

**CITY OF LEMOORE
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2013**

**CITY OF LEMOORE
CALIFORNIA**

JUNE 30, 2013

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**CITY OF LEMOORE
CALIFORNIA**

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Governmental Activities

Management has not maintained a complete and accurate capital asset listing and depreciation schedule as it relates to the City's governmental activities and, accordingly, has not reconciled the general government capital asset listing and corresponding depreciation schedule to the amounts reported in the financial statements. Accounting principles generally accepted in the United States of America require that all general government capital assets be reported in the governmental activities column on the government-wide statement of net position at historical cost net of any related accumulated depreciation, which would accurately present the City's financial position on the government-wide financial statements. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of the City of Lemoore, California, as of June 30, 2013, and the changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemoore, California, as of June 30, 2013 and the respective changes to the financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 50-51 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Price Page & Company

Clovis, California
March 10, 2014

BASIC FINANCIAL STATEMENTS

**CITY OF LEMOORE
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 24,607,399	\$ 17,878,667	\$ 42,486,066
Receivables:			
Accounts, net	9,996	1,148,022	1,158,018
Interest	8,842	5,634	14,476
Notes	4,881,157	-	4,881,157
Intergovernmental	1,322,712	607,808	1,930,520
Other	32,665	-	32,665
Prepaid expenses	-	6,017	6,017
Internal balances	(324,109)	324,109	-
Inventory	-	72,824	72,824
Assets held for resale	1,485,564	-	1,485,564
Cash with fiscal agents - restricted	45,203	658,555	703,758
Capital assets:			
Non-depreciable	47,241,426	13,652,854	60,894,280
Depreciable, net of accumulated depreciation	<u>15,610,708</u>	<u>13,709,119</u>	<u>29,319,827</u>
Total assets	<u>94,921,563</u>	<u>48,063,609</u>	<u>142,985,172</u>
LIABILITIES			
Accounts payable	832,018	1,296,465	2,128,483
Accrued interest payable	-	27,042	27,042
Deposits and other liabilities	252,823	60,314	313,137
Unearned Revenue	652,200	-	652,200
Advances from successor agency	-	2,217,541	2,217,541
Noncurrent liabilities:			
Due within one year	73,318	240,682	314,000
Due in more than one year	<u>293,269</u>	<u>9,013,230</u>	<u>9,306,499</u>
Total liabilities	<u>2,103,628</u>	<u>12,855,274</u>	<u>14,958,902</u>
NET POSITION			
Net investment in capital assets	62,852,134	23,444,815	86,296,949
Restricted	10,447,890	-	-
Unrestricted	<u>19,517,911</u>	<u>11,763,520</u>	<u>31,281,431</u>
Total net position	<u>\$ 92,817,935</u>	<u>\$ 35,208,335</u>	<u>\$ 128,026,270</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
Functions/programs:							
Primary government:							
Governmental activities:							
General government	\$ 2,057,530	\$ 112,078	\$ -	\$ -	\$ (1,945,452)	\$ -	\$ (1,945,452)
Public safety	4,546,380	248,714	265,459	-	(4,032,207)	-	(4,032,207)
Public works	3,204,362	282,882	-	1,280,749	(1,640,731)	-	(1,640,731)
Community development	2,069,524	514,313	147,661	-	(1,407,550)	-	(1,407,550)
Parks and recreation	467,875	325,469	-	-	(142,406)	-	(142,406)
Unallocated depreciation	187,081	-	-	-	(187,081)	-	(187,081)
Total governmental activities	12,532,752	1,483,456	413,120	1,280,749	(9,355,427)	-	(9,355,427)
Business-type activities:							
Water	3,131,361	4,145,592	-	-	-	1,014,231	1,014,231
Sewer	1,654,160	3,577,349	-	639,590	-	2,562,779	2,562,779
Refuse	2,094,112	2,948,335	-	290,256	-	1,144,479	1,144,479
Golf Course	1,269,053	1,319,848	-	-	-	50,795	50,795
Total business-type activities	8,148,686	11,991,124	-	929,846	-	4,772,284	4,772,284
Total	\$ 20,681,438	\$ 13,474,580	\$ 413,120	\$ 2,210,595	(9,355,427)	4,772,284	(4,583,143)
General revenues:							
Property taxes					3,069,388		3,069,388
Sales taxes					2,014,040	-	2,014,040
Other taxes					3,888,353	-	3,888,353
Unrestricted investment earnings					195,537	31,507	227,044
Other revenue					537,498	-	537,498
Gain (loss) on sale of assets					(997)	-	(997)
Transfers					1,398,178	(1,398,178)	-
Total general revenues and transfers					11,101,997	(1,366,671)	9,735,326
Changes in net position					1,746,570	3,405,613	5,152,183
Net position - beginning					91,071,365	32,216,161	123,287,526
Prior period adjustments					-	(413,439)	(413,439)
Net position - restated					91,071,365	31,802,722	122,874,087
Net position - ending					\$ 92,817,935	\$ 35,208,335	\$ 128,026,270

The accompanying notes are an integral part of these financial statements.

CITY OF LEMOORE
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Grant Fund	Gasoline Tax Fund	Lemoore Housing Authority	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 12,194,491	\$ 53,471	\$ 1,066,617	\$ 1,303,834	\$ 9,955,070	\$ 24,573,483
Receivables:						
Accounts	-	-	-	-	9,996	9,996
Interest	4,046	19	476	-	4,301	8,842
Notes	116,330	651,200	-	4,113,627	-	4,881,157
Intergovernmental	518,045	59,209	51,230	-	694,228	1,322,712
Other	32,665	-	-	-	-	32,665
Assets held for resale	-	-	-	1,485,564	-	1,485,564
Total assets	<u>\$ 12,865,577</u>	<u>\$ 763,899</u>	<u>\$ 1,118,323</u>	<u>\$ 6,903,025</u>	<u>\$ 10,663,595</u>	<u>\$ 32,314,419</u>
LIABILITIES						
Accounts payable	\$ 435,002	\$ -	\$ 181,790	\$ 590	\$ 160,109	\$ 777,491
Deposits and other liabilities	<u>252,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,823</u>
Total liabilities	<u>687,825</u>	<u>-</u>	<u>181,790</u>	<u>590</u>	<u>160,109</u>	<u>1,030,314</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	48,296	59,209	-	-	184,947	292,452
Deferred loans	<u>-</u>	<u>652,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>652,200</u>
Total deferred inflows of resources	<u>48,296</u>	<u>711,409</u>	<u>-</u>	<u>-</u>	<u>184,947</u>	<u>944,652</u>
FUND BALANCES						
Nonspendable	97,286	-	-	-	-	97,286
Restricted	-	52,490	936,533	6,902,435	2,556,432	10,447,890
Committed	1,321,595	-	-	-	7,392,997	8,714,592
Assigned	-	-	-	-	369,110	369,110
Unassigned	<u>10,710,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,710,575</u>
Total fund balances	<u>12,129,456</u>	<u>52,490</u>	<u>936,533</u>	<u>6,902,435</u>	<u>10,318,539</u>	<u>30,339,453</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,865,577</u>	<u>\$ 763,899</u>	<u>\$ 1,118,323</u>	<u>\$ 6,903,025</u>	<u>\$ 10,663,595</u>	<u>\$ 32,314,419</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEMOORE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013

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

Total fund balances - total governmental funds	\$ 30,339,453
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.	62,825,443
Long-term liabilities were not due and payable in the current period; therefore, they are not reported in the governmental funds.	(341,138)
Other long-term assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental funds.	292,452
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 the governmental activities in the statement of net position.	<u>(298,275)</u>
Net position of governmental activities	<u>\$ 92,817,935</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEMOORE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Grant Fund	Gasoline Tax Fund	Lemoore Housing Authority	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 2,797,222	\$ -	\$ -	\$ -	\$ 256,773	\$ 3,053,995
Other taxes	2,706,573	-	-	-	-	2,706,573
Licenses and permits	656,378	-	-	-	9,518	665,896
Charges for services	399,471	-	-	-	-	399,471
Intergovernmental	2,184,874	88,452	557,668	-	1,898,220	4,729,214
Fees and assessments	15,078	-	-	-	289,016	304,094
Use of money and property	58,797	88	3,346	127,474	21,490	211,195
Other revenue	<u>542,872</u>	<u>-</u>	<u>-</u>	<u>12,051</u>	<u>945</u>	<u>555,868</u>
Total revenues	<u>9,361,265</u>	<u>88,540</u>	<u>561,014</u>	<u>139,525</u>	<u>2,475,962</u>	<u>12,626,306</u>
EXPENDITURES						
General government	2,054,344	-	-	-	13,184	2,067,528
Public safety	4,639,315	-	-	-	-	4,639,315
Public works	302,351	-	47,712	-	4,722	354,785
Community development	1,074,225	155,366	-	590	379,233	1,609,414
Parks and recreation	462,244	-	-	-	-	462,244
Capital outlay	<u>226,353</u>	<u>-</u>	<u>1,504,435</u>	<u>-</u>	<u>2,805,502</u>	<u>4,536,290</u>
Total expenditures	<u>8,758,832</u>	<u>155,366</u>	<u>1,552,147</u>	<u>590</u>	<u>3,202,641</u>	<u>13,669,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>602,433</u>	<u>(66,826)</u>	<u>(991,133)</u>	<u>138,935</u>	<u>(726,679)</u>	<u>(1,043,270)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	1,779,529	-	-	-	151,592	1,931,121
Operating transfers out	<u>(167,990)</u>	<u>-</u>	<u>(230,026)</u>	<u>-</u>	<u>(98,669)</u>	<u>(496,685)</u>
Total other financing sources (uses)	<u>1,611,539</u>	<u>-</u>	<u>(230,026)</u>	<u>-</u>	<u>52,923</u>	<u>1,434,436</u>
Net changes in fund balances	<u>2,213,972</u>	<u>(66,826)</u>	<u>(1,221,159)</u>	<u>138,935</u>	<u>(673,756)</u>	<u>391,166</u>
Fund balances, June 30, 2012	9,915,484	119,316	1,572,853	6,763,500	11,577,134	29,948,287
Prior period adjustment	<u>-</u>	<u>-</u>	<u>584,839</u>	<u>-</u>	<u>(584,839)</u>	<u>-</u>
Fund balances, June 30, 2012, restated	<u>9,915,484</u>	<u>119,316</u>	<u>2,157,692</u>	<u>6,763,500</u>	<u>10,992,295</u>	<u>29,948,287</u>
Fund balances - ending	<u>\$ 12,129,456</u>	<u>\$ 52,490</u>	<u>\$ 936,533</u>	<u>\$ 6,902,435</u>	<u>\$ 10,318,539</u>	<u>\$ 30,339,453</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEMOORE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

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

Net change in fund balances - total governmental funds	\$	391,166
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is capitalized. This is the amount of capital assets recorded.		1,611,649
Depreciation expense on capital assets is reported on the government-wide statement of activities, but it does not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in the governmental funds.		(639,940)
Compensated absences expense reported in the statement of activities does not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds.		96,656
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is a decrease in net position.		(997)
Other long term assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental funds.		292,452
Internal service funds are used by management to change the costs of fleet maintenance, employee benefits, liability and property insurance and general services to individual funds. The change in net position of certain activities of internal service funds is reported with governmental activities.		<u>(4,416)</u>
Change in net position of governmental activities	\$	<u><u>1,746,570</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013**

	Water Fund	Sewer Fund	Refuse Fund	Golf Course Fund	Total	Governmental Activities - Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ 9,136,218	\$ 8,076,490	\$ 440,180	\$ 225,779	\$ 17,878,667	\$ 33,915
Restricted cash and investments:						
Cash with fiscal agent - restricted	-	-	-	658,555	658,555	45,203
Receivables:						
Accounts	565,107	346,280	305,502	4,040	1,220,929	-
Less: Allowance for doubtful accounts	(30,699)	(22,395)	(19,813)	-	(72,907)	-
Interest	1,779	3,639	202	14	5,634	-
Grant	-	597,808	10,000	-	607,808	-
Interfund receivables	-	34,137	-	-	34,137	-
Inventory	-	-	-	72,824	72,824	-
Prepaid expenses	-	-	-	6,017	6,017	-
Total current assets	<u>9,672,405</u>	<u>9,035,959</u>	<u>736,071</u>	<u>967,229</u>	<u>20,411,664</u>	<u>79,118</u>
Noncurrent assets:						
Capital assets:						
Nondepreciable	9,243,043	3,533,293	252,505	624,013	13,652,854	-
Depreciable, net of accumulated depreciation	<u>6,638,768</u>	<u>4,279,211</u>	<u>723,695</u>	<u>2,067,445</u>	<u>13,709,119</u>	<u>26,691</u>
Total noncurrent assets	<u>15,881,811</u>	<u>7,812,504</u>	<u>976,200</u>	<u>2,691,458</u>	<u>27,361,973</u>	<u>26,691</u>
Total assets	<u>25,554,216</u>	<u>16,848,463</u>	<u>1,712,271</u>	<u>3,658,687</u>	<u>47,773,637</u>	<u>105,809</u>
LIABILITIES						
Current liabilities:						
Accounts payable	497,387	681,024	92,115	25,939	1,296,465	54,525
Deposits and other liabilities	23,949	-	-	36,365	60,314	-
Compensated absences	7,695	8,048	5,769	-	21,512	5,090
Interfund payables	-	-	-	-	-	34,137
Accrued interest payable	27,042	-	-	-	27,042	-
Current portion of long-term liabilities	-	-	-	215,000	215,000	-
Current portion of capital leases	-	-	-	4,170	4,170	-
Total current liabilities	<u>556,073</u>	<u>689,072</u>	<u>97,884</u>	<u>281,474</u>	<u>1,624,503</u>	<u>93,752</u>
Noncurrent liabilities:						
Long-term liabilities	7,068,000	-	-	1,855,000	8,923,000	-
Long-term capital leases	-	-	-	4,183	4,183	-
Advances from Successor Agency	-	148,380	-	2,069,161	2,217,541	-
Compensated Absences	<u>30,782</u>	<u>32,191</u>	<u>23,074</u>	<u>-</u>	<u>86,047</u>	<u>20,359</u>
Total noncurrent liabilities	<u>7,098,782</u>	<u>180,571</u>	<u>23,074</u>	<u>3,928,344</u>	<u>11,230,771</u>	<u>20,359</u>
Total liabilities	<u>7,654,855</u>	<u>869,643</u>	<u>120,958</u>	<u>4,209,818</u>	<u>12,855,274</u>	<u>114,111</u>
NET POSITION						
Net investment in capital assets	14,034,862	7,664,124	976,200	621,458	23,296,644	26,691
Unrestricted	<u>3,864,499</u>	<u>8,314,696</u>	<u>615,113</u>	<u>(1,172,589)</u>	<u>11,621,719</u>	<u>(34,993)</u>
Total net position	<u>\$ 17,899,361</u>	<u>\$ 15,978,820</u>	<u>\$ 1,591,313</u>	<u>\$ (551,131)</u>	<u>\$ 34,918,363</u>	<u>\$ (8,302)</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					<u>289,972</u>	
Net position of business-type activities					<u>\$ 35,208,335</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF LEMOORE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Water Fund	Sewer Fund	Refuse Fund	Golf Course Fund	Total	Governmental Activities - Internal Service Funds
Operating revenues:						
Charges for services	\$ 4,051,048	\$ 3,436,688	\$ 2,845,942	\$ 1,305,051	\$ 11,638,729	\$ 911,897
Fines and forfeitures	80,293	72,412	74,851	-	227,556	-
Other revenues	<u>21,606</u>	<u>68,249</u>	<u>27,542</u>	<u>7,443</u>	<u>124,840</u>	<u>2,412</u>
Total operating revenues	<u>4,152,947</u>	<u>3,577,349</u>	<u>2,948,335</u>	<u>1,312,494</u>	<u>11,991,125</u>	<u>914,309</u>
Operating expenses:						
Salaries and benefits	908,557	642,290	541,170	342,058	2,434,075	213,480
Materials and supplies	370,134	130,176	66,089	338,000	904,399	375,450
Utilities	1,000,426	288,084	1,017	100,962	1,390,489	1,306
Contractual services	279,177	133,732	938,575	211,040	1,562,524	3,481
Repairs and maintenance	83,238	22,207	2,610	32,863	140,918	222,831
Other expenses	178,614	157,708	438,803	12,819	787,944	-
Depreciation and amortization	<u>293,206</u>	<u>290,833</u>	<u>145,736</u>	<u>192,866</u>	<u>922,641</u>	<u>6,128</u>
Total operating expenses	<u>3,113,352</u>	<u>1,665,030</u>	<u>2,134,000</u>	<u>1,230,608</u>	<u>8,142,990</u>	<u>822,676</u>
Operating income (loss)	<u>1,039,595</u>	<u>1,912,319</u>	<u>814,335</u>	<u>81,886</u>	<u>3,848,135</u>	<u>91,633</u>
Non-operating revenues (expenses):						
Intergovernmental	-	639,590	290,256	-	929,846	-
Interest income	10,526	18,120	1,090	1,771	31,507	-
Interest expense	<u>(27,042)</u>	<u>-</u>	<u>-</u>	<u>(38,445)</u>	<u>(65,487)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(16,516)</u>	<u>657,710</u>	<u>291,346</u>	<u>(36,674)</u>	<u>895,866</u>	<u>-</u>
Income before contributions and transfers	<u>1,023,079</u>	<u>2,570,029</u>	<u>1,105,681</u>	<u>45,212</u>	<u>4,744,001</u>	<u>91,633</u>
Transfers in	538,402	-	-	200,000	738,402	66,489
Transfers out	<u>(761,759)</u>	<u>(456,163)</u>	<u>(718,658)</u>	<u>(200,000)</u>	<u>(2,136,580)</u>	<u>(102,747)</u>
Net contributions and transfers	<u>(223,357)</u>	<u>(456,163)</u>	<u>(718,658)</u>	<u>-</u>	<u>(1,398,178)</u>	<u>(36,258)</u>
Changes in net position	<u>799,722</u>	<u>2,113,866</u>	<u>387,023</u>	<u>45,212</u>	<u>3,345,823</u>	<u>55,375</u>
Net position - beginning	17,550,353	13,827,679	1,204,290	(596,343)		(63,677)
Prior period adjustments	<u>(450,714)</u>	<u>37,275</u>	<u>-</u>	<u>-</u>		<u>-</u>
Net position - beginning, restated	<u>17,099,639</u>	<u>13,864,954</u>	<u>1,204,290</u>	<u>(596,343)</u>		<u>(63,677)</u>
Net position - ending	<u>\$ 17,899,361</u>	<u>\$ 15,978,820</u>	<u>\$ 1,591,313</u>	<u>\$ (551,131)</u>		<u>\$ (8,302)</u>
Adjustments to reflect consolidation of internal service fund activities related to enterprise funds					<u>\$ 59,790</u>	
Change in net position of business-type activities					<u>\$ 3,405,613</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Water Fund	Sewer Fund	Refuse Fund	Golf Course Fund	Total	Governmental Activities - Internal Service Funds
Cash flows from operating activities:						
Receipt from customers and users	\$ 4,114,636	\$ 3,564,878	\$ 2,935,519	\$ 1,319,614	\$ 11,934,647	\$ 911,897
Payments to suppliers	(1,713,234)	(408,092)	(1,430,053)	(693,816)	(4,245,195)	(592,662)
Payments to employees	(903,905)	(637,048)	(536,147)	(342,058)	(2,419,158)	(207,529)
Other operating revenues	<u>21,606</u>	<u>68,249</u>	<u>27,542</u>	<u>7,443</u>	<u>124,840</u>	<u>2,412</u>
Net cash provided (used) by operating activities	<u>1,519,103</u>	<u>2,587,987</u>	<u>996,861</u>	<u>291,183</u>	<u>5,395,134</u>	<u>114,118</u>
Cash flows from noncapital financing activities:						
Loans from to other funds	-	40,362	-	(76,981)	(36,619)	(3,087)
Transfers from other funds	538,402	-	-	200,000	738,402	66,489
Transfers to other funds	<u>(761,759)</u>	<u>(456,163)</u>	<u>(718,658)</u>	<u>(200,000)</u>	<u>(2,136,580)</u>	<u>(102,747)</u>
Net cash provided (used) by noncapital financing activities	<u>(223,357)</u>	<u>(415,801)</u>	<u>(718,658)</u>	<u>(76,981)</u>	<u>(1,434,797)</u>	<u>(39,345)</u>
Cash flows from capital and related financing activities:						
Intergovernmental revenue - capital	598,834	1,395,771	280,256	-	2,274,861	-
Proceeds from capital debt	7,068,000	-	-	-	7,068,000	-
Principal paid on capital debt	-	-	-	(209,502)	(209,502)	-
Interest paid on capital debt	-	-	-	(39,545)	(39,545)	-
Acquisition of capital assets	<u>(2,574,522)</u>	<u>(1,460,529)</u>	<u>(283,312)</u>	<u>(3,655)</u>	<u>(4,322,018)</u>	<u>(23,474)</u>
Net cash provided (used) by capital and related financing activities	<u>5,092,312</u>	<u>(64,758)</u>	<u>(3,056)</u>	<u>(252,702)</u>	<u>4,771,796</u>	<u>(23,474)</u>
Cash flows from investing activities:						
Interest received	<u>11,543</u>	<u>19,316</u>	<u>1,035</u>	<u>2,465</u>	<u>34,359</u>	<u>68,718</u>
Net cash provided (used) by investing activities	<u>11,543</u>	<u>19,316</u>	<u>1,035</u>	<u>2,465</u>	<u>34,359</u>	<u>68,718</u>
Increase (decrease) in cash and cash equivalents	6,399,601	2,126,744	276,182	(36,035)	8,766,492	120,017
Cash and cash investments, July 1	<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 cash investments, June 30	<u>\$ 9,136,218</u>	<u>\$ 8,076,490</u>	<u>\$ 440,180</u>	<u>\$ 884,334</u>	<u>\$ 18,537,222</u>	<u>\$ 147,836</u>
Cash and investments	\$ 9,136,218	\$ 8,076,490	\$ 440,180	\$ 225,779	\$ 17,878,667	\$ 147,836
Cash with fiscal agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>658,555</u>	<u>658,555</u>	<u>-</u>
Total cash and investments	<u>\$ 9,136,218</u>	<u>\$ 8,076,490</u>	<u>\$ 440,180</u>	<u>\$ 884,334</u>	<u>\$ 18,537,222</u>	<u>\$ 147,836</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Operating income (loss)	\$ 1,039,595	\$ 1,912,319	\$ 814,335	\$ 81,886	\$ 3,848,135	\$ 91,633
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	293,206	290,833	145,736	192,866	922,641	6,128
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(22,891)	55,778	14,726	2,803	50,416	-
Increase (decrease) in inventory	-	-	-	(2,634)	(2,634)	-
Increase (decrease) in prepaid expenses	-	-	-	1,266	1,266	-
Increase (decrease) in accounts payable	198,355	323,815	17,041	3,236	542,447	10,406
Increase (decrease) in deposits and other liabilities	6,186	-	-	11,760	17,946	-
Increase (decrease) in compensated absences	4,652	5,242	5,023	-	14,917	5,951
Net cash provided (used) by operating activities	<u>\$ 1,519,103</u>	<u>\$ 2,587,987</u>	<u>\$ 996,861</u>	<u>\$ 291,183</u>	<u>\$ 5,395,134</u>	<u>\$ 114,118</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	RDA Successor Agency Private Purpose Trust Fund	Agency Funds
	<u>Trust Fund</u>	<u>Funds</u>
ASSETS		
Cash and investments	\$ 3,848,454	\$ 798,838
Restricted cash with fiscal agent	19,438,530	-
Intergovernmental receivables	59,550	18,745
Advances to City of Lemoore	2,217,541	-
Notes receivable	1,353,454	-
Land held for resale	1,464,377	-
Capital assets, net of accumulated depreciation	1,108,062	-
Other assets	<u>-</u>	<u>28,800</u>
 Total assets	 <u>\$ 29,489,968</u>	 <u>\$ 846,383</u>
LIABILITIES		
Accounts payable	\$ 28,346	\$ 121,693
Payable to Department of Finance	1,139,149	-
Interest payable	894,705	-
Deposits and other liabilities	-	724,690
Long-term debt	<u>39,489,198</u>	<u>-</u>
 Total liabilities	 <u>\$ 41,551,398</u>	 <u>\$ 846,383</u>
NET POSITION		
Net position held in trust for the retirement of obligations of the former Lemoore Redevelopment Agency	<u>\$ (12,061,430)</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF LEMOORE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	RDA Successor Agency Private-Purpose Trust Fund
ADDITIONS	
Taxes	\$ 4,376,811
Investment earnings	183,112
Miscellaneous	309,402
Total additions	4,869,325
DEDUCTIONS	
Community development	7,273,624
Transfer of loan receivable	66,566
Debt service :	
Interest and fiscal charges	2,177,246
Total deductions	9,517,436
Change in net position	(4,648,111)
Net position - beginning	(6,981,910)
Prior period adjustment	(431,409)
Fund balances, July 1, 2013, restated	(7,413,319)
Net position - ending	\$ (12,061,430)

The accompanying notes are an integral part of these financial statements.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Lemoore, California (the “City”) is a charter city operating under a Council-Member 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, the Lemoore Financing Authority (Financing Authority) and the Lemoore Housing Authority (Housing Authority). Financial information for the City and its component units are 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 component units. These entities are presented on a blended basis.

The **Lemoore Financing Authority** (Financing Authority) was formed in August 1989 for the purpose of assisting the financing or refinancing of certain public capital facilities within the City. The Financing 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 Financing Authority are recorded in the Water, Sewer, and Golf Course Enterprise Funds.

The **Lemoore Housing Authority** (Housing Authority) was formed in February 2011 for the purpose of providing sanitary and safe housing for people of very low, low, or moderate income within the City’s territorial jurisdiction. The Housing 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 statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental audits. 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.

Basis of Presentation

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the primary government (the City) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental and business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each different identifiable activity of the City's *business-type activities* and for each function of the City's *governmental activities*. Direct expenses are those that are specifically associated with a program or function and, therefore, are included in the program expense reported for individual function. Certain indirect costs, which cannot be identified and broken down, are included in the program expense reported for individual functions and activities. Program revenues include, 1) fines, fees, and charges paid by the recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Certain eliminations have been made as prescribed by GASB No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: due to/due from other funds, interfund note receivable/interfund long-term debt, and transfers in/transfers out.

Fund Financial Statements – The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in funds and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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 **Grant Fund** accounts for the City's receipts and expenditures of the state, federal, and other grants.

The **Gasoline Tax Fund** accounts for revenues and expenditures apportioned to the City under the Streets and Highway Code, Sections 2103, 2105, 2106, 2107, and 2107.5 of the State of California. Expenditures for administration, maintenance, and construction must be street related.

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 and is used to account for current and future low-income households for the acquisition, rehabilitation, or new construction of single family homes.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

The City has four major enterprise funds, the Water Fund, Sewer Fund, Refuse Fund, and Golf Course Fund, which are used to account for operations that are financed and operated in a manner similar to private business enterprise. In an enterprise fund, the intent of the City Council is that costs (expenses, including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

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

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

The City's fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The City uses an agency fund to account for assets which are custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support the City's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

The City reports the following fiduciary funds:

Redevelopment Successor Agency Private Purpose Trust Fund is used to account for assets and liabilities of the former redevelopment agency until they are distributed to other units of state and local government as a result of the dissolution of the redevelopment agency

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 and do not involve measurement of results of operations.

Additionally, the City reports the following fund type:

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

Measurement Focus, Basis of Accounting

Government-Wide, Proprietary and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting (Continued)

Governmental Fund Financial Statements – Governmental funds are reported using current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. *Operating revenues*, such as charges for services, result from exchange transactions associated with the principal activity of each fund. *Nonoperating revenues*, such as interest income, state and federal grants, and subsidies, result from non-exchange transactions or ancillary activities. *Operating expenses* include costs for providing services and delivering goods such as administrative expenses and depreciation on capital assets. All other expenses not meeting this definition are reported as *nonoperating expenses*.

Assets, Liabilities and Net Position

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.

Cash and Cash Equivalents

For the 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.

Restricted Assets

Certain proceeds of general obligation debt and enterprise debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. "Cash with fiscal agent" is used to report resources set aside for potential deficiencies in the repayment ability of the enterprise funds, and for payment of construction projects undertaken by the City.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Position (Continued)

Interfund Transactions

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

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Receivables

Enterprise fund statements report an allowance for uncollectible accounts against the account 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 Tax Calendar

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

Revenues from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are 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.

The City accrues as receivable all property taxes received during the first (60) days of the new fiscal year.

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.

**CITY OF LEMOORE
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Position (Continued)

Assets Held for Resale

Land and improvements held by the City for the purpose of improving and reselling are accounted for in the account. Property is valued at the lower of cost or net realizable value.

Capital Assets

The City's assets are categorized 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, streetlights and traffic signal subsystems. The assets in those subsystems are depreciated using the straight-line method. Information regarding the annual amount required to maintain and preserve the condition level of the infrastructure assets in accordance with established policies was not available.

Sidewalk, Curb and Gutter, and Pavement

For the sidewalk, curb and gutter, and pavement systems, 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 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, 2013 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 rating for the landscape zones was 76.0. The City will use consultants to re-determine the OCI every three years.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

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.

Interest Payable

In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for the governmental fund-types and proprietary-fund types.

In the fund financial statements, proprietary fund-types recognize the interest payable when the liability is incurred.

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 compensated 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 government-wide statement of net position 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.

Unearned Revenue

Unearned revenue is that for which recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred).

Unavailable Revenue

In the fund financial statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have been earned, but for which funds are not available to meet current financial obligations. Typical transactions for which unavailable revenue is recorded are grants when funding requirements have been met, but the related funding is not yet available.

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 position. 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Position (Continued)

Encumbrances

The City does not use encumbrance accounting.

Budgetary and Budgetary Accounting

Budgets are established by department and approved by the City Council. The budgets are then managed and controlled by department heads under the supervision of the City Manager. Budgets are adopted annually for the general funds, some of the special revenue funds, enterprise funds, and internal service funds. Formal budgetary integration is employed as a management control device during the year for these funds. The annual budgets are prepared on the basis of accounting utilized by the fund.

A two-year capital projects budget is prepared in even years for approval by the City Council, and updated in odd years. Capital projects are funded by capital projects funds, impact fees, operating accounts, grant proceeds or loan proceeds.

Expenditures may not legally exceed budgeted appropriations at the fund level. The City Manager is authorized to make budget transfers between accounts within any fund. The City Council may transfer funds from reserves to departments or enterprise activities as deemed appropriate during the fiscal year.

Use of Estimates

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

Classification of Net Position

In the government-wide financial statements, net position is classified in the following categories:

- ***Net investment in capital assets*** – This category groups all capital assets, including infrastructure, into one component of net position. 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 position*** – 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 position*** – This category represents the net position of the City, which is not restricted for any project or other purpose.

When both restricted and unrestricted resources are available, restricted resources are depleted first before the unrestricted resources are used.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Position (Continued)

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the City.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

New Pronouncements Adopted

Governmental Accounting Standards Board Statement No. 60

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements ("SCAs"), which are a type of public-private or public-public partnership. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. Application of this Statement is effective for the City's fiscal year ending June 30, 2013.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements Adopted (Continued)

Governmental Accounting Standards Board Statement No. 62

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board ("FASB") Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this Statement is effective for the City's fiscal year ending June 30, 2013.

Governmental Accounting Standards Board Statement No. 63

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2013.

Governmental Accounting Standards Board Statement No. 65

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Although the requirements of this Statement are effective for the City's fiscal year ending June 30, 2014, the City has decided on early implementation.

New Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 66

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014. Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this Statement is effective for the City's fiscal year ending June 30, 2016.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements Not Yet Adopted (Continued)

Governmental Accounting Standards Board Statement No. 67

In June 2012, GASB issued No. 67, *Financial Reporting for Pension Plans*—an amendment of GASB Statement No. 25. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014.

Governmental Accounting Standards Board Statement No. 68

In June 2012, GASB issued No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2015.

Governmental Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2015.

Governmental Accounting Standards Board Statement No. 70

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014.

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 42,486,067
Restricted cash and investments	703,758
Fiduciary funds:	
Cash and investments	4,647,292
Restricted cash with fiscal agents	<u>19,438,530</u>
 Total cash and investments	 <u>\$ 67,275,647</u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 4,650
Deposits with financial institutions	21,042,081
Investments	<u>46,228,916</u>
 Total cash and investments	 <u>\$ 67,275,647</u>

Investments Authorized by the California Government Code and the City’s Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investments policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The City’s investment policy does not contain any specific provisions intended to limit the City’s exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debts proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or 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%
Commerical paper	270 days	25%	10%
National 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

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City’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 risks, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio or Amount	Maximum Investment of One Issuer or Amount
U.S. Treasury obligations	None	None	None
U.S. Agency securities	None	None	None
Bankers acceptances	180 days	None	None
Commerical paper	270 days	None	None
Money market mutual funds	N/A	None	None
Investment contracts	30 years	None	None

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 manages its exposure to interest rate risk is by maintaining funds in liquid, short-term investments which can be converted to cash when necessary to meet disbursement requirements.

Information about the sensitivity of the fair values of the City’s investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity:

Investment Type	Fair Value	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 50 Months	Longer Than 60 Months
Money market funds	\$ 20,097,085	\$ 20,097,085	\$ -	\$ -	\$ -
State investment pool	23,843,903	23,843,903	-	-	-
Investment contracts	<u>2,287,928</u>	<u>1,190,928</u>	<u>448,000</u>	<u>649,000</u>	<u>-</u>
	<u>\$ 46,228,916</u>	<u>\$ 45,131,916</u>	<u>\$ 448,000</u>	<u>\$ 649,000</u>	<u>\$ -</u>

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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, the City’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	\$ 20,097,085	N/A	\$ 20,097,085	\$ -
State investment pool	23,843,903	N/A	-	23,843,903
Investment contracts	<u>2,287,928</u>	N/A	<u>-</u>	<u>2,287,928</u>
	<u>\$ 46,228,916</u>		<u>\$ 20,097,085</u>	<u>\$ 26,131,831</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 city will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterpart (e.g. broker-dealer) to a transaction, a city will not be able to recover the value of its investment or collateral securities that are in the possession of another 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 or investments, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under the state law (unless so waived by the government 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.

GASB Statement No. 40 requires the following disclosure be made with respect to custodial credit risk relating to deposits and investments.

As of June 30, 2013, the City had no deposits with financial institutions in uncollateralized accounts in excess of federal depository insurance limits. In addition, as of June 30, 2013, no investments were held by the same broker dealer (counterparty) that was used by the City of Lemoore to purchase the securities.

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

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Local Agency Investment Fund

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's investment in this pool is reported in the accompanying financial statements at amounts based upon the City'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 – FORGIVABLE LOANS

The City administers a housing rehabilitation loan program. Under this program, individuals with incomes below certain levels are eligible to receive low interest loans for rehabilitation work on their homes. These performing loans are secured by deeds of trust on the rehabilitation properties.

Deferred payment loans receivable under the these forgivable loans are not required to be paid back unless the participating homeowner sells, transfers title to the rehabilitated property, or discontinues residence in the dwelling at which time the full amount of the deferred loan is due. These deferred payment loans are "non-performing loans" and are not recorded as loans receivable in the financial statements. Such loans totaled \$2,710,992 as of June 30, 2013.

NOTE 4 – 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, 2013, is as follows:

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:			
Sewer fund	\$ 34,137	\$ -	
Internal service funds:			
Insurance	<u>-</u>	<u>34,137</u>	
Total	<u>\$ 34,137</u>	<u>\$ 34,137</u>	

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 – INTERFUND ACTIVITIES (Continued)

Transfers Between Funds

With City 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	\$ 1,779,529	\$ 167,990
Gasoline Tax Fund	-	230,026
Water Fund	538,402	761,759
Sewer Fund	-	456,163
Refuse Fund	-	718,658
Golf Course Fund	200,000	200,000
Nonmajor funds:		
Traffic Safety Fund	-	398
Maintenance Assessment District Fund	-	26,998
Recreation Improvement Fund	-	9,568
Facility Infrastructure Fund	151,592	-
Capital Improvement Fees Fund	-	61,705
Fleet Maintenance Fund	66,489	102,747
 Total	 \$ 2,736,012	 \$ 2,736,012

NOTE 5 – NET POSITION HELD FOR RESALE

The following is a summary of changes in the assets held for resale during the 2012-2013 fiscal year:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Land held for resale	\$ 1,485,564	\$ -	\$ -	\$ 1,485,564

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2013 is as follows:

GOVERNMENTAL ACTIVITIES

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 2,255,136	\$ -	\$ -	\$ 2,255,136
Road network	43,356,643	-	-	43,356,643
Construction in progress	<u>466,213</u>	<u>1,431,739</u>	<u>(268,305)</u>	<u>1,629,647</u>
Total capital assets, not being depreciated	<u>46,077,992</u>	<u>1,431,739</u>	<u>(268,305)</u>	<u>47,241,426</u>
Capital assets, being depreciated				
Buildings and improvements	14,223,170	418,305	-	14,641,475
Machinery and equipment	5,363,227	69,217	(20,986)	5,411,458
Infrastructure	<u>3,884,792</u>	<u>-</u>	<u>-</u>	<u>3,884,792</u>
Total capital assets, being depreciated	<u>23,471,189</u>	<u>487,522</u>	<u>(20,986)</u>	<u>23,937,725</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,847,918)	(379,089)	-	(3,227,007)
Machinery and equipment	(4,349,114)	(95,731)	19,989	(4,424,856)
Infrastructure	<u>(488,073)</u>	<u>(187,081)</u>	<u>-</u>	<u>(675,154)</u>
Total accumulated depreciated, net	<u>(7,685,105)</u>	<u>(661,901)</u>	<u>19,989</u>	<u>(8,327,017)</u>
Total capital assets, being depreciated, net	<u>15,786,084</u>	<u>(174,379)</u>	<u>(997)</u>	<u>15,610,708</u>
Governmental activities capital assets, net	<u>\$ 61,864,076</u>	<u>\$ 1,257,360</u>	<u>\$ (269,302)</u>	<u>\$ 62,852,134</u>

Depreciation expense was charged to governmental functions as follows

General government	\$ 11,816
Public safety	38,206
Parks and recreation	2,588
Community development	400,249
Unallocated	187,081
Capital assets held by the Internal Service Funds were charged to the various functions based on their usage	<u>6,127</u>
Total	<u>\$ 646,067</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 – CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities for the year ended June 30, 2013 is as follows:

BUSINESS-TYPE ACTIVITIES

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Water Fund:				
Capital Assets, not being depreciated:				
Land	\$ 427,232	\$ -	\$ -	\$ 427,232
Construction in progress	6,409,493	2,406,318	-	8,815,811
Total capital assets, not being depreciated	<u>6,836,725</u>	<u>2,406,318</u>	<u>-</u>	<u>9,243,043</u>
Capital Assets, being depreciated:				
Buildings and improvements	11,184,154	14,434	-	11,198,588
Machinery and equipment	<u>1,966,075</u>	<u>153,770</u>	<u>(800)</u>	<u>2,119,045</u>
Total capital assets, being depreciated	<u>13,150,229</u>	<u>168,204</u>	<u>(800)</u>	<u>13,317,633</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,230,160)	(234,482)	-	(5,464,642)
Machinery and equipment	<u>(1,156,299)</u>	<u>(58,724)</u>	<u>800</u>	<u>(1,214,223)</u>
Total accumulated depreciated, net	<u>(6,386,459)</u>	<u>(293,206)</u>	<u>800</u>	<u>(6,678,865)</u>
Total capital assets, being depreciated, net	<u>6,763,770</u>	<u>(125,002)</u>	<u>-</u>	<u>6,638,768</u>
Water fund capital assets, net	<u>\$ 13,600,495</u>	<u>\$ 2,281,316</u>	<u>\$ -</u>	<u>\$ 15,881,811</u>
Sewer Fund:				
Capital assets, not being depreciated:				
Land	\$ 392,805	\$ -	\$ -	\$ 392,805
Construction in progress	<u>1,755,084</u>	<u>1,385,404</u>	<u>-</u>	<u>3,140,488</u>
Total capital assets, not being depreciated	<u>2,147,889</u>	<u>1,385,404</u>	<u>-</u>	<u>3,533,293</u>
Capital assets, being depreciated				
Buildings and improvements	5,279,759	-	(40,000)	5,239,759
Machinery and equipment	<u>3,527,111</u>	<u>75,126</u>	<u>(68,000)</u>	<u>3,534,237</u>
Total capital assets, being depreciated	<u>8,806,870</u>	<u>75,126</u>	<u>(108,000)</u>	<u>8,773,996</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,657,133)	(199,928)	40,000	(1,817,061)
Machinery and equipment	<u>(2,654,818)</u>	<u>(90,906)</u>	<u>68,000</u>	<u>(2,677,724)</u>
Total accumulated depreciated, net	<u>(4,311,951)</u>	<u>(290,834)</u>	<u>108,000</u>	<u>(4,494,785)</u>
Total capital assets, being depreciated, net	<u>4,494,919</u>	<u>(215,708)</u>	<u>-</u>	<u>4,279,211</u>
Sewer fund capital assets, net	<u>\$ 6,642,808</u>	<u>\$ 1,169,696</u>	<u>\$ -</u>	<u>\$ 7,812,504</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 – CAPITAL ASSETS (Continued)

BUSINESS-TYPE ACTIVITIES (Continued)

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Refuse Fund:				
Capital assets, not being depreciated:				
Land	\$ 252,505	\$ -	\$ -	\$ 252,505
Total capital assets, not being depreciated	<u>252,505</u>	<u>-</u>	<u>-</u>	<u>252,505</u>
Capital assets, being depreciated				
Machinery and equipment	1,985,737	283,313	-	2,269,050
Total capital assets, being depreciated	<u>1,985,737</u>	<u>283,313</u>	<u>-</u>	<u>2,269,050</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,399,617)	(145,738)	-	(1,545,355)
Total accumulated depreciated, net	<u>(1,399,617)</u>	<u>(145,738)</u>	<u>-</u>	<u>(1,545,355)</u>
Total capital assets, being depreciated, net	<u>586,120</u>	<u>137,575</u>	<u>-</u>	<u>723,695</u>
Refuse fund capital assets, net	<u>\$ 838,625</u>	<u>\$ 137,575</u>	<u>\$ -</u>	<u>\$ 976,200</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>-</u>	<u>-</u>	<u>624,013</u>
Capital Assets, being depreciated				
Buildings and improvements	4,358,502	-	-	4,358,502
Machinery and equipment	688,182	75,505	(2,600)	761,087
Total capital assets, being depreciated	<u>5,046,684</u>	<u>75,505</u>	<u>(2,600)</u>	<u>5,119,589</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,576,274)	(864,755)	-	(2,441,029)
Machinery and equipment	(1,213,752)	(23,512)	626,149	(611,115)
Total accumulated depreciated, net	<u>(2,790,026)</u>	<u>(888,267)</u>	<u>626,149</u>	<u>(3,052,144)</u>
Total capital assets, being depreciated, net	<u>2,256,658</u>	<u>(812,762)</u>	<u>623,549</u>	<u>2,067,445</u>
Golf fund capital assets, net	<u>\$ 2,880,671</u>	<u>\$ (812,762)</u>	<u>\$ 623,549</u>	<u>\$ 2,691,458</u>
Total capital assets, net	<u>\$ 23,962,599</u>	<u>\$ 2,775,825</u>	<u>\$ 623,549</u>	<u>\$ 27,361,973</u>

Depreciation expense was charged to business-type functions as follows:

Business-type activities:	
Water	\$ 293,206
Sewer	290,833
Refuse	145,736
Golf Course	<u>192,866</u>
Total	<u>\$ 729,775</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 – DEPOSITS AND OTHER LIABILITIES

Deposits and other liabilities consisted of the following at June 30, 2013:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Deposits	\$ 251,790	\$ -		\$ 251,790
Other liabilities	<u>1,033</u>	<u>23,949</u>	<u>36,365</u>	<u>61,347</u>
Total deposits and other liabilities	<u>\$ 252,823</u>	<u>\$ 23,949</u>	<u>\$ 36,365</u>	<u>\$ 313,137</u>

NOTE 8 – 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 noncurrent portion of this debt at fiscal year-end was \$272,910 and \$86,047, 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.

Because of the nature of compensated absences and uncertainty over when vacations will be taken, a statement of debt service requirements to maturity of compensated absences has not been presented. At June 30, 2013, the balance is \$366,587 for governmental activities and \$107,559 for business-type activities.

NOTE 9 – 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, 2013:

	<u>Balance June 30, 2012</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More Than One Year</u>
Governmental activities:						
Obligations payable:						
Compensated absences	\$ 457,291	\$ 8,424	\$ (99,128)	\$ 366,587	\$ 73,318	\$ 293,269
Governmental activity long-term liabilities	<u>\$ 457,291</u>	<u>\$ 8,424</u>	<u>\$ (99,128)</u>	<u>\$ 366,587</u>	<u>\$ 73,318</u>	<u>\$ 293,269</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – LONG-TERM OBLIGATIONS (Continued)

The following is a summary of the long-term obligation transactions of the City for business-type activities for the year ended June 30, 2013:

	Balance June 30, 2012	Incurred or Issued	Satisfied or Matured	Balance June 30, 2013	Amounts Due Within One Year	Amounts Due in More Than One Year
Business-Type Activities:						
Bonds payable:						
Certifications of participation	\$ 2,275,000	\$ -	\$ 205,000	\$ 2,070,000	\$ 215,000	\$ 1,855,000
Total bonds payable	<u>2,275,000</u>	<u>-</u>	<u>205,000</u>	<u>2,070,000</u>	<u>215,000</u>	<u>1,855,000</u>
Water revenue loan	-	7,068,000	-	7,068,000	-	7,068,000
Capital leases	12,855	-	4,502	8,353	4,183	4,170
Compensated absences	<u>92,642</u>	<u>18,838</u>	<u>3,921</u>	<u>107,559</u>	<u>21,512</u>	<u>86,047</u>
Business-type activities long-term liabilities	<u>\$ 2,380,497</u>	<u>\$ 7,086,838</u>	<u>\$ 213,423</u>	<u>\$ 9,253,912</u>	<u>\$ 240,695</u>	<u>\$ 9,013,217</u>

1995 Variable Rate Demand Certificates of Participation

In November 1995, the City issued \$4,215,000 of Variable Rate Demand Certificates of Participation (COPS). The COPS were issued to refund the lease-purchase obligation of the City (prior obligation) through which the City originally obtained funds for acquisition, construction, improvement, 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 of approximately .22% at June 30, 2013. The final payment for COPS is scheduled for November 2020.

The following is a schedule of the future estimated minimum payments related to the 1995 Variable Rate Demand Certificates of Participation at June 30, 2013:

Fiscal Years Ending June 30	Principal	Interest	Total
2014	\$ 215,000	\$ 4,318	\$ 219,318
2015	230,000	3,828	233,828
2016	240,000	3,311	243,311
2017	250,000	2,772	252,772
2018	265,000	2,205	267,205
2019-2021	<u>870,000</u>	<u>2,937</u>	<u>872,937</u>
Totals	<u>\$ 2,070,000</u>	<u>\$ 19,371</u>	<u>\$ 2,089,371</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – LONG-TERM OBLIGATIONS (Continued)

Series 2013 Water Revenue Loan

In May 2013, the City obtained a water revenue loan from Pinnacle Public Finance, Inc. for \$7,068,000 bearing 2.48% interest, payable quarterly over a fifteen-year term. The loan was obtained to finance the acquisition and construction of various capital improvements, which primarily consists of photovoltaic water wells water systems throughout the City, as well as the expansion of a parking complex. The City irrevocably pledged all of the net revenues of the water fund to the punctual payment of the loan. After September 1, 2018, the City has the option to prepay the unpaid principal of the loan in whole or in part on any loan payment date. The final payment of the loan is scheduled for March 1, 2029.

The following is a schedule of the future estimated minimum payments related to the 1995 Variable Rate Demand Certificates of Participation at June 30, 2013:

Fiscal Years Ending June 30	Principal	Interest	Total
2014	\$ -	\$ 175,773	\$ 175,773
2015	402,062	171,566	573,628
2016	412,126	161,502	573,628
2017	422,443	151,186	573,629
2018	433,017	140,612	573,629
2019-2023	2,333,201	534,942	2,868,143
2024-2028	2,640,210	227,935	2,868,145
2029	<u>424,941</u>	<u>5,280</u>	<u>430,221</u>
Totals	<u>\$ 7,068,000</u>	<u>\$ 1,568,796</u>	<u>\$ 8,636,796</u>

NOTE 10 – CAPITAL LEASE COMMITMENTS

The City has entered into a lease agreement for the acquisition of golf maintenance equipment. The 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, 2013:

Equipment	\$ 18,501
Less: Accumulated depreciation	<u>(5,066)</u>
	<u>\$ 13,435</u>

The future minimum lease obligations and the net present value of these minimum lease payments as June 30, 2013, are as follows:

For the years ending	
2014	\$ 4,170
2015	4,170
2016	<u>13</u>
Present value of future minimum lease payments	<u>\$ 8,353</u>

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* as of June 30, 2013.

GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items to report as a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type, which is unavailable revenue. The unavailable revenues arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loans	\$ -	\$ 652,200	\$ -	\$ 652,200
Intergovernmental revenue	48,296	59,209	184,947	292,452
	<u>\$ 48,296</u>	<u>\$ 711,409</u>	<u>\$ 184,947</u>	<u>\$ 944,652</u>

NOTE 12 – POST-RETIREMENT 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.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 13 – DEFINED BENEFIT PENSION PLAN

California Public Employees' Retirement Plan (CalPERS)

Plan Description

The City contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. CalPERS provides retirement benefits 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 their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy

CalPERS implemented a change for fiscal year 2012-2013, based on the passage of Assembly Bill (AB) 340. AB 340 created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member under PEPRA. The City will assign employees as either "Classic" or "PEPRA" which have different contribution rates reflected in the following paragraphs.

Active "Classic" 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 fiscal year 2012-2013 was 10.621% for miscellaneous employees and 20.425% 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.

Active "PEPRA" plan members in the Miscellaneous and Safety plans are required to contribute 6.25% and 11.5% respectively, of their annual covered salary. The City is required to match the same percentages for the employer contribution rate.

Annual Pension Cost

For the fiscal year ended June 30, 2013, the City's annual pension cost of \$1,079,182 for CalPERS was equal to the City's required and actual contributions. The required contribution for the fiscal year ended June 30, 2013 was determined as part of the June 30, 2010 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 expenses), (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'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 Safety Plans of the City of Lemoore's unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2013 was 17 years for Miscellaneous and 14 years for Police Safety.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

California Public Employees’ Retirement Plan (CalPERS) (Continued)

Annual Pension Cost (Continued)

The City’s annual pension cost (APC) and net position obligation as of and for the year ended June 30, 2013 were as follows:

Fiscal Year	Three-Year Trend Information for PERS		Net Pension Obligation
	Annual Pension Cost (ACP)	Percentage of ACP Contributed	
6/30/10	\$ 965,961	100.0%	\$ -
6/30/11	\$ 1,077,902	100.0%	\$ -
6/30/12	\$ 1,079,182	100.0%	\$ -

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 88.5% funded for miscellaneous employees and 83.7% funded for safety employees. The actuarial accrued liability for benefits was \$4.1 billion for miscellaneous employees and \$475 million for safety employees and the actuarial value of assets was \$3.6 billion for miscellaneous employees and \$407 million for safety employees, resulting in an unfunded actuarial accrued liability (UAAL) of \$488 million for miscellaneous employees and \$69 million for safety employees. The covered payroll (annual payroll of active employees covered by the plan) was \$757 million for miscellaneous members and \$60 million for safety members, and the ratio of UAAL to the covered payroll was 64.5% and 114.3%, respectively.

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

(Dollar amounts in thousands)

Valuation Date	Actual Value Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Unfunded AAL (UAAL)/ (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>Miscellaneous Plan</u>						
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%
6/30/12	\$ 3,686,598	\$ 4,175,139	\$ 488,541	88.3%	\$ 757,046	64.5%
<u>Safety Plan</u>						
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%
6/30/12	\$ 407,412	\$ 475,964	\$ 68,552	85.6%	\$ 59,986	114.3%

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 14 – DEFERRED COMPENSATION

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

NOTE 15 – 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 54 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 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 the 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.

At the termination of the joint venture agreement and after all claims have been settled, any excess or deficit will be divided among the cities in proportion to the aggregate amount of contribution made by each.

The most recent condensed information of CSJVRMA is as follows:

	As of and for the Year Ended <u>June 30, 2013</u>
Total assets	\$ 82,190,005
Total liabilities	<u>66,304,596</u>
Member's equity	<u>\$ 15,885,409</u>
Total revenue for year	\$ 30,744,973
Total expenses for year	<u>27,142,583</u>
Change in net position	<u>\$ 3,602,390</u>

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 16 – CONTINGENT LIABILITIES AND COMMITMENTS

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.

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 17 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2013:

General Fund:

Current:

General government	\$	24,238
Community development	\$	33,731
Parks and recreation	\$	41,151
Capital outlay	\$	73,576
Other financing uses		
Transfers out	\$	26,638

The excess expenditures were covered by available fund balance in the funds.

Deficit Fund Balance

The Golf Course Fund has a net fund deficit of \$551,131. 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 deficit of \$19,368. The deficit will be eliminated through future revenues or transfers from other funds.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 18 – SEGMENT INFORMATION FOR WATER FUND

The Water Fund is an enterprise fund that accounts for the City's water utility operations and collection and administration of water fees. Segment information for the utility operations is as follows:

	Water Fund
CONDENSED STATEMENT OF NET POSITION	
Assets:	
Current assets	\$ 9,672,405
Noncurrent assets	15,881,811
Total assets	25,554,216
Liabilities:	
Current liabilities	556,073
Noncurrent liabilities	7,098,782
Total liabilities	7,654,855
Net Position:	
Net investment in capital assets	14,034,862
Unrestricted	3,864,499
Total net position	\$ 17,899,361
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	
Operating revenues	\$ 4,152,947
Depreciation expenses	(293,206)
Other operating expenses	(2,820,146)
Operating income (loss)	1,039,595
Nonoperating revenues (expenses)	
Investing income	10,526
Interest expense	(27,042)
Transfers	(223,357)
Total nonoperating revenues (expenses)	(239,873)
Changes in net position	799,722
Beginning net position	17,550,353
Prior period adjustment	(450,714)
Ending net position	\$ 17,899,361
CONDENSED STATEMENT OF CASH FLOWS	
Net cash provided (used) by:	
Operating activities	\$ 1,519,103
Noncapital financing activities	(223,357)
Capital and related financing activities	5,092,312
Investing activities	11,543
Net increase (decrease) in cash and investments	6,399,601
Beginning cash and investments	2,736,617
Ending cash and investments	\$ 9,136,218

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

During the year the following prior period adjustments were recorded:

Enterprise Funds

The beginning net position in the Water Fund was reduced by \$450,714 as a result of two adjustments. The first was related to the City not accruing utility bills related to the 2012 fiscal year that were not received until the 2013 fiscal year totaling \$161,712. The remaining amount is related to an intergovernmental receivable that was that was disallowed by the granting agency during fiscal year 2012 but was not removed from the City's accounting records.

The beginning net position in the Sewer Fund was increased by \$37,275 as a result of understating grant revenue in the Sewer fund in the 2012 fiscal year.

Governmental Funds

The beginning fund balance in the Gasoline Tax Fund was understated and the Local Transportation Fund was overstated by \$584,839. This was related to the Gasoline Tax 2103 erroneously being reported in the Local Transportation Fund rather than the Gasoline Tax Funds in prior years.

NOTE 20 – SUCCESSOR AGENCY TRUST

On January 30, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill 1X26 (the "Bill") which dissolved all redevelopment agencies in the State of California.

Under the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution of the redevelopment agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

Cash

A reconciliation of the Successor Agency Trust Fund's cash balances as of June 30, 2013 is as follows:

Cash on hand	\$ 3,848,454
Cash with fiscal agents	<u>19,438,530</u>
Total cash	<u>\$ 23,286,984</u>

Receivables

A reconciliation of the Successor Agency Trust Fund's receivables balances as of June 30, 2013 is as follows:

Intergovernmental receivables	\$ 59,550
Advances to the City of Lemoore	2,217,541
Note receivable	<u>1,353,454</u>
Total receivables	<u>\$ 3,630,545</u>

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 20 – SUCCESSOR AGENCY TRUST (Continued)

Capital Assets

Capital assets activity of the Successor Agency Trust Fund as of June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Capital Assets, not being depreciated:				
Land	\$ 1,108,062	\$ -	\$ -	\$ 1,108,062
Total capital assets, not being depreciated	<u>1,108,062</u>	<u>-</u>	<u>-</u>	<u>1,108,062</u>
Successor Agency capital assets, net	<u>\$ 1,108,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,108,062</u>

Long-term Debt

The following is a summary of long-term debt obligation transactions for the Successor Agency Trust Fund at June 30, 2013:

	Balance June 30, 2012	Incurred or Issued	Satisfied or Matured	Balance June 30, 2013	Amounts Due Within One Year	Amounts Due in More Than One Year
Bonds payable:						
1998 RDA Tax Allocation Refunding	\$ 5,420,000	\$ -	\$ 275,000	\$ 5,145,000	\$ 285,000	\$ 4,860,000
2003 RDA Tax Allocation Refunding	11,775,000	-	195,000	11,580,000	200,000	11,380,000
2011 RDA Tax Allocation Bonds	19,150,000	-	160,000	18,990,000	160,000	18,830,000
Less: bond discount	<u>(736,551)</u>	<u>-</u>	<u>(26,305)</u>	<u>(710,246)</u>	<u>-</u>	<u>(710,246)</u>
Total bonds payable	<u>35,608,449</u>	<u>-</u>	<u>603,695</u>	<u>35,004,754</u>	<u>645,000</u>	<u>34,359,754</u>
Leprino Owner Participation Agreement Obligation	1,056,300	-	1,056,300	-	-	-
Leprino Owner Participation Agreement Obligation	<u>5,050,948</u>	<u>-</u>	<u>566,504</u>	<u>4,484,444</u>	<u>-</u>	<u>4,484,444</u>
Business-type activities long-term liabilities	<u>\$ 41,715,697</u>	<u>\$ -</u>	<u>\$ 2,226,499</u>	<u>\$ 39,489,198</u>	<u>\$ 645,000</u>	<u>\$ 38,844,198</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 fund \$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.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 20 – SUCCESSOR AGENCY TRUST (Continued)

Long-term Debt (Continued)

Tax Allocation Refunding Bonds (Continued)

1998 RDA Tax Allocation Refunding Bonds (Continued)

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

Fiscal Years Ending June 30	1998 Tax Allocation Refunding bond		
	Principal	Interest	Total
2014	\$ 285,000	\$ 252,320	\$ 537,320
2015	300,000	237,110	537,110
2016	320,000	220,990	540,990
2017	335,000	203,960	538,960
2018	355,000	186,375	541,375
2019-2023	2,055,000	641,125	2,696,125
2024-2026	<u>1,495,000</u>	<u>114,625</u>	<u>1,609,625</u>
Totals	<u>\$ 5,145,000</u>	<u>\$ 1,856,505</u>	<u>\$ 7,001,505</u>

2003 RDA Tax Allocation Refunding Bonds

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

Fiscal Years Ending June 30	2003 Tax Allocation Refunding Bond		
	Principal	Interest	Total
2014	\$ 200,000	\$ 531,149	\$ 731,149
2015	215,000	523,256	738,256
2016	220,000	514,664	734,664
2017	230,000	505,548	735,548
2018	235,000	495,898	730,898
2019-2023	1,350,000	2,310,321	3,660,321
2024-2028	2,740,000	1,914,219	4,654,219
2029-2033	5,200,000	923,400	6,123,400
2034	<u>1,190,000</u>	<u>28,263</u>	<u>1,218,263</u>
Totals	<u>\$ 11,580,000</u>	<u>\$ 7,746,718</u>	<u>\$ 19,326,718</u>

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 20 – SUCCESSOR AGENCY TRUST (Continued)

Long-term Debt (Continued)

Tax Allocation Refunding Bonds (Continued)

2011 Tax Allocation Bonds

On March 4, 2011, the Agency issued \$19,150,000 of its 2011 Tax Allocation Bonds (the 2011 Bonds) bearing interest of 3.0% to 7.375%, payable semi-annually on February 1 and August 1, commencing August 1, 2011. Beginning August 2, 2012, principal comes due annually in various sums through August 1, 2040, subject to optimal redemption by the Agency, on whole or in part on August 1, 2017. The 2011 Bonds are payable from and secured by incremental property tax revenue (Pledged Tax Revenues).

Fiscal Years Ending June 30	2011 Tax Allocation Refunding Bond		
	Principal	Interest	Total
2014	\$ 170,000	\$ 1,349,313	\$ 1,519,313
2015	165,000	1,342,613	1,507,613
2016	170,000	1,335,700	1,505,700
2017	170,000	1,328,263	1,498,263
2018	180,000	1,319,938	1,499,938
2019-2023	985,000	6,446,446	7,431,446
2024-2028	1,315,000	6,084,318	7,399,318
2029-2033	1,895,000	5,502,547	7,397,547
2034-2037	8,160,000	3,902,113	12,062,113
2038-2041	<u>5,780,000</u>	<u>659,693</u>	<u>6,439,693</u>
Totals	<u>\$ 18,990,000</u>	<u>\$ 29,270,944</u>	<u>\$ 48,260,944</u>

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 the \$250 million, the Agency's reimbursement obligation increased to \$6 million, payable in 10 annual installments of \$600,000 each year, 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 June 30, 2013 fiscal year, a final payment of \$1,613,666 was made. This payment was adjusted from \$600,000 because the facility's assessed value was \$413 million.

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 addition work at the Expanded Wastewater Pretreatment System.

It has be acknowledged that the City will incur an additional liability of approximately \$6 million for wastewater improvements at the Leprino plant and this liability will be paid from the additional tax increments that the plan would generate based on this expansion. The amount calculated for fiscal year 2013 was \$566,504 based on the increase in tax increments and other facts.

The total liability to Leprino Foods Company at June 30, 2013 is \$4,484,444.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEMOORE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
REVENUES:				
Property taxes	\$ 1,045,000	\$ 1,045,000	\$ 2,797,222	\$ 1,752,222
Other taxes	2,612,000	2,612,000	2,706,573	94,573
Licenses and permits	442,600	442,600	656,378	213,778
Charges for services	291,250	291,250	399,471	108,221
From other agencies	2,149,922	2,149,922	2,184,874	34,952
Fees and assessments	24,000	24,000	15,078	(8,922)
Use of money and property	50,000	50,000	58,797	8,797
Other revenue	<u>526,650</u>	<u>526,650</u>	<u>542,872</u>	<u>16,222</u>
Total revenues	<u>7,141,422</u>	<u>7,141,422</u>	<u>9,361,265</u>	<u>2,219,843</u>
EXPENDITURES:				
General government	2,030,106	2,030,106	2,054,344	(24,238)
Public safety	4,656,962	4,656,962	4,639,315	17,647
Public works	333,950	333,950	302,351	31,599
Community Development	1,040,494	1,040,494	1,074,225	(33,731)
Parks and recreation	421,093	421,093	462,244	(41,151)
Capital outlay	<u>152,777</u>	<u>152,777</u>	<u>226,353</u>	<u>(73,576)</u>
Total expenditures	<u>8,635,382</u>	<u>8,635,382</u>	<u>8,758,832</u>	<u>(123,450)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,493,960)</u>	<u>(1,493,960)</u>	<u>602,433</u>	<u>2,096,393</u>
Other financing sources (uses):				
Operating transfers in	1,730,974	1,730,974	1,779,529	48,555
Operating transfers out	<u>(141,350)</u>	<u>(141,350)</u>	<u>(167,988)</u>	<u>(26,638)</u>
Total other financing sources (uses)	<u>1,589,624</u>	<u>1,589,624</u>	<u>1,611,541</u>	<u>21,917</u>
Net change in fund balances	95,664	95,664	2,213,974	2,118,310
Fund balances, June 30, 2012	<u>9,915,485</u>	<u>9,915,485</u>	<u>9,915,485</u>	<u>-</u>
Fund balances, June 30, 2013	<u>\$ 10,011,149</u>	<u>\$ 10,011,149</u>	<u>\$ 12,129,459</u>	<u>\$ 2,118,310</u>

CITY OF LEMOORE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – BUDGET CONTROL AND ACCOUNTING

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. 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 comment from interested persons.
3. Prior to July 1, the budget is legally adopted through passage of a resolution. This budget is reported as Original Budget in the budgetary comparisons schedule.
4. During the fiscal year, changes to the adopted budget may be authorized, as follows:
 - a. Items requiring City Council action – appropriations 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.
 - 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 the total departmental budget remains the same.
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 budget 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. The budget is reported as the Final Budget in the budgetary comparisons schedule.
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.

SUPPLEMENTARY INFORMATION

**CITY OF LEMOORE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

Nonmajor Special Revenue Funds

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

The **Traffic Safety Fund** is used to account for proceeds of traffic citations, which may be used for programs promoting traffic safety, such as street improvements, striping, and the like.

The **Local Transportation Fund** is used to account for the maintenance and construction of roadways and for specialized engineering services using transportation development act funds.

The **Maintenance Assessment District Fund** is used to account for City maintenance costs relating to the public improvements within the assessment district area.

The **TE/STP Exchange Fund** is used to account for projects undertaken with federal streets transportation and planning funds received by the City through the State of California.

The **Downtown Improvement Fund** is used to account for economic development and revitalization endeavors by local businesses in the downtown area.

The **Streets Grant Fund** is used to account for street improvements using miscellaneous state and federal grants.

Nonmajor Capital Projects Funds

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

The **Street Improvement Fund** is used 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.

The **Recreation Improvement Fund** is used to account for the revenue from developer fees to be used for acquisition and development of parks and recreation facilities.

The **Facility Infrastructure Fund** is used 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.

The **Capital Improvement Fees Fund** is used to account for miscellaneous capital projects using developer fees.

**CITY OF LEMOORE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Combined Special Revenue Funds	Combined Capital Project Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 3,930,365	\$ 6,024,705	\$ 9,955,070
Receivables:			
Accounts Receivable	1,899	8,097	9,996
Interest	1,835	2,466	4,301
Intergovernmental	<u>694,214</u>	<u>14</u>	<u>694,228</u>
Total assets	<u>\$ 4,628,313</u>	<u>\$ 6,035,282</u>	<u>\$ 10,663,595</u>
LIABILITIES			
Accounts payable	<u>\$ 61,993</u>	<u>\$ 98,116</u>	<u>\$ 160,109</u>
Total liabilities	<u>61,993</u>	<u>98,116</u>	<u>160,109</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>184,947</u>	<u>-</u>	<u>184,947</u>
Total deferred inflows of resources	<u>184,947</u>	<u>-</u>	<u>184,947</u>
FUND BALANCES			
Restricted	2,556,432	-	2,556,432
Committed	1,455,831	5,937,166	7,392,997
Assigned	<u>369,110</u>	<u>-</u>	<u>369,110</u>
Total fund balances	<u>4,381,373</u>	<u>5,937,166</u>	<u>10,318,539</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,628,313</u>	<u>\$ 6,035,282</u>	<u>\$ 10,663,595</u>

**CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Combined Special Revenue Funds	Combined Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Property taxes	\$ 256,773	\$ -	\$ 256,773
Licenses and permits	9,518	-	9,518
From other agencies	1,898,220	-	1,898,220
Fees and assessments	31,690	257,326	289,016
Use of money and property	9,062	12,428	21,490
Other revenue	<u>-</u>	<u>945</u>	<u>945</u>
Total revenues	<u>2,205,263</u>	<u>270,699</u>	<u>2,475,962</u>
EXPENDITURES:			
Current :			
General government	13,184	-	13,184
Public works	-	4,722	4,722
Community development	379,233	-	379,233
Capital outlay:			
City streets	2,422,325	349,658	2,771,983
Parks and recreation	<u>-</u>	<u>33,519</u>	<u>33,519</u>
Total expenditures	<u>2,814,742</u>	<u>387,899</u>	<u>3,202,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(609,479)</u>	<u>(117,200)</u>	<u>(726,679)</u>
Other financing sources (uses):			
Operating transfers in	-	151,592	151,592
Operating transfers out	<u>(27,396)</u>	<u>(71,273)</u>	<u>(98,669)</u>
Total other financing sources (uses)	<u>(27,396)</u>	<u>80,319</u>	<u>52,923</u>
Net changes in fund balances	<u>(636,875)</u>	<u>(36,881)</u>	<u>(673,756)</u>
Fund balances, July 1, 2012	5,603,087	5,974,047	11,577,134
Prior period adjustment	<u>(584,839)</u>	<u>-</u>	<u>(584,839)</u>
Fund balances, July 1, 2012, restated	<u>5,018,248</u>	<u>5,974,047</u>	<u>10,992,295</u>
Fund balances, June 30, 2013	<u>\$ 4,381,373</u>	<u>\$ 5,937,166</u>	<u>\$ 10,318,539</u>

**CITY OF LEMOORE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013**

	<u>Traffic Safety</u>	<u>Local Transportation</u>	<u>Streets Grant Fund</u>	<u>Maintenance Assessment District</u>	<u>TE/STP Exchange Fund</u>	<u>Downtown Improvement</u>	<u>Totals</u>
ASSETS							
Cash and investments	\$ 362,817	\$ 533,597	\$ 363,742	\$ 1,472,171	\$ 1,189,271	\$ 8,767	\$ 3,930,365
Receivables:							
Accounts Receivable	1,899	-	-	-	-	-	1,899
Interest	149	219	371	604	488	4	1,835
Intergovernmental	6,031	295,837	210,297	8,942	173,107	-	694,214
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 370,896</u>	<u>\$ 829,653</u>	<u>\$ 574,410</u>	<u>\$ 1,481,717</u>	<u>\$ 1,362,866</u>	<u>\$ 8,771</u>	<u>\$ 4,628,313</u>
LIABILITIES AND FUND BALANCES							
Accounts payable	\$ -	\$ 8,129	\$ 9,132	\$ 33,817	\$ 10,075	\$ 840	\$ 61,993
Unavailable revenue	<u>1,786</u>	<u>-</u>	<u>183,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,947</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 1,786</u>	<u>\$ 8,129</u>	<u>\$ 192,293</u>	<u>\$ 33,817</u>	<u>\$ 10,075</u>	<u>\$ 840</u>	<u>\$ 246,940</u>
Fund balances:							
Restricted	-	821,524	382,117	-	1,352,791	-	2,556,432
Committed	-	-	-	1,447,900	-	7,931	1,455,831
Assigned	<u>369,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,110</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>369,110</u>	<u>821,524</u>	<u>382,117</u>	<u>1,447,900</u>	<u>1,352,791</u>	<u>7,931</u>	<u>4,381,373</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 370,896</u>	<u>\$ 829,653</u>	<u>\$ 574,410</u>	<u>\$ 1,481,717</u>	<u>\$ 1,362,866</u>	<u>\$ 8,771</u>	<u>\$ 4,628,313</u>

CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Traffic Safety	Local Transportation	Streets Grant Fund	Maintenance Assessment District	TE/STP Exchange Fund	Downtown Improvement	Totals
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ 256,773	\$ -	\$ -	\$ 256,773
Licenses and permits	-	-	-	-	-	9,518	9,518
From other agencies	-	295,837	924,481	504,795	173,107	-	1,898,220
Fees and assessments	31,690	-	-	-	-	-	31,690
Use of money and property	733	1,573	747	2,566	3,424	19	9,062
Total revenues	<u>32,423</u>	<u>297,410</u>	<u>925,228</u>	<u>764,134</u>	<u>176,531</u>	<u>9,537</u>	<u>2,205,263</u>
EXPENDITURES							
Current :							
General government	-	-	-	-	-	13,184	13,184
Community development	-	-	-	379,233	-	-	379,233
Capital outlay:							
City streets	-	770,752	1,078,295	-	573,278	-	2,422,325
Total expenditures	<u>-</u>	<u>770,752</u>	<u>1,078,295</u>	<u>379,233</u>	<u>573,278</u>	<u>13,184</u>	<u>2,814,742</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,423</u>	<u>(473,342)</u>	<u>(153,067)</u>	<u>384,901</u>	<u>(396,747)</u>	<u>(3,647)</u>	<u>(609,479)</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers out	(398)	-	-	(26,998)	-	-	(27,396)
Total other financing sources (uses)	<u>(398)</u>	<u>-</u>	<u>-</u>	<u>(26,998)</u>	<u>-</u>	<u>-</u>	<u>(27,396)</u>
Net change in fund balance	<u>32,025</u>	<u>(473,342)</u>	<u>(153,067)</u>	<u>357,903</u>	<u>(396,747)</u>	<u>(3,647)</u>	<u>(636,875)</u>
Fund balances, July 1, 2012	337,085	1,879,705	535,184	1,089,997	1,749,538	11,578	5,603,087
Prior period adjustment	-	(584,839)	-	-	-	-	(584,839)
Fund balance, July 1, 2012, restated	<u>337,085</u>	<u>1,294,866</u>	<u>535,184</u>	<u>1,089,997</u>	<u>1,749,538</u>	<u>11,578</u>	<u>5,018,248</u>
Fund balances, July 1, 2013	<u>\$ 369,110</u>	<u>\$ 821,524</u>	<u>\$ 382,117</u>	<u>\$ 1,447,900</u>	<u>\$ 1,352,791</u>	<u>\$ 7,931</u>	<u>\$ 4,381,373</u>

**CITY OF LEMOORE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2013**

	<u>Street Improvement</u>	<u>Recreation Improvement</u>	<u>Facility Infrastructure</u>	<u>Capital Improvement Fees</u>	<u>Totals</u>
ASSETS					
Cash and investments	\$ 119,245	\$ 2,187,963	\$ 287,208	\$ 3,430,289	\$ 6,024,705
Receivables:					
Accounts	-	3,086	-	5,011	8,097
Interest	49	897	114	1,406	2,466
Intergovernmental	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14</u>
Total assets	<u>\$ 119,308</u>	<u>\$ 2,191,946</u>	<u>\$ 287,322</u>	<u>\$ 3,436,706</u>	<u>\$ 6,035,282</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,116</u>	<u>\$ 98,116</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,116</u>	<u>98,116</u>
Fund balances:					
Committed	<u>119,308</u>	<u>2,191,946</u>	<u>287,322</u>	<u>3,338,590</u>	<u>5,937,166</u>
Total fund balances	<u>119,308</u>	<u>2,191,946</u>	<u>287,322</u>	<u>3,338,590</u>	<u>5,937,166</u>
Total liabilities and fund balances	<u>\$ 119,308</u>	<u>\$ 2,191,946</u>	<u>\$ 287,322</u>	<u>\$ 3,436,706</u>	<u>\$ 6,035,282</u>

**CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Street Improvement	Recreation Improvement	Facility Infrastructure	Capital Improvement Fees	Totals
REVENUES					
Fees and assessments	\$ -	\$ 80,767	\$ -	\$ 176,559	\$ 257,326
Use of money and property	241	4,513	221	7,453	12,428
Other revenue	947	-	-	(2)	945
Total revenues	<u>1,188</u>	<u>85,280</u>	<u>221</u>	<u>184,010</u>	<u>270,699</u>
EXPENDITURES					
Current :					
Public works	-	-	-	4,722	4,722
Capital outlay:					
Public works	-	-	2,682	346,976	349,658
Parks and recreation	-	33,519	-	-	33,519
Total expenditures	<u>-</u>	<u>33,519</u>	<u>2,682</u>	<u>351,698</u>	<u>387,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,188</u>	<u>51,761</u>	<u>(2,461)</u>	<u>(167,688)</u>	<u>(117,200)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	151,592	-	151,592
Operating transfers out	-	(9,568)	-	(61,705)	(71,273)
Total other financing sources (uses)	<u>-</u>	<u>(9,568)</u>	<u>151,592</u>	<u>(61,705)</u>	<u>80,319</u>
Net change in fund balance	<u>1,188</u>	<u>42,193</u>	<u>149,131</u>	<u>(229,393)</u>	<u>(36,881)</u>
Fund balances, July 1, 2012	<u>118,120</u>	<u>2,149,753</u>	<u>138,191</u>	<u>3,567,983</u>	<u>5,974,047</u>
Fund balances, June 30, 2013	<u>\$ 119,308</u>	<u>\$ 2,191,946</u>	<u>\$ 287,322</u>	<u>\$ 3,338,590</u>	<u>\$ 5,937,166</u>

**CITY OF LEMOORE
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013**

	<u>Fleet Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and investments	\$ 33,915	\$ -	\$ 33,915
Cash with fiscal agent	-	45,203	45,203
Noncurrent assets:			
Capital assets:			
Depreciable, net of accumulated depreciation	<u>26,691</u>	<u>-</u>	<u>26,691</u>
 Total assets	 <u>\$ 60,606</u>	 <u>\$ 45,203</u>	 <u>\$ 105,809</u>
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 54,525	\$ -	\$ 54,525
Accrued compensated absences	25,449	-	25,449
Due to other fund	<u>-</u>	<u>34,137</u>	<u>34,137</u>
 Total liabilities	 <u>79,974</u>	 <u>34,137</u>	 <u>114,111</u>
 NET POSITION			
Net investment in capital assets	26,691	-	26,691
Unrestricted	<u>(46,059)</u>	<u>11,066</u>	<u>(34,993)</u>
 Net position	 <u>\$ (19,368)</u>	 <u>\$ 11,066</u>	 <u>\$ (8,302)</u>

**CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Fleet Maintenance	Insurance	Total
OPERATING REVENUES:			
Charges for services	\$ 911,897	\$ -	\$ 911,897
Other revenue	<u>2,412</u>	<u>-</u>	<u>2,412</u>
Total operating revenues	<u>914,309</u>	<u>-</u>	<u>914,309</u>
OPERATING EXPENSES:			
Salaries and benefits	213,480	-	213,480
Materials and supplies	375,450	-	375,450
Utilities	1,306	-	1,306
Contractual services	3,481	-	3,481
Repairs and maintenance	222,831	-	222,831
Depreciation and amortization	<u>6,128</u>	<u>-</u>	<u>6,128</u>
Total operating expenses	<u>822,676</u>	<u>-</u>	<u>822,676</u>
Operating income (loss)	<u>91,633</u>	<u>-</u>	<u>91,633</u>
Other financing sources (uses):			
Operating transfers in	66,489	-	66,489
Operating transfers out	<u>(102,747)</u>	<u>-</u>	<u>(102,747)</u>
Total other financing sources (uses)	<u>(36,258)</u>	<u>-</u>	<u>(36,258)</u>
Change in net position	55,375	-	55,375
Fund balances, July 1, 2012	<u>(74,743)</u>	<u>11,066</u>	<u>(63,677)</u>
Fund balances, June 30, 2013	<u>\$ (19,368)</u>	<u>\$ 11,066</u>	<u>\$ (8,302)</u>

**CITY OF LEMOORE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Fleet Maintenance	Insurance	Total
Cash flows from operating activities:			
Cash received from customers and users	\$ 911,897	\$ -	\$ 911,897
Cash payments to suppliers for goods and services	(592,662)	-	(592,662)
Cash payments to employees for services	(207,529)	-	(207,529)
Cash received from other operating revenues	<u>2,412</u>	<u>-</u>	<u>2,412</u>
Net cash provided (used) by operating activities	<u>114,118</u>	<u>-</u>	<u>114,118</u>
Cash flows from noncapital financing activities:			
Loans from/(to) other funds	(20,471)	17,384	(3,087)
Transfers from other funds	66,489	-	66,489
Transfers to other funds	<u>(102,747)</u>	<u>-</u>	<u>(102,747)</u>
Net cash provided (used) by noncapital financing activities	<u>(56,729)</u>	<u>17,384</u>	<u>(39,345)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(23,474)</u>	<u>-</u>	<u>(23,474)</u>
Net cash provided (used) by capital and related financing activities	<u>(23,474)</u>	<u>-</u>	<u>(23,474)</u>
Increase (decrease) in cash and cash equivalents	33,915	17,384	51,299
Cash and cash equivalents, July 1, 2012	<u>-</u>	<u>27,819</u>	<u>27,819</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 33,915</u>	<u>\$ 45,203</u>	<u>\$ 79,118</u>
Cash and investments	\$ 33,915	\$ -	\$ 33,915
Cash with fiscal agent	<u>-</u>	<u>45,203</u>	<u>45,203</u>
Total cash and investments	<u>\$ 33,915</u>	<u>\$ 45,203</u>	<u>\$ 79,118</u>

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

	Fleet Maintenance	Insurance	Total
Operating income (loss)	\$ 91,633	\$ -	\$ 91,633
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	6,128	-	6,128
Changes in assets and liabilities:			
Increase (decrease) in accounts payable	10,406	-	10,406
Increase (decrease) in compensated absences	<u>5,951</u>	<u>-</u>	<u>5,951</u>
Net cash provided (used) by operating activities	<u>\$ 114,118</u>	<u>\$ -</u>	<u>\$ 114,118</u>

**CITY OF LEMOORE
COMBINING STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2013**

	Successor Agency Debt Service	Successor Agency Capital Projects	Totals
ASSETS			
Cash and investments	\$ 13,973	\$ 3,834,481	\$ 3,848,454
Restricted cash with fiscal agents	19,438,530	-	19,438,530
Intergovernmental receivables	-	59,550	59,550
Advances to City of Lemoore	-	2,217,541	2,217,541
Notes receivable	-	1,353,454	1,353,454
Assets held for resale	-	1,464,377	1,464,377
Capital assets, net of accumulated depreciation	<u>-</u>	<u>1,108,062</u>	<u>1,108,062</u>
Total assets	<u>\$ 19,452,503</u>	<u>\$ 10,037,465</u>	<u>\$ 29,489,968</u>
LIABILITIES			
Accounts payable	\$ -	\$ 28,346	\$ 28,346
Intergovernmental payable	-	1,139,149	1,139,149
Interest payable	894,705	-	894,705
Long-term debt	<u>35,004,754</u>	<u>4,484,444</u>	<u>39,489,198</u>
Total liabilities	<u>35,899,459</u>	<u>5,651,939</u>	<u>41,551,398</u>
NET POSITION			
Held in trust for the retirement of obligations of the former Lemoore Redevelopment Agency	<u>(16,446,956)</u>	<u>4,385,526</u>	<u>(12,061,430)</u>
Total net position	<u>\$ (16,446,956)</u>	<u>\$ 4,385,526</u>	<u>\$ (12,061,430)</u>

**CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Successor Agency Debt Service	Successor Agency Capital Projects	Total Successor Agency Private-Purpose Trust Fund
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Taxes	\$ 2,727,813	\$ 1,648,998	\$ 4,376,811
Investment earnings	71,051	112,061	183,112
Miscellaneous	<u>-</u>	<u>309,402</u>	<u>309,402</u>
Total additions	<u>2,798,864</u>	<u>2,070,461</u>	<u>4,869,325</u>
DEDUCTIONS			
Community development	-	7,273,624	7,273,624
Transfer of loan receivable	-	66,566	66,566
Debt service:			
Interest and fiscal charges	<u>2,177,246</u>	<u>-</u>	<u>2,177,246</u>
Total deductions	<u>2,177,246</u>	<u>7,340,190</u>	<u>9,517,436</u>
Change in net position	<u>621,618</u>	<u>(5,269,729)</u>	<u>(4,648,111)</u>
Net position, beginning of year	(16,628,026)	9,646,116	(6,981,910)
Prior period adjustments	<u>(440,548)</u>	<u>9,139</u>	<u>(431,409)</u>
Fund balances, July 1, 2013, restated	<u>(17,068,574)</u>	<u>9,655,255</u>	<u>(7,413,319)</u>
Net position, end of year	<u>\$ (16,446,956)</u>	<u>\$ 4,385,526</u>	<u>\$ (12,061,430)</u>

**CITY OF LEMOORE
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2013**

	Laguna Irrigation	Other Agency Funds	Totals
ASSETS			
Cash and investments	\$ 479,960	\$ 318,878	\$ 798,838
Accounts receivable	-	18,745	18,745
Other assets	<u>28,800</u>	<u>-</u>	<u>28,800</u>
Total assets	<u>\$ 508,760</u>	<u>\$ 337,623</u>	<u>\$ 846,383</u>
LIABILITIES			
Accounts payable	\$ -	\$ 121,693	\$ 121,693
Due to others	508,760	181,708	690,468
Deposits	<u>-</u>	<u>34,222</u>	<u>34,222</u>
Total liabilities	<u>\$ 508,760</u>	<u>\$ 337,623</u>	<u>\$ 846,383</u>