

DRAFT  
SUBJECT TO FINAL  
REVIEW AND APPROVAL  
DRAFT DATE 5/3/13

CITY OF LEMOORE

---

SINGLE AUDIT REPORT  
AND  
ADDITIONAL INFORMATION

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JUNE 30, 2012

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April 11, 2013

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Members of City Council of the  
City of Lemoore  
Lemoore, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemoore as of and for the fiscal year ended June 30, 2012, which collectively comprise the City of Lemoore's basic financial statements and have issued our report thereon dated April 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Item #2012-2, #2012-3.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. Item #'s 2012-1, 2012-4.

#### Compliance and Other Matters

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

The City of Lemoore's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of  
City Council of the City of Lemoore  
Lemoore, California

Compliance

We have audited the compliance of the City of Lemoore (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lemoore, as of and for the year ended June 30, 2012, and have issued our report thereon dated April 11, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

CITY OF LEMOORE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**DRAFT**  
 AWARDS TO FINAL  
 REVIEW AND APPROVAL  
 DRAFT DATE \_\_\_\_\_

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Program Number	Expenditures
<b>U.S. Department of Housing and Urban Development:</b>			
Passed through California Department of Housing and Community Development:			
Community Development Block Grant	14.228	10-STBG-6722	\$ 610,427
Community Development Block Grant	14.228	08-EDEF-5881	192,920
HOME	14.239	10-HOME-6868	<u>340,120</u>
Total U.S. Department of Housing and Urban Development			<u>1,143,467</u>
<b>U.S. Department of Transportation:</b>			
Passed through State of California Department of Transportation:			
Highway Planning and Construction	20.205	CML-5115-(24)	10,000
Highway Planning and Construction	20.205	CML-5115(25)	188,000
Highway Planning and Construction	20.205	SRTSL-5115(22)	20,865
Highway Planning and Construction	20.205	CML-5115(23)	<u>289,189</u>
Total U.S. Department of Transportation			<u>508,054</u>
<b>U.S. Environmental Protection Agency:</b>			
Passed through State of California Department of Public Health:			
ARRA – Capitalization Grants for Drinking Water State Revolving Funds	66.468	AR09FP08	<u>598,941</u>
Total U.S. Environmental Protection Agency			<u>598,941</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$2,250,462</u>

CITY OF LEMOORE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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**1. REPORTING ENTITY**

The financial reporting entity consists of (a) the primary government, City of Lemoore (City), and (b) component units which include organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units of the City are the:

- Lemoore Redevelopment Agency (dissolved on February 1, 2012)
- Lemoore Financing Authority

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

Funds received under the various grant programs have been recorded within special revenue, and enterprise funds of the City. The City utilizes the modified accrual method of accounting for the special revenue, and full accrual method for enterprise funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California is included in the schedule.

The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

**3. PROGRAM DESCRIPTIONS**

**U.S. Department of Housing and Urban Development**

**Home Investment Partnerships Program (HOME)**

The objectives of the Home Investment Partnerships Program include: Expanding the supply of decent and affordable housing, particularly housing for low and very low-income Americans; strengthening the abilities of state and local governments to design and implement strategies for achieving adequate supplies for decent, affordable housing; providing financial and technical assistance to participating jurisdictions, including the development of model programs for affordable low-income housing; and extending and strengthening partnerships among all levels of government and the private sector, including for-profit and non-profit organizations, in the production and operation of affordable housing.

CITY OF LEMOORE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(continued)

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**Community Development Block Grant (CDBG)**

The Community Development Block Grant (CDBG) Program was authorized under Title I of the Housing and Community Development Act of 1974. The primary objective of the CDBG Program is the development of viable urban communities, including adequate housing, a suitable living environment, and expansion of economic opportunities, principally for persons of low to moderate income. Under this program, the Department of Housing and Urban Development (HUD) distributes funds based upon approved applications to eligible local governmental units for the purpose of community improvements and betterment. The City uses CDBG funds to finance a comprehensive home improvement program that assists low and moderate income residents through low interest subsidies and deferred loans.

**U.S. Department of Transportation**

**Highway Planning and Construction**

State pass through funds are granted directly to Local Public Agencies, such as cities and counties and other political subdivisions. These funds may be used for several highway projects, such as surveying; engineering, capital improvements such as new construction and reconstruction; planning; research and development and other authorized projects.

**U.S. Environmental Protection Agency**

**Capitalization Grants for Drinking Water State Revolving Funds**

Capitalization grants are awarded to States to create and maintain Drinking Water State Revolving Funds Programs. States can use capitalization grant funds to establish a revolving loan fund to assist public water systems finance the costs of infrastructure needed to achieve or maintain compliance with Safe Drinking Water Act requirements and protection to public health objectives of the Act.

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  X  yes   no

Significant deficiency(s) identified not considered to be material weaknesses?  X  yes   no

Noncompliance material to financial statements notes?   yes  X  no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?   yes  X  no

Significant deficiency(s) identified not considered to be material weakness(es)?   yes  X  none reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 section 510 (a)?   Yes  X  no

Identification of major programs:

<b>CFDA Number(s)</b>	<b><u>Name of Federal Program or Cluster</u></b>
14.228	<u>Community Development Block Grant</u>
66.468	<u>ARRA – Capitalization Grant for Drinking Water State Revolving Funds</u>
14.239	<u>Home Investment Partnership Program</u>

Dollar threshold used to distinguish between Type A and Type B program \$300,000

Auditee qualified as low-risk auditee?   yes  X  no

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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**Part II - Financial Statement Finding Section**

Significant Deficiency

2012-1 – CREDIT CARDS

Condition:

During our testing of controls over credit cards the following was noted:

We selected two months out of the fiscal year and tested all credit card payments for those billing cycles. Out of the thirty credit card bills tested, five did not have all of the supporting documentation attached. We also noted the credit card policy should be reviewed and updated to ensure proper controls over credit cards have been put in place and are being properly monitored by the Finance Department.

Criteria:

Internal controls over credit cards should be updated and monitored to reduce the risk of misuse.

Effect of Condition:

Inadequate controls over the use of credit cards increases the risk of unauthorized purchases.

Cause of Condition:

Internal control procedures over credit cards are not being consistently followed.

Recommendation:

We recommend a thorough review of all credit card statements and their supporting documentation to ensure each purchase has a proper business purpose is coded to the correct account code and is properly supported by documentation that is attached to the credit card statement. We also recommend the credit card policy be reviewed and updated to ensure proper controls have been put in place over the use of credit cards.

Response:

We are reviewing and updating all policies and procedures in the Finance Department. The Accountant in the Finance Department is reviewing every credit card statement against every receipt from the departments and making the departments accountable for missing items. The updated policy and procedures will have consequences for the departments if receipts are missing from the credit card statement.

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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(Continued)

Material weakness

2012-2 – GENERAL LEDGER

Condition:

As a result of the audit process over 40 journal entries were required to adjust the general ledger for it to reflect proper account balances for the year. The following is a list of problems that were encountered while working with the general ledger:

1. Several adjusting entries to fund balance to make them agree with the prior years audited year-end balances.
2. Journal entries were not kept organized and there was a lot of confusion regarding which entries had been recorded by the City and which journal entries had been given to the auditors. Journal entries are not being properly reviewed prior to posting causing additional reclassifying entries to correct prior mispostings.
3. New funds were added by the City after field work was completed and the auditors were writing the report. Several reclassifying entries were then prepared and redone several times to move balances between funds causing confusion.

Criteria:

Controls over the general ledger should be established and monitored to reduce the risk of material misstatement in the financial statements.

Effect of Condition:

Inadequate maintenance of general ledger controls increases the risk of material misstatement within the financial statements.

Cause of Condition:

Controls over the general ledger are not being properly monitored or consistently followed.

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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(Continued)

Recommendation:

City finance staff is able to keep detailed subsidiary records current for the most part, however, the general ledger needs to be maintained as this is the prime financial record for the City. Maintenance of the general ledger should be one of the highest priorities. Accounts receivable, accounts payable, long-term debt and capital assets should reflect proper balances and be adjusted on a regular basis. New funds should not be added unless absolutely necessary and all journal entries should be kept organized and should be thoroughly reviewed prior to posting.

Response:

The Finance Department has provided training for the accounting system to eliminate some of the issues with fund balances. Journal entries will be reviewed by the Finance Director prior to posting. The accounting staff now has a shared drive on the computer so that accounting records, including the journal entries are available for use by all. Procedures are being implemented that will list all activities that should be completed on a daily, monthly, quarterly and annual basis. This should help with the communication between the internal accounting staff so that all activities can be completed in a timely manner. These changes will be included in the review and update of the policies and procedures manual that is being created by Finance.

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**DRAFT**  
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DRAFT DATE \_\_\_\_\_

(Continued)

Material Weakness

2012-3 – RECORDKEEPING OF CAPITAL ASSETS

Condition:

The City did not adequately maintain the governmental activities capital asset records during the 2011/2012 year. The schedules provided at the beginning of the audit were partially incomplete, mathematically incorrect or did not agree to the supporting detail. In addition records for CIP projects are not being contemporaneously maintained, resulting in hastily prepared schedules during the audit that often require revisions.

Criteria:

Capital asset records should be maintained on an ongoing basis. The summary schedules provided to the auditors at the beginning of the audit should be reviewed by someone other than the preparer and reconciled to the supporting subsidiary records.

Effect of Condition:

Inadequate maintenance of capital asset records could result in financial statements that are misstated.

Cause of Condition:

Because of time constraints, capital asset schedules are not adequately reviewed prior to being given to the auditors.

Recommendation:

Prior to the beginning of the audit, all capital assets governmental activities schedules should be reviewed and adjusted to agree to the supporting subsidiary records by the Finance Department staff.

Response:

Finance is verifying that the fixed asset records as of June 30, 2012 tie out to the balances that are reflected in the audit report. We will improve our reconciliations of fixed assets and depreciation schedules during the fiscal year. We will continue to improve communication with the departments as to the status of CIP projects to know when to convert them to fixed assets or to expense out the projects that are not going to continue. These changes should ensure that Finance will be able to produce accurate, timely fixed asset records for the 2012/2013 audit.

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**DRAFT**  
SUBJECT TO FINAL  
REVIEW AND APPROVAL  
DRAFT DATE \_\_\_\_\_

(Continued)

Significant Deficiency

2012-4 – PAYROLL POLICIES AND PROCEDURES DOCUMENTATION

Condition:

During our testing of payroll the following was noted:

The internal control documentation for payroll was dated June 30, 2006. There have been personnel changes in the Finance Department and technological changes in the payroll area since 2006. Payroll is a sensitive area and controls over how the payroll process is performed and who has access to payroll information is important. An updated written policy explaining how payroll is performed and by who will decrease the risk that payroll could be done incorrectly, or by a person who does not have proper access to the sensitive information.

Criteria:

Proper documentation should be kept regarding payroll policies and procedures to ensure payroll is being done correctly, efficiently and by the appropriate person in the Finance Department.

Effect of Condition:

There could be some confusion as to “who” has authorization to do “what” in the Finance Department resulting in changes made by personnel who are not authorized to make changes.

Cause of Condition:

The Finance Department does not have an updated written policy regarding payroll policies and procedures.

Recommendation:

Updated internal control documentation for payroll should be prepared as soon as possible.

Response:

As stated in previous responses, the Department is reviewing and updating all policies and procedures, including Payroll. The outdated internal control documentation from 2006 will be reviewed and updated. The Finance Department is working toward the goal of cross training staff on all activities, and the updated policies and procedures are instrumental in that goal.

CITY OF LEMOORE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**DRAFT**  
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REVIEW AND APPROVAL  
DRAFT DATE \_\_\_\_\_

(Continued)

**Part III - Federal Award Findings and Questioned Costs Section**

Significant Deficiencies and Instances of Noncompliance Related to the Audit of Major Federal Programs.

None

CITY OF LEMOORE  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**DRAFT**  
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**Findings – Financial Statement Audit.**

Material Weakness

2011-1 – BANK RECONCILIATIONS

Condition:

Cash is not reconciled to the general ledger on a monthly basis. Bank statements accumulate for several months before they are reconciled to the appropriate general ledger controls.

Recommendation:

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over cash receipts and disbursements. We recommend that all bank accounts be reconciled each month to the City's financial statements (i.e. the general ledger).

Current Status:

The Finance Department has prioritized the process of reconciling cash receipts to the general ledger and hired a part-time accounting technician in August of 2011 that is dedicated to reconciling all bank balances each month. Cash is now being reconciled monthly.

Significant Deficiency

2011-2 – CASH RECEIPTS AT REMOTE LOCATIONS

Condition:

There are several departments within the City (i.e. Police, Parks and Recreation, Public Works) that receive cash payments as a convenience to the customers. These payments are subsequently taken to the Finance Department for processing and to be deposited in the bank. Although controls have been established to safeguard the monies from the point of collection to the bank deposit, we noted that in the prior year audit that many of the controls had broken down and were not being followed during the year. Since the problem was not discovered until May, 2011, the breakdown in controls was still occurring during most of the 2010/2011 year.

Recommendation:

During June of the 2010/2011 year, the Finance Department established policies and procedures for cash receipts at remote locations to address the issues discovered in the prior year audit. We recommend that these new policies and procedures be continually monitored for compliance.

Current Status:

The condition has improved significantly from the prior year as the Finance Department has implemented controls to monitor the logging in and out of cash receipts.

CITY OF LEMOORE  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

**DRAFT**  
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Significant Deficiency

2011-3 – RECORDKEEPING OF CAPITAL ASSETS

Condition:

The City did not adequately maintain the governmental activities capital asset records during the 2010/2011 year. The schedules provided at the beginning of the audit were partially incomplete, mathematically incorrect or did not agree to the supporting detail. In addition, records for CIP projects are not being contemporaneously maintained, resulting in hastily prepared schedules during the audit that often require revisions.

Recommendation:

Prior to the beginning of the audit, all capital assets governmental activities schedules should be reviewed and adjusted to agree to the supporting subsidiary records by the Finance Department staff.

Current Status:

Unchanged from prior year, please see finding 2012-3 as of June 30, 2012.

**DRAFT**  
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Additional Information

April 11, 2013

REPORT ON COMPLIANCE  
WITH ARTICLE XIII B – APPROPRIATIONS LIMIT

To the Members of City Council of the  
City of Lemoore  
Lemoore, California

We have applied the procedures enumerated below to the accompanying Appropriations Limit of the City of Lemoore, California for the fiscal year ended June 30, 2012. These procedures which were agreed to by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. This report is intended for the information of management and the City Council. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The procedures performed and our findings were as follows:

1. We obtained the computations from the City of Lemoore and determined that the limit and annual adjustment factors were adopted by resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.
2. For the accompanying Appropriations Limit, we added last year's limit to total adjustments, and agreed the resulting amount of this year's limit.
3. We agreed the current year information presented in the accompanying appropriations limit to the other computations described above.
4. We agreed the prior year Appropriations Limit presented in the accompanying Appropriations Limit to the prior year Appropriations Limit adopted by the City Council during the prior year.

These agreed-upon procedures are substantially less in scope than an audit, the objective of which is the expression of an opinion on the accompanying Appropriations Limit. Accordingly, we do not express such an opinion.

Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that the accompanying appropriations limit was not computed in accordance with Article XIII B of the California Constitution. Had we performed additional procedures or had we conducted an audit of the accompanying Appropriations Limit and the other completed worksheets described above, matters might have come to our attention that would have been reported to you.

CITY OF LEMOORE  
ANNUAL APPROPRIATION LIMIT CALCULATIONS **DRAFT**  
JUNE 30, 2012

**SUBJECT TO FINAL  
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	<u>Amount</u>
LAST YEARS LIMIT	\$15,785,268
ADJUSTMENT FACTORS:	
Population	1.0228%
Inflation	1.0251%
Total Adjustment Factors	<u>1.0485%</u>
TOTAL ADJUSTMENTS	<u>\$ 765,585</u>
THIS YEARS LIMIT	<u>\$16,550,853</u>