 | (123,918) |
| Ending fund balances | <u>\$ (23,763)</u> | <u>\$ 16,804</u> | <u>\$ 143,848</u> | <u>\$ 154,157</u> | <u>\$ (143,870)</u> |

City of Cudahy
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2010

| Special Revenue Funds | | | | | |
|-----------------------|------------|----------|-----------------------|-----------|--------------------------------------|
| LLEBG | State Park | AQMD | Used Oil Recycling | COPS | State Park Robert Z'berg Grant |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | 29,304 | - | 117,452 | - |
| - | 3 | - | 18 | 127 | - |
| - | - | - | - | - | - |
| - | 3 | 29,304 | 18 | 117,579 | - |
| 5,708 | - | - | - | 76,539 | - |
| - | - | 77,272 | - | - | - |
| - | - | 3,000 | - | - | - |
| - | - | - | 660 | - | - |
| - | - | - | - | - | - |
| 5,708 | - | 80,272 | 660 | 76,539 | - |
| (5,708) | 3 | (50,968) | (642) | 41,040 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (5,708) | 3 | (50,968) | (642) | 41,040 | - |
| (22,689) | 2,211 | 52,336 | 10,038 | 44,972 | (140,210) |
| \$ (28,397) | \$ 2,214 | \$ 1,368 | \$ 9,396 | \$ 86,012 | \$ (140,210) |

| | Special Revenue Funds | | | | | |
|--|-----------------------|------------------|---------------------------------|------------------|-------------------------------|--------------------------|
| | Cal Home | CLEEP | Traffic Congestion Relief | Aid to Cities | Prop A Youth Employment | State Park Per Capita |
| Revenues: | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 25 | - | 221,377 | - | - | - |
| Use of money and property | 892 | 126 | 1,640 | 348 | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total revenues | <u>917</u> | <u>126</u> | <u>223,017</u> | <u>348</u> | <u>-</u> | <u>-</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Public safety | - | - | - | - | - | - |
| Community development | - | - | 312,108 | - | - | - |
| Community services | - | - | - | - | 9,633 | - |
| Public services | - | - | - | - | - | - |
| Administrative | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>312,108</u> | <u>-</u> | <u>9,633</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | 917 | 126 | (89,091) | 348 | (9,633) | - |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Net other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 917 | 126 | (89,091) | 348 | (9,633) | - |
| Beginning fund balances | 154,015 | 22,631 | 234,657 | 34,587 | - | (123,365) |
| Ending fund balances | <u>\$ 154,932</u> | <u>\$ 22,757</u> | <u>\$ 145,566</u> | <u>\$ 34,935</u> | <u>\$ (9,633)</u> | <u>\$ (123,365)</u> |

City of Cudahy
**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)**
Nonmajor Governmental Funds
Year ended June 30, 2010

| Special Revenue Funds | | | | | | |
|-----------------------|-------------------|--------------------------|--------------------------|---|------------------------------------|---------------------|
| Drug Asset Seizure | Proposition A | LA River Access Grant | State Park Clara Ph 3 | Prop 1B Local Street Improvements | Recycling Conservation Grant | Federal Aid STPL |
| \$ - | \$ 380,500 | \$ - | \$ - | \$ - | \$ - | - |
| - | - | - | - | - | - | 17,927 |
| 870 | 3,442 | - | 153 | 5,689 | - | - |
| - | 770 | - | - | - | - | - |
| <u>870</u> | <u>384,712</u> | <u>-</u> | <u>153</u> | <u>5,689</u> | <u>-</u> | <u>17,927</u> |
| - | - | - | - | - | - | - |
| - | - | - | 50 | 306,741 | - | - |
| - | 732,823 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>-</u> | <u>732,823</u> | <u>-</u> | <u>50</u> | <u>306,741</u> | <u>-</u> | <u>-</u> |
| 870 | (348,111) | - | 103 | (301,052) | - | 17,927 |
| - | - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 870 | (348,111) | - | 103 | (301,052) | - | 17,927 |
| 93,849 | 827,646 | (154,152) | 134,821 | 406,329 | 6,787 | 189,610 |
| <u>\$ 94,719</u> | <u>\$ 479,535</u> | <u>\$ (154,152)</u> | <u>\$ 134,924</u> | <u>\$ 105,277</u> | <u>\$ 6,787</u> | <u>\$ 207,537</u> |

| | Special Revenue Funds | | | |
|---|-----------------------|-------------------|-------------------|-------------------|
| | America | | Emergency | |
| | Recovery | EPA Sewer | Preparedness | Prop R |
| | Reinvestment | | | |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | 146,408 |
| Use of money and property | 235 | - | - | 96 |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>235</u> | <u>-</u> | <u>-</u> | <u>146,504</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | - | - | - | - |
| Community development | 12,438 | - | - | 9,867 |
| Community services | - | 1,000 | - | - |
| Public services | - | - | 3,291 | - |
| Administrative | - | - | - | - |
| Total expenditures | <u>12,438</u> | <u>1,000</u> | <u>3,291</u> | <u>9,867</u> |
| Excess (deficiency) of revenues over expenditures | (12,203) | (1,000) | (3,291) | 136,637 |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Net other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (12,203) | (1,000) | (3,291) | 136,637 |
| Beginning fund balances | - | - | - | - |
| Ending fund balances | <u>\$ (12,203)</u> | <u>\$ (1,000)</u> | <u>\$ (3,291)</u> | <u>\$ 136,637</u> |

City of Cudahy
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (continued)
Nonmajor Governmental Funds
Year ended June 30, 2010

| <u>Special Revenue Funds</u> | | |
|------------------------------|-----------------------------|---------------------|
| <u>Proposition C</u> | <u>County Park Bond</u> | <u>Totals</u> |
| \$ 273,128 | \$ - | \$ 1,187,149 |
| - | - | 984,596 |
| 934 | - | 16,593 |
| 26,665 | - | 27,435 |
| <u>300,727</u> | <u>-</u> | <u>2,215,773</u> |
| - | - | 82,247 |
| - | 2,225 | 1,228,672 |
| 242,315 | - | 1,613,495 |
| 309,470 | - | 313,421 |
| - | - | - |
| <u>551,785</u> | <u>2,225</u> | <u>3,237,835</u> |
| (251,058) | (2,225) | (1,022,062) |
| - | - | - |
| - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> |
| (251,058) | (2,225) | (1,022,062) |
| 287,748 | (24,585) | 2,329,463 |
| <u>\$ 36,690</u> | <u>\$ (26,810)</u> | <u>\$ 1,307,401</u> |

| | State Gas Tax | | |
|--|--|---------------------------|--|
| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| Revenues | | | |
| Taxes | \$ 471,000 | \$ 417,138 | \$ (53,862) |
| Intergovernmental | - | - | - |
| Use of money and property | 6,000 | 29 | (5,971) |
| Miscellaneous | - | - | - |
| Total revenues | <u>477,000</u> | <u>417,167</u> | <u>(59,833)</u> |
| Expenditures | | | |
| Current: | | | |
| Public safety | - | - | - |
| Community development | 34,000 | 35,916 | (1,916) |
| Community services | 565,953 | 523,973 | 41,980 |
| Public services | - | - | - |
| Administrative | - | - | - |
| Total expenditures | <u>599,953</u> | <u>559,889</u> | <u>40,064</u> |
| Excess (deficiency) of revenues over expenditures | <u>(122,953)</u> | <u>(142,722)</u> | <u>(19,769)</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Net other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (122,953) | (142,722) | (19,769) |
| Fund balances - beginning | 118,959 | 118,959 | - |
| Fund balances - ending | <u>\$ (3,994)</u> | <u>\$ (23,763)</u> | <u>\$ (19,769)</u> |

City of Cudahy
 Schedule of Revenues, Expenditures
 and Changes in Fund Balances – Budget and Actual
 Nonmajor Governmental Funds
 Year ended June 30, 2010

| Street Lighting | | | Quimby Act | | |
|---|-------------------|--|---|-------------------|--|
| Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| \$ 80,000 | \$ 116,383 | \$ 36,383 | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | 922 | 922 | - | 1,012 | 1,012 |
| - | - | - | - | - | - |
| <u>80,000</u> | <u>117,305</u> | <u>37,305</u> | <u>-</u> | <u>1,012</u> | <u>1,012</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 180,000 | 100,751 | 79,249 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>180,000</u> | <u>100,751</u> | <u>79,249</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| (100,000) | 16,554 | 116,554 | - | 1,012 | 1,012 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>(100,000)</u> | <u>16,554</u> | <u>116,554</u> | <u>-</u> | <u>1,012</u> | <u>1,012</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 137,603 | 137,603 | - | 142,836 | 142,836 | - |
| <u>\$ 37,603</u> | <u>\$ 154,157</u> | <u>\$ 116,554</u> | <u>\$ 142,836</u> | <u>\$ 143,848</u> | <u>\$ 1,012</u> |

| | CDBG | | |
|--|---|---------------------|--|
| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Intergovernmental | 451,874 | 452,103 | 229 |
| Use of money and property | - | - | - |
| Miscellaneous | - | - | - |
| Total revenues | <u>451,874</u> | <u>452,103</u> | <u>229</u> |
| Expenditures | | | |
| Current: | | | |
| Public safety | - | - | - |
| Community development | 615,667 | 472,055 | 143,612 |
| Community services | - | - | - |
| Public services | - | - | - |
| Administrative | - | - | - |
| Total expenditures | <u>615,667</u> | <u>472,055</u> | <u>143,612</u> |
| Excess (deficiency) of revenues over expenditures | <u>(163,793)</u> | <u>(19,952)</u> | <u>143,841</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Net other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (163,793) | (19,952) | 143,841 |
| Fund balances - beginning | (123,918) | (123,918) | - |
| Fund balances - ending | <u>\$ (287,711)</u> | <u>\$ (143,870)</u> | <u>\$ 143,841</u> |

City of Cudahy
 Schedule of Revenues, Expenditures
 and Changes in Fund Balances – Budget and Actual
 Nonmajor Governmental Funds
 Year ended June 30, 2010

| LLEBG | | | AQMD | | |
|---|--------------------|--|---|-------------------|--|
| Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 75,204 | - | (75,204) | - | 29,304 | 29,304 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>75,204</u> | <u>-</u> | <u>(75,204)</u> | <u>-</u> | <u>29,304</u> | <u>29,304</u> |
| 75,204 | 5,708 | 69,496 | - | - | - |
| - | - | - | 77,300 | 77,272 | 28 |
| - | - | - | 3,000 | 3,000 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>75,204</u> | <u>5,708</u> | <u>69,496</u> | <u>80,300</u> | <u>80,272</u> | <u>28</u> |
| <u>-</u> | <u>(5,708)</u> | <u>(5,708)</u> | <u>(80,300)</u> | <u>(50,968)</u> | <u>29,332</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | (5,708) | (5,708) | (80,300) | (50,968) | 29,332 |
| (22,689) | (22,689) | - | 52,336 | 52,336 | - |
| <u>\$ (22,689)</u> | <u>\$ (28,397)</u> | <u>\$ (5,708)</u> | <u>\$ (27,964)</u> | <u>\$ 1,368</u> | <u>\$ 29,332</u> |

| | Used Oil Recycling | | |
|--|--|---------------------------|--|
| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - |
| Use of money and property | - | 18 | 18 |
| Miscellaneous | - | - | - |
| Total revenues | <u>-</u> | <u>18</u> | <u>18</u> |
| Expenditures | | | |
| Current: | | | |
| Public safety | - | - | - |
| Community development | - | - | - |
| Community services | - | - | - |
| Public services | - | 660 | (660) |
| Administrative | - | - | - |
| Total expenditures | <u>-</u> | <u>660</u> | <u>(660)</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>(642)</u> | <u>(642)</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Net other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | (642) | (642) |
| Fund balances - beginning | 10,038 | 10,038 | - |
| Fund balances - ending | <u>\$ 10,038</u> | <u>\$ 9,396</u> | <u>\$ (642)</u> |

City of Cudahy
 Schedule of Revenues, Expenditures
 and Changes in Fund Balances – Budget and Actual
 Nonmajor Governmental Funds
 Year ended June 30, 2010

| COPS | | | State Park Robert Z'berg Grant | | |
|---|-------------------|--|---|-------------------|--|
| Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 117,452 | 117,452 | - | - | - |
| - | 127 | 127 | - | - | - |
| - | - | - | - | - | - |
| - | 117,579 | 117,579 | - | - | - |
| 100,000 | 76,539 | 23,461 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 100,000 | 76,539 | 23,461 | - | - | - |
| (100,000) | 41,040 | 141,040 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (100,000) | 41,040 | 141,040 | - | - | - |
| 44,972 | 44,972 | - | (140,210) | (140,210) | - |
| \$ (55,028) | \$ 86,012 | \$ 141,040 | \$ (140,210) | \$ (140,210) | \$ - |

| | Cal Home | | |
|--|---|-------------------|--|
| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Intergovernmental | - | 25 | 25 |
| Use of money and property | - | 892 | 892 |
| Miscellaneous | - | - | - |
| Total revenues | <u>-</u> | <u>917</u> | <u>917</u> |
| Expenditures | | | |
| Current: | | | |
| Public safety | - | - | - |
| Community development | - | - | - |
| Community services | - | - | - |
| Public services | - | - | - |
| Administrative | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | | <u>917</u> | <u>917</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Net other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | 917 | 917 |
| Fund balances - beginning | 154,015 | 154,015 | - |
| Fund balances - ending | <u>\$ 154,015</u> | <u>\$ 154,932</u> | <u>\$ 917</u> |

City of Cudahy
 Schedule of Revenues, Expenditures
 and Changes in Fund Balances – Budget and Actual
 Nonmajor Governmental Funds
 Year ended June 30, 2010

| CLEEP | | | Traffic Congestion Relief | | |
|---|-------------------|--|---|-------------------|--|
| Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | 221,377 | 221,377 | - |
| - | 126 | 126 | - | 1,640 | 1,640 |
| - | - | - | - | - | - |
| - | 126 | 126 | 221,377 | 223,017 | 1,640 |
| - | - | - | - | - | - |
| - | - | - | 322,000 | 312,108 | 9,892 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 322,000 | 312,108 | 9,892 |
| - | - | - | - | - | - |
| - | 126 | 126 | (100,623) | (89,091) | 11,532 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 126 | 126 | (100,623) | (89,091) | 11,532 |
| 22,631 | 22,631 | - | 234,657 | 234,657 | - |
| \$ 22,631 | \$ 22,757 | \$ 126 | \$ 134,034 | \$ 145,566 | \$ 11,532 |

| | Aid to Cities | | Variance with Final Budget- Positive (Negative) |
|--|---|-------------------|--|
| | Original and Final Budgeted Amounts | Actual Amounts | |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - |
| Use of money and property | - | 348 | 348 |
| Miscellaneous | - | - | - |
| Total revenues | <u>-</u> | <u>348</u> | <u>348</u> |
| Expenditures | | | |
| Current: | | | |
| Public safety | - | - | - |
| Community development | - | - | - |
| Community services | - | - | - |
| Public services | - | - | - |
| Administrative | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>348</u> | <u>348</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Net other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | 348 | 348 |
| Fund balances - beginning | 34,587 | 34,587 | - |
| Fund balances - ending | <u>\$ 34,587</u> | <u>\$ 34,935</u> | <u>\$ 348</u> |

City of Cudahy
 Schedule of Revenues, Expenditures
 and Changes in Fund Balances – Budget and Actual
 Nonmajor Governmental Funds
 Year ended June 30, 2010

| State Park Per Capita | | | Drug Asset Seizure | | |
|---|-------------------|--|---|-------------------|--|
| Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | 870 | 870 |
| - | - | - | - | - | - |
| - | - | - | - | 870 | 870 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 870 | 870 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 870 | 870 |
| (123,365) | (123,365) | - | 93,849 | 93,849 | - |
| \$ (123,365) | \$ (123,365) | \$ - | \$ 93,849 | \$ 94,719 | \$ 870 |

| | Proposition A | | Variance with Final Budget- Positive (Negative) |
|--|---|-------------------|--|
| | Original and Final Budgeted Amounts | Actual Amounts | |
| Revenues | | | |
| Taxes | \$ 440,000 | \$ 380,500 | \$ (59,500) |
| Intergovernmental | - | - | - |
| Use of money and property | 6,000 | 3,442 | (2,558) |
| Miscellaneous | - | 770 | 770 |
| Total revenues | <u>446,000</u> | <u>384,712</u> | <u>(61,288)</u> |
| Expenditures | | | |
| Current: | | | |
| Public safety | - | - | - |
| Community development | - | - | - |
| Community services | 727,132 | 732,823 | (5,691) |
| Public services | - | - | - |
| Administrative | - | - | - |
| Total expenditures | <u>727,132</u> | <u>732,823</u> | <u>(5,691)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(281,132)</u> | <u>(348,111)</u> | <u>(66,979)</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Net other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (281,132) | (348,111) | (66,979) |
| Fund balances - beginning | 827,646 | 827,646 | - |
| Fund balances - ending | <u>\$ 546,514</u> | <u>\$ 479,535</u> | <u>\$ (66,979)</u> |

City of Cudahy
 Schedule of Revenues, Expenditures
 and Changes in Fund Balances – Budget and Actual
 Nonmajor Governmental Funds
 Year ended June 30, 2010

| LA River Access Grant | | | State Park Clara Ph 3 | | |
|---|-------------------|--|---|-------------------|--|
| Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | 153 | 153 |
| - | - | - | - | - | - |
| - | - | - | - | 153 | 153 |
| - | - | - | - | - | - |
| - | - | - | - | 50 | (50) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 50 | (50) |
| - | - | - | - | - | - |
| - | - | - | - | 103 | 103 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 103 | 103 |
| (154,152) | (154,152) | - | 134,821 | 134,821 | - |
| \$ (154,152) | \$ (154,152) | \$ - | \$ 134,821 | \$ 134,924 | \$ 103 |

| | Prop 1B Local St. Improvements | | |
|--|--|---------------------------|--|
| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - |
| Use of money and property | - | 5,689 | 5,689 |
| Miscellaneous | - | - | - |
| Total revenues | <u>-</u> | <u>5,689</u> | <u>5,689</u> |
| Expenditures | | | |
| Current: | | | |
| Public safety | - | - | - |
| Community development | 384,592 | 306,741 | 77,851 |
| Community services | - | - | - |
| Public services | - | - | - |
| Administrative | - | - | - |
| Total expenditures | <u>384,592</u> | <u>306,741</u> | <u>77,851</u> |
| Excess (deficiency) of revenues over expenditures | <u>(384,592)</u> | <u>(301,052)</u> | <u>83,540</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Net other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (384,592) | (301,052) | 83,540 |
| Fund balances - beginning | 406,329 | 406,329 | - |
| Fund balances - ending | <u>\$ 21,737</u> | <u>\$ 105,277</u> | <u>\$ 83,540</u> |

City of Cudahy
 Schedule of Revenues, Expenditures
 and Changes in Fund Balances – Budget and Actual
 Nonmajor Governmental Funds
 Year ended June 30, 2010

| Recycling Conservation Grant | | | Federal Aid STPL | | |
|---|-------------------|--|---|-------------------|--|
| Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | 17,927 | 17,927 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 17,927 | 17,927 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 17,927 | 17,927 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 17,927 | 17,927 |
| 6,787 | 6,787 | - | 189,610 | 189,610 | - |
| <u>\$ 6,787</u> | <u>\$ 6,787</u> | <u>\$ -</u> | <u>\$ 189,610</u> | <u>\$ 207,537</u> | <u>\$ 17,927</u> |

| | Prop R | | |
|--|---|-------------------|--|
| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| Revenues | | | |
| Taxes | \$ - | \$ - | \$ - |
| Intergovernmental | - | 146,408 | 146,408 |
| Use of money and property | - | 96 | 96 |
| Miscellaneous | - | - | - |
| Total revenues | <u>-</u> | <u>146,504</u> | <u>146,504</u> |
| Expenditures | | | |
| Current: | | | |
| Public safety | - | - | - |
| Community development | 10,000 | 9,867 | 133 |
| Community services | - | - | - |
| Public services | - | - | - |
| Administrative | - | - | - |
| Total expenditures | <u>10,000</u> | <u>9,867</u> | <u>133</u> |
| Excess (deficiency) of revenues over expenditures | <u>(10,000)</u> | <u>136,637</u> | <u>146,637</u> |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Net other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (10,000) | 136,637 | 146,637 |
| Fund balances - beginning | - | - | - |
| Fund balances - ending | <u>\$ (10,000)</u> | <u>\$ 136,637</u> | <u>\$ 146,637</u> |

City of Cudahy
 Schedule of Revenues, Expenditures
 and Changes in Fund Balances – Budget and Actual
 Nonmajor Governmental Funds
 Year ended June 30, 2010

| Proposition C | | | County Park Bond | | |
|---|-------------------|--|---|--------------------|--|
| Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget- Positive (Negative) |
| \$ 330,000 | \$ 273,128 | \$ (56,872) | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| 6,000 | 934 | (5,066) | - | - | - |
| - | 26,665 | 26,665 | - | - | - |
| <u>336,000</u> | <u>300,727</u> | <u>(35,273)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - | - |
| - | - | - | - | 2,225 | (2,225) |
| 694,573 | 242,315 | 452,258 | - | - | - |
| 368,844 | 309,470 | 59,374 | - | - | - |
| - | - | - | - | - | - |
| <u>1,063,417</u> | <u>551,785</u> | <u>511,632</u> | <u>-</u> | <u>2,225</u> | <u>(2,225)</u> |
| <u>(727,417)</u> | <u>(251,058)</u> | <u>476,359</u> | <u>-</u> | <u>(2,225)</u> | <u>(2,225)</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>(727,417)</u> | <u>(251,058)</u> | <u>476,359</u> | <u>-</u> | <u>(2,225)</u> | <u>(2,225)</u> |
| 287,748 | 287,748 | - | (24,585) | (24,585) | - |
| <u>\$ (439,669)</u> | <u>\$ 36,690</u> | <u>\$ 476,359</u> | <u>\$ (24,585)</u> | <u>\$ (26,810)</u> | <u>\$ (2,225)</u> |

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**Report of Independent Auditors on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

**The Honorable City Council of the
City of Cudahy, California**

We have audited the basic financial statements of the City of Cudahy (City) as of and for the year ended June 30, 2010 and have issued our report thereon dated May 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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



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

Virquez + Company LLP

**Los Angeles, California
May 31, 2011**

