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SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE 9/10/13

CITY OF LEMOORE

REPORT ON AUDITED
FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2012

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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, 2012, 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, 2012 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 , 2012 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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The budgetary comparison information on pages 44 and 45 are not a required part of the basic financial statements but are 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.

CITY OF LEMOORE
STATEMENT OF NET ASSETS
JUNE 30, 2012

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	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$25,409,092	\$ 8,996,815	\$ 34,405,907
Receivables:			
Accounts, net	444,405	1,198,438	1,642,843
Interest	14,933	8,486	23,419
Notes	7,536,739		7,536,739
Intergovernmental Grants	1,528,274	2,241,825	1,528,274 2,241,825
Prepaid expenses	60	7,283	7,343
Internal balances	(267,406)	267,406	
Inventory		70,190	70,190
Assets held for resale	1,485,564		1,485,564
Cash with fiscal agent - restricted		773,915	773,915
Capital assets (net of accumulated depreciation):			
Non-depreciable	46,077,992	9,861,131	55,939,123
Depreciable	<u>15,786,084</u>	<u>14,101,465</u>	<u>29,887,549</u>
Total Assets	<u>98,015,737</u>	<u>37,526,954</u>	<u>135,542,691</u>
LIABILITIES			
Accounts payable	2,192,995	592,306	2,785,301
Accrued interest payable		1,100	1,100
Deposits and other liabilities	167,798	42,368	210,166
Deferred revenue	3,437,501		3,437,501
Advances from Successor Agency	688,787	2,294,522	2,983,309
Noncurrent liabilities:			
Due within one year	91,458	229,551	321,009
Due in more than one year	<u>365,833</u>	<u>2,150,946</u>	<u>2,516,779</u>
Total Liabilities	<u>6,944,372</u>	<u>5,310,793</u>	<u>12,255,165</u>
NET ASSETS			
Invested in capital assets, net of related debt	61,864,076	21,892,596	83,756,672
Restricted for:			
Community development	10,450,799		10,450,799
Streets and roads	6,945,397		6,945,397
Parks and recreation	2,149,753		2,149,753
Unrestricted	<u>9,661,340</u>	<u>10,323,565</u>	<u>19,984,905</u>
Total Net Assets	<u>\$91,071,365</u>	<u>\$32,216,161</u>	<u>\$123,287,526</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
STATEMENT OF ACTIVITIES SUBJECT TO FINAL
FOR THE YEAR ENDED JUNE 30, 2012 REVIEW AND APPROVAL
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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
Primary government:						
Governmental activities:						
General government	\$ 4,487,075	\$ 110,700	\$	\$	\$ (4,376,375)	\$ (4,376,375)
Public safety	4,807,752	186,374	244,082		(4,377,296)	(4,377,296)
Public works	312,893	669,787		1,026,752	1,383,646	1,383,646
Community development	4,439,747	9,903	1,177,690		(3,252,154)	(3,252,154)
Parks and recreation	414,746	219,804			(194,942)	(194,942)
Interest on long-term debt	1,190,083				(1,190,083)	(1,190,083)
Total governmental activities	<u>15,652,296</u>	<u>1,196,568</u>	<u>1,421,772</u>	<u>1,026,752</u>	<u>(12,007,204)</u>	<u>(12,007,204)</u>
Business-type activities:						
Water	3,216,132	4,128,405		24,178		936,451
Sewer	1,895,857	3,694,785		2,195,752	3,994,680	3,994,680
Refuse	1,985,803	2,889,494		306,160	1,209,851	1,209,851
Golf course	1,393,917	1,406,092			12,175	12,175
Total business-type activities	<u>8,491,709</u>	<u>12,118,776</u>		<u>2,526,090</u>	<u>6,153,157</u>	<u>6,153,157</u>
Total primary government	<u>\$24,144,005</u>	<u>\$13,315,344</u>	<u>\$1,421,772</u>	<u>\$3,552,842</u>	<u>\$(12,007,204)</u>	<u>\$ (5,854,047)</u>
General revenues:						
Property taxes					6,767,250	6,767,250
Sales taxes					1,768,113	1,768,113
Other taxes					4,303,681	4,303,681
Unrestricted investment earnings					286,623	56,592
Other revenue					3,136,138	3,136,138
Transfers					1,347,974	(1,347,974)
Total general revenues and transfers					<u>17,609,779</u>	<u>(1,291,382)</u>
Extraordinary gain on dissolution of redevelopment agency					<u>7,268,746</u>	<u>7,268,746</u>
Change in net assets					12,871,321	4,861,775
Net assets-beginning -- as originally reported					80,591,429	24,009,443
Prior period adjustments					(2,391,385)	3,344,943
Net assets-beginning - restated					<u>78,200,044</u>	<u>27,354,386</u>
Net assets-ending					<u>\$91,071,365</u>	<u>\$32,216,161</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

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	General	Grant Fund	Lemoore Housing Authority	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 9,761,739	\$	\$ 2,840,891	\$12,778,643	\$25,381,273
Receivables:					
Accounts	444,378				444,378
Interest	7,108		527	7,298	14,933
Notes	79,303	591,991	6,865,445		7,536,739
Intergovernmental	394,329	591,991		541,954	1,528,274
Other	27				27
Interfund receivables	427,041				427,041
Prepays	60				60
Assets held for resale			<u>1,485,564</u>		<u>1,485,564</u>
Total assets	<u>\$11,113,985</u>	<u>\$1,183,982</u>	<u>\$11,192,427</u>	<u>\$13,327,895</u>	<u>\$36,818,289</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 341,916	\$ 45,634	\$ 1,583,417	\$ 177,908	\$ 2,148,875
Interfund payables		427,041			427,041
Due to Successor Agency	688,787				688,787
Deposits and other liabilities	167,798				167,798
Deferred revenue		<u>591,991</u>	<u>2,845,510</u>		<u>3,437,501</u>
Total liabilities	<u>1,198,501</u>	<u>1,064,666</u>	<u>4,428,927</u>	<u>177,908</u>	<u>6,870,002</u>
Fund balances:					
Nonspendable	660,171				660,171
Restricted		119,316	6,763,500	5,539,181	12,421,997
Committed	2,593,761			7,075,622	9,669,383
Unassigned	<u>6,661,552</u>			<u>535,184</u>	<u>7,196,736</u>
Total Fund Balances	<u>9,915,484</u>	<u>119,316</u>	<u>6,763,500</u>	<u>13,149,987</u>	<u>29,948,287</u>
Total Liabilities and fund balances	<u>\$11,113,985</u>	<u>\$1,183,982</u>	<u>\$11,192,427</u>	<u>\$13,327,895</u>	<u>\$36,818,289</u>

CITY OF LEMOORE
RECONCILIATION OF THE FUND BALANCES OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

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Total fund balances – governmental funds \$29,948,287

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. 61,854,731

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental fund balance sheet. (437,793)

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. (293,860)

Net assets of governmental activities \$91,071,365

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CITY OF LEMOORE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General	RDA Capital Projects Fund (c)	RDA Debt Service (c)	Grant Fund	Lemoore Housing Authority (d)	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 1,197,365	\$ 4,237,114	\$	\$	\$	\$ 1,311,145	\$ 6,745,624
Other taxes	2,484,776					9,903	2,484,776
Licenses and permits	591,779						601,682
Charges for services	308,408						308,408
From other agencies	2,211,008		1,177,690			2,255,731	5,644,429
Fees and assessments	19,896				81,092	633,403	653,299
Use of money and property	51,315	63,800	52,399		8,000	45,557	294,163
Other revenue	417,953					85,745	511,698
Total revenues	<u>7,282,500</u>	<u>4,300,914</u>	<u>52,399</u>	<u>1,177,690</u>	<u>89,092</u>	<u>4,341,484</u>	<u>17,244,079</u>
EXPENDITURES							
General government	2,995,367			1,095,907		391,113	4,482,387
Public safety	4,755,182					28,120	4,755,182
Public works	311,176					501	339,296
Community development		1,529,728	14,444		1,583,417		3,128,090
Parks and recreation	414,165						414,165
Capital outlay	121,793						1,339,845
Debt service			455,000				455,000
Principal			960,869				960,869
Interest and fiscal charges							
Total expenditures	<u>8,597,683</u>	<u>1,529,728</u>	<u>1,430,313</u>	<u>1,095,907</u>	<u>1,583,417</u>	<u>1,637,786</u>	<u>15,874,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,315,183)</u>	<u>2,771,186</u>	<u>(1,377,914)</u>	<u>81,783</u>	<u>(1,494,325)</u>	<u>2,703,698</u>	<u>1,369,245</u>

See independent auditors' report and notes to financial statements.

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CITY OF LEMOORE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General	RDA Capital Projects Fund (2)	RDA Debt Service (2)	Grant Fund	Lemoore Housing Authority (1)	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses)							
Operating transfers in	1,500,440	1,632,138	6,012,924			132,853	9,278,355
Operating transfers out	(132,853)	(4,633,746)	(2,470,871)			(590,164)	(7,827,634)
Total other financing sources (uses)	<u>1,367,587</u>	<u>(3,001,608)</u>	<u>3,542,053</u>			<u>(457,311)</u>	<u>1,450,721</u>
Net change in fund balance before extraordinary item	52,404	(230,422)	2,164,139	81,783	(1,494,325)	2,246,387	2,819,966
Extraordinary gain (loss)							
Dissolution of redevelopment agency		(11,208,188)	(24,342,706)		8,257,825	(8,257,825)	(35,550,894)
Total extraordinary gain (loss)		<u>(11,208,188)</u>	<u>(24,342,706)</u>		<u>8,257,825</u>	<u>(8,257,825)</u>	<u>(35,550,894)</u>
Net change in fund balance	<u>52,404</u>	<u>(11,438,610)</u>	<u>(22,178,567)</u>	<u>81,783</u>	<u>6,763,500</u>	<u>(6,011,438)</u>	<u>(32,730,928)</u>
Fund balances, June 30, 2011, as previously reported	10,449,144	15,586,525	20,708,998	37,533		17,972,390	64,754,590
Prior period adjustment	(586,064)	(4,147,915)	1,469,569			1,189,035	(2,075,375)
Fund balances, June 30, 2011, restated	<u>9,863,080</u>	<u>11,438,610</u>	<u>22,178,567</u>	<u>37,533</u>		<u>19,161,425</u>	<u>62,679,215</u>
Fund balances, June 30, 2012	<u>\$ 9,915,484</u>	<u>\$</u>	<u>\$</u>	<u>\$ 119,316</u>	<u>\$6,763,500</u>	<u>\$13,149,987</u>	<u>\$ 29,948,287</u>

(1) For the five months ended June 30, 2012.

(2) For the seven months ended January 31, 2012.

See independent auditors' report and notes to financial statements.

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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, 2012

Net change in fund balances - total governmental funds \$(32,730,928)

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. 2,631,534

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. 430,475

Change in accrued interest not reported in the governmental funds. 882,876

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. (74,711)

Extraordinary gain/(loss) in the Statement of Activities resulted from the increase or decrease of long-term assets and liabilities which were not reported in the governmental funds. This was caused by the dissolution of the Lemoore Redevelopment Agency, see Note 1 for more details. 41,732,075

Change in net assets of governmental activities \$ 12,871,321

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CITY OF LEMOORE
STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2012

	Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Refuse	Golf Course		
ASSETS						
Current assets:						
Cash and investments	\$ 2,736,617	\$ 5,949,746	\$ 163,998	\$ 146,454	\$ 8,996,815	\$
Restricted cash and investments:						
Cash with fiscal agent				773,915	773,915	27,819
Receivables:						
Accounts	522,260	389,210	308,410	6,843	1,226,723	
Less: Allowance for doubtful accounts	(10,743)	(9,547)	(7,995)		(28,285)	
Interest	2,796	4,835	147	708	8,486	
Grant	887,836	1,353,989			2,241,825	
Interfund receivables		37,224			37,224	
Inventory				70,190	70,190	
Prepaid expenses				7,283	7,283	
Total current assets	<u>4,138,766</u>	<u>7,725,457</u>	<u>464,560</u>	<u>1,005,393</u>	<u>13,334,176</u>	<u>27,819</u>
Non-current assets:						
Capital assets:						
Non-depreciable	6,836,725	2,147,889	252,504	624,013	9,861,131	9,345
Depreciable, net of accumulated depreciation	<u>6,763,770</u>	<u>4,494,919</u>	<u>586,120</u>	<u>2,256,656</u>	<u>14,101,465</u>	
Total non-current assets	<u>13,600,495</u>	<u>6,642,808</u>	<u>838,624</u>	<u>2,880,669</u>	<u>23,962,596</u>	<u>9,345</u>
Total assets	<u>\$17,739,261</u>	<u>\$14,368,265</u>	<u>\$1,303,184</u>	<u>\$3,886,062</u>	<u>\$37,296,772</u>	<u>\$37,164</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2012
(Continued)

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	Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Refuse	Golf Course		
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 137,320	\$ 357,209	\$ 75,074	\$ 22,703	\$ 592,306	\$ 44,119
Deposits and other liabilities	17,765			24,605	42,368	
Accrued compensated absences	33,825	34,997	23,820		92,642	19,498
Interfund payables				1,100	1,100	37,224
Accrued interest payable				205,000	205,000	
Current portion of long-term liabilities				12,855	12,855	
Current portion of capital leases						
Total current liabilities	188,908	392,206	98,894	266,263	946,271	100,841
Non-current liabilities:						
Long-term liabilities		148,380		2,070,000	2,070,000	
Advances from Successor Agency				2,146,142	2,294,522	
Total non-current liabilities		148,380		4,216,142	4,364,522	
Total liabilities	188,908	540,586	98,894	4,482,405	5,310,793	100,841
NET ASSETS						
Invested in capital assets, net of related debt	13,600,495	6,642,808	838,624	1,379,584	22,461,511	9,345
Unrestricted	3,949,858	7,184,871	365,666	(1,975,927)	9,524,468	(73,022)
Total net assets (deficit)	\$17,550,353	\$13,827,679	\$1,204,290	\$ (596,343)	\$31,985,979	\$ (63,677)
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds						
					230,182	
Net assets of business-type activities					\$22,216,161	

See independent auditors' report and notes to financial statements.

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CITY OF LEMOORE
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Refuse		
OPERATING REVENUES:					
Charges for services	\$ 4,021,879	\$ 3,527,615	\$ 2,810,458	\$ 11,756,076	\$ 931,873
Fines and forfeitures	91,359	60,772	62,932	215,063	798
Other revenues	15,167	106,398	16,104	147,637	
Total operating revenues	4,128,405	3,694,785	2,889,494	12,118,776	932,671
OPERATING EXPENSES:					
Salaries and benefits	906,862	665,257	537,727	2,456,002	217,387
Materials and supplies	296,808	120,718	49,758	835,688	376,240
Utilities	680,323	303,661	1,459	1,087,869	1,399
Contractual services	334,692	174,589	932,451	1,593,698	2,939
Repairs and maintenance	169,051	28,113	5,139	253,501	251,467
Other expenses	149,740	122,226	418,604	823,447	9,460
Depreciation and amortization	357,053	272,011	71,697	900,874	
Total operating expenses	2,894,529	1,686,575	2,016,835	7,951,079	858,892
Operating income	1,233,876	2,008,210	872,659	4,167,697	73,779
NON-OPERATING REVENUES (EXPENSES):					
Intergovernmental	24,178	1,733,766	306,160	2,064,104	
Interest income	23,066	28,530	2,284	56,592	
Interest expense	(329,082)	(216,514)		(586,373)	
Total non-operating revenues (expenses)	(281,838)	1,545,782	308,444	1,534,323	
Income before contributions and transfers	952,038	3,553,992	1,181,103	5,702,020	

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, 2012
(Continued)

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	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Refuse		
Capital contributions		461,986		461,986	
Transfers in	783,433	171,161		954,594	
Transfers out	<u>(1,016,141)</u>	<u>(576,081)</u>	<u>(710,346)</u>	<u>(2,302,568)</u>	<u>(102,747)</u>
Net contributions and transfers	(232,708)	57,066	(710,346)	(885,988)	(102,747)
Change in net assets	<u>719,330</u>	<u>3,611,058</u>	<u>470,757</u>	<u>4,816,032</u>	<u>(28,968)</u>
Net assets, July 1, 2011, as previously reported	16,831,023	10,216,621	733,533	(3,956,173)	(34,709)
Prior period adjustment:					
Net assets, July 1, 2011, restated	<u>16,831,023</u>	<u>10,216,621</u>	<u>733,533</u>		<u>(34,709)</u>
Net assets, June 30, 2012	<u>\$17,550,352</u>	<u>\$13,827,679</u>	<u>\$1,204,290</u>		<u>\$ (63,677)</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				<u>45,743</u>	
Change in net assets of business-type activities				<u>\$ 4,861,775</u>	

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CITY OF LEMOORE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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	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	\$ 5,207,393	\$ 3,573,018	\$ 2,872,816	\$ 1,385,171	\$ 13,038,398	\$ 932,671
Payments to suppliers	(2,054,140)	(658,240)	(1,415,366)	(812,103)	(4,939,849)	(630,135)
Payments to employees	(907,839)	(437,315)	(536,666)	(346,156)	(2,227,976)	(217,486)
Other operating revenues	15,167	181,031	16,104	9,968	222,270	
Net cash provided by operating activities	<u>2,260,581</u>	<u>2,658,494</u>	<u>936,888</u>	<u>236,880</u>	<u>6,092,843</u>	<u>85,050</u>
Cash flows from non-capital financing activities:						
Intergovernmental revenue	495,980	379,777	306,160		1,181,917	
Loans from/(to) other funds		(37,224)	(71,859)	704	(108,379)	34,450
Transfers from other funds	783,433	171,161			954,594	
Transfers to other funds	(1,016,141)	(576,081)	(710,346)		(2,302,568)	(102,747)
Net cash provided (used) by non-capital financing activities	<u>263,272</u>	<u>(62,367)</u>	<u>(476,045)</u>	<u>704</u>	<u>(274,436)</u>	<u>(68,297)</u>
Cash flows from capital and related financing activities:						
Principal paid on capital debt	(2,324,697)	(1,441,086)		(210,178)	(3,975,961)	
Interest paid on capital debt	(338,375)	(222,709)		(40,777)	(601,861)	
Acquisition of capital assets	(291,486)	(1,784,247)	(299,190)	(35,521)	(2,410,444)	
Proceeds from sale of capital assets				3,600	3,600	
Net cash provided used by capital and related financing activities	<u>(2,954,558)</u>	<u>(3,448,042)</u>	<u>(299,190)</u>	<u>(282,876)</u>	<u>(6,984,666)</u>	
Cash flows from investing activities:						
Interest earned	24,710	30,589	2,345	2,921	60,565	
Net cash provided by investing activities	<u>24,710</u>	<u>30,589</u>	<u>2,345</u>	<u>2,921</u>	<u>60,565</u>	
Net increase (decrease) in cash and investments	(405,995)	(821,326)	163,998	(42,371)	(1,105,694)	16,753
Cash and investments-beginning of year, originally reported	3,142,612	6,771,072		1,846,245	11,759,929	11,066
Prior period adjustment				(883,505)	(883,505)	
Cash and investments-beginning of year-restated	<u>3,142,612</u>	<u>6,771,072</u>		<u>962,740</u>	<u>10,876,424</u>	<u>11,066</u>
Cash and investments-end of year	<u>\$ 2,736,617</u>	<u>\$ 5,949,746</u>	<u>\$ 163,998</u>	<u>\$ 920,369</u>	<u>\$ 9,770,730</u>	<u>\$ 27,819</u>
Cash and investments with fiscal agent	\$ 2,736,617	\$ 5,949,746	\$ 163,998	\$ 146,454	\$ 8,996,815	\$ 27,819
				773,915	773,915	
Total cash and investments	<u>\$ 2,736,617</u>	<u>\$ 5,949,746</u>	<u>\$ 163,998</u>	<u>\$ 920,369</u>	<u>\$ 9,770,730</u>	<u>\$ 27,819</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 1,233,876	\$ 2,008,210	\$ 872,659	\$ 52,952	\$ 4,167,697	\$ 73,779
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	357,053	272,011	71,697	200,113	900,874	9,460
Loss on sale of capital assets				670	670	
(Increase) decrease in accounts receivable	1,093,133	(15,369)	(574)	9,088	1,086,278	
(Increase) decrease in other receivables		74,633			74,633	
Increase (decrease) in inventory				(10,421)	(10,421)	
Increase (decrease) in prepaid expenses				(2,340)	(2,340)	
Increase (decrease) in accounts payable	(423,526)	311,992	(7,955)	6,859	(112,630)	1,910
Increase (decrease) in compensated absences	(977)	7,017	1,061		7,101	(99)
Increase (decrease) in deposits and other liabilities	1,022			(20,041)	(19,019)	
Total adjustments	<u>1,026,705</u>	<u>650,284</u>	<u>64,229</u>	<u>183,928</u>	<u>1,925,146</u>	<u>11,271</u>
Net cash provided by operating activities	<u>\$ 2,260,581</u>	<u>\$ 2,658,494</u>	<u>\$ 936,888</u>	<u>\$ 236,880</u>	<u>\$ 6,092,843</u>	<u>\$ 85,050</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

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	Redevelopment Successor Agency Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and investments	\$ 8,762,504	\$896,463
Restricted cash with fiscal agents	19,430,018	
Accounts receivable	99,140	
Deferred charges	1,147,629	
Land held for resale	1,464,377	
Advances to City of Lemoore	2,983,309	
Notes receivable	1,364,488	
Capital assets (net of accumulated depreciation)	1,108,062	
Other assets		<u>28,800</u>
Total assets	<u>\$36,359,527</u>	<u>\$925,263</u>
LIABILITIES:		
Accounts payable	\$ 14,019	\$202,550
Interest payable	906,113	
Deposits payable and other liabilities		722,713
Long-term debt	<u>42,421,305</u>	
Total liabilities	<u>\$43,341,437</u>	<u>\$925,263</u>
NET ASSETS (DEFICIT)		
Held in trust for the retirement of obligations of the former Lemoore Redevelopment Agency	<u>(6,981,910)</u>	
Total net assets	<u>\$ (6,981,910)</u>	

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CITY OF LEMOORE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
FOR THE FIVE MONTHS ENDED JUNE 30, 2012

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	<u>Redevelopment Successor Agency Private-Purpose Trust Funds</u>
ADDITIONS:	
Taxes	\$ 1,392,997
Investment earnings	90,510
Miscellaneous	<u>93,744</u>
Total additions	<u>\$ 1,577,251</u>
 DEDUCTIONS:	
Community development	\$ 366,696
Debt service	
Interest and fiscal charges	<u>923,719</u>
Total deductions	<u>\$ 1,290,415</u>
 EXTRAORDINARY GAIN (LOSS)	
Dissolution of redevelopment agency	<u>(7,268,746)</u>
Change in net assets	<u>(6,981,910)</u>
Net assets, beginning of fiscal year	<u> </u>
Net assets, end of year	<u>\$(6,981,910)</u>

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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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) for the seven months ended January 31, 2013, 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 to redevelop and rehabilitate various areas of the City. As of February 1, 2012, the Agency was dissolved and the City has elected to become the Successor Agency. The Successor Agency is responsible for winding down the remaining activities of the dissolved Agency. Additional information on the dissolution of the redevelopment agency can be found in the section titled "Successor Agency Trust for Assets of Former Redevelopment Agency."

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.

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.

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
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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 combined 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.

During the 2011/12 year, the City changed the method of reporting its road network and related infrastructure capital assets on the government-wide financial statements from the depreciation approach to the modified approach. The modified approach permits the City to not depreciate a network system or subsystem of infrastructure assets. The City had previously used the depreciation approach for its road network and landscape zones with a 15-year estimated life for these assets.

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.

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NOTES TO FINANCIAL STATEMENTS
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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 **Redevelopment 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 **Grant Fund** accounts for the City's receipts and expenditures of state, federal and other grants.

The **Lemoore Housing Authority Fund** has taken over the assets and associated functions of the Low/Moderate Income Housing Fund of the former Lemoore Redevelopment Agency effective February 1, 2012.

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.

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.

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
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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.

Private Purpose Trust Funds are used to account for the assets of the former City of Lemoore Redevelopment Agency during the transition period.

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

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NOTES TO FINANCIAL STATEMENTS
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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 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

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 of 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.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
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H. Assets Held for Resale

Land and improvements held by the City for the purpose of improving and reselling are accounted for in this account. Property is valued at the lower of 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

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 system 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, street lights 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.

CITY OF LEMOORE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
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Sidewalk, Curb and Gutter, and Pavement

For the sidewalk, curb and gutter, and pavement subsystems, the City was 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. OCI value ranges are as follows: Good = 76 to 100, Fair = 51 to 75 and Poor = 25 to 50. The City's policy is to maintain these individual subsystems at a minimum rating of 70. In November, 2012 the average ratings for these subsystems were as follows:

<u>Subsystem</u>	<u>OCI Rating</u>
Sidewalk	98.3
Curb and gutter	98.4
Pavement	75.6

Landscape Zones

At June 30, 2012 there were 20 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. In November, 2012 the overall average OCI ratings for the landscape zones was 76.0. The City's policy is to maintain a minimum overall OCI rating of 70. The City will use consultants to re-determine the OCI every three years.

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 unused, 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.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
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M. Long-Term Debt

In the government-wide financial statements, and enterprise fund type 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. Recent Changes in Legislation Affecting California Redevelopment Agencies

On December 29, 2011, the Supreme Court of the State of California (the "Court") upheld the enforceability of legislation that provides for the dissolution of California redevelopment agencies, but struck down the Assembly Bill X1 27 which would have provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. As a result of the Court ruling, the dissolution of California Redevelopment Agencies was effective as of February 1, 2012.

Assembly Bill X1 26 signed into law as part of the State's budget package on June 29, 2011, requires each California Redevelopment Agency to suspend nearly all activities except to complete existing contracts, meet already-incurred obligations, preserve its assets, prepare for the impending dissolution of the agency, and transfer all of its assets to a Successor Agency that is governed by an oversight board representing the various taxing jurisdictions of the community.

Assembly Bill X1 26 also requires each agency to adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation payment schedule prior to September 30, 2011. Enforceable obligations include bonds, loans and payments required by the federal or state government; legally enforceable payments required in connection with Agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill X1 26. Only the amount of tax revenues necessary to fund the payments reflected on the Enforceable Obligation Payment Schedule will be allocated to the Successor Agencies.

Assembly Bill X1 26 directs the Department of Finance of the State of California to review the proprietary of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the Successor Agency as defined in Assembly Bill X1 26.

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On February 11, 2011, the City Council of the City of Lemoore adopted Resolution No. 2011-06 electing to retain the housing assets and functions previously performed by the dissolved Lemoore Redevelopment Agency pursuant to Section 34176(a)(1) of the California Health and Safety Code. Accordingly, the City has assumed the responsibility of the housing assets and liabilities in the amount of \$8,257,825 in the Housing Authority Special Revenue Fund. All remaining assets and liabilities of the Agency under the Redevelopment Agency Debt Service Fund and Capital Projects Fund in the amount of \$7,268,746 were transferred to the Redevelopment Successor Agency Private-Purpose Trust Fund and are reported in the Fiduciary Funds.

The transfer of the assets and liabilities of the former redevelopment agency from and after February 1, 2012, from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary gain for funds with a negative fund balance and an extraordinary loss for funds with a positive fund balance. The receipt of these assets and liabilities as of January 31, 2012, was reported in the Private-Purpose Trust Fund as an extraordinary loss and gain.

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*); the extraordinary gain recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds – increase to net assets of the Successor Agency Trust Fund	\$ 35,550,894
Capital assets recorded in the government-wide financial statements – increase to net assets of the Successor Agency Trust Fund	1,108,062
Deferred charges recorded in the government-wide statements – increase to net assets of the Successor Agency Trust Fund	1,165,148
Accrued bond interest reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	(1,086,706)
Long-term debt (net of issuance costs) reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	<u>(44,006,144)</u>
Net decrease in net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ (7,268,746)</u>

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NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2012 reclassified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$34,405,907
Restricted cash and investments	773,915
Fiduciary funds:	
Cash and investments	<u>29,088,985</u>
 Total cash and investments	 <u>\$64,268,807</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 4,680
Deposits with financial institutions	20,407,763
Investments	<u>43,856,364</u>
 Total cash and investments	 <u>\$64,268,807</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.

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

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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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity (in months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>Longer Than 60 Months</u>
Money market funds	\$18,583,292	\$18,583,292	\$	\$	\$
State investment pool	23,765,650	23,765,650			
Investment contracts	1,507,422				1,507,422
	<u>\$43,856,364</u>	<u>\$42,348,942</u>	<u>\$</u>	<u>\$</u>	<u>\$1,507,422</u>

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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	\$18,583,292	N/A	\$18,583,292	\$
State investment pool	23,765,650	N/A		23,765,650
Investment contracts	<u>1,507,422</u>	N/A		<u>1,507,422</u>
	<u>\$43,856,364</u>		<u>\$18,583,292</u>	<u>\$25,273,072</u>

Concentration of Credit Risk

The City does not have a formal policy that has limits on the amount that can be invested in any one issuer beyond that stipulated in the 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, 2012, 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, 2012, no investments were held by the same broker dealer (counterparty) that was used by the City of Lemoore to purchase the securities.

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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.

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, 2012 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.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major funds:		
General fund	\$427,041	\$
Grant fund		427,041
Sewer fund	37,224	
Internal service funds:		
Fleet maintenance		20,471
Insurance		16,753
Total	<u>\$464,265</u>	<u>\$464,265</u>

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B. 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	\$ 1,500,440	\$ 132,853
RDA debt service fund	6,012,924	2,470,871
RDA capital projects funds	1,632,138	4,633,746
Water	783,433	1,016,141
Sewer	171,161	576,081
Refuse		710,346
Golf Course		
Nonmajor funds:		
Maintenance assessment district special revenue fund		27,000
RDA low and moderate income housing special revenue fund		540,446
Recreation improvement capital projects fund		9,568
Facility infrastructure capital projects fund	132,853	
Capital improvements fees capital projects fund		13,150
Fleet maintenance internal service fund		102,747
	<u>\$10,232,949</u>	<u>\$10,232,949</u>
Total:		

NOTE 4 – ASSETS HELD FOR RESALE

The following is a summary of changes in the assets held for resale during the 2011-2012 fiscal year.

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Land held for resale	<u>\$1,854,930</u>	<u>\$</u>	<u>\$369,366</u>	<u>\$1,485,564</u>

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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, 2011</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,140,181	\$ 375,450	\$(1,260,495)	\$ 2,255,136
Road network	44,577,073		(1,220,430)	43,356,643
Construction in progress:	<u>633,370</u>	<u>306,667</u>	<u>(473,824)</u>	<u>466,213</u>
Total capital assets, not being depreciated	<u>48,350,624</u>	<u>682,117</u>	<u>(2,954,749)</u>	<u>46,077,992</u>
Capital assets, being depreciated:				
Buildings and improvements	14,128,670	94,500		14,223,170
Machinery and equipment	5,294,803	81,667	(13,243)	5,363,227
Infrastructure	<u>1,641,629</u>	<u>2,243,163</u>		<u>3,884,792</u>
Total capital assets, being depreciated	<u>21,065,102</u>	<u>2,419,330</u>	<u>(13,243)</u>	<u>23,471,189</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,456,063)	(391,855)		(2,847,918)
Machinery and equipment	(4,161,500)	(200,857)	13,243	(4,349,114)
Infrastructure	(305,643)	(182,430)		(488,073)
Road network	<u>(2,912,818)</u>		<u>2,912,818</u>	
Total accumulated depreciation	<u>(9,836,024)</u>	<u>(775,142)</u>	<u>2,926,061</u>	<u>(7,685,105)</u>
Total capital assets, being depreciated, net	<u>11,229,078</u>	<u>1,644,188</u>	<u>2,912,818</u>	<u>15,786,084</u>
Governmental activity capital assets, net	<u>\$59,579,702</u>	<u>\$2,326,305</u>	<u>\$ (41,931)</u>	<u>\$61,864,076</u>

Capital Assets Business-Type Activity

Water Fund:

Capital assets, not being depreciated:				
Land	\$ 427,232	\$	\$	\$ 427,232
Construction in progress	<u>6,702,179</u>	<u>208,961</u>	<u>(501,647)</u>	<u>6,409,493</u>
Total capital assets, not being depreciated	<u>7,129,411</u>	<u>208,961</u>	<u>(501,647)</u>	<u>6,836,725</u>
Capital assets, being depreciated				
Buildings and improvements	10,606,862	577,292		11,184,154
Machinery and equipment	<u>1,959,195</u>	<u>6,880</u>		<u>1,966,075</u>
Total capital assets, being depreciated	<u>12,566,057</u>	<u>584,172</u>		<u>13,150,229</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,944,812)	(285,348)		(5,230,160)
Machinery and equipment	<u>(1,084,594)</u>	<u>(71,705)</u>		<u>(1,156,299)</u>
Total accumulated depreciation	<u>(6,029,406)</u>	<u>(357,053)</u>		<u>(6,386,459)</u>
Total capital assets, being depreciated, net	<u>6,536,651</u>	<u>227,119</u>		<u>6,763,770</u>
Water Fund Capital Assets, net	<u>\$13,666,062</u>	<u>\$ 436,080</u>	<u>\$ (501,647)</u>	<u>\$13,600,495</u>

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	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2012</u>
Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 392,805	\$	\$	\$ 392,805
Construction in progress		<u>1,755,084</u>		<u>1,755,084</u>
Total capital assets, not being depreciated	<u>392,805</u>	<u>1,755,084</u>		<u>2,147,889</u>
Capital assets, being depreciated				
Buildings and improvements	5,126,984	152,775		5,279,759
Machinery and equipment	<u>3,188,737</u>	<u>338,374</u>		<u>3,527,111</u>
Total capital assets, being depreciated	<u>8,315,721</u>	<u>491,149</u>		<u>8,806,870</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,481,865)	(175,268)		(1,657,133)
Machinery and equipment	<u>(2,558,075)</u>	<u>(96,743)</u>		<u>(2,654,818)</u>
Total accumulated depreciation	<u>(4,039,940)</u>	<u>(272,011)</u>		<u>(4,311,951)</u>
Total capital assets, being depreciated, net	<u>4,275,781</u>	<u>219,138</u>		<u>4,494,919</u>
Sewer Fund Capital Assets, net	<u>\$ 4,668,586</u>	<u>\$1,974,222</u>	<u>\$</u>	<u>\$ 6,642,808</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	<u>1,686,548</u>	<u>299,189</u>		<u>1,985,737</u>
Total capital assets, being depreciated	<u>1,686,548</u>	<u>299,189</u>		<u>1,985,737</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>(1,327,920)</u>	<u>(71,697)</u>		<u>(1,399,617)</u>
Total accumulated depreciation	<u>(1,327,920)</u>	<u>(71,697)</u>		<u>(1,399,617)</u>
Total capital assets, being depreciated, net	<u>358,628</u>	<u>227,492</u>		<u>586,120</u>
Refuse Fund Capital Assets, net	<u>\$ 611,132</u>	<u>\$ 227,492</u>	<u>\$</u>	<u>\$ 838,624</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	4,353,024	5,477		4,358,501
Machinery and equipment	<u>667,236</u>	<u>30,045</u>	(9,100)	<u>688,181</u>
Total capital assets, being depreciated	<u>5,020,260</u>	<u>35,522</u>	<u>(9,100)</u>	<u>5,046,682</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,492,965)	(83,309)		(1,576,274)
Machinery and equipment	<u>(1,101,777)</u>	<u>(116,804)</u>	4,829	<u>(1,213,752)</u>
Total accumulated depreciation	<u>(2,594,742)</u>	<u>(200,113)</u>	<u>4,829</u>	<u>(2,790,026)</u>
Total capital assets, being depreciated, net	<u>2,425,518</u>	<u>(164,591)</u>	<u>(4,271)</u>	<u>2,256,656</u>
Golf Course Fund Capital Assets, net	<u>\$ 3,049,531</u>	<u>\$ (164,591)</u>	<u>\$ (4,271)</u>	<u>\$ 2,880,669</u>
Total Capital Assets, net	<u>\$21,995,311</u>	<u>\$2,473,203</u>	<u>\$(505,918)</u>	<u>\$23,962,596</u>

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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, 2012.

	<u>Balance July 1, 2011</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Transferred To Trust Fund</u>	<u>Balance June 30, 2012</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	\$ 5,680,000	\$	\$260,000	\$ 5,420,000	\$	\$	\$
2003 RDA Tax Allocation Refunding	11,970,000		195,000	11,775,000			
2011 RDA Tax Allocation Bonds	19,150,000			19,150,000			
Unamortized deferred charges for defeasance	<u>(32,416)</u>		<u>(859)</u>	<u>(31,557)</u>			
Total bonds payable	<u>36,767,584</u>		<u>454,141</u>	<u>36,313,443</u>			
Obligations payable:							
Leprino Owner Participation Agreement Obligation	1,070,179			1,070,179			
Leprino Owner Participation Agreement Obligation	5,562,863			5,562,863			
Compensated absences	<u>430,676</u>	<u>26,615</u>			<u>457,291</u>	<u>91,458</u>	<u>365,833</u>
Governmental activity long-term liabilities	<u>\$43,831,302</u>	<u>\$26,615</u>	<u>\$454,141</u>	<u>\$42,946,485</u>	<u>\$457,291</u>	<u>\$91,458</u>	<u>\$365,833</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. Bonds outstanding at January 31, 2012 were \$5,420,000 and were transferred to the Successor Agency on February 1, 2012 due to dissolution of the Agency.

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

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For the year ended June 30, 2012, depreciation expense on capital assets was charged to the governmental functions as follows:

General government	\$ 5,837
Public safety	34,925
Public works	1,223
Parks and recreation	388
Community development	728,938
Capital assets held by the Internal Service Funds were charged to the various functions based on their usage	<u>3,831</u>
Total	<u>\$775,142</u>

NOTE 6 – DEPOSITS AND OTHER LIABILITIES

Deposits and other liabilities at June 30, 2012 consisted of the following:

	General Fund	Water Fund	Golf Course Fund	Total
Deposits	\$167,798	\$	\$	\$167,798
Other liabilities	<u> </u>	<u>17,763</u>	<u>24,605</u>	<u>42,368</u>
Total deposits and other liabilities	<u>\$167,798</u>	<u>\$17,763</u>	<u>\$24,605</u>	<u>\$210,166</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 \$365,833 and \$72,261 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.

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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. Bonds outstanding at January 31, 2012 were \$11,775,000 and were transferred to the Successor Agency on February 1, 2012 due to the dissolution of the Agency.

2011 Tax Allocation Bonds

On March 4, 2011, the Agency issued \$19,150,000 of its 2011 Tax Allocation Bonds bearing interest of 3.0% to 7.375%, payable semi-annually on February 1 and August 1, commencing August 1, 2011. Beginning August 1, 2012 principal comes due annually in various sums through August 1, 2040, subject to optimal redemption by the Agency, in whole or in part on August 1, 2017. The 2011 Bonds are payable from, and secured by incremental property tax revenue (Pledged Tax Revenues).

On June 27, 2012, the California State Legislature passed AB 1484, which among other things, limits the use of bond proceeds. Pursuant to Health and Safety Code Section (HSC) 34191.4(c), bond proceeds derived from bonds issued on or before December 31, 2010, shall be used for the purposes for which the bonds were sold. Bond proceeds from bonds issued after that date are to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation. Since the Agency issued the bonds after that date, the proceeds cannot be used for their intended purpose. There is a five year "call date" on the bonds and the Agency is restricted from defeasing or purchasing the bonds until August 1, 2016. Therefore, the proceeds are being held by the Trustee until such time has passed.

Bonds outstanding at January 31, 2012 were \$19,150,000 and were transferred to the Successor Agency on February 1, 2012 due to the dissolution of the Agency.

Leprino Owner Participation Agreement 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 the current fiscal year, a payment of \$1,064,400 was made. This payment was adjusted from \$600,000 because the facility assessed value was \$413 million. Future payments are expected to equal \$600,000.

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On September 4, 2007, the Agency entered into an amendment to the Owner Participation Agreement with Leprino Foods Company (Leprino). Leprino has decided to expand the production capacity of the plant to permit the increase in the milk received on a daily basis from its current level of 6,000,000 pounds of milk per day, to install additional packaging capacity and make other process improvements. The 2007 Expansion Project includes the completion of the additional work at the Expanded Wastewater Pretreatment System.

It has been acknowledged that the City will incur an additional liability of approximately \$6,000,000 for wastewater improvements at the Leprino plant and this liability will be paid from the additional tax increments that the plant would generate based on this expansion. The amount calculated for 2011/2012 was \$521,053 based on the increase in tax increments and other factors.

Total liability to Leprino Foods Company was \$6,633,042 at January 31, 2012 and was transferred to the Successor Agency on February 1, 2012 due to the dissolution of the Agency.

The following is a summary of the long-term obligation transactions of the City for business-type activities for the year ended June 30, 2012.

	Balance July 1, 2011	Incurred or Issued	Satisfied or Matured	Balance June 30, 2012	Amounts Due Within One Year	Amounts Due in More Than One Year
Business-Type Activities:						
Bonds payable:						
Lease revenue bonds	\$3,990,000	\$	\$3,990,000	\$	\$	\$
Certificates of participation	2,470,000		195,000	2,275,000	205,000	2,070,000
2001 Refunding lease						
Less deferred refunding amount	(292,648)		(292,648)			
Total bonds payable	6,167,352		3,892,352	2,275,000	205,000	2,070,000
Notes payable	163,000		163,000			
Capital leases	15,178	12,855	15,178	12,855	4,170	8,685
Compensated absences	85,541	7,101		92,642	20,381	72,261
Business type activity long-term liabilities	\$6,431,071	\$19,956	\$4,070,530	\$2,380,497	\$229,551	\$2,150,946

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, 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.

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The following is a schedule of the future estimated minimum payments related to the 1995 Variable Rate Demand Certificates of Participation at June 30, 2012.

Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2013	\$ 205,000	\$ 75,985	\$ 280,985
2014	215,000	69,138	284,138
2015	230,000	61,957	291,957
2016	240,000	54,275	294,275
2017	250,000	46,259	296,259
2018-2021	<u>1,135,000</u>	<u>97,027</u>	<u>1,232,027</u>
Total	<u>\$2,275,000</u>	<u>\$404,641</u>	<u>\$2,679,641</u>

NOTE 9 - CAPITAL LEASE COMMITMENTS

The City has entered into a lease agreement for the acquisition of golf maintenance equipment. This lease agreement qualifies as a capital lease for accounting purposes. This lease has an interest rate of 0.00% and the final payment on the lease is scheduled for July, 2015.

The following is an analysis of the equipment leased as of June 30, 2012:

	<u>Business-Type Activities</u>
Equipment	\$18,501
Less: Accumulated depreciation	<u>(2,423)</u>
	<u>\$16,078</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 are as follows:

	<u>Business-Type Activities</u>
2013	\$ 4,170
2014	4,170
2015	4,170
2016	<u>345</u>
Present value of future minimum lease payments	<u>\$12,855</u>

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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.

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, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can be used for specific purposes determined by formal action of the City's highest level of decision-making authority and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* – amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established by either the highest level of decision making, or by a body or an official designated for that purpose.
- *Unassigned fund balance* – the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the unrestricted committed, assigned and unassigned resources as they are needed.

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.

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 2011-2012 was 10.326% for miscellaneous employees, and 16.2% 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.

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Annual Pension Costs

For the fiscal year ended June 30, 2012, the City's annual pension cost of \$1,077,902 for PERS was equal to the City's required and actual contributions. The required contribution for the fiscal year ended June 30, 2012 was determined as part of the June 30, 2009 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, 2011 was 18 years for Miscellaneous and 15 years for Police Safety.

Fiscal Year	Three-Year Trend Information for PERS		
	Annual Pension Cost (ACP)	Percentage of ACP Contributed	Net Pension Obligation
6/30/09	\$1,014,120	100.0%	0
6/30/10	\$ 965,961	100.0%	0
6/30/11	\$1,077,902	100.0%	0

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 88.5% funded for non-safety employees and 83.7% funded for safety employees. The actuarial accrued liability for benefits was \$3.6 billion for non-safety employees and \$507 million for safety employees and the actuarial value of assets was \$3.2 billion for non-safety employees and \$421 million for safety employees, resulting in an unfunded actuarial accrued liability (UAAL) of \$416 million for non-safety employees and \$821 million for safety employees. The covered payroll (annual payroll of active employees covered by the plan) was \$759 million for non-safety members and \$634 million for safety members, and the ratio of UAAL to the covered payroll was 54.9% and 129.5% 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.

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NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
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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>						
6/30/09	\$2,758,511	\$3,104,798	\$346,287	88.9%	\$742,981	46.6%
6/30/10	\$2,946,408	\$3,309,065	\$362,657	89.0%	\$748,401	48.5%
6/30/11	\$3,203,215	\$3,619,836	\$416,621	88.5%	\$759,264	54.9%
<u>Safety Plan</u>						
6/30/09	\$ 368,646	\$ 440,333	\$ 71,687	83.7%	\$ 60,158	119.2%
6/30/10	\$ 396,740	\$ 469,526	\$ 72,786	84.5%	\$ 61,878	117.6%
6/30/11	\$ 421,375	\$ 503,491	\$ 82,116	83.7%	\$ 63,393	129.5%

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."

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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 that 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 \$29,000,000.

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:

	<u>As of and for the Year Ended June 30, 2012</u>
Total Assets	<u>\$70,671,479</u>
Total Liabilities	<u>\$58,388,460</u>
Total Net Assets	<u>12,283,019</u>
 Total Liabilities and Net Assets	 <u>\$70,671,479</u>
Total Revenues for Year	<u>\$30,698,619</u>
Total Expenses for Year	<u>31,914,578</u>
 Change in net assets	 <u>\$ (1,215,959)</u>

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 provision 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.

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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 fund balance deficit of \$(596,343). 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 **Fleet Maintenance Fund** has a net fund balance deficit of \$(74,743). The deficit will be eliminated through future revenues or transfers from other funds.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

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

	<u>Government-Wide Financial Statements</u>		<u>Fund Financial Statements</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental</u>	<u>Proprietary</u>
Net assets/fund balance, beginning of the year as previously reported	\$80,591,429	\$24,009,443	\$64,754,590	\$23,825,004
Prior Period Adjustments:				
Effect of reclassification of Golf Course loan balance	(3,344,943)	3,344,943	(3,344,943)	3,344,943
Adjustments to land held for resale for amounts expensed in prior years	1,269,568		1,269,568	
Capital assets adjustment to record street lights previously expensed	743,649			
Adjustment to beginning balance of Leprino note	<u>(1,059,659)</u>			
Net assets/fund balances, beginning - restated	<u>\$78,200,044</u>	<u>\$27,354,386</u>	<u>\$62,679,215</u>	<u>\$27,169,947</u>

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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, 2012

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	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Property taxes	\$ 985,000	\$ 1,047,000	\$ 1,197,365	\$ 150,365
Other taxes	2,269,000	2,467,000	2,484,776	17,776
Licenses and permits	474,000	475,000	591,779	116,779
Charges for services	206,000	231,000	308,408	77,408
From other agencies	2,187,530	2,167,530	2,211,008	43,478
Fees and assessments	22,000	22,000	19,896	(2,104)
Use of money and property	55,000	50,000	51,315	1,315
Other revenue	900,176	960,176	417,953	(542,223)
Total revenues	<u>7,098,706</u>	<u>7,419,706</u>	<u>7,282,500</u>	<u>(137,206)</u>
EXPENDITURES:				
General government	3,081,395	3,141,497	2,995,367	146,130
Public safety	4,553,133	4,744,059	4,755,182	(11,123)
Public works	301,299	301,549	311,176	(9,627)
Parks and recreation	367,615	401,909	414,165	(12,256)
Capital outlay	77,970	235,747	121,793	113,954
Total expenditures	<u>8,381,412</u>	<u>8,824,761</u>	<u>8,597,683</u>	<u>227,078</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,282,706)</u>	<u>(1,405,055)</u>	<u>(1,315,183)</u>	<u>89,872</u>
Other financing sources (uses):				
Transfers in			1,500,440	1,500,440
Transfers out			(132,853)	(132,853)
Total other financing sources (uses)			<u>1,367,587</u>	<u>1,367,587</u>
Net change in fund balances	<u>(1,282,706)</u>	<u>(1,405,055)</u>	<u>52,404</u>	<u>1,457,459</u>
Fund balances, June 30, 2011, as previously reported	<u>10,449,144</u>	<u>10,449,144</u>	<u>10,449,144</u>	
Prior period adjustment	<u>(586,064)</u>	<u>(586,064)</u>	<u>(586,064)</u>	
Fund balances, June 30, 2011, restated	<u>9,863,080</u>	<u>9,863,080</u>	<u>9,863,080</u>	
Fund balances, June 30, 2012	<u>\$ 8,580,374</u>	<u>\$ 8,458,025</u>	<u>\$ 9,915,484</u>	<u>\$1,457,459</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2012

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
From other agencies	<u>\$</u>	<u>\$</u>	<u>\$1,177,690</u>	<u>\$1,177,690</u>
Total revenues			<u>1,177,690</u>	<u>1,177,690</u>
EXPENDITURES:				
General government	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,095,907</u>	<u>504,093</u>
Total expenditures	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,095,907</u>	<u>504,093</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>81,783</u>	<u>1,681,783</u>
Net change in fund balances	<u>(1,600,000)</u>	<u>(1,600,000)</u>	<u>81,783</u>	<u>1,681,783</u>
Fund balances, June 30, 2011	<u>37,533</u>	<u>37,533</u>	<u>37,533</u>	
Fund balances, June 30, 2012	<u>\$(1,562,467)</u>	<u>\$(1,562,467)</u>	<u>\$ 119,316</u>	<u>\$1,681,783</u>

CITY OF LEMOORE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

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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, 2012, expenditures exceeded appropriations in public safety, public works and parks and recreation by \$11,123 and \$9,627 and \$12,256, respectively. These overexpenditures were funded by greater than anticipated revenues.

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SUPPLEMENTARY INFORMATION

CITY OF LEMOORE
NONMAJOR GOVERNMENTAL FUNDS
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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.

Traffic Safety Fund

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

RDA Low and Moderate Income Fund

This fund accounts for the operations and projections 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.

CITY OF LEMOORE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012
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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.

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, 2012

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	<u>Combined Special Revenue Funds</u>	<u>Combined Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS			
Cash and investments	\$6,785,835	\$5,992,808	\$12,778,643
Receivables:			
Interest	3,708	3,590	7,298
Intergovernmental	<u>540,177</u>	<u>1,777</u>	<u>541,954</u>
Total assets	<u>\$7,329,720</u>	<u>\$5,998,175</u>	<u>\$13,327,895</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 153,780	\$ 24,128	\$ 177,908
Total liabilities	<u>153,780</u>	<u>24,128</u>	<u>177,908</u>
 Fund Balances			
Restricted	5,539,181		5,539,181
Committed	1,101,575	5,974,047	7,075,622
Unassigned	<u>535,184</u>	<u> </u>	<u>535,184</u>
Total fund balances	<u>7,175,940</u>	<u>5,974,047</u>	<u>13,149,987</u>
Total liabilities and fund balances	<u>\$7,329,720</u>	<u>\$5,998,175</u>	<u>\$13,327,895</u>

CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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	<u>Combined Special Revenue Funds</u>	<u>Combined Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Property taxes	\$ 1,311,145	\$	\$ 1,311,145
Licenses and permits	9,903		9,903
From other agencies	2,255,731		2,255,731
Fees and assessments	34,559	598,844	633,403
Use of money and property	29,221	16,336	45,557
Other revenue	<u> </u>	<u>85,745</u>	<u>85,745</u>
Total revenues	<u>3,640,559</u>	<u>700,925</u>	<u>4,341,484</u>
EXPENDITURES			
Current:			
General government	391,113		391,113
Public works		28,120	28,120
Community development	501		501
Capital outlay:			
General government		169,336	169,336
Public works		180,006	180,006
City streets	<u>868,710</u>	<u> </u>	<u>868,710</u>
Total expenditures	<u>1,260,324</u>	<u>377,462</u>	<u>1,637,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,380,235</u>	<u>323,463</u>	<u>2,703,698</u>
Other financing sources (uses):			
Operating transfers in		132,853	132,853
Operating transfers out	<u>(567,446)</u>	<u>(22,718)</u>	<u>(590,164)</u>
Total other financing sources (uses)	<u>(567,446)</u>	<u>110,135</u>	<u>(457,311)</u>
Net change in fund balance before extraordinary item	1,812,789	433,598	2,246,387
Extraordinary gain (loss) dissolution of redevelopment agency	<u>(8,257,825)</u>	<u> </u>	<u>(8,257,825)</u>
Total extraordinary gain (loss)	<u>(8,257,825)</u>	<u> </u>	<u>(8,257,825)</u>
Net change in fund balance	<u>(6,445,036)</u>	<u>433,598</u>	<u>(6,011,438)</u>
Fund balances, June 30, 2011 as previously reported	12,431,941	5,540,449	17,972,390
Prior period adjustment	<u>1,189,035</u>	<u> </u>	<u>1,189,035</u>
Fund balances, July 1, 2011, restated	<u>13,620,976</u>	<u>5,540,449</u>	<u>19,161,425</u>
Fund balances, June 30, 2012	<u>\$ 7,175,940</u>	<u>\$5,974,047</u>	<u>\$ 13,149,987</u>

CITY OF LEMOORE
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2012

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	Traffic Safety	Gasoline Tax	Local Transportation	Streets Grant Fund
ASSETS				
Cash and investments	\$334,025	\$1,551,759	\$1,671,556	\$587,964
Receivables:				
Interest	205	945	685	271
Intergovernmental	<u>2,855</u>	<u>31,895</u>	<u>225,546</u>	<u>38,249</u>
Total assets	<u>\$337,085</u>	<u>\$1,584,599</u>	<u>\$1,897,787</u>	<u>\$626,484</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ _____	\$ 11,746	\$ 18,082	\$ 91,300
Total liabilities	_____	<u>11,746</u>	<u>18,082</u>	<u>91,300</u>
 Fund balances:				
Restricted	337,085	1,572,853	1,879,705	
Committed				
Unassigned	_____	_____	_____	<u>535,184</u>
Total fund balances	<u>337,085</u>	<u>1,572,853</u>	<u>1,879,705</u>	<u>535,184</u>
Total liabilities and fund balances	<u>\$337,085</u>	<u>\$1,584,599</u>	<u>\$1,897,787</u>	<u>\$626,484</u>

CITY OF LEMOORE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

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	Maintenance Assessment District	TE/STP Exchange Fund	Downtown Improvement	Totals
ASSETS				
Cash and investments	\$1,073,150	\$1,555,510	\$11,871	\$6,785,835
Receivables:				
Interest	643	952	7	3,708
Intergovernmental	<u>48,556</u>	<u>193,076</u>	<u> </u>	<u>540,177</u>
Total assets	<u>\$1,122,349</u>	<u>\$1,749,538</u>	<u>\$11,878</u>	<u>\$7,329,720</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 32,352	\$ _____	\$ 300	\$ 153,780
Total liabilities	<u>32,352</u>	<u> </u>	<u>300</u>	<u>153,780</u>
Fund balances:				
Restricted		1,749,538		5,539,181
Committed	1,089,997		11,578	1,101,575
Unassigned	<u> </u>	<u> </u>	<u> </u>	<u>535,184</u>
Total fund balances	<u>1,089,997</u>	<u>1,749,538</u>	<u>11,578</u>	<u>7,175,940</u>
Total liabilities and fund balances	<u>\$1,122,349</u>	<u>\$1,749,538</u>	<u>\$11,878</u>	<u>\$7,329,720</u>

CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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	Traffic Safety	Gasoline Tax	Local Transportation	Streets Grant Fund
REVENUES:	\$	\$	\$	\$
Property taxes				833,676
Licenses and permits		349,256	526,954	
From other agencies				271
Fees and assessments	34,559	4,079	4,150	
Use of money and property	<u>912</u>			
Total revenues	<u>35,471</u>	<u>353,335</u>	<u>531,104</u>	<u>833,947</u>
EXPENDITURES:				
Current:				
General government				
Community development				
Capital outlay:				
City streets		<u>765,508</u>	<u>23,582</u>	<u>79,620</u>
Total expenditures		<u>765,508</u>	<u>23,582</u>	<u>79,620</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,471</u>	<u>(412,173)</u>	<u>507,522</u>	<u>754,327</u>
Other financing sources (uses):				
Operating transfers in				
Operating transfers out				
Total other financing sources (uses)				
Net change in fund balances before extraordinary item	<u>35,471</u>	<u>(412,173)</u>	<u>507,522</u>	<u>754,327</u>
Extraordinary gain (loss) dissolution of redevelopment agency				
Total extraordinary gain (loss)				
Net change in fund balances	<u>35,471</u>	<u>(412,173)</u>	<u>507,522</u>	<u>754,327</u>
Fund balances, July 1, 2011, as previously reported	301,614	1,985,026	1,372,183	(219,143)
Prior period adjustment				
Fund balances, June 30, 2011, restated	<u>301,614</u>	<u>1,985,026</u>	<u>1,372,183</u>	<u>(219,143)</u>
Fund balances, June 30, 2012	<u>\$337,085</u>	<u>\$1,572,853</u>	<u>\$1,879,705</u>	<u>\$ 535,184</u>

CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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	Maintenance Assessment District	TE/STP Exchange Fund	Downtown Improvement	RDA Low and Moderate Income Fund (1)	Totals
REVENUES:					
Property taxes	\$ 251,866	\$	\$	\$ 1,059,279	\$ 1,311,145
Licenses and permits			9,903		9,903
From other agencies	352,769	193,076			2,255,731
Fees and assessments			38	12,616	34,559
Use of money and property	2,726	4,429			29,221
Total revenues	<u>607,361</u>	<u>197,505</u>	<u>9,941</u>	<u>1,071,895</u>	<u>3,640,559</u>
EXPENDITURES:					
Current:					
General government	382,012		9,101	501	391,113
Community development					501
Capital outlay:					
City streets					868,710
Total expenditures	<u>382,012</u>		<u>9,101</u>	<u>501</u>	<u>1,260,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>225,349</u>	<u>197,505</u>	<u>840</u>	<u>1,071,394</u>	<u>2,380,235</u>
Other financing sources (uses):					
Operating transfers in				(540,446)	(567,446)
Operating transfers out	(27,000)				(567,446)
Total other financing sources (uses)	<u>(27,000)</u>			<u>(540,446)</u>	<u>(567,446)</u>
Net change in fund balances before extraordinary item	<u>198,349</u>	<u>197,505</u>	<u>840</u>	<u>530,948</u>	<u>1,812,789</u>
Extraordinary gain (loss) dissolution of redevelopment agency				(8,257,825)	(8,257,825)
Total extraordinary gain (loss)				<u>(8,257,825)</u>	<u>(8,257,825)</u>
Net change in fund balances	<u>198,349</u>	<u>197,505</u>	<u>840</u>	<u>(7,726,877)</u>	<u>(6,445,036)</u>
Fund balances, July 1, 2011, as previously reported	891,648	1,552,033	10,738	6,537,842	12,431,941
Prior period adjustment				1,189,035	1,189,035
Fund balances, June 30, 2011, restated	<u>891,648</u>	<u>1,552,033</u>	<u>10,738</u>	<u>7,726,877</u>	<u>13,620,976</u>
Fund balances, June 30, 2012	<u>\$1,089,997</u>	<u>\$1,749,538</u>	<u>\$11,578</u>	<u>\$</u>	<u>\$ 7,175,940</u>

(1) For the seven months ended January 31, 2013

CITY OF LEMOORE
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2012

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	Street Improvement	Recreation Improvement	Facility Infrastructure	Capital Improvement Fees	Totals
ASSETS					
Cash and investments	\$116,599	\$2,152,297	\$143,403	\$3,580,509	\$5,992,808
Receivables:					
Interest	69	1,317	15	2,189	3,590
Intergovernmental	<u>1,777</u>	<u> </u>	<u> </u>	<u> </u>	<u>1,777</u>
Total assets	<u>\$118,445</u>	<u>\$2,153,614</u>	<u>\$143,418</u>	<u>\$3,582,698</u>	<u>\$5,998,175</u>
FUND BALANCES					
Liabilities:					
Accounts payable	\$ 325	\$ 3,861	\$ 5,227	\$ 14,715	\$ 24,128
Total liabilities	<u>325</u>	<u>3,861</u>	<u>5,227</u>	<u>14,715</u>	<u>24,128</u>
Fund balances:					
Committed	<u>118,120</u>	<u>2,149,753</u>	<u>138,191</u>	<u>3,567,983</u>	<u>5,974,047</u>
Total fund balances	<u>118,120</u>	<u>2,149,753</u>	<u>138,191</u>	<u>3,567,983</u>	<u>5,974,047</u>
Total liabilities and fund balances	<u>\$118,445</u>	<u>\$2,153,614</u>	<u>\$143,418</u>	<u>\$3,582,698</u>	<u>\$5,998,175</u>

CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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	<u>Street Improvement</u>	<u>Recreation Improvement</u>	<u>Facility Infrastructure</u>	<u>Capital Improvement Fees</u>	<u>Totals</u>
REVENUES:					
Fees and assessments	\$	\$ 301,371	\$	\$ 297,473	\$ 598,844
Use of money and property	316	6,125	42	9,853	16,336
Other revenues	<u>3,845</u>	<u> </u>	<u> </u>	<u>81,900</u>	<u>85,745</u>
Total revenues	<u>4,161</u>	<u>307,496</u>	<u>42</u>	<u>389,226</u>	<u>700,925</u>
EXPENDITURES:					
Current:				28,120	28,120
Public works					
Capital outlay:		154,715		14,621	169,336
General government			168,973	7,188	180,006
Public works	<u>3,845</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>3,845</u>	<u>154,715</u>	<u>168,973</u>	<u>49,929</u>	<u>377,462</u>
Excess (deficiency) of revenues over (under) expenditures	<u>316</u>	<u>152,781</u>	<u>(168,931)</u>	<u>339,297</u>	<u>323,463</u>
Other financing sources (uses):					
Operating transfers in			132,853		132,853
Operating transfers out		(9,568)		(13,150)	(22,718)
Total other financing sources (uses)		<u>(9,568)</u>	<u>132,853</u>	<u>(13,150)</u>	<u>110,135</u>
Net change in fund balances	<u>316</u>	<u>143,213</u>	<u>(36,078)</u>	<u>326,147</u>	<u>433,598</u>
Fund balances, July 1, 2011	<u>117,804</u>	<u>2,006,540</u>	<u>174,269</u>	<u>3,241,836</u>	<u>5,540,449</u>
Fund balances, June 30, 2012	<u>\$118,120</u>	<u>\$2,149,753</u>	<u>\$ 138,191</u>	<u>\$3,567,983</u>	<u>\$5,974,047</u>

CITY OF LEMOORE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012

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	<u>Fleet Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and investments	\$	\$	\$
Cash with fiscal agent	<u> </u>	<u>27,819</u>	<u>27,819</u>
Total current assets	<u> </u>	<u>27,819</u>	<u>27,819</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net of accumulated depreciation	<u>9,345</u>	<u> </u>	<u>9,345</u>
Total assets	<u>9,345</u>	<u>27,819</u>	<u>37,164</u>
LIABILITIES			
Current liabilities:			
Accounts payable	44,119		44,119
Accrued compensated absences	19,498		19,498
Interfund payable	<u>20,471</u>	<u>16,753</u>	<u>37,224</u>
Total liabilities	<u>84,088</u>	<u>16,753</u>	<u>100,841</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,345		9,345
Unrestricted	<u>(84,088)</u>	<u>11,066</u>	<u>(73,022)</u>
Total net assets (deficit)	<u>\$(74,743)</u>	<u>\$11,066</u>	<u>\$(63,677)</u>

CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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	Fleet Maintenance	Insurance	Totals
OPERATING REVENUE:			
Charges for services	\$ 931,873	\$	\$ 931,873
Other revenues	<u>798</u>	<u> </u>	<u>798</u>
Total operating revenue	<u>932,671</u>	<u> </u>	<u>932,671</u>
OPERATING EXPENSES:			
Salaries and benefits	217,387		217,387
Materials and supplies	376,240		376,240
Utilities	1,399		1,399
Contractual services	2,939		2,939
Repairs and maintenance	251,467		251,467
Depreciation and amortization	<u>9,460</u>	<u> </u>	<u>9,460</u>
Total operating expenses	<u>858,892</u>	<u> </u>	<u>858,892</u>
Operating income (loss)	<u>73,779</u>	<u> </u>	<u>73,779</u>
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	(28,968)		(28,968)
Net assets (deficit), July 1, 2011	<u>(45,775)</u>	<u>11,066</u>	<u>(34,709)</u>
Net assets (deficit), June 30, 2012	<u>\$ (74,743)</u>	<u>\$11,066</u>	<u>\$ (63,677)</u>

CITY OF LEMOORE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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	Fleet Maintenance	Insurance	Totals
Cash flows from operating activities:			
Cash received from customers and users	\$ 932,671	\$	\$ 932,671
Cash payments to suppliers for goods and services	(630,135)		(630,135)
Cash payments to employees for services	(217,486)		(217,486)
Net cash provided (used) by operating activities	85,050		85,050
Cash flows from noncapital financing activities:			
Transfers to other funds	(102,747)		(102,747)
Loans from other funds	17,697	16,753	34,450
Net cash used by noncapital financing activities	(85,050)	16,753	(68,297)
Decrease in cash and cash equivalents		16,753	16,753
Cash and investments, June 30, 2011		11,066	11,066
Cash and investments, June 30, 2012		27,819	27,819
Cash and cash investments		27,819	27,819
Cash with fiscal agent		27,819	27,819
Total cash and investments	\$	\$27,819	\$ 27,819

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income	\$ 73,779	\$	\$ 73,779
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	9,460		9,460
Changes in assets and liabilities:			
Increase (decrease) in accounts payable	1,910		1,910
Increase (decrease) in compensated absences	(99)		(99)
Net cash provided (used) by operating activities	\$ 85,050	\$	\$ 85,050

CITY OF LEMOORE
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2012

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	<u>Successor Agency Debt Service (1)</u>	<u>Successor Agency Capital Projects (1)</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 13,972	\$ 8,748,532	\$ 8,762,504
Restricted cash with fiscal agents	19,430,018		19,430,018
Accounts receivable		99,140	99,140
Deferred Charges	1,147,629		1,147,629
Assets held for resale		1,464,377	1,464,377
Advances to City of Lemoore		2,983,309	2,983,309
Notes receivable		1,364,488	1,364,488
Capital assets (net of accumulated depreciation)		<u>1,108,062</u>	<u>1,108,062</u>
Total Assets	<u>20,591,619</u>	<u>15,767,908</u>	<u>36,359,527</u>
LIABILITIES			
Accounts payable		14,019	14,019
Interest payable	905,588	525	906,113
Long-term debt	<u>36,314,057</u>	<u>6,107,248</u>	<u>42,421,305</u>
Total Liabilities	<u>37,219,645</u>	<u>6,121,792</u>	<u>43,341,437</u>
NET ASSETS (DEFICIT)			
Held in trust for the retirement of obligations of the former Lemoore Redevelopment Agency	<u>(16,628,026)</u>	<u>9,646,116</u>	<u>(6,981,910)</u>
Total Net Assets	<u>\$(16,628,026)</u>	<u>\$ 9,646,116</u>	<u>\$(6,981,910)</u>

(1) For the five months ended June 30, 2012

CITY OF LEMOORE
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
FOR THE FIVE MONTHS ENDED JUNE 30, 2012

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	Successor Agency Debt Service (1)	Successor Agency Capital Projects (1)	Total Successor Agency Private-Purpose Trust Funds
ADDITIONS			
Taxes	\$	\$1,392,997	\$ 1,392,997
Investment earnings	1,040	89,470	90,510
Miscellaneous	<u> </u>	<u>93,744</u>	<u>93,744</u>
Total Additions	<u>1,040</u>	<u>1,576,211</u>	<u>1,577,251</u>
DEDUCTIONS			
Community development		366,696	366,696
Debt service:			
Interest and fiscal charges	<u>923,719</u>	<u> </u>	<u>923,719</u>
Total Deductions	<u>923,719</u>	<u>366,696</u>	<u>1,290,415</u>
EXTRAORDINARY GAIN (LOSS)			
Dissolution of redevelopment agency	<u>(15,705,347)</u>	<u>8,436,601</u>	<u>(7,268,746)</u>
Change in Net Assets	<u>(16,628,026)</u>	<u>9,646,116</u>	<u>(6,981,910)</u>
Net Assets, End of Year	<u>\$(16,628,026)</u>	<u>\$9,646,116</u>	<u>\$(6,981,910)</u>

(1) For the five months ended June 30, 2012

CITY OF LEMOORE
COMBINING STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

DRAFT
 SUBJECT TO FINAL
 REVIEW AND APPROVAL
 DRAFT DATE _____

	Laguna Irrigation	Other Agency Funds	Totals
ASSETS			
Cash and investments	\$479,519	\$416,944	\$896,463
Other assets	<u>28,800</u>	<u> </u>	<u>28,800</u>
Total assets	<u>508,319</u>	<u>416,944</u>	<u>925,263</u>
LIABILITIES			
Accounts payable		202,550	202,550
Due to others	508,319	182,709	691,028
Deposits	<u> </u>	<u>31,685</u>	<u>31,685</u>
Total liabilities	<u>\$508,319</u>	<u>\$416,944</u>	<u>\$925,263</u>