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Item #__7__

**To:** **Lemoore City Council**

**From:** **Carlos Sanchez, Interim Finance Director**

**Date:** **June 17, 2011**

**Subject:** **Audited Financial Statements for the City, Municipal Golf Course, and the Single Audit Report and Additional Information**

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**Background:**

The City of Lemoore has an independent auditor perform an annual audit of the City's financial records and prepare the Annual Financial Statements. The City's independent auditor, Sampson and Sampson, Certified Public Accountants, has completed the fiscal year 2009/10 audits pertaining to the City, Municipal Golf Course, and the Single Audit Report and Additional Information.

The independent auditor has issued an unqualified opinion for each of these audits. The unqualified opinion is the best opinion that can be given by an auditor to financial statements. The unqualified opinion is issued by an auditor when the financial statements presented are free of material misstatements and represent fairly the financial position in accordance with generally accepted accounting principles.

Bill Patterson, CPA, from Sampson & Sampson will report on the financial statements on Tuesday evening.

Information from the City Financial Statements as of June 30, 2010 is as follows:

The General Fund's cash position was $8,717,786 and with accounts receivable of $2,276,292 and liabilities totaling $775,028 the result is a fund balance of $10,219,053. The majority of the accounts receivable, 71.5%, is the advance of $1,625,914 to the Redevelopment Agency Debt Service Fund and relates to the Golf Course Outstanding Debt. (Reference page 5)

The Water Fund's cash position, less restricted cash, was $130,451 with a utility accounts receivable of $376,667 net of allowance for doubtful accounts and the current liabilities totaled $791,438. (Reference pages 10 & 11)

The Sewer Fund's cash position, less restricted cash, was $3,896,861 with a utility accounts receivable of $318,838 net of allowance for doubtful accounts. Interfund receivables totaled $304,793 and current liabilities totaled $360,599. (Reference pages 10 & 11)

The Refuse Fund's cash position ended with a deficit of $242,444 resulting in an interfund loan of $242,444. The utility accounts receivable totaled 265,270 net of allowance for doubt accounts and current liabilities totaled $363,187 including the interfund payable of $242,444. (Reference pages 10 & 11)

The Golf Course Fund's cash position, less restricted cash, was $742,439 with a current accounts receivable total of $16,561 and current liabilities totaled $284,090. (Reference pages 10 & 11)

Information from the City of Lemoore Municipal Golf Course Financial Statements as of June 30, 2010 is as follows:

Net Income was $86,002 before transfer of $205,000 to the City of Lemoore. (Reference page 3)

Information from the Single Audit Report as of June 30, 2010 is as follows:

The City of Lemoore spent $5,191,606 of Federal funds during the fiscal year of 2009/10. 74.2% of these expenditures, $3,848,093, were spent towards costs of the City's water infrastructure to maintain compliance with the Safe Drinking Water Act. (Reference pages 5 & 8)

The schedule of findings and questioned costs summary indicates that one material weakness and three significant deficiencies were identified. The material weakness identified was that bank reconciliations are not reconciled to the general ledger on a monthly basis. The significant deficiencies were inadequate controls for cash receipts at remote locations, excessive amount of utility billing past due balances that need to be written off and sent to collections, and inadequate maintenance of recordkeeping of capital assets. (Reference pages 9 through 17)

**Budget Impact:**

None.

**Recommendation:**

That the City Council, by motion, accept the City Financial Statements, the Municipal Golf Course Financial Statements, and the Single Audit Report and Additional Information.