

CITY OF LEMOORE

REPORT ON AUDITED
FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2010

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Sampson, Sampson and Partners, LLP
Certified Public Accountants

3148 Willow Ave., Suite 102
Clovis, California 93612-4739
(559) 291-0277 • FAX (559) 291-6411

May 12, 2011

Honorable City Council
City of Lemoore
Lemoore, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemoore, California (City), 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'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 accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is required supplementary information, although not required to be part of the basic financial statements.

City of Lemoore
May 12, 2011
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The budgetary comparison information on page 45, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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.

Sampson, Sampson and Partners, LLP

CITY OF LEMOORE
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 34,356,214	\$ 4,769,751	\$ 39,125,965
Receivables:			
Accounts, net	78,469	975,918	1,054,387
Taxes	767,052		767,052
Interest	44,059	11,413	55,472
Notes	1,712,033		1,712,033
Intergovernmental Grants	297,533		297,533
Other	25,893	3,862,436	3,862,436
Prepaid expenses	5,287	326,894	352,787
Bond discounts	200,261	3,767	9,054
Internal balances	4,904,557	104,414	304,675
Inventory		(4,904,557)	
Assets held for resale	1,410,905	55,687	55,687
Cash with fiscal agent - restricted	1,295,989		1,410,905
Cash with fiscal agent - restricted		1,493,062	2,789,051
Capital assets (net of accumulated depreciation):			
Non-depreciable	49,138,155	7,162,988	56,301,143
Depreciable	14,164,587	14,518,582	28,683,169
Total Assets	<u>108,400,994</u>	<u>28,380,355</u>	<u>136,781,349</u>
LIABILITIES			
Accounts payable	732,415	820,219	1,552,634
Accrued interest payable	523,681	17,824	541,505
Deposits and other liabilities	610,079	37,930	648,009
Noncurrent liabilities:			
Due within one year	1,044,639		1,044,639
Due in more than one year	19,015,961	6,991,915	26,007,876
Total Liabilities	<u>21,926,775</u>	<u>7,867,888</u>	<u>29,794,663</u>
NET ASSETS			
Invested in capital assets, net of related debt	44,904,303	16,260,519	61,164,822
Restricted for:			
Debt Service	1,699,217		1,699,217
Community development	22,946,626		22,946,626
Streets and roads	5,519,639		5,519,639
Parks and recreation	1,986,309		1,986,309
Unrestricted	9,418,125	4,251,948	13,670,073
Total Net Assets	<u>\$ 86,474,219</u>	<u>\$20,512,467</u>	<u>\$106,986,686</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Function/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,096,277	\$ 131,662	\$ 2,689	\$ 50,585	\$ (2,911,341)	\$	\$ (2,911,341)
Public safety	4,625,887	156,944	357,666	108,364	(4,002,913)		(4,002,913)
Public works	300,551	696,710			396,159		396,159
City streets	487,812		226,042	321,957	60,187		60,187
Community development	7,134,297	11,822	755,855		(6,366,620)		(6,366,620)
Parks and recreation	899,853	126,182			(773,671)		(773,671)
Interest on long-term debt	<u>1,072,656</u>				<u>(1,072,656)</u>		<u>(1,072,656)</u>
Total governmental activities	<u>17,617,333</u>	<u>1,123,320</u>	<u>1,342,252</u>	<u>480,906</u>	<u>(14,670,855)</u>		<u>(14,670,855)</u>
Business-type activities:							
Water	2,794,055	3,790,398		4,925,785		5,922,128	5,922,128
Sewer	1,729,026	3,500,520		33,600		1,805,094	1,805,094
Refuse	2,132,818	2,825,938		5,000		698,120	698,120
Golf course	<u>1,530,665</u>	<u>1,384,200</u>				<u>(146,465)</u>	<u>(146,465)</u>
Total business-type activities	<u>8,186,564</u>	<u>11,501,056</u>		<u>4,964,385</u>		<u>8,278,877</u>	<u>8,278,877</u>
Total primary government	<u>\$25,803,897</u>	<u>\$12,624,376</u>	<u>\$1,342,252</u>	<u>\$5,445,291</u>	<u>\$(14,670,855)</u>	<u>\$ 8,278,877</u>	<u>\$ (6,391,978)</u>
General revenues:							
Property taxes					10,147,859		10,147,859
Sales taxes					1,768,904		1,768,904
Other taxes					3,621,897		3,621,897
Unrestricted investment earnings					520,767	79,891	600,658
Other revenue					233,226		233,226
Transfers					<u>2,005,911</u>	<u>(2,005,911)</u>	
Total general revenues, transfers and special item					<u>18,298,564</u>	<u>(1,926,020)</u>	<u>16,372,544</u>
Change in net assets					3,627,709	6,352,857	9,980,566
Net assets-beginning - as previously reported					86,754,191	14,159,610	100,913,801
Prior period adjustment					<u>(3,907,681)</u>		<u>(3,907,681)</u>
Net assets-beginning - restated					<u>82,846,510</u>	<u>14,159,610</u>	<u>97,006,120</u>
Net assets-ending					<u>\$ 86,474,219</u>	<u>\$20,512,467</u>	<u>\$106,986,686</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	RDA Debt Service Fund	RDA Capital Projects Fund	Low and Moderate Income Housing Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 8,717,786	\$2,414,439	\$ 7,410,138	\$3,653,727	\$12,149,058	\$34,345,148
Cash with fiscal agents-restricted		1,295,989				1,295,989
Receivables:						
Accounts	78,469					78,469
Taxes	307,993		326,517	81,629	42,234	758,373
Interest	10,175	2,532	12,621	4,946	13,785	44,059
Assessments					8,679	8,679
Notes	107,964		371,249	1,232,820		1,712,033
Intergovernmental	127,831				169,702	297,533
Other	12,662		16,839	9,054		25,893
Interfund receivables	5,287					5,287
Prepaid expenses	1,625,914		5,230,158			6,856,072
Advances to other funds			1,114,377	296,528		1,410,905
Assets held for resale	<u>\$10,994,081</u>	<u>\$3,712,960</u>	<u>\$14,481,899</u>	<u>\$5,278,704</u>	<u>\$12,383,458</u>	<u>\$46,851,102</u>
Total assets						
	\$ 164,949	\$ 1,625,914	\$ 11,822	\$ 11,586	\$ 518,297	\$ 706,654
					148,380	1,774,294
					12,662	12,662
	610,079					610,079
	<u>775,028</u>	<u>1,625,914</u>	<u>11,822</u>	<u>11,586</u>	<u>679,339</u>	<u>3,103,689</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable						
Advances from other funds						
Interfund payables						
Deposits and other liabilities						
Total liabilities						
Fund balances:						
Reserve for:						
Notes receivable	107,964					107,964
Advances	1,625,914		5,230,158	296,528		6,856,072
Assets held for resale			1,114,377	4,970,590		1,410,905
Low and moderate income housing						4,970,590
Unreserved, reported in:						
General fund	8,485,175					8,485,175
Special revenue					5,652,401	5,652,401
Capital projects			8,125,542		6,051,718	14,177,260
Debt service		2,087,046				2,087,046
Total Fund Balances	<u>10,219,053</u>	<u>2,087,046</u>	<u>14,470,077</u>	<u>5,267,118</u>	<u>11,704,119</u>	<u>43,747,413</u>
Total Liabilities and fund balances	<u>\$10,994,081</u>	<u>\$3,712,960</u>	<u>\$14,481,899</u>	<u>\$5,278,704</u>	<u>\$12,383,458</u>	<u>\$46,851,102</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
RECONCILIATION OF THE FUND BALANCES OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

Total fund balances – governmental funds	\$ 43,747,413
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds.	63,257,171
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental fund balance sheet.	(20,043,191)
Accrued interest payable is not recorded in the governmental funds since interest expenditures are recognized when paid.	(523,681)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	200,261
Internal service funds are used by management to charge the costs of fleet maintenance services to individual funds. The assets and liabilities of the internal revenue service funds are included in governmental activities in the statement of net assets.	<u>(163,754)</u>
Net assets of governmental activities	<u>\$ 86,474,219</u>

CITY OF LEMOORE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General	RDA Debt Service Fund	RDA Capital Projects Fund	Low and Moderate Income Housing Fund	Other Governmental Funds	Total Governmental Funds
REVENUE						
Property taxes	\$ 1,028,264		\$ 7,095,622	\$ 1,773,906	\$ 246,924	\$ 10,144,716
Other taxes	2,409,957					2,409,957
Licenses and permits	574,761				11,822	586,583
Charges for services	166,355					166,355
From other agencies	2,642,913				2,334,583	4,977,496
Fees and assessments	16,700				129,896	146,596
Use of money and property	54,925	7,371	215,453	152,605	66,923	497,277
Other revenue	1,001,993		61,937	10,960	16,669	1,091,559
Total revenues	<u>7,895,868</u>	<u>7,371</u>	<u>7,373,012</u>	<u>1,937,471</u>	<u>2,806,817</u>	<u>20,020,539</u>
EXPENDITURES						
General government	2,332,943				392,323	2,725,266
Public safety	4,536,073				66,481	4,602,554
Public works	300,608					300,608
City streets	456,177					456,177
Community development			6,717,881	533,504	790,169	8,041,554
Parks and recreation	793,389					793,389
Capital outlay	272,667		251,545		1,842,062	2,366,274
Debt service						
Principal		922,521				922,521
Interest		1,070,658				1,070,658
Total expenditures	<u>8,691,857</u>	<u>1,993,179</u>	<u>6,969,426</u>	<u>533,504</u>	<u>3,091,035</u>	<u>21,279,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(795,989)</u>	<u>(1,985,808)</u>	<u>403,586</u>	<u>1,403,967</u>	<u>(284,218)</u>	<u>(1,258,462)</u>
Other financing sources (uses):						
Sale of property				79,268		79,268
Operating transfers in	1,695,772	3,855,268	3,384,654		712,048	9,647,742
Operating transfers out	(487,049)	(1,280,383)	(4,871,689)	(428,765)	(471,198)	(7,539,084)
Total other financing sources (uses)	<u>1,208,723</u>	<u>2,574,885</u>	<u>(1,487,035)</u>	<u>(349,497)</u>	<u>240,850</u>	<u>2,187,926</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMMOORE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances	412,734	589,077	(1,083,449)	1,054,470	(43,368)	929,464
Fund balances, July 1, 2009	<u>9,806,319</u>	<u>1,497,969</u>	<u>15,553,526</u>	<u>4,212,648</u>	<u>11,747,487</u>	<u>42,817,949</u>
Fund balances, June 30, 2010	<u>\$10,219,053</u>	<u>\$ 2,087,046</u>	<u>\$14,470,077</u>	<u>\$5,267,118</u>	<u>\$11,704,119</u>	<u>\$43,747,413</u>

CITY OF LEMOORE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds \$ 929,464

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,885,794

Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets. 907,836

The issuance of long-term debt (eg., bonds,) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has, any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (8,771)

Internal service funds are used by management to charge the costs of fleet maintenance, employee benefits, liability and property insurance and general services to individual funds. The change in net assets of certain activities of internal service funds is reported with governmental activities. (86,614)

Change in net assets of governmental activities \$3,627,709

CITY OF LEMOORE
STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2010

	Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Refuse	Golf Course		
ASSETS						
Current assets:						
Cash and investments	\$ 130,451	\$3,896,861	\$	\$ 742,439	\$ 4,769,751	\$ 7,099
Restricted cash and investments:						
Cash with fiscal agent	455,457	303,638		733,967	1,493,062	3,967
Receivables:						
Accounts	456,226	366,288	339,555	15,143	1,177,212	
Less: Allowance for doubtful accounts	(79,559)	(47,450)	(74,285)		(201,294)	
Interest	4,715	5,679	251	768	11,413	
Grant	3,743,156	119,280		650	3,862,436	
Other	326,244				326,894	
Interfund receivables		304,793			304,793	
Inventory				55,687	55,687	
Prepaid expenses				3,767	3,767	
Total current assets	<u>5,036,690</u>	<u>4,949,089</u>	<u>265,521</u>	<u>1,552,421</u>	<u>11,803,721</u>	<u>11,066</u>
Non-current assets:						
Bond discounts	62,662	41,752			104,414	
Capital assets:						
Non-depreciable	5,893,666	392,805	252,504	624,013	7,162,988	
Depreciable, net of accumulated depreciation	<u>6,899,285</u>	<u>4,547,896</u>	<u>481,724</u>	<u>2,589,677</u>	<u>14,518,582</u>	<u>45,571</u>
Total non-current assets	<u>12,855,613</u>	<u>4,982,453</u>	<u>734,228</u>	<u>3,213,690</u>	<u>21,785,984</u>	<u>45,571</u>
Total assets	<u>\$17,892,303</u>	<u>\$9,931,542</u>	<u>\$999,749</u>	<u>\$4,766,111</u>	<u>\$33,589,705</u>	<u>\$56,637</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2010
(Continued)

	Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Refuse	Golf Course		
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 527,662	\$ 151,856	\$ 91,589	\$ 49,112	\$ 820,219	\$ 25,760
Deposits and other liabilities	20,386			17,544	37,930	
Accrued compensated absences	25,459	26,189	29,154		80,802	17,409
Interfund payables			242,444		242,444	62,349
Accrued interest payable	9,931	6,621		1,272	17,824	
Current portion of long-term liabilities	208,000	126,000		190,000	524,000	
Current portion of capital leases		49,933		26,162	76,095	
Total current liabilities	791,438	360,599	363,187	284,090	1,799,314	105,518
Non-current liabilities:						
Long-term liabilities	2,557,000	1,596,000		2,470,000	6,623,000	
Deferred refunding	(195,100)	(130,068)			(325,168)	
Capital leases				13,186	13,186	
Advances from other funds				5,081,778	5,081,778	
Total non-current liabilities	2,361,900	1,465,932		7,564,964	11,392,796	
Total liabilities	3,153,338	1,826,531	363,187	7,849,054	13,192,110	105,518
NET ASSETS						
Invested in capital assets, net of related debt	10,678,508	3,602,474	734,228	1,460,089	16,475,299	45,571
Unrestricted	4,060,457	4,502,537	(97,666)	(4,543,032)	3,922,296	(94,452)
Total net assets (deficit)	\$14,738,965	\$8,105,011	\$636,562	\$(3,082,943)	20,397,595	\$(48,881)
Adjustments to reflect the consolidation of internal Service fund activities related to enterprise funds					114,872	
Net assets of business-type activities					\$20,512,467	

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Refuse		
OPERATING REVENUES:					
Charges for services	\$ 3,684,549	\$3,328,534	\$2,766,937	\$11,155,148	\$ 822,642
Fines and forfeitures	94,940	53,716	50,494	199,150	
Other revenues	10,909	118,270	8,507	146,758	
Total operating revenues	<u>3,790,398</u>	<u>3,500,520</u>	<u>2,825,938</u>	<u>11,501,056</u>	<u>822,642</u>
OPERATING EXPENSES:					
Salaries and benefits	811,411	667,454	626,280	479,923	231,123
Materials and supplies	262,915	129,732	33,586	356,181	281,278
Utilities	784,780	199,793	1,349	91,765	850
Contractual services	185,460	190,667	949,420	77,123	4,095
Repairs and maintenance	61,432	29,902	13,892	49,186	238,695
Other expenses	148,906	125,854	360,427	100,834	736,021
Depreciation and amortization	386,344	287,182	162,603	234,458	26,766
Total operating expenses	<u>2,641,248</u>	<u>1,630,584</u>	<u>2,147,557</u>	<u>7,808,859</u>	<u>782,807</u>
Operating income (loss)	<u>1,149,150</u>	<u>1,869,936</u>	<u>678,381</u>	<u>3,692,197</u>	<u>39,835</u>
NON-OPERATING REVENUES (EXPENSES):					
Intergovernmental	4,925,785	33,600	5,000	4,964,385	
Interest income	39,503	35,333	1,270	79,891	
Interest expense	(157,189)	(103,023)		(401,407)	
Total non-operating revenues (expenses)	<u>4,808,099</u>	<u>(34,090)</u>	<u>6,270</u>	<u>4,642,869</u>	

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)

	Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Refuse	Golf Course		
Other financing sources (uses):						
Transfers in	252,430	195,680	29,261	189,110	666,481	
Transfers out	<u>(478,830)</u>	<u>(601,392)</u>	<u>(743,975)</u>	<u>(848,195)</u>	<u>(2,672,392)</u>	<u>(102,747)</u>
Total other financing sources (uses)	<u>(226,400)</u>	<u>(405,712)</u>	<u>(714,714)</u>	<u>(659,085)</u>	<u>(2,005,911)</u>	<u>(102,747)</u>
Change in net assets	<u>5,730,849</u>	<u>1,430,134</u>	<u>(30,063)</u>	<u>(801,765)</u>	<u>6,329,155</u>	<u>(62,912)</u>
Net assets, July 1, 2009	9,008,116	6,674,877	666,625	(2,281,178)	14,031	
Net assets, June 30, 2010	<u>\$14,738,965</u>	<u>\$8,105,011</u>	<u>\$ 636,562</u>	<u>\$(3,082,943)</u>		<u>\$ (48,881)</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					<u>23,702</u>	
Change in net assets of business-type activities						<u>\$ 6,352,857</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Fund
	Water	Sewer	Refuse	Golf Course		
Cash flows from operating activities:						
Receipts from customers and users	\$ 3,730,895	\$3,393,781	\$ 2,813,499	\$1,372,427	\$11,310,602	\$ 822,642
Payments to suppliers	(1,528,670)	(591,103)	(1,386,912)	(655,259)	(4,161,944)	(548,971)
Payments to employees	(813,410)	(663,691)	(636,550)	(479,923)	(2,593,574)	(234,078)
Other operating revenues	10,909	118,270	8,507	3,192	140,878	
Net cash provided (used) by operating activities	<u>1,399,724</u>	<u>2,257,257</u>	<u>798,544</u>	<u>240,437</u>	<u>4,695,962</u>	<u>39,593</u>
Cash flows from non-capital financing activities:						
Intergovernmental revenue	1,182,629		5,000		1,187,629	
Loans from/(to) other funds			(90,602)	757,646	667,044	62,349
Transfers from other funds	252,430	195,680	29,261	189,110	666,481	
Transfers to other funds	(478,830)	(601,392)	(743,975)	(848,195)	(2,672,392)	(102,747)
Net cash provided (used) by non-capital financing activities	<u>956,229</u>	<u>(405,712)</u>	<u>(800,316)</u>	<u>98,561</u>	<u>(151,238)</u>	<u>(40,398)</u>
Cash flows from capital and related financing activities:						
Principal paid on capital debt	(175,543)	(152,415)		(207,951)	(535,909)	
Interest paid on capital debt	(157,791)	(103,424)		(141,053)	(402,268)	
Acquisition of capital assets	(4,952,002)	(179,095)		(27,552)	(5,158,649)	
Proceeds from sale of capital assets				6,400	6,400	
Net cash provided used by capital and related financing activities	<u>(5,285,336)</u>	<u>(434,934)</u>		<u>(370,156)</u>	<u>(6,090,426)</u>	
Cash flows from investing activities:						
Interest earned	45,702	39,575	1,772	5,187	92,236	
Net cash provided by investing activities	<u>45,702</u>	<u>39,575</u>	<u>1,772</u>	<u>5,187</u>	<u>92,236</u>	
Net increase (decrease) in cash and investments	(2,883,681)	1,456,186		(25,971)	(1,453,466)	(805)
Cash and investments-beginning of year	<u>3,469,589</u>	<u>3,049,106</u>		<u>1,502,377</u>	<u>8,021,072</u>	<u>11,871</u>
Cash and investments-end of year	<u>\$ 585,908</u>	<u>\$4,505,292</u>	<u>\$</u>	<u>\$1,476,406</u>	<u>\$ 6,567,606</u>	<u>\$ 11,066</u>
Cash and investments	\$ 130,451	\$4,201,654	\$	\$ 742,439	\$ 5,074,544	\$ 7,099
Cash with fiscal agent	<u>455,457</u>	<u>303,638</u>		<u>733,967</u>	<u>1,493,062</u>	<u>3,967</u>
Total cash and investments	<u>\$ 585,908</u>	<u>\$4,505,292</u>	<u>\$</u>	<u>\$1,476,406</u>	<u>\$ 6,567,606</u>	<u>\$ 11,066</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 1,149,150	\$1,869,936	\$ 678,381	\$ (5,270)	\$ 3,692,197	\$ 39,835
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	386,344	287,182	162,603	234,458	1,070,587	26,766
Gain on sale of capital assets				(5,880)	(5,880)	
(Increase) decrease in accounts receivable	(48,594)	11,531	(3,932)	(2,701)	(43,696)	
Increase (decrease) in inventory				10,306	10,306	
Increase (decrease) in prepaid expenses				9,208	9,208	
Increase (decrease) in accounts payable	(104,428)	84,845	(28,238)	(4,018)	(51,839)	(24,053)
Increase (decrease) in compensated absences	(1,999)	3,763	(10,270)		(8,506)	(2,955)
Increase (decrease) in deposits and other liabilities	19,251			4,334	23,585	
Total adjustments	<u>250,574</u>	<u>387,321</u>	<u>120,163</u>	<u>245,707</u>	<u>1,003,765</u>	<u>(242)</u>
Net cash provided (used) by operating activities	<u>\$ 1,399,724</u>	<u>\$2,257,257</u>	<u>\$ 798,544</u>	<u>\$ 240,437</u>	<u>\$ 4,695,962</u>	<u>\$ 39,593</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency Funds</u>
ASSETS:	
Cash and investments	\$715,092
Other assets	<u>28,800</u>
Total assets	<u>\$743,892</u>
 LIABILITIES:	
Accounts payable	\$ 21,249
Due to others	519,934
Deposits	<u>202,709</u>
Total liabilities	<u>\$743,892</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The City of Lemoore (City) is a charter city operating under a Council-Manager form of government. During the year ended June 30, 2000, the voters of the City approved a Charter which gives the City Council greater self-rule, and the Charter was accepted by the California Secretary of State.

The accompanying basic financial statements include the financial activities of the City, the primary government, and its component units, which is the Lemoore Redevelopment Agency (Agency) and Lemoore Financing Authority (Authority). Financial information for the City and these component units is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in separate sessions, serve as the governing board of the Agency and the Authority, as such, these entities are presented on a blended basis. Separate financial statements are produced for the Agency and may be obtained from the City's finance office. No separate annual financial statement are prepared for the Authority.

The Lemoore Redevelopment Agency (Agency) was established in 1985. The Agency redevelops and rehabilitates various areas of the City. It also provides employment opportunities and affordable housing, including housing for persons with low and moderate income. It is governed by a board composed of the government's elected council. The Agency has the right to issue bonds or notes and expend their proceeds. It also has the right to acquire, sell, rehabilitate, develop, administer, or lease property. The financial activity of the Agency is reported in the Special Revenue, Debt Service, and Capital Projects Funds. In addition, because of legal requirements, the Agency issues an annual financial report under separate cover.

The Lemoore Financing Authority (Authority) was formed in August of 1989 for the purpose of assisting the financing or refinancing of certain public capital facilities within the City. The Authority is governed by a five-member board of directors, which consists of the members of the City Council with the City Manager as the Executive Director. The financial transactions for the Authority are recorded in the Lemoore Redevelopment Agency Debt Service Fund and the Water, Sewer and Golf Course Enterprise Funds.

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

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

B. Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements

The City government-wide financial statements include a statement of net assets and a statement of activities and changes in net assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net assets have been eliminated. In the statement of activities, interfund transactions have been eliminated; however, interfund balances and transactions between governmental and business-type activities have not been eliminated.

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

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash during the year or within 60 days after year-end. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City reports the following major governmental funds:

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

The **RDA Debt Service Fund** accounts for the resources accumulated and payments made for principal interest on long-term debt obligations of the Agency.

The **Redevelopment Capital Projects Fund** accounts for the resources and capital projects within the Lemoore redevelopment project areas.

The **RDA Low and Moderate Income Fund** accounts for the operations and projects of the City of Lemoore Redevelopment Agency, and accounts for the 20% of tax increment funds required by state law to be set aside for low and moderate housing needs.

Enterprise Fund Financial Statements

Enterprise fund financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows for each major enterprise fund and non-major funds aggregated.

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

The City reports the following major enterprise funds:

The **Refuse Fund** accounts for the activities of the City's refuse collection and disposal operations.

The **Sewer Fund** accounts for the activities of the City's sanitary sewer system operations.

The **Water Fund** accounts for the activities of the City's water production and distribution operations.

The **Golf Course Fund** accounts for the resources provided and used in the golf course.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting revenues are recognized in the period in which they occur while expenses are recognized in the period in which the liability is incurred.

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

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Additional Fund Financial Statements

Additionally, the government reports the following fund types:

Internal Service Funds account for fleet management services and insurance provided to other departments or agencies of the government, on a cost reimbursement basis.

Agency Funds are used to account for assets held by the City as an agent for the Irrigation District, individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

C. Cash and Investments

Under the City's cash management program, cash in excess of operating requirements from all funds is pooled with the purpose of maximizing interest through investment activities, and is deposited in savings accounts or invested in bank certificates of deposit, bank money market accounts and the State of California Local Agency Investment Fund (LAIF). Interest income on pooled investments is allocated on the end of month balance in each fund included in the pools.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the enterprise funds are pooled with the City's pooled cash and investments.

E. Use of Estimates

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

F. Receivables and Payables

Activity between funds that represents lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "interfund advances receivable/payable" (i.e. the non-current portion of interfund loans).

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 expendable available financial resources.

Enterprise fund statements show report an allowance for uncollectible accounts against the accounts receivables. All customers are billed monthly. The estimated value of services provided, but unbilled at year-end has been included in the accompanying financial statements.

Property taxes are assessed, collected and allocated by Kings County throughout the fiscal year according to the following property tax calendar:

Lien Date	January 1 st
Levy Date	July 1 st to June 30 th
Due Dates	November 1 st , 1 st installment; February 1 st , 2 nd installment
Delinquent Dates	December 10 th , 1 st installment; April 10 th , 2 nd installment

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

Revenues from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) is accrued in the governmental funds when they are both measurable and available. The city considers these revenues available if they are received during the period when settlement of prior fiscal year accounts payable occurs. Historically, the majority of these taxes are received within 60 days of the fiscal year end.

Grant and entitlement revenues are recorded as receivables in the funds when all eligibility requirements have been met. The corresponding governmental fund revenues are recorded in governmental funds when they become available, with the differences recorded as deferred revenue. Enterprise fund revenues are recorded as non-operating revenues when the receivables are recorded. Some grant and entitlement revenues are not susceptible to accrual, in which case the corresponding revenues are recorded when received.

G. Inventory

Inventory is valued at the lower cost, determined by the first-in, first-out method, or market and consists primarily of golf merchandise and food and beverage items sold at the golf course.

H. Assets Held for Resale

Land and improvements held by the Agency for the purpose of improving and reselling are accounted for in this account. The primary purpose of redevelopment agencies is the development or redevelopment of blighted properties. This is accomplished by buying, improving and reselling parcels of land. Property is valued at the lower cost or net realizable value.

I. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

J. Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$2,500. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and improvements	40 years
Machinery and equipment	5-15 years
Infrastructure	10-15 years

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City has elected to use the “modified approach” as defined by GASB 34 for infrastructure reporting for the majority of its road network system. This approach permits the City to not depreciate a network systems or subsystem of infrastructure assets under certain conditions. The City’s road network consists of seven subsystems which include sidewalk, curb and gutter, pavement, landscape zones, streetlights, railroad crossings, and traffic signals. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems. The modified approach is not used for the railroad crossings and traffic signal subsystems. The assets in those subsystems are depreciated using the straight-line method. Information regarding the annual amount required to maintain and preserve the condition level of the infrastructure assets in accordance with established policies was not available.

Sidewalk, Curb and Gutter, and Pavement

For the sidewalk, curb and gutter, and pavement subsystems, the City as divided into individual block segments. Individual Overall Condition Indexes (OCI’s) for each block segment were determined by direct field observation. The sidewalk and curb and gutter OCI’s will be calculated every three years based on a “drive-by” survey. The City will conduct pavement annual surveys on approximately one-third of the City. OCI value ranges are as follows: Good = 75 to 100, Fair = 50 to 74 and Poor = 25 to 49. The City’s policy is to maintain these individual subsystems at a minimum rating of 70. At June 30, 2007, the average ratings for these subsystems were as follows:

<u>Subsystem</u>	<u>OCI Rating</u>
Sidewalk	91.88
Curb and gutter	95.00
Pavement	76.96

Landscape Zones

At June 30, 2010, there were 13 landscape zones within the City’s Landscape and Lighting District. Two OCI ratings for the individual landscape zones were used. The two ratings were: Good = 90 and Fair = 30. At June 30, 2007, the overall average OCI ratings for the landscape zones was 79.03. The City’s policy is to maintain a minimum overall OCI rating of 50. The City will use consultants to re-determine the OCI every three years.

Streetlights

The value ranges for the streetlights are the same as for the sidewalk, curb and gutter, and pavement subsystems. At June 30, 2007, the overall rating for the streetlights was 75.6. The City’s policy is to maintain streetlights at an OCI of 55.

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

K. Risk Management

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

L. Compensated Absences Payable

City employees are granted vacation and sick leave in varying amounts depending on the number of years of service. City employees also accumulate hours of overtime as additional time off. For governmental funds, earned but used, vested leave (vacation, compensated time off, holiday) is expensed and established as a liability and is reported in the entity-wide statement of net assets in the governmental activities column. Vested leave for enterprise funds is recorded as an expense and liability of those funds as the benefits accrue. No liability is recorded for non-vesting leave such as sick leave.

M. Long-Term Debt

In the government-wide financial statements, and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net assets. Bond premiums and discounts are deferred and Amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discount.

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 are reported as debt service expenditures.

N. Fund Balances

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 specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$39,125,965
Restricted cash and investments	2,789,051
Fiduciary funds:	
Cash and investments	<u>715,092</u>
 Total cash and investments	 <u>\$42,630,108</u>

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

Cash on hand	\$ 3,180
Deposits with financial institutions	899,418
Investments	<u>41,727,510</u>
 Total cash and investments	 <u>\$42,630,108</u>

Investments authorized by the California Government Code and the City of Lemoore’s Investment Policy.

The table below identifies the **investment types** that are authorized for the City of Lemoore by the California Government Code (or the City of Lemoore’s investment policy, where more restrictive) that address **interest rate risk, credit risk, and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City of Lemoore, rather than the general provisions of the California Government Code or the City of Lemoore’s investment policy.

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

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio or Amount	Maximum Investment of One Issuer or Amount
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	Legal Limit
Repurchase Agreements	1 year	None	None
Medium-Term Notes	5 years	30%	None
Mutual Accounts	N/A	20%	10%
Money Market Accounts	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
 (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Lemoore manages its exposure to interest rate risk is through the purchase of a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Fair Value	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	Longer Than 60 Months
Money market funds	\$ 2,202,377	\$ 2,202,377	\$	\$	\$
State investment pool	39,007,768	39,007,768			
Investment contracts	<u>517,365</u>				<u>517,365</u>
	<u>\$41,727,510</u>	<u>\$41,210,145</u>	<u>\$</u>	<u>\$</u>	<u>\$517,365</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, City of Lemoore's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
Money market funds	\$ 2,202,377	N/A	\$1,539,324	\$ 663,053
State investment pool	39,007,768	N/A		39,007,768
Investment contracts	<u>517,365</u>	N/A		<u>517,365</u>
	<u>\$41,727,510</u>		<u>\$1,539,324</u>	<u>\$40,188,186</u>

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

Concentration of Credit Risk

The City does not have a formal investment policy that has limits on the amount that can be invested in any one issuer beyond that stipulated in California Government Code. The City's investments are exempt from this disclosure.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2010, no City of Lemoore deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. In addition, as of June 30, 2010, no investments were held by the same broker dealer (counterparty) that was used by the City of Lemoore to purchase the securities.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

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

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 3 – INTERFUND ACTIVITIES

Interfund balances for the purpose of the government-wide statements have been eliminated. The composition of interfund balances in the fund level statements as of June 30, 2010, is as follows:

A. Current Interfund Receivables/Payables

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year.

	Due From Other Funds	Due To Other Funds
Major funds:		
General fund	\$ 12,662	\$
Refuse fund		242,444
Sewer fund	304,793	
Nonmajor funds:		
Grant fund		12,662
Internal service funds:		
Fleet maintenance	_____	62,349
Total	<u>\$317,455</u>	<u>\$317,455</u>

B. Long-Term Interfund Advances

At June 30, 2010, the funds below had made advances that were not expected to be repaid in one year or less.

	Receivable Funds	Payable Funds
Major funds:		
General fund	\$1,625,914	\$
RDA debt service fund		1,625,914
RDA capital projects fund	5,230,158	
Golf Course		5,081,778
Nonmajor funds:		
Storm drain expansion	_____	148,380
Total	<u>\$6,856,072</u>	<u>\$6,856,072</u>

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

C. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund.

	Transfers	
	In	Out
Major funds:		
General fund	\$ 1,695,772	\$ 487,049
RDA debt service fund	3,855,268	1,280,383
RDA capital projects funds	3,384,654	4,871,689
RDA low and moderate income housing special revenue fund		428,765
Water	252,430	478,830
Sewer	195,680	601,392
Refuse	29,261	743,975
Golf Course	189,110	848,195
Nonmajor funds:		
Maintenance assessment district special revenue fund		27,000
Storm drain expansion capital projects fund		5,567
Street improvement capital projects fund		407
Recreation improvement capital projects fund		9,568
Facility infrastructure capital projects fund	133,132	
Capital improvements fees capital projects fund	135,364	13,150
Fleet maintenance internal service fund		102,747
Downtown improvement special revenue fund		11,963
Gasoline tax special revenue fund	339,259	
Streets grant fund special revenue fund	104,293	403,543
 Total	 \$10,314,223	 \$10,314,223

NOTE 4 – ASSETS HELD FOR RESALE

The following is a summary of changes in the assets held for resale during the 2009-2010 fiscal year.

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Land held for resale	\$1,442,615	\$ _____	\$31,710	\$1,410,905

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 5 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure additions as of the beginning of the 2002-2003 fiscal year in the government-wide statement of net assets. The City uses both the basic and the modified approaches as described in Note 1. The table below presents summary information on capital assets.

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,078,594	\$ 61,587	\$	\$ 3,140,181
Road network	42,061,713	2,981,404		45,043,117
Construction in progress	<u>11,545,313</u>	<u>1,706,723</u>	<u>(12,297,179)</u>	<u>954,857</u>
Total capital assets, not being depreciated	<u>56,685,620</u>	<u>4,749,714</u>	<u>(12,297,179)</u>	<u>49,138,155</u>
Capital assets, being depreciated:				
Buildings and improvements	8,088,620	5,888,053	(69,564)	13,907,109
Machinery and equipment	4,859,351	589,832	(153,389)	5,295,794
Infrastructure	<u>1,180,589</u>			<u>1,180,589</u>
Total capital assets, being depreciated	<u>14,128,560</u>	<u>6,477,885</u>	<u>(222,953)</u>	<u>20,383,492</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,728,122)	(284,136)	(63,661)	(2,075,919)
Machinery and equipment	(3,520,413)	(523,160)	157,687	(3,885,886)
Infrastructure	<u>(214,250)</u>	<u>(42,850)</u>		<u>(257,100)</u>
Total accumulated depreciation	<u>(5,462,785)</u>	<u>(850,146)</u>	<u>94,026</u>	<u>(6,218,905)</u>
Total capital assets, being depreciated, net	<u>8,665,775</u>	<u>5,627,739</u>	<u>(128,927)</u>	<u>14,164,587</u>
Governmental activity capital assets, net	<u>\$65,351,395</u>	<u>\$10,377,453</u>	<u>\$(12,426,106)</u>	<u>\$63,302,742</u>

Capital Assets Business-Type Activity

Water Fund:

Capital assets, not being depreciated:				
Land	\$ 427,232	\$	\$	\$ 427,232
Construction in progress	<u>421,391</u>	<u>5,045,043</u>		<u>5,466,434</u>
Total capital assets, not being depreciated	<u>848,623</u>	<u>5,045,043</u>		<u>5,893,666</u>
Capital assets, being depreciated				
Buildings and improvements	10,606,862			10,606,862
Machinery and equipment	<u>1,933,885</u>	<u>26,458</u>	<u>(22,071)</u>	<u>1,938,272</u>
Total capital assets, being depreciated	<u>12,540,747</u>	<u>26,458</u>	<u>(22,071)</u>	<u>12,545,134</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,375,218)	(287,768)	6,897	(4,656,089)
Machinery and equipment	<u>(906,359)</u>	<u>(98,575)</u>	<u>15,174</u>	<u>(989,760)</u>
Total accumulated depreciation	<u>(5,281,577)</u>	<u>(386,343)</u>	<u>22,071</u>	<u>(5,645,849)</u>
Total capital assets, being depreciated, net	<u>7,259,170</u>	<u>(359,885)</u>		<u>6,899,285</u>
Water Fund Capital Assets, net	<u>\$ 8,107,793</u>	<u>\$ 4,685,158</u>	<u>\$</u>	<u>\$12,792,951</u>

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

	Balance July 1, 2010	Additions/ Completions	Retirements/ Adjustments	Balance June 30, 2010
Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 392,805	\$	\$	\$ 392,805
Construction in progress	217,158	_____	(217,158)	_____
Total capital assets, not being depreciated	<u>609,963</u>	_____	<u>(217,158)</u>	<u>392,805</u>
Capital assets, being depreciated				
Buildings and improvements	4,740,700	386,284		5,126,984
Machinery and equipment	3,184,778	9,969	(34,235)	3,160,512
Total capital assets, being depreciated	<u>7,925,478</u>	<u>396,253</u>	<u>(34,235)</u>	<u>8,287,496</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,140,515)	(171,175)		(1,311,690)
Machinery and equipment	(2,346,138)	(116,007)	34,235	(2,427,910)
Total accumulated depreciation	<u>(3,486,653)</u>	<u>(287,182)</u>	<u>34,235</u>	<u>(3,739,600)</u>
Total capital assets, being depreciated, net	<u>4,438,825</u>	<u>109,071</u>	_____	<u>4,547,896</u>
Sewer Fund Capital Assets, net	<u>\$ 5,048,788</u>	<u>\$ 109,071</u>	<u>\$ (217,158)</u>	<u>\$ 4,940,701</u>
Refuse Fund:				
Capital assets, not being depreciated:				
Land	\$ 252,504	\$	\$	\$ 252,504
Total capital assets, not being depreciated	<u>252,504</u>	_____	_____	<u>252,504</u>
Capital assets, being depreciated				
Machinery and equipment	1,666,446	_____	3,493	1,669,939
Total capital assets, being depreciated	<u>1,666,446</u>	_____	<u>3,493</u>	<u>1,669,939</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,022,119)	(162,603)	(3,493)	(1,188,215)
Total accumulated depreciation	<u>(1,022,119)</u>	<u>(162,603)</u>	<u>(3,493)</u>	<u>(1,188,215)</u>
Total capital assets, being depreciated, net	<u>644,327</u>	<u>(162,603)</u>	_____	<u>481,724</u>
Refuse Fund Capital Assets, net	<u>\$ 896,831</u>	<u>\$ (162,603)</u>	<u>\$</u>	<u>\$ 734,228</u>
Golf Course Fund:				
Capital assets, not being depreciated:				
Land	\$ 624,013	\$	\$	\$ 624,013
Total capital assets, not being depreciated	<u>624,013</u>	_____	_____	<u>624,013</u>
Capital assets, being depreciated				
Buildings and improvements	4,276,019	25,070	15,104	4,316,193
Machinery and equipment	816,076	2,482	(156,094)	662,464
Total capital assets, being depreciated	<u>5,092,095</u>	<u>27,552</u>	<u>(140,990)</u>	<u>4,978,657</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,301,125)	(108,531)		(1,409,656)
Machinery and equipment	(993,867)	(125,927)	140,470	(979,324)
Total accumulated depreciation	<u>(2,294,992)</u>	<u>(234,458)</u>	<u>140,470</u>	<u>(2,388,980)</u>
Total capital assets, being depreciated, net	<u>2,797,103</u>	<u>(206,906)</u>	<u>(520)</u>	<u>2,589,677</u>
Golf Course Fund Capital Assets, net	<u>\$ 3,421,116</u>	<u>\$ (206,906)</u>	<u>\$ (520)</u>	<u>\$ 3,213,690</u>
Total Capital Assets, net	<u>\$17,474,528</u>	<u>\$ 4,424,720</u>	<u>\$ (217,678)</u>	<u>\$21,681,570</u>

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

For the year ended June 30, 2010, depreciation expense on capital assets was charged to the governmental functions as follows:

General government	\$459,268
Public safety	107,347
Public works	3,861
City streets	44,567
Parks and recreation	132,779
Community development	91,484
Capital assets held by the Internal Service	
Funds were charged to the various functions based on their usage	10,840
Total	<u>\$850,146</u>

NOTE 6 – DEPOSITS AND OTHER LIABILITIES

Deposits and other liabilities at June 30, 2010 consisted of the following:

	General Fund	Water Fund	Golf Course Fund	Total
Deposits	\$610,079	\$	\$	\$610,079
Other liabilities	_____	<u>20,386</u>	<u>17,544</u>	<u>37,930</u>
Total deposits and other liabilities	<u>\$610,079</u>	<u>\$20,386</u>	<u>\$17,544</u>	<u>\$648,009</u>

NOTE 7 – COMPENSATED ABSENCES

The City's policy relating to compensated absences is described in Note 1. As shown in the table of long-term obligations in the following note, the non-current portion of this debt at fiscal year end was \$328,198 and \$64,641 for governmental activities and business type activities, respectively. This obligation is expected to be paid in future years from the available resources derived from the respective funds to which the employee services are rendered.

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 8 – LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions of the City for governmental activities for the year ended June 30, 2010.

	<u>Balance July 1, 2009</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2010</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More Than One Year</u>
Governmental Activities:						
Bonds payable:						
1998 RDA Tax Allocation Refunding	\$ 5,770,000	\$	\$ 45,000	\$ 5,725,000	\$ 45,000	\$ 5,680,000
2003 RDA Tax Allocation Refunding	12,750,000		380,000	12,370,000	400,000	11,970,000
Unamortized deferred charges for defeasance	<u>(35,362)</u>		<u>(1,473)</u>	<u>(33,889)</u>	<u>(1,473)</u>	<u>(32,416)</u>
Total bonds payable	<u>18,484,638</u>		<u>423,527</u>	<u>18,061,111</u>	<u>443,527</u>	<u>17,617,584</u>
Obligations payable:						
Leprino Owner Participation Agreement Obligation	2,086,762		497,521	1,589,241	519,062	1,070,179
Compensated absences	<u>393,218</u>	<u>17,030</u>		<u>410,248</u>	<u>82,050</u>	<u>328,198</u>
Governmental activity long-term liabilities	<u>\$20,964,618</u>	<u>\$17,030</u>	<u>\$921,048</u>	<u>\$20,060,600</u>	<u>\$1,044,639</u>	<u>\$19,015,961</u>

Tax Allocation Refunding Bonds

1998 RDA Tax Allocation Refunding Bonds

The Agency issued \$6,180,000 of its Tax Allocation Refunding Bonds on April 1, 1998 (the 1998 bonds), to advance refund \$5,015,000 of the Agency's \$8,500,000 issuance of 1995 Tax Allocation Bonds (the 1995 Bonds), and to fund issuance costs and a reserve account. Beginning August 1, 1998, interest on the 1998 bonds is payable semi-annually on February 1, and August 1, of each year at interest rates varying from 3.60% to 5.28% per annum. Debt Service payments of the 1998 Bonds are secured by a pledge of the property tax revenue increments collected on properties within the redevelopment project area. The debt agreement requires a reserve account to be held by the trustee.

Annual debt service requirements to maturity for the 1998 RDA Tax Allocation Refunding Bonds are as follows:

<u>Year Ending June 30,</u>	<u>1998 RDA Tax Allocation Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 45,000	\$ 289,890	\$ 334,890
2012	260,000	287,550	547,550
2013	275,000	274,030	549,030
2014	285,000	259,730	544,730
2015	300,000	244,910	544,910
2016-2020	1,770,000	973,730	2,743,730
2021-2025	2,265,000	481,750	2,746,750
2026	<u>525,000</u>	<u>26,250</u>	<u>551,250</u>
Totals	<u>\$5,725,000</u>	<u>\$2,837,840</u>	<u>\$8,562,840</u>

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

2003 RDA Tax Allocation Refunding Bonds

On May 15, 2003, the Agency issued \$13,835,000 of its Tax Allocation Refunding Bonds, Series 2003 (the 2003 Bonds), bearing interest of 1.6% to 4.75 payable semi-annually on August 1 and February 1, commencing August 1, 2003. Beginning August 1, 2006, principal comes due annually in various sums through August 1, 2033, subject to optional redemption by the Agency, in whole or in part, on August 1, 2013. The 2003 Bonds are payable from, and secured by, incremental property tax revenues (Pledged Tax Revenues). The proceeds were used to legally defease the remaining outstanding balance (\$2,360,000) of the 1995 Bonds to fund a debt service payment reserve account and to pay costs of issuance, with the balance of the 2003 bond proceeds deposited into the Agency's Housing and Redevelopment Funds for future redevelopment activities. The refunding of the 1995 Bonds resulted in an economic gain (the difference between the present value of the debt service payments on the original and refunding debt) of \$298,825 which is being amortized in the government-wide financial statements on a straight-line basis over the life of the 2003 Bonds, along with the cost of issuing the 2003 bonds.

Annual debt service requirements to maturity for the 2003 Tax Allocation Refunding Bonds are as follows:

<u>Year Ending June 30,</u>	<u>2003 RDA Tax Allocation Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 400,000	\$ 554,799	\$ 954,799
2012	195,000	545,184	740,184
2013	195,000	538,359	733,359
2014	200,000	531,148	731,148
2015	215,000	523,256	738,256
2016-2020	1,190,000	2,476,304	3,666,304
2021-2025	1,485,000	2,181,491	3,666,491
2026-2030	4,035,000	1,599,063	5,634,063
2031-2034	<u>4,455,000</u>	<u>435,456</u>	<u>4,890,456</u>
Total	<u>12,370,000</u>	<u>9,385,060</u>	<u>21,755,060</u>
Less: Unamortized deferred charges for defeasance	<u>(33,889)</u>		<u>(33,889)</u>
	<u>\$12,336,111</u>	<u>\$9,385,060</u>	<u>\$21,721,171</u>

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

Leprino Owner Participation Agreements Obligation

On March 7, 2000, the Agency entered into an owner participation agreement with Leprino Foods Company (“Leprino”) whereby Leprino was to construct a dairy and related products manufacturing and storage facility within the redevelopment project area. The City was to reimburse Leprino \$3 million for the cost of the infrastructure improvements which contributed to the elimination of blight in the project area. Subsequently, due to an expansion of the project scope requiring Leprino to increase its investment from \$125 million to more than \$250 million, the Agency’s reimbursement obligation increased to \$6 million, payable in 10 annual installments of \$600,000 each, subject to the Leprino facility having an assessed value in excess of \$250 million and verification of actual infrastructure costs incurred by Leprino. During fiscal year a payment of \$710,700 was made. This payment was adjusted from \$600,000 because the facility assessed value was \$291 million. Future payments are expected to equal \$600,000.

Although the stated interest rate on this obligation is zero percent, the Agency has used the effective interest rate on its 2003 Tax Allocation Refunding Bonds (4.04%) as an imputed interest discount rate to value the obligation at its present value of \$3,017,181 (taking into account the reduction or increase in payment based on the assessed value as discussed above) for reporting purposes. Scheduled payments on this obligation are presented below.

Year Ending June 30,	Leprino Owner Participation Agreement Obligation		
	Principal	Interest	Total
2011	\$ 519,062	\$ 80,938	\$ 600,000
2012	529,576	70,424	600,000
2013	<u>540,603</u>	<u>59,397</u>	<u>600,000</u>
Total	<u>\$1,589,241</u>	<u>\$210,759</u>	<u>\$1,800,000</u>

The following is a summary of the long-term obligation transactions of the City for business-type activities for the year ended June 30, 2010.

	Balance July 1, 2009	Incurred or Issued	Satisfied or Matured	Balance June 30, 2010	Amounts Due Within One Year	Amounts Due in More Than One Year
Business-Type Activities:						
Bonds payable:						
Lease revenue bonds	\$4,610,000	\$	\$ 305,000	\$4,305,000	\$315,000	\$3,990,000
Certificates of participation	2,840,000		180,000	2,660,000	190,000	2,470,000
2001 Refunding lease	97,253		47,320	49,933	49,933	
Less deferred refunding amount	<u>(357,683)</u>		<u>(32,519)</u>	<u>(325,164)</u>	<u>(32,516)</u>	<u>(292,648)</u>
Total bonds payable	7,189,570		499,801	6,689,769	522,417	6,167,352
Notes payable	200,000		18,000	182,000	19,000	163,000
Capital leases	67,299		27,951	39,348	26,162	13,186
Compensated absences	<u>89,307</u>		<u>8,506</u>	<u>80,801</u>	<u>16,160</u>	<u>64,641</u>
Business type activity long-term liabilities	<u>\$7,546,176</u>	<u>\$</u>	<u>\$554,258</u>	<u>\$6,991,918</u>	<u>\$583,739</u>	<u>\$6,408,179</u>

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

2001 Refunding Lease

The City has utilized certificates of participation (COPS) to finance storm drain improvements. The certificates have interest rates varying from 5.7% to 7.6%.

On April 4, 2001, the City refunded the 1991 COPS with a lease. Proceeds from the lease of \$396,715, outstanding reserve funds of \$67,336, and cash from the City of approximately \$48,500 were used to retire the remaining principal, accrued interest, and a call premium on the 1991 COPS plus costs of issuance of \$4,500 on the new debt.

The refinancing of the 1991 COPS reduced the City's payments by reducing the interest rate to 5.45%. Lease payments are due semi-annually in October and April, beginning in 2001 until the year 2011.

The following is a schedule of the future lease payments under the refunding lease:

Year Ending June 30,	Refunding Lease		
	Principal	Interest	Total
2011	<u>\$49,933</u>	<u>\$2,051</u>	<u>\$51,984</u>
Total	<u>\$49,933</u>	<u>\$2,051</u>	<u>\$51,984</u>

1995 Variable Rate Demand Certificates of Participation

In November 1995, the City issued \$4,215,000 of variable Rate Demand Certificates of Participation (COPS). The COPS were issued to refund the lease-purchase obligation of the City (prior obligation) through which the City originally obtained funds for acquisition, construction, improvement, and equipping of municipal golf course improvements and to pay for the costs of execution and delivery of the certificates. The certificates are evidenced by site lease agreements and have variable interest rates, approximately 3.34% for 2007. The final payment on the COPS is scheduled for November 2020.

The following is a schedule of the future estimated minimum payments related to the 1995 Variable Rate Demand Certificates of Participation at June 30, 2009.

Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2011	\$ 190,000	\$ 88,844	\$ 278,844
2012	195,000	82,498	277,498
2013	205,000	75,985	280,985
2014	215,000	69,138	284,138
2015	230,000	61,957	291,957
2016-2020	1,320,000	187,374	1,507,374
2021	<u>305,000</u>	<u>10,187</u>	<u>315,187</u>
Total	<u>\$2,660,000</u>	<u>\$575,983</u>	<u>\$3,235,983</u>

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

Lease Revenue Bonds

On April 19, 2001, the Lemoore Financing Authority issued \$6,600,000 in Lease Revenue Refunding Bonds. The bonds were issued to advance refund \$6,020,000 of the outstanding 1995 Lease Revenue Bonds with interest rates from 5.00% to 6.20%. The net proceeds of \$6,544,142 were used to purchase State and Local Governments Series (SLGS) and deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the 1995 Lease Revenue Bonds. Reserve funds from the 1995 Lease Revenue Bonds of \$545,994 were used to pay issuance costs and fund the reserve fund relating to the new debt. Approximately \$1,100,000 of unspent proceeds from the 1995 Bonds was rolled into the refunding and will be allocated to upcoming water and sewer construction.

Annual debt service requirements to maturity for Lease Revenue Bonds are as follows:

Year Ending June 30,	Lease Revenue Bonds		
	Principal	Interest	Total
2011	\$ 315,000	\$ 192,236	\$ 507,236
2012	325,000	179,033	504,033
2013	340,000	164,898	504,898
2014	355,000	149,778	504,778
2015	370,000	133,643	503,643
2016-2020	2,110,000	387,697	2,497,697
2021	<u>490,000</u>	<u>12,250</u>	<u>502,250</u>
Total	<u>\$4,305,000</u>	<u>\$1,219,535</u>	<u>\$5,524,535</u>

Note Payable

The City obtained a loan of \$480,000 under the 1977 Emergency Drought Relief Programs administered by the United States Department of Agriculture. The note is secured by the revenues received from the City's water system. Annual payments of \$8,000 to \$27,000 plus interest at 5.00% are due semi-annually on June 1, and December 1, of each year.

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Notes Payable 1977 Emergency Drought Relief		
	Principal	Interest	Total
2011	\$ 19,000	\$ 8,625	\$ 27,625
2012	20,000	7,650	27,650
2013	21,000	6,625	27,625
2014	22,000	5,550	27,550
2015	23,000	4,425	27,425
2016-2018	<u>77,000</u>	<u>5,925</u>	<u>82,925</u>
Total	<u>\$182,000</u>	<u>\$38,800</u>	<u>\$220,800</u>

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 9 – CAPITAL LEASE COMMITMENTS

The City has entered into lease agreements for the acquisition of golf maintenance equipment. These lease agreements qualify as capital leases for accounting purposes. These leases have interest rates varying from 0.00% to 8.90% and the final payment on the leases is scheduled for June, 2012.

The following is an analysis of the equipment leased as of June 30, 2010:

	Business-Type Activities
Equipment	\$ 158,914
Less: Accumulated depreciation	<u>(103,888)</u>
	<u>\$ 55,026</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 are as follows:

		Business-Type Activities
	2011	\$ 26,162
	2012	<u>18,175</u>
		44,337
Less: Estimated amount representing interest		<u>(4,989)</u>
Present value of future minimum lease payments		<u>\$ 39,348</u>

NOTE 10 – CLASSIFICATION OF NET ASSETS

In the government-wide financial statements, net assets are classified in the following categories:

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 this category.

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

Unrestricted net assets – This category presents the remaining City net assets and this measure of equity is unrestricted, legally or otherwise.

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 reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2010, there were no designations of unreserved fund balance, but reservations of fund balance are described below:

Reserved for Low and Moderate Income Housing - This designation represents 20% of tax increment revenues generated by the Redevelopment Project Areas to increase and improve the supply of low and moderate income housing.

Reserved for Advances – Loans for housing rehabilitation and housing assistance and long-term loans between funds that will not be repaid, if ever, for many years, so are not available for current appropriations.

Reserved for Assets Held for Resale – Assets held for resale are not available for current appropriations.

Reserved for Notes Receivable – Notes receivable are long-term in nature and therefore are not available for current appropriations.

NOTE 11 – POSTRETIREMENT BENEFITS

The City allows its retirees who retire under provisions of a regular service retirement to have the opportunity to continue enrollment in the City's health insurance program. The retirees have the same choice of insurance plans as those of current employees. The retirees are pooled together separately from the active employee pool and pay the full cost of the insurance premiums without cost to the City.

NOTE 12 – DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employee's Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

Funding Policy

Active plan members in the Miscellaneous and Safety plans are required to contribute 7.0% and 9.0%, respectively, of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2009-2010 was 8.59% for miscellaneous employees, and 14.296% for police officers, of annual payroll. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Costs

For the fiscal year ended June 30, 2010, the City's annual pension cost of \$1,014,120 for PERS was equal to the City's required and actual contributions. The required contribution for the fiscal year ended June 30, 2010 was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expense), (b) projected annual salary increases that vary by duration of service ranging from 3.55% to 14.45% for both safety and miscellaneous members, and (c) 3.25% payroll growth. Both (a) and (b) included an inflation component of 3%. The actuarial values of the Miscellaneous and Police Safety of the City of Lemoore's assets were determined by using a technique that smoothes the effects of short-term volatility in the fair market value of investments over a two to five year period, depending on the size of investment gains and/or losses. The Miscellaneous and the Safety Plans of the City of Lemoore's unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009 was 18 years for Miscellaneous and 16 years for Police Safety.

Fiscal Year	Three-Year Trend Information for PERS		Net Pension Obligation
	Annual Pension Cost (ACP)	Percentage of ACP Contributed	
6/30/08	\$915,619	100.0%	0
6/30/09	\$1,027,636	100.0%	0
6/30/10	\$1,014,120	100.0%	0

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date the plan was 88.9% funded for non-safety employees and 83.7% funded for safety employees. The actuarial accrued liability for benefits was \$3.1 billion for non-safety employees and \$440 million for safety employees and the actuarial value of assets was \$2.0 billion for non-safety employees and \$270 million for safety employees, resulting in an unfunded actuarial accrued liability (UAAL) of \$346 million for non-safety employees and \$71 million for safety employees. The covered payroll (annual payroll of active employees covered by the plan) was \$743 million for non-safety members and \$602 million for safety members, and the ratio of UAAL to the covered payroll was 46.6% and 119.2% respectively.

The schedule of funding progress presented as RSI presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Required Supplementary Information

Public Employees Retirement System
Schedule of Funding Progress

(Dollar Amounts in Thousands)

<u>Valuation Date</u>	<u>Actuarial Value Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age Normal</u>	<u>Unfunded AAL (UAAL)/ (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<u>Miscellaneous Plan</u>						
6/30/07	\$2,391,434	\$2,611,747	\$220,312	91.6%	\$665,523	33.1%
6/30/08	\$2,547,323	\$2,780,281	\$232,957	91.6%	\$688,607	33.8%
6/30/09	\$2,758,511	\$3,104,798	\$346,287	88.9%	\$742,981	46.6%
<u>Safety Plan</u>						
6/30/07	\$ 403,485	\$ 462,354	\$ 58,870	87.3%	\$ 72,309	81.4%
6/30/08	\$ 438,675	\$ 504,296	\$ 65,621	87.0%	\$ 77,903	84.2%
6/30/09	\$ 368,646	\$ 440,333	\$ 71,687	83.7%	\$ 60,158	119.2%

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 13 – DEFERRED COMPENSATION

The City has established a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts deferred under the plan and all income attributable to those amounts are solely the property and rights of the plan participants. The City has no liability for losses under the plan. The assets and related liabilities are not reported on the City's financial statements in accordance with Governmental Accounting Standards Board Statement No. 32 "Accounting and financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."

NOTE 14 – RISK MANAGEMENT

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a public entity risk pool for workers' compensation and general liability insurance. The CSJVRMA is a consortium of fifty-four cities located in California's San Joaquin Valley. It was established under the provisions of California Government Code Section 6500 et. Seq. CSJVRMA is governed by a Board of Directors consisting of one member appointed by each member city. The day-to-day business operations are handled by a management group employed by CSJVRMA. The relationship between the City and CSJVRMA is such the CSJVRMA is not considered a component unit of the City for financial reporting purposes.

For liability insurance, the risk pool covers the City above its self-insurance retention level of \$50,000 up to \$1,000,000. CSJVRMA participates in an excess pool, which provides general liability coverage from \$1,000,000 to \$25,000,000.

The City maintains a self-insured retention level of \$50,000 for workers' compensation insurance. Coverage between \$50,000 and \$500,000 is provided through the risk pool. CSJVRMA participates in an excess pool, which provides workers' compensation coverage from \$500,000 to \$5,000,000 and purchases excess insurance above \$5,000,000 to the statutory limit.

The most recent condensed financial information of CSJVRMA is as follows:

	As of and for the Year Ended June 30, 2010
Total Assets	<u>\$67,337,173</u>
Total Liabilities	\$55,453,249
Total Net Assets	<u>11,883,924</u>
Total Liabilities and Net Assets	<u>\$67,337,173</u>
Total Revenues for Year	\$33,252,560
Total Expenses for Year	<u>30,672,089</u>
Change in net assets	<u>\$ 2,580,471</u>

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with governing documents.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

General Liability

There are various claims and legal actions pending against the City for which no provisions has been made in the financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

Federal Awards and Grants

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

NOTE 16 – DEFICIT AND FUND EQUITY

The **Golf Course Fund** has a net assets deficit of \$3,082,943. The deficit is due primarily to current operating income that is insufficient to cover outstanding long-term debt obligations. It is anticipated that the deficit in this fund will be eliminated through future revenues or transfers from other funds.

The **Grant Fund** has a net fund balance deficit of \$12,662. The deficit will be eliminated through future revenues or transfers from other funds.

Designations

Designations of Fund Equity are not legally required segregations but are segregated by the City's management for a specific purpose. The City had designated the net assets of the water and sewer funds as follows:

Water Fund:	
Designated for future capital improvements	\$ 916,438
Sewer Fund:	
Designated for future capital improvements	\$2,482,532

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

The beginning fund balances/net assets of various funds and activities have been adjusted as follows:

Government-wide Financial Statements

	Governmental Activities
Net assets, beginning of the year as previously reported	\$86,754,191
Prior Period Adjustment:	
Capital assets were adjusted to correct the treatment of street preservation costs in the prior year that were originally determined to be street improvements	(3,907,681)
Net assets, beginning-restated	\$82,846,510

NOTE 18 – SUBSEQUENT EVENTS

In March, 2011, the Lemoore Redevelopment Agency issued \$19,150,000 in Tax Allocation Bonds consisting of \$1,785,000 in Serial Bonds and \$17,365,000 in Term Bonds. The interest rates on the Serial Bonds range from 3% to 6%. Annual principal payments in varying amounts are due beginning in 2012 and mature in 2021. The interest rates on the Term Bonds range from 6.625% to 7.375%. Principal payments in varying amounts are due in 2024, 2031, and 2040. The proceeds of the Bonds will be used to finance additional redevelopment activities, fund a debt service reserve fund, and pay debt issuance costs.

Redevelopment Agency funds have been subject to a two year takeaway by the State starting in 2010 and continuing for fiscal year 2011. The amount payable to the State in 2011 is \$488,463.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEMOORE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 1,185,000	\$ 1,185,000	\$ 1,028,264	\$(156,736)
Other taxes	2,234,000	2,234,000	2,409,957	175,957
Licenses and permits	577,500	441,500	574,761	133,261
Charges for services	147,000	142,000	166,355	24,355
From other agencies	2,247,500	2,247,500	2,642,913	395,413
Fees and assessments	18,000	18,000	16,700	(1,300)
Use of money and property	250,000	75,000	54,925	(20,075)
Other revenue	<u>910,176</u>	<u>910,176</u>	<u>1,001,993</u>	<u>91,817</u>
Total revenues	<u>7,569,176</u>	<u>7,253,176</u>	<u>7,895,868</u>	<u>642,692</u>
EXPENDITURES:				
General government	2,588,978	2,577,223	2,332,943	244,280
Public safety	4,710,598	4,597,637	4,536,073	61,564
Public works	321,296	322,007	300,608	21,399
City streets	473,542	437,084	456,177	(19,093)
Parks and recreation	768,869	770,086	793,389	(23,303)
Capital outlay	<u>101,860</u>	<u>157,445</u>	<u>272,667</u>	<u>(115,222)</u>
Total expenditures	<u>8,965,143</u>	<u>8,861,482</u>	<u>8,691,857</u>	<u>169,625</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,395,967)</u>	<u>(1,608,306)</u>	<u>(795,989)</u>	<u>812,317</u>
Other financing sources (uses):				
Transfers in	1,695,772	1,695,772	1,695,772	
Transfers out	<u>(487,049)</u>	<u>(487,049)</u>	<u>(487,049)</u>	
Total other financing sources (uses)	<u>1,208,723</u>	<u>1,208,723</u>	<u>1,208,723</u>	
Net change in fund balances	(187,244)	(399,583)	412,734	812,317
Fund balances, July 1, 2009	<u>9,806,319</u>	<u>9,806,319</u>	<u>9,806,319</u>	
Fund balances, June 30, 2010	<u>\$ 9,619,075</u>	<u>\$ 9,406,736</u>	<u>\$10,219,053</u>	<u>\$ 812,317</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

BUDGETARY INFORMATION – The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at specially scheduled sessions, before the public hearing. The council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is legally adopted through passage of an ordinance. This budget is reported as Original Budget in the budgetary comparison schedules.
4. During the fiscal year, changes to the adopted budget may be authorized, as follows:
 - a. Items requiring City Council action – appropriation of fund balance reserves; transfers of appropriations between funds; appropriation of any non-departmental revenues; new interfund loans or advances; and creation of new capital projects or increases to existing capital projects.
 - b. Items delegated to the City Manager – transfers between departments within funds so long as there is not an increase to fund budget.
 - c. Items delegated to the Finance Director – allocation of departmental appropriations between line items so long as total department budget remains unchanged.
5. Formal budgetary integration is employed as a management tool for all funds. Annual budgets are legally adopted and amended as required for the general, special revenue and enterprise funds. Project length budgets are adopted for the capital projects funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP), and budgetary comparisons for the general and major special revenue funds are presented on that basis in the required supplementary information. A debt service payment schedule for the debt service funds is also approved as part of the budget process.
6. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.
7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called “department.” A “department” for legal appropriation purposes may be a single organization, or an entire department having multiple organizations within the same fund, or an entire fund.

EXCESS OF EXPENDITURES OVER APROPRIATIONS

For the year ended June 30, 2010, expenditures exceeded appropriations in city streets, parks and recreation and capital outlay by \$19,093, \$23,303 and \$115,222, respectively. These overexpenditures were funded by greater than anticipated revenues.

SUPPLEMENTARY INFORMATION

CITY OF LEMOORE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. The City maintains ten nonmajor special revenue funds.

Grant Fund

To account for the City's receipts and expenditures of state, federal and other grants.

Traffic Safety Fund

To account for the proceeds of traffic citations, which may be used for programs promoting traffic safety, such as street improvements and striping and the like.

Gasoline Tax Fund

To account for revenues and expenditures apportioned to the City under the streets and Highway Code, Sections 2105, 2106, 2107, and 2107.5 of the State of California. Expenditures for administration, maintenance and construction must be street related.

Local Transportation Fund

To account for the maintenance and construction of roadways and for specialized engineering services using transportation development act funds.

Maintenance Assessment District Fund

To account for City maintenance costs relating to public improvements within the assessment district area.

TE/STP Exchange fund

To account for projects undertaken with federal streets transportation and planning funds received by the City through the State of California.

Downtown Improvement Fund

To account for economic development and revitalization endeavors by local businesses in the downtown area.

Streets Grant Fund

To account for street improvements using miscellaneous state and federal grants.

CITY OF LEMOORE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010
(Continued)

The **Capital Projects Funds** are established to account for resources used for the acquisition and construction of capital facilities by the City, except for those financed by enterprise funds.

Storm Drain Expansion Fund

To account for storm drain improvements, operations and maintenance. The activities of the fund include building new storm drains and obtaining storm drains completed by developers.

Street Improvement Fund

To account for improvements to local streets and roads using developer fees, grant proceeds, and other sources designated by the City Council for this purpose.

Recreation Improvement Fund

To account for the revenue from developer fees to be used for acquisition and development of parks and recreation facilities.

Facility Infrastructure Fund

To account for improvements to City buildings and improvements using developer fees, grant proceeds, and other sources designated by the City Council for this purpose.

Capital Improvement Fees Fund

To account for miscellaneous capital projects using developer fees.

CITY OF LEMOORE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>Combined Special Revenue Funds</u>	<u>Combined Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS			
Cash and investments	\$5,960,132	\$6,188,926	\$12,149,058
Receivables:			
Taxes	42,234		42,234
Interest	5,978	7,807	13,785
Assessments		8,679	8,679
Intergovernmental	<u>169,702</u>	<u> </u>	<u>169,702</u>
Total assets	<u>\$6,178,046</u>	<u>\$6,205,412</u>	<u>\$12,383,458</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 512,983	\$ 5,314	\$ 518,297
Advances		148,380	148,380
Interfund payable	<u>12,662</u>	<u> </u>	<u>12,662</u>
Total liabilities	<u>525,645</u>	<u>153,694</u>	<u>679,339</u>
 Fund Balances			
Unreserved	<u>5,652,401</u>	<u>6,051,718</u>	<u>11,704,119</u>
Total fund balances	<u>5,652,401</u>	<u>6,051,718</u>	<u>11,704,119</u>
Total liabilities and fund balances	<u>\$6,178,046</u>	<u>\$6,205,412</u>	<u>\$12,383,458</u>

CITY OF LEMOORE
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Combined Special Revenue Funds</u>	<u>Combined Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Property taxes	\$ 246,924	\$	\$ 246,924
From other agencies	2,334,583		2,334,583
Fees and assessments	49,848	80,048	129,896
Licenses and permits	11,822		11,822
Use of money and property	28,260	38,663	66,923
Other revenue	<u>16,669</u>		<u>16,669</u>
Total revenues	<u>2,688,106</u>	<u>118,711</u>	<u>2,806,817</u>
EXPENDITURES			
Liabilities:			
Current:			
General government	392,323		392,323
Public works		66,481	66,481
Community development	790,169		790,169
Capital outlay:			
General government		174,886	174,886
City streets	1,236,812		1,236,812
Public works		<u>430,364</u>	<u>430,364</u>
Total expenditures	<u>2,419,304</u>	<u>671,731</u>	<u>3,091,035</u>
Excess (deficiency) of revenues over (under) expenditures	<u>268,802</u>	<u>(553,020)</u>	<u>(284,218)</u>
Other financing sources (uses):			
Operating transfers in	443,552	268,496	712,048
Operating transfers out	<u>(442,506)</u>	<u>(28,692)</u>	<u>(471,198)</u>
Total other financing sources (uses)	<u>1,046</u>	<u>239,804</u>	<u>240,850</u>
Net change in fund balances	<u>269,848</u>	<u>(313,216)</u>	<u>(43,368)</u>
Fund balances, July 1, 2009	<u>5,382,553</u>	<u>6,364,934</u>	<u>11,747,487</u>
Fund balances, June 30, 2010	<u>\$5,652,401</u>	<u>\$6,051,718</u>	<u>\$11,704,119</u>

CITY OF LEMOORE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Traffic Safety	Gasoline Tax	Local Transportation	Grant Fund	Streets Grant Fund
ASSETS					
Cash and investments	\$243,493	\$1,673,456	\$1,309,711	\$	\$655,179
Receivables:					
Taxes	2,024		34,225		
Interest	298	1,600	1,459		
Intergovernmental	4,611	40,117			
Total assets	<u>\$250,426</u>	<u>\$1,715,173</u>	<u>\$1,345,395</u>	<u>\$</u>	<u>\$655,179</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$	\$ 4,059	\$ 183	\$	\$461,286
Interfund payable				12,662	
Total liabilities		4,059	183	12,662	461,286
Fund balances:					
Unreserved	250,426	1,711,114	1,345,212	(12,662)	193,893
Total fund balances	<u>250,426</u>	<u>1,711,114</u>	<u>1,345,212</u>	<u>(12,662)</u>	<u>193,893</u>
Total liabilities and fund balances	<u>\$250,426</u>	<u>\$1,715,173</u>	<u>\$1,345,395</u>	<u>\$</u>	<u>\$655,179</u>

CITY OF LEMOORE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Maintenance Assessment District	TE/STP Exchange Fund	Downtown Improvement	Totals
ASSETS				
Cash and investments	\$770,631	\$1,295,272	\$12,390	\$5,960,132
Receivables:				
Taxes	5,985			42,234
Interest	1,000	1,605	16	5,978
Intergovernmental	<u> </u>	<u>124,974</u>	<u> </u>	<u>169,702</u>
Total assets	<u>\$777,616</u>	<u>\$1,421,851</u>	<u>\$12,406</u>	<u>\$6,178,046</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 47,455	\$	\$	\$ 512,983
Interfund payable	<u> </u>	<u> </u>	<u> </u>	<u>12,662</u>
Total liabilities	<u>47,455</u>	<u> </u>	<u> </u>	<u>525,645</u>
Fund balances:				
Unreserved	<u>730,161</u>	<u>1,421,851</u>	<u>12,406</u>	<u>5,652,401</u>
Total fund balances	<u>730,161</u>	<u>1,421,851</u>	<u>12,406</u>	<u>5,652,401</u>
Total liabilities and fund balances	<u>\$777,616</u>	<u>\$1,421,851</u>	<u>\$12,406</u>	<u>\$6,178,046</u>

CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Traffic Safety</u>	<u>Gasoline Tax</u>	<u>Local Transportation</u>	<u>Grant Fund</u>	<u>Streets Grant Fund</u>
REVENUES:					
Property taxes	\$	\$	\$	\$	\$
From other agencies		389,443	430,648	739,186	196,983
Fees and assessments	49,848				
Licenses and permits					
Use of money and property	1,331	7,078	7,109	2	1,626
Other revenue				<u>16,669</u>	
Total revenues	<u>51,179</u>	<u>396,521</u>	<u>437,757</u>	<u>755,857</u>	<u>198,609</u>
EXPENDITURES:					
Current:					
General government					
Community development				790,169	
Capital outlay:					
City streets		<u>80,824</u>	<u>420,948</u>		<u>735,040</u>
Total expenditures		<u>80,824</u>	<u>420,948</u>	<u>790,169</u>	<u>735,040</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,179</u>	<u>315,697</u>	<u>16,809</u>	<u>(34,312)</u>	<u>(536,431)</u>
Other financing sources (uses):					
Operating transfers in		339,259			104,293
Operating transfers out					<u>(403,543)</u>
Total other financing sources (uses)		<u>339,259</u>			<u>(299,250)</u>
Net change in fund balances	<u>51,179</u>	<u>654,956</u>	<u>16,809</u>	<u>(34,312)</u>	<u>(835,681)</u>
Fund balances, July 1, 2009	<u>199,247</u>	<u>1,056,158</u>	<u>1,328,403</u>	<u>21,650</u>	<u>1,029,574</u>
Fund balances, June 30, 2010	<u>\$250,426</u>	<u>\$1,711,114</u>	<u>\$1,345,212</u>	<u>\$ (12,662)</u>	<u>\$ 193,893</u>

CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Maintenance Assessment District</u>	<u>TE/STP Exchange Fund</u>	<u>Downtown Improvement</u>	<u>Totals</u>
REVENUES:				
Property taxes	\$246,924	\$	\$	\$ 246,924
From other agencies	453,349	124,974		2,334,583
Fees and assessments				49,848
Licenses and permits			11,822	11,822
Use of money and property	3,094	7,888	132	28,260
Other revenue				<u>16,669</u>
Total revenues	<u>703,367</u>	<u>132,862</u>	<u>11,954</u>	<u>2,688,106</u>
EXPENDITURES:				
Current:				
General government	383,660		8,663	392,323
Community development				790,169
Capital outlay:				
City streets				<u>1,236,812</u>
Total expenditures	<u>383,660</u>		<u>8,663</u>	<u>2,419,304</u>
Excess (deficiency) of revenues over (under) expenditures	<u>319,707</u>	<u>132,862</u>	<u>3,291</u>	<u>268,802</u>
Other financing sources (uses):				
Operating transfers in				443,552
Operating transfers out	<u>(27,000)</u>		<u>(11,963)</u>	<u>(442,506)</u>
Total other financing sources (uses)	<u>(27,000)</u>		<u>(11,963)</u>	<u>1,046</u>
Net change in fund balances	<u>292,707</u>	<u>132,862</u>	<u>(8,672)</u>	<u>269,848</u>
Fund balances, July 1, 2009	<u>437,454</u>	<u>1,288,989</u>	<u>21,078</u>	<u>5,382,553</u>
Fund balances, June 30, 2010	<u>\$730,161</u>	<u>\$1,421,851</u>	<u>\$ 12,406</u>	<u>\$5,652,401</u>

CITY OF LEMOORE
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2010

	Storm Drain Expansion	Street Improvement	Recreation Improvement	Facility Infrastructure	Capital Improvement Fees	Totals
ASSETS						
Cash and investments	\$825,991	\$108,594	\$1,983,889	\$47,271	\$3,223,181	\$6,188,926
Receivables:						
Interest	1,026	135	2,582		4,064	7,807
Assessments		8,679				8,679
Total assets	<u>\$827,017</u>	<u>\$117,408</u>	<u>\$1,986,471</u>	<u>\$47,271</u>	<u>\$3,227,245</u>	<u>\$6,205,412</u>
FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$	\$ 162	\$	\$ 5,152	\$ 5,314
Advances payable	148,380					148,380
Total liabilities	<u>148,380</u>		<u>162</u>		<u>5,152</u>	<u>153,694</u>
Fund balances:						
Unreserved	678,637	117,408	1,986,309	47,271	3,222,093	6,051,718
Total fund balances	<u>678,637</u>	<u>117,408</u>	<u>1,986,309</u>	<u>47,271</u>	<u>3,222,093</u>	<u>6,051,718</u>
Total liabilities and fund balances	<u>\$827,017</u>	<u>\$117,408</u>	<u>\$1,986,471</u>	<u>\$47,271</u>	<u>\$3,227,245</u>	<u>\$6,205,412</u>

CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Storm Drain Expansion</u>	<u>Street Improvement</u>	<u>Recreation Improvement</u>	<u>Facility Infrastructure</u>	<u>Capital Improvement Fees</u>	<u>Totals</u>
REVENUES:						
Fees and assessments	\$ 5,776	\$	\$ 23,386	\$	\$ 50,886	\$ 80,048
Use of money and property	<u>5,751</u>	<u>651</u>	<u>12,854</u>	<u>1</u>	<u>19,406</u>	<u>38,663</u>
Total revenues	<u>11,527</u>	<u>651</u>	<u>36,240</u>	<u>1</u>	<u>70,292</u>	<u>118,711</u>
EXPENDITURES:						
Current:						
Public works					66,481	66,481
Capital outlay:						
General government			138,557	29,005	7,324	174,886
Public works	<u>214,318</u>	<u></u>	<u></u>	<u></u>	<u>216,046</u>	<u>430,364</u>
Total expenditures	<u>214,318</u>	<u></u>	<u>138,557</u>	<u>29,005</u>	<u>289,851</u>	<u>671,731</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(202,791)</u>	<u>651</u>	<u>(102,317)</u>	<u>(29,004)</u>	<u>(219,559)</u>	<u>(553,020)</u>
Other financing sources (uses):						
Operating transfers in				133,132	135,364	268,496
Operating transfers out	<u>(5,567)</u>	<u>(407)</u>	<u>(9,568)</u>	<u></u>	<u>(13,150)</u>	<u>(28,692)</u>
Total other financing sources (uses)	<u>(5,567)</u>	<u>(407)</u>	<u>(9,568)</u>	<u>133,132</u>	<u>122,214</u>	<u>239,804</u>
Net change in fund balances	<u>(208,358)</u>	<u>244</u>	<u>(111,885)</u>	<u>104,128</u>	<u>(97,345)</u>	<u>(313,216)</u>
Fund balances, July 1, 2009	886,995	117,164	2,098,194	(56,857)	3,319,438	6,364,934
Fund balances, June 30, 2010	<u>\$678,637</u>	<u>\$117,408</u>	<u>\$1,986,309</u>	<u>\$ 47,271</u>	<u>\$3,222,093</u>	<u>\$6,051,718</u>

CITY OF LEMOORE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010

	<u>Fleet Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and investments	\$	\$ 7,099	\$ 7,099
Cash with fiscal agent	<u> </u>	<u>3,967</u>	<u>3,967</u>
Total current assets	<u> </u>	<u>11,066</u>	<u>11,066</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net of accumulated depreciation	<u>45,571</u>	<u> </u>	<u>45,571</u>
Total assets	<u>45,571</u>	<u>11,066</u>	<u>56,637</u>
LIABILITIES			
Current liabilities:			
Accounts payable	25,760		25,760
Accrued compensated absences	17,409		17,409
Interfund payable	<u>62,349</u>	<u> </u>	<u>62,349</u>
Total liabilities	<u>105,518</u>	<u> </u>	<u>105,518</u>
NET ASSETS			
Invested in capital assets, net of related debt	45,571		45,571
Unrestricted	<u>(105,518)</u>	<u>11,066</u>	<u>(94,452)</u>
Total net assets (deficit)	<u>\$ (59,947)</u>	<u>\$11,066</u>	<u>\$ (48,881)</u>

CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Fleet</u> <u>Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
OPERATING REVENUE:			
Charges for services	\$ 822,642	\$ _____	\$ 822,642
Total operating revenue	<u>822,642</u>	<u> </u>	<u>822,642</u>
OPERATING EXPENSES:			
Salaries and benefits	231,123		231,123
Materials and supplies	281,278		281,278
Utilities	850		850
Contractual services	4,095		4,095
Repairs and maintenance	238,695		238,695
Depreciation and amortization	<u>26,766</u>	<u> </u>	<u>26,766</u>
Total operating expenses	<u>782,807</u>	<u> </u>	<u>782,807</u>
Operating income (loss)	39,835		39,835
Other financing sources (uses):			
Transfers out	<u>(102,747)</u>	<u> </u>	<u>(102,747)</u>
Total other financing sources (uses)	<u>(102,747)</u>	<u> </u>	<u>(102,747)</u>
Change in net assets	(62,912)		(62,912)
Net assets, July 1, 2009	<u>2,965</u>	<u>11,066</u>	<u>14,031</u>
Net assets (deficit), June 30, 2010	<u>\$ (59,947)</u>	<u>\$11,066</u>	<u>\$ (48,881)</u>

CITY OF LEMOORE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Fleet Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers and users	\$ 822,642	\$	\$ 822,642
Cash payments to suppliers for goods and services	(548,971)		(548,971)
Cash payments to employees for services	<u>(234,078)</u>	<u> </u>	<u>(234,078)</u>
Net cash provided (used) by operating activities	39,593		39,593
Cash flows from noncapital financing activities:			
Transfers to other funds	(102,747)		(102,747)
Loans from other funds	<u>62,349</u>	<u> </u>	<u>62,349</u>
Net cash used by noncapital financing activities	(40,398)		(40,398)
Decrease in cash and cash equivalents	(805)		(805)
Cash and investments, July 1, 2009	<u>805</u>	<u>11,066</u>	<u>11,871</u>
Cash and investments, June 30, 2010	<u> </u>	<u>11,066</u>	<u>11,066</u>
Cash and cash investments		7,099	7,099
Cash with fiscal agent	<u> </u>	<u>3,967</u>	<u>3,967</u>
Total cash and investments	<u>\$ </u>	<u>\$11,066</u>	<u>\$ 11,066</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income	\$ 39,835	\$	\$ 39,835
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	26,766		26,766
Changes in assets and liabilities:			
Increase (decrease) in accounts payable	(24,053)		(24,053)
Increase (decrease) in compensated absences	<u>(2,955)</u>	<u> </u>	<u>(2,955)</u>
Net cash provided (used) by operating activities	<u>\$ 39,593</u>	<u>\$ </u>	<u>\$ 39,593</u>

CITY OF LEMOORE
COMBINING STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2010

	Laguna Irrigation	Other Agency Funds	Totals
ASSETS			
Cash and investments	\$459,105	\$255,987	\$715,092
Other assets	28,800		28,800
Total assets	487,905	255,987	743,892
LIABILITIES			
Accounts payable		21,249	21,249
Due to others	487,905	32,029	519,934
Deposits		202,709	202,709
Total liabilities	\$487,905	\$255,987	\$743,892