

CITY OF LEMOORE
CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2018

CITY OF LEMOORE

FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditor's Report	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	4
Statement of Activities.....	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	11
Statement of Net Position – Proprietary Funds.....	13
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds	15
Statement of Fiduciary Net Position – Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	19
Notes to the Basic Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	56
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Schedule of the City's Proportionate Share of the Net Pension Liability – Defined Benefit Pension Plan	57
Schedule of Contributions – Defined Benefit Pension Plans	58

CITY OF LEMOORE

FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	63
Combining Balance Sheet – Nonmajor Special Revenue Funds	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	65
Combining Balance Sheet – Nonmajor Capital Projects Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds	67
Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds	70
Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds	71
Combining Statement of Assets and Liabilities – Agency Funds.....	72
Statement of Changes in Assets and Liabilities – Agency Funds	73



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of 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, 2018, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemoore, California, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Clovis, CA 93612

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Other Matters

Required Supplementary Information

Management has omitted 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 56, the Proportionate Share of Net Pension Liability on page 57, and the Schedule of Contributions on page 58 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 introductory section, combining and individual nonmajor fund financial statements, the related budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining 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 nonmajor fund financial statements are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
March 29, 2019

BASIC FINANCIAL STATEMENTS

**CITY OF LEMOORE
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 24,551,776	\$ 18,957,917	\$ 43,509,693
Restricted cash and investments	81,753	-	81,753
Receivables:			
Accounts, net	20,928	1,168,608	1,189,536
Notes	5,456,487	-	5,456,487
Intergovernmental	1,644,354	-	1,644,354
Prepaid expenses	30,165	46,337	76,502
Internal balances	1,057,419	(1,057,419)	-
Inventory	-	56,294	56,294
Assets held for resale	1,485,564	-	1,485,564
Other assets	40,000	-	40,000
Capital assets:			
Nondepreciable	4,569,152	3,504,253	8,073,405
Depreciable, net of accumulated depreciation	<u>60,091,866</u>	<u>31,554,540</u>	<u>91,646,406</u>
 Total assets	 <u>99,029,464</u>	 <u>54,230,530</u>	 <u>153,259,994</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources from pensions	<u>2,954,737</u>	<u>1,052,778</u>	<u>4,007,515</u>
 Total deferred outflows of resources	 <u>2,954,737</u>	 <u>1,052,778</u>	 <u>4,007,515</u>
LIABILITIES			
Accounts payable	700,980	473,440	1,174,420
Accrued interest payable	-	12,052	12,052
Deposits and other liabilities	25,401	36,193	61,594
Unearned revenue	52,581	-	52,581
Advances from Successor Agency	-	1,865,449	1,865,449
Noncurrent liabilities:			
Due within one year	122,049	475,308	597,357
Due in more than one year	488,199	5,080,305	5,568,504
Net pension liability	<u>9,039,851</u>	<u>3,307,573</u>	<u>12,347,424</u>
 Total liabilities	 <u>10,429,061</u>	 <u>11,250,320</u>	 <u>21,679,381</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources from pensions	<u>383,417</u>	<u>350,013</u>	<u>733,430</u>
 Total deferred inflows of resources	 <u>383,417</u>	 <u>350,013</u>	 <u>733,430</u>
NET POSITION			
Net investment in capital assets	64,661,018	29,660,441	94,321,459
Restricted for:			
Public safety	518,941	-	518,941
Public works	8,002,709	-	8,002,709
Community development	9,449,990	-	9,449,990
Parks and recreation	41,159	-	41,159
Capital projects and improvements	6,664,438	-	6,664,438
Unrestricted	<u>1,833,468</u>	<u>14,022,534</u>	<u>15,856,002</u>
 Total net position	 <u>\$ 91,171,723</u>	 <u>\$ 43,682,975</u>	 <u>\$ 134,854,698</u>

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

**CITY OF LEMOORE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/programs:							
Primary government:							
Governmental activities:							
General government	\$ 1,145,987	\$ 212,476	\$ -	\$ -	\$ (933,511)	\$ -	\$ (933,511)
Public safety	7,182,259	408,890	567,152	-	(6,206,217)	-	(6,206,217)
Public works	4,140,812	733,417	1,260,939	1,166,460	(979,996)	-	(979,996)
Community development	263,308	685,246	1,734,224	-	2,156,162	-	2,156,162
Parks and recreation	1,280,087	336,703	-	86,202	(857,182)	-	(857,182)
Total governmental activities	<u>14,012,453</u>	<u>2,376,732</u>	<u>3,562,315</u>	<u>1,252,662</u>	<u>(6,820,744)</u>	<u>-</u>	<u>(6,820,744)</u>
Business-type activities:							
Water	4,825,828	5,610,676	-	97,214	-	882,062	882,062
Sewer	3,482,643	3,505,867	-	276,380	-	299,604	299,604
Refuse	3,149,147	3,050,488	-	6,857	-	(91,802)	(91,802)
Golf Course	1,243,815	1,120,043	-	-	-	(123,772)	(123,772)
Total business-type activities	<u>12,701,433</u>	<u>13,287,074</u>	<u>-</u>	<u>380,451</u>	<u>-</u>	<u>966,092</u>	<u>966,092</u>
Total primary government	<u>\$ 26,713,886</u>	<u>\$ 15,663,806</u>	<u>\$ 3,562,315</u>	<u>\$ 1,633,113</u>	<u>(6,820,744)</u>	<u>966,092</u>	<u>(5,854,652)</u>
General revenues:							
Property taxes					2,557,324	-	2,557,324
Sales taxes					1,842,411	-	1,842,411
Franchise taxes					597,203	-	597,203
Transient taxes					244,765	-	244,765
Motor vehicle in-lieu					2,105,483	-	2,105,483
Unrestricted investment earnings					351,959	110,084	462,043
Other revenue					341,897	577,046	918,943
Gain on sale of assets					4,926	13,600	18,526
Total general revenues and transfers					<u>8,045,968</u>	<u>700,730</u>	<u>8,746,698</u>
Changes in net position					1,225,224	1,666,822	2,892,046
Net position - beginning, restated					<u>89,946,499</u>	<u>42,016,153</u>	<u>131,962,652</u>
Net position - ending					<u>\$ 91,171,723</u>	<u>\$ 43,682,975</u>	<u>\$ 134,854,698</u>

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

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FUND FINANCIAL STATEMENTS

The funds described below were determined to be Major Funds by the City in fiscal year 2018. Individual nonmajor funds may be found in the supplemental section.

GENERAL FUND

This fund is the primary operating fund of the City. It accounts for normal recurring activities traditionally associated with governments, which are not required to be accounted for in another fund. These activities are funded primarily by property taxes, sales and use taxes, interest and rental income, charges for services, and grants.

GRANTS SPECIAL REVENUE FUND

This fund is used to account for the City's receipts and expenditures of the state, federal, and other grants.

LEMOORE HOUSING AUTHORITY SPECIAL REVENUE FUND

This 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
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>Special Revenue Funds</u>				
	General Fund	Grants Fund	Lemoore Housing Authority Fund	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 6,388,326	\$ 482,241	\$ 1,722,530	\$ 15,958,679	\$ 24,551,776
Restricted cash and investments	81,753	-	-	-	81,753
Receivables:					
Accounts	-	-	-	20,928	20,928
Notes	6,675	651,200	4,798,612	-	5,456,487
Intergovernmental	1,434,035	-	-	210,319	1,644,354
Interfund receivables	1,103,528	-	-	-	1,103,528
Advances to other funds	566,757	-	-	-	566,757
Prepaid items	30,165	-	-	-	30,165
Other assets	40,000	-	-	-	40,000
Assets held for resale	-	-	1,485,564	-	1,485,564
Total assets	\$ 9,651,239	\$ 1,133,441	\$ 8,006,706	\$ 16,189,926	\$ 34,981,312
LIABILITIES					
Accounts payable	\$ 553,473	\$ -	\$ 2,192	\$ 81,197	\$ 636,862
Deposits and other liabilities	25,401	-	-	-	25,401
Unearned revenue	52,581	-	-	-	52,581
Total liabilities	631,455	-	2,192	81,197	714,844
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	651,200	200,000	-	851,200
Total deferred inflows of resources	-	651,200	200,000	-	851,200
FUND BALANCES					
Nonspendable:					
Prepaid items	30,165	-	-	-	30,165
Notes receivable	6,675	651,200	4,598,612	-	5,256,487
Long-term interfund advances	566,757	-	-	-	566,757
Restricted:					
Public safety	40,594	-	-	478,347	518,941
Public works	-	482,241	-	7,520,468	8,002,709
Community development	-	-	3,205,902	1,445,476	4,651,378
Parks and recreation	41,159	-	-	-	41,159
Capital projects and improvements	-	-	-	6,664,438	6,664,438
Assigned:					
Subsequent year's budget:					
Appropriation of fund balance	1,965,890	-	-	-	1,965,890
Unassigned	6,368,544	(651,200)	-	-	5,717,344
Total fund balances	9,019,784	482,241	7,804,514	16,108,729	33,415,268
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,651,239	\$ 1,133,441	\$ 8,006,706	\$ 16,189,926	\$ 34,981,312

**CITY OF LEMOORE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Total fund balances - governmental funds	\$	33,415,268
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.		64,620,569
Compensated absences are not due and payable in the current period, and therefore are not reported in the funds.		(597,737)
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:		
Net pension liability	(8,825,797)	
Deferred outflows of resources	2,884,407	
Deferred inflows of resources	(352,962)	(6,294,352)
Certain assets are not available to pay for current period expenditures; therefore, they are unavailable in the governmental funds.		851,200
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.		(823,225)
Net position of governmental activities	\$	91,171,723

CITY OF LEMOORE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Special Revenue Funds</u>				Total Governmental Funds
	General Fund	Grants Fund	Lemoore Housing Authority Fund	Other Governmental Funds	
REVENUES					
Property taxes	\$ 2,464,254	\$ -	\$ -	\$ -	\$ 2,464,254
Other taxes	2,648,759	-	-	-	2,648,759
Licenses and permits	1,278,297	-	-	9,555	1,287,852
Charges for services	619,751	-	-	45,000	664,751
Intergovernmental	2,556,396	1,516,474	-	1,741,062	5,813,932
Fees and assessments	45,517	-	-	1,450,473	1,495,990
Loan repayments	-	-	217,750	82,832	300,582
Use of money and property	139,898	-	129,989	-	269,887
Other revenue	285,141	-	1,603	-	286,744
Total revenues	<u>10,038,013</u>	<u>1,516,474</u>	<u>349,342</u>	<u>3,328,922</u>	<u>15,232,751</u>
EXPENDITURES					
Current:					
General government	937,399	-	-	5,725	943,124
Public safety	6,472,587	-	-	-	6,472,587
Public works	967,956	-	-	757,432	1,725,388
Community development	322,809	-	39,864	-	362,673
Parks and recreation	1,167,121	12,103	-	-	1,179,224
Capital outlay	339,044	1,314,546	-	762,166	2,415,756
Total expenditures	<u>10,206,916</u>	<u>1,326,649</u>	<u>39,864</u>	<u>1,525,323</u>	<u>13,098,752</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,903)</u>	<u>189,825</u>	<u>309,478</u>	<u>1,803,599</u>	<u>2,133,999</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	4,926	-	-	-	4,926
Total other financing sources (uses)	<u>4,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,926</u>
Net changes in fund balances	<u>(163,977)</u>	<u>189,825</u>	<u>309,478</u>	<u>1,803,599</u>	<u>2,138,925</u>
Fund balances - beginning	9,183,761	292,416	7,495,036	14,305,130	31,276,343
Fund balances - ending	<u>\$ 9,019,784</u>	<u>\$ 482,241</u>	<u>\$ 7,804,514</u>	<u>\$ 16,108,729</u>	<u>\$ 33,415,268</u>

**CITY OF LEMOORE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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

Net change in fund balances - total governmental funds	\$	2,138,925
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.		1,933,323
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.		(2,265,081)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is a decrease in net position.		(49,028)
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.		(100,336)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.		(408,952)
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>(23,627)</u>
Change in net position of governmental activities	\$	<u><u>1,225,224</u></u>

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MAJOR PROPRIETARY FUNDS

Proprietary funds account for the City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City reported all of its Enterprise Funds and its Internal Service Fund as major funds in fiscal year 2018.

ENTERPRISE FUNDS

WATER FUND

This fund accounts for activities associated with the acquisition or construction of water facilities and the production, distribution, and transmission of potable water to users.

SEWER FUND

This fund accounts for activities associated with the acquisition or construction, and operations and maintenance of the City's sewer system, including drainage, treatment, and disposal of sanitary wastewater.

REFUSE FUND

This fund accounts for activities associated with the acquisition of refuse and disposal equipment and vehicles, and the collection and disposal of refuse throughout the City.

GOLF COURSE FUND

This fund accounts for the resources provided and used in the City's public golf course.

INTERNAL SERVICE FUND

FLEET MAINTENANCE FUND

This fund is used for the maintenance, service, and repair of the City's fleet. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

**CITY OF LEMOORE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Business-type Activities				Total	Governmental
	Water Fund	Sewer Fund	Refuse Fund	Golf Course Fund		Activities Internal Service Fund
ASSETS						
Current assets:						
Cash and investments	\$ 5,078,333	\$ 11,895,133	\$ 1,984,451	\$ -	\$ 18,957,917	\$ -
Receivables:						
Accounts	740,415	513,300	371,315	-	1,625,030	-
Less: allowance for doubtful accounts	(194,396)	(137,615)	(124,411)	-	(456,422)	-
Inventory	-	-	-	56,294	56,294	-
Prepaid expenses	-	-	-	46,337	46,337	-
Total current assets	<u>5,624,352</u>	<u>12,270,818</u>	<u>2,231,355</u>	<u>102,631</u>	<u>20,229,156</u>	<u>-</u>
Noncurrent assets:						
Advances to other funds	-	1,021,883	-	-	1,021,883	-
Capital assets:						
Nondepreciable	1,689,354	938,381	252,505	624,013	3,504,253	-
Depreciable, net of accumulated depreciation	<u>20,112,311</u>	<u>9,375,588</u>	<u>595,260</u>	<u>1,471,381</u>	<u>31,554,540</u>	<u>40,449</u>
Total noncurrent assets	<u>21,801,665</u>	<u>11,335,852</u>	<u>847,765</u>	<u>2,095,394</u>	<u>36,080,676</u>	<u>40,449</u>
Total assets	<u>27,426,017</u>	<u>23,606,670</u>	<u>3,079,120</u>	<u>2,198,025</u>	<u>56,309,832</u>	<u>40,449</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows from pensions	<u>405,406</u>	<u>302,362</u>	<u>345,010</u>	<u>-</u>	<u>1,052,778</u>	<u>70,330</u>
Total deferred outflows of resources	<u>405,406</u>	<u>302,362</u>	<u>345,010</u>	<u>-</u>	<u>1,052,778</u>	<u>70,330</u>
LIABILITIES						
Current liabilities:						
Accounts payable	161,121	174,642	93,177	44,500	473,440	64,118
Deposits and other liabilities	25,871	1	-	10,321	36,193	-
Compensated absences	9,703	8,175	13,574	-	31,452	2,502
Interfund payables	-	-	-	477,900	477,900	625,628
Accrued interest payable	12,052	-	-	-	12,052	-
Current portion of long-term liabilities	<u>443,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,856</u>	<u>-</u>
Total current liabilities	<u>652,603</u>	<u>182,818</u>	<u>106,751</u>	<u>532,721</u>	<u>1,474,893</u>	<u>692,248</u>
Noncurrent liabilities:						
Long-term liabilities	4,954,496	-	-	-	4,954,496	-
Advances from other funds	1,021,883	-	-	566,757	1,588,640	-
Advances from Successor Agency	-	148,380	-	1,717,069	1,865,449	-
Compensated absences	38,809	32,702	54,298	-	125,809	10,009
Net pension liability	<u>1,278,459</u>	<u>941,251</u>	<u>1,087,863</u>	<u>-</u>	<u>3,307,573</u>	<u>214,054</u>
Total noncurrent liabilities	<u>7,293,647</u>	<u>1,122,333</u>	<u>1,142,161</u>	<u>2,283,826</u>	<u>11,841,967</u>	<u>224,063</u>
Total liabilities	<u>7,946,250</u>	<u>1,305,151</u>	<u>1,248,912</u>	<u>2,816,547</u>	<u>13,316,860</u>	<u>916,311</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows from pensions	<u>130,139</u>	<u>109,748</u>	<u>110,126</u>	<u>-</u>	<u>350,013</u>	<u>30,455</u>
Total deferred inflows of resources	<u>130,139</u>	<u>109,748</u>	<u>110,126</u>	<u>-</u>	<u>350,013</u>	<u>30,455</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	15,381,430	11,335,852	847,765	2,095,394	29,660,441	40,449
Unrestricted	<u>4,373,604</u>	<u>11,158,281</u>	<u>1,217,327</u>	<u>(2,713,916)</u>	<u>14,035,296</u>	<u>(876,436)</u>
Total net position (deficit)	<u>\$ 19,755,034</u>	<u>\$ 22,494,133</u>	<u>\$ 2,065,092</u>	<u>\$ (618,522)</u>	<u>43,695,737</u>	<u>\$ (835,987)</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					<u>(12,762)</u>	
Net position of business-type activities					<u>\$ 43,682,975</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, 2018

	Business-type Activities				Total	Governmental Activities Internal Service Fund
	Water Fund	Sewer Fund	Refuse Fund	Golf Course Fund		
Operating revenues:						
Charges for services	\$ 5,612,760	\$ 3,552,091	\$ 2,985,585	\$ 1,120,016	\$ 13,270,452	\$ 827,645
Fines and forfeitures	95,554	66,477	60,419	-	222,450	-
Other revenues	-	163,679	4,484	27	168,190	-
Total operating revenues	<u>5,708,314</u>	<u>3,782,247</u>	<u>3,050,488</u>	<u>1,120,043</u>	<u>13,661,092</u>	<u>827,645</u>
Operating expenses:						
Salaries and benefits	1,100,719	631,084	913,653	-	2,645,456	157,408
Materials and supplies	448,810	202,806	109,278	307,117	1,068,011	349,501
Utilities	885,634	589,712	374,061	132,624	1,982,031	322
Contractual services	505,290	928,484	1,181,312	514,130	3,129,216	52,099
Repairs and maintenance	582,081	420,561	12,933	24,484	1,040,059	320,735
Other expenses	176,326	165,333	391,927	92,989	826,575	-
Depreciation and amortization	980,919	517,405	157,416	132,978	1,788,718	12,742
Total operating expenses	<u>4,679,779</u>	<u>3,455,385</u>	<u>3,140,580</u>	<u>1,204,322</u>	<u>12,480,066</u>	<u>892,807</u>
Operating income (loss)	<u>1,028,535</u>	<u>326,862</u>	<u>(90,092)</u>	<u>(84,279)</u>	<u>1,181,026</u>	<u>(65,162)</u>
Nonoperating revenues (expenses):						
Intergovernmental - capital	-	-	6,857	-	6,857	-
Use of money and property	30,739	67,733	11,612	-	110,084	-
Interest expense	(140,762)	-	-	(39,493)	(180,255)	-
Solar rebate	577,046	-	-	-	577,046	-
Gain (loss) on asset disposal	-	13,600	-	-	13,600	-
Total nonoperating revenues (expenses)	<u>467,023</u>	<u>81,333</u>	<u>18,469</u>	<u>(39,493)</u>	<u>527,332</u>	<u>-</u>
Changes in net position	1,495,558	408,195	(71,623)	(123,772)	1,708,358	(65,162)
Net position, beginning, restated	<u>18,259,476</u>	<u>22,085,938</u>	<u>2,136,715</u>	<u>(494,750)</u>		<u>(770,825)</u>
Net position (deficit) - ending	<u>\$ 19,755,034</u>	<u>\$ 22,494,133</u>	<u>\$ 2,065,092</u>	<u>\$ (618,522)</u>		<u>\$ (835,987)</u>
Adjustments to reflect consolidation of internal service fund activities related to enterprise funds					<u>(41,536)</u>	
Change in net position of business-type activities					<u>\$ 1,666,822</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, 2018**

	Business-type Activities				Total	Governmental
	Water Fund	Sewer Fund	Refuse Fund	Golf Course Fund		Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipt from customers and users	\$ 6,301,831	\$ 3,848,146	\$ 3,068,273	\$ 1,114,430	\$ 14,332,680	\$ 827,684
Payments to suppliers and service providers	(2,637,349)	(2,175,852)	(2,061,434)	(1,091,926)	(7,966,561)	(692,314)
Payments to employees for salaries and benefits	(957,927)	(725,827)	(784,653)	-	(2,468,407)	(255,548)
Other receipts	-	163,679	4,484	27	168,190	-
Net cash provided (used) by operating activities	<u>2,706,555</u>	<u>1,110,146</u>	<u>226,670</u>	<u>22,531</u>	<u>4,065,902</u>	<u>(120,178)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Loans to (from) other funds	(450,000)	450,000	-	16,962	16,962	120,178
Net cash provided (used) by noncapital financing activities	<u>(450,000)</u>	<u>450,000</u>	<u>-</u>	<u>16,962</u>	<u>16,962</u>	<u>120,178</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital grants and rebates	577,046	-	6,857	-	583,903	-
Principal paid on capital debt	(433,017)	-	-	-	(433,017)	-
Interest paid on capital debt	(140,762)	-	-	(39,493)	(180,255)	-
Acquisition and construction of capital assets	(656,066)	(1,675,038)	(28,763)	-	(2,359,867)	-
Proceeds from the sale of capital assets	-	13,600	-	-	13,600	-
Net cash provided (used) by capital and related financing activities	<u>(652,799)</u>	<u>(1,661,438)</u>	<u>(21,906)</u>	<u>(39,493)</u>	<u>(2,375,636)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	30,739	67,733	11,612	-	110,084	-
Net cash provided (used) by investing activities	<u>30,739</u>	<u>67,733</u>	<u>11,612</u>	<u>-</u>	<u>110,084</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	1,634,495	(33,559)	216,376	-	1,817,312	-
Cash and cash investments, July 1	3,443,838	11,928,692	1,768,075	-	17,140,605	-
Cash and cash investments, June 30	<u>\$ 5,078,333</u>	<u>\$ 11,895,133</u>	<u>\$ 1,984,451</u>	<u>\$ -</u>	<u>\$ 18,957,917</u>	<u>\$ -</u>
Cash and investments	<u>\$ 5,078,333</u>	<u>\$ 11,895,133</u>	<u>\$ 1,984,451</u>	<u>\$ -</u>	<u>\$ 18,957,917</u>	<u>\$ -</u>
Total cash and investments	<u>\$ 5,078,333</u>	<u>\$ 11,895,133</u>	<u>\$ 1,984,451</u>	<u>\$ -</u>	<u>\$ 18,957,917</u>	<u>\$ -</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, 2018
(Continued)**

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

	Business-type Activities				Total	Governmental
	Water Fund	Sewer Fund	Refuse Fund	Golf Course Fund		Activities Internal Service Funds
Operating income (loss)	\$ 1,028,535	\$ 326,862	\$ (90,092)	\$ (84,279)	\$ 1,181,026	\$ (65,162)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	980,919	517,405	157,416	132,978	1,788,718	12,742
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	596,783	229,578	22,269	17	848,647	39
(Increase) decrease in inventory	-	-	-	5,761	5,761	-
(Increase) decrease in deferred outflows of resources	(157,647)	(64,515)	(134,247)	-	(356,409)	6,347
Increase (decrease) in accounts payable	(39,208)	131,044	8,077	(26,343)	73,570	30,343
Increase (decrease) in deposits and other liabilities	(3,266)	-	-	(5,603)	(8,869)	-
Increase (decrease) in compensated absences	6,919	(1,138)	13,310	-	19,091	1,559
Increase (decrease) in deferred inflows of resources	7,264	(16,372)	8,862	-	(246)	(12,975)
Increase (decrease) in net pension liability	286,256	(12,718)	241,075	-	514,613	(93,071)
Net cash provided (used) by operating activities	<u>\$ 2,706,555</u>	<u>\$ 1,110,146</u>	<u>\$ 226,670</u>	<u>\$ 22,531</u>	<u>\$ 4,065,902</u>	<u>\$ (120,178)</u>

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City administers the activity of a private purpose trust fund. The City uses an agency fund to account for assets which are custodial in nature and does not involve measurement of results of the operations. 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.

LEMOORE REDEVELOPMENT SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND

This fund is used to account for assets and liabilities of the former Lemoore 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

These 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 in operations.

**CITY OF LEMOORE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	Lemoore Redevelopment Successor Agency Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments	\$ 3,123,976	\$ 539,863
Restricted cash with fiscal agent	2,342,401	155,006
Advances to City of Lemoore	1,865,449	-
Notes receivable	1,191,657	-
Land held for resale	524,058	-
Other assets	-	28,800
 Total assets	 \$ 9,047,541	 \$ 723,669
LIABILITIES		
Accounts payable	\$ 23,455	\$ 200,346
Payable to State Department of Finance	18,050	-
Interest payable	256,357	-
Deposits and other liabilities	-	523,323
Long-term liabilities:		
Due within one year	1,863,963	-
Due in more than one year	14,861,513	-
 Total liabilities	 \$ 17,023,338	 \$ 723,669
NET POSITION		
Net position held in trust for the retirement of obligations of the Lemoore Successor Agency to the former Lemoore Redevelopment Agency	\$ (7,975,797)	

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, 2018**

	Lemoore Redevelopment Successor Agency Private Purpose Trust Fund
ADDITIONS	
Taxes	\$ 1,588,576
Investment earnings	96,146
Intrafund transfers	1,418,742
Total additions	3,103,464
DEDUCTIONS	
Community development	250,840
Intrafund transfers	1,418,742
Interest expense	648,198
Bad debt	100,000
Total deductions	2,417,780
Change in net position	685,684
Net position (deficit) - beginning	(8,661,481)
Net position (deficit) - ending	\$ (7,975,797)

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

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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 Financing Authority does not issue separate financial statements.

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 transactions for the Housing Authority are recorded in the Lemoore Housing Authority special revenue fund. The Housing Authority does not issue separate financial statements.

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, 2018

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 Statement 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange 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 nonoperating expenses.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent fund type total and five percent of the City's funds. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds. The City reports the following major governmental funds:

The **General Fund** is the primary operating fund of the City. It accounts for normal recurring activities traditionally associated with government, which are not required to be accounted for in another fund. These activities are funded primarily by property taxes, sales and use taxes, interest and rental income, charges for services, and grants.

The **Grants Fund** is used to account for the City's receipts and expenditures of the state, federal, and other grants.

The **Lemoore Housing Authority Fund** has taken over the assets and associated functions of the Low/Moderate Income Housing Fund of the former Lemoore Redevelopment Agency 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, 2018

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

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

Lemoore 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 maintenance services provided to other departments or agencies of the City on a cost reimbursement basis.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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 when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified basis of accounting*. Revenues, except for grants, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirement, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenues items are considered to be measurable and available only when cash is received by the City.

The proprietary and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations as well as the following private sector standards issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. Governments have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private sector guidance.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

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.

Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. This pool utilizes investments authorized by the Government Code and is further defined by the City's investment policy that is approved by the City Council.

Authorized investments include deposits in the State of California administered Local Agency Investment Fund (LAIF), insured certificates of deposits, collateralized certificates of deposits, commercial paper, money market mutual funds, federally sponsored credit agency securities, and securities backed by the U.S. Government. All investments are stated at fair value.

Interest income earned as a result of pooling is distributed to the appropriate funds based on month end cash balances in each fund. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

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.

Interfund Transactions

Interfund transactions are reflected as loans, services provided or used, 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.

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

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.

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

Inventory of Supplies and Prepaid Items

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. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 \$5,000. 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
Road network.....	25-50 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'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 assets in these subsystems are depreciated using the straight-line method.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(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 for 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 asset recognition criteria have been met, but for which asset 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) as unearned revenue.

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.

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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Pensions

In government-wide financial statements, pensions are recognized and disclosed using the accrual basis of accounting (see Note 12 and the RSI section immediately following the notes to financial statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability of the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the City's fiscal year-end or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Lemoore California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63 and GASB Statement No. 65, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Notes 9 and 11 for a detailed listing of the deferred outflows and deferred inflows of resources the City has recognized.

Budgetary Information

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 department. The City Council may transfer funds from reserves to departments or enterprise activities as deemed appropriate during the fiscal year.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(Continued)

Excess of Expenditures Over Appropriations

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The City only adopts annual operating budgets for the General Fund, Gasoline Tax Fund, Traffic Safety Fund, Maintenance Assessment District Fund, Downtown Improvement Fund, and Facility Infrastructure Fund. Therefore, budget comparison information for all other special revenue and capital projects funds is not included in the City's financial statements.

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2018:

Major Funds:

General Fund:

Current:

General government	\$ 135,289
Public safety	361,211
Community development	24,227
Parks and recreation	79,064

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

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 net position are available, restricted resources are depleted first before the unrestricted resources are used.

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances
(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.

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 43,509,693
Restricted cash and investments	81,753
Fiduciary funds:	
Cash and investments	3,663,839
Restricted cash with fiscal agents	<u>2,497,407</u>
 Total cash and investments	 <u>\$ 49,752,692</u>

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$ 6,050
Deposits with financial institutions	22,202,728
Investments	<u>27,543,914</u>
 Total cash and investments	 <u>\$ 49,752,692</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%
Commercial 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, 2018

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
Commercial paper	270 days	None	None
Money market mutual funds	N/A	None	None
Investment contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City 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 60 Months	More Than 60 Months
State Investment Pool	\$ 16,299,387	\$ 16,299,387	\$ -	\$ -	\$ -
Federal agency securities:					
Federal Home Loan Mortgage Company	4,939,061	-	-	4,939,061	-
Certificates of Deposits	3,964,980	860,023	1,424,286	1,680,671	-
Held by Bond Trustee:					
Money Market Funds	<u>2,340,486</u>	<u>2,340,486</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 27,543,914</u>	<u>\$ 19,499,896</u>	<u>\$ 1,424,286</u>	<u>\$ 6,619,732</u>	<u>\$ -</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, 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		
			AAAm	AA+	Not Rated
State Investment Pool	\$ 16,299,387	N/A	\$ -	\$ -	\$ 16,299,387
Federal agency securities:					
Federal Home Loan Mortgage Corporation	4,939,061	N/A	-	4,939,061	-
Certificates of Deposits	3,964,980	N/A	-	-	3,964,980
Held by Bond Trustee:					
Money Market Funds	<u>2,340,486</u>	A	<u>880,823</u>	<u>240,805</u>	<u>1,218,858</u>
Total	<u>\$ 27,543,914</u>		<u>\$ 880,823</u>	<u>\$ 5,179,866</u>	<u>\$ 21,483,225</u>

Concentration of Credit Risk

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the City. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the California Government Code. As of June 30, 2018, investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of the total pooled investment in the following:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	Federal agency securities	\$ 4,939,061

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

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. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2018, the carrying amount of the City's bank deposits was \$22,202,728, and the respective bank balances totaled \$22,358,604, the total amount of which was collateralized with pooled securities held by the financial institution's trust department. These securities are held in the name of the financial institution and not in the name of the City.

In addition, as of June 30, 2018, none of the City's investments with financial institutions were held in uncollateralized accounts.

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).

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. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals to and from LAIF are transferred on the basis of \$1 and not fair value. Accordingly, under the fair value hierarchy, LAIF is uncategorized.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2018:

Investments by Fair Value Level	Amount	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Certificates of Deposit	\$ 3,964,980	\$ -	\$ 3,964,980	\$ -
Federal agency securities:				
Federal Home Loan Mortgage Corporation	4,939,061	-	4,939,061	-
	<u>8,904,041</u>	<u>\$ -</u>	<u>\$ 8,904,041</u>	<u>\$ -</u>
State Investment Pool	16,299,387			
Money Market Funds	2,340,486			
	<u>\$ 27,543,914</u>			

In determining fair value, the City’s custodians use various methods including market and income approaches. Based on these approaches, the City’s custodians utilize certain assumptions that market participants would use in pricing the asset or liability. The City’s custodians utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Various inputs are used in determining the value of the City’s investments and other financial instruments. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. These inputs are summarized in the three broad levels: Level 1 – quoted prices in active markets for identical investments, Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) and Level 3 – significant unobservable inputs (including the district’s own assumptions in determining the fair value of investments).

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.

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 loans are “non-performing loans” and are not recorded as loans receivable in the financial statements. Such loans totaled \$1,778,417 as of June 30, 2018.

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, is as follows:

Current Interfund Receivables/Payables

Current interfund balances are generally short-term loans to cover temporary cash deficits in various funds and are expected to be repaid shortly after the end of the fiscal year. The City’s interfund receivables and payables consisted of the following at June 30, 2018.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds		
Major Funds:		
General Fund	\$ 1,103,528	\$ -
Golf Course Fund	-	477,900
Internal Service Funds		
Fleet Maintenance Fund	<u>-</u>	<u>625,628</u>
Totals	<u>\$ 1,103,528</u>	<u>\$ 1,103,528</u>

Long-Term Interfund Advances

Long-term interfund advances are advances to other funds that are not expected to be repaid in one year or less. The City’s long-term interfund advances consisted of the following at June 30, 2018:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Governmental Funds		
Major Funds:		
General Fund	\$ 566,757	\$ -
Enterprise Funds		
Major Funds:		
Water Fund	-	1,021,883
Sewer Fund	1,021,883	148,380
Golf Course Fund	-	2,283,826
Fiduciary Funds		
Successor Agency Private Purpose Trust Fund	<u>1,865,449</u>	<u>-</u>
Totals	<u>\$ 3,454,089</u>	<u>\$ 3,454,089</u>

On August 5, 2013, the City’s General Fund loaned \$1,439,128 to the Golf Course enterprise fund to pay off the 1995 Golf Course Bonds and related expenses. The loan bears 1.35% interest, payable quarterly over an eight-year term. The final payment of the loan is scheduled for June 30, 2021. The loan balance is \$566,757 as of June 30, 2018.

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – INTERFUND ACTIVITIES (Continued)

Long-Term Interfund Advances (Continued)

On May 7, 2013, the City’s Sewer Fund loaned \$2,371,883 to the Water Fund for the solar project. The loan is payable annually over a five-year term. The final payment of the loan is scheduled for June 30, 2020. The loan balance is \$1,021,883 as of June 30, 2018.

On June 30, 2005, the City’s Golf Course Fund obtained a loan from the Lemoore Redevelopment Successor Agency for \$1,039,850 bearing 2.38% interest. This loan incurred interest beginning July 1, 2005. Payments of approximately \$300,000 per year will begin in fiscal year 2021. The loan was obtained to cover both direct expenses and debt service of the golf course. The final payment of the loan is scheduled for June 30, 2027. The loan balance is \$1,717,069 as of June 30, 2018.

On March 21, 2006, the City’s Sewer Fund obtained a loan from the Lemoore Redevelopment Successor Agency for \$148,380. The loan was obtained for the installation of the oversized storm sewer improvements along 19½ Avenue. During the ten years immediately following payment of the loan, any new adjoining property development will reimburse the City its prorated share for oversizing; and the City will then reimburse the Successor Agency of the City of Lemoore annually for all funds collected for such oversizing. Any balance remaining on the loan to the Successor Agency, after the ten-year period, will be forgiven to the City, provided the non-payment is due to lack of development. The loan balance is \$148,380 as of June 30, 2018.

NOTE 5 – ASSETS HELD FOR RESALE

The following is a summary of changes in the assets held for resale during the year ended June 30, 2018:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Land held for resale	<u>\$ 1,485,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,485,564</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2018 is as follows:

Governmental Activities

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers/ Adjustments</u>	<u>Balance June 30, 2018</u>
Capital assets, not being depreciated:					
Land	\$ 2,815,713	\$ -	\$ -	\$ -	\$ 2,815,713
Construction in progress	<u>1,845,318</u>	<u>1,679,635</u>	<u>(1,771,514)</u>	<u>-</u>	<u>1,753,439</u>
Total capital assets, not being depreciated	<u>4,661,031</u>	<u>1,679,635</u>	<u>(1,771,514)</u>	<u>-</u>	<u>4,569,152</u>
Capital assets, being depreciated					
Buildings and improvements	16,649,529	1,355,195	-	-	18,004,724
Machinery and equipment	7,252,388	229,709	(109,874)	39,377	7,411,600
Road network	46,373,361	367,782	-	-	46,741,143
Infrastructure	<u>4,797,484</u>	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>4,821,484</u>
Total capital assets, being depreciated	<u>75,072,762</u>	<u>1,976,686</u>	<u>(109,874)</u>	<u>39,377</u>	<u>76,978,951</u>
Less accumulated depreciation for:					
Buildings and improvements	(5,060,871)	(469,216)	-	-	(5,530,087)
Machinery and equipment	(4,470,714)	(560,653)	109,362	(39,377)	(4,961,382)
Road network	(2,735,409)	(927,467)	-	-	(3,662,876)
Infrastructure	<u>(2,412,253)</u>	<u>(320,487)</u>	<u>-</u>	<u>-</u>	<u>(2,732,740)</u>
Total accumulated depreciated, net	<u>(14,679,247)</u>	<u>(2,277,823)</u>	<u>109,362</u>	<u>(39,377)</u>	<u>(16,887,085)</u>
Total capital assets, being depreciated, net	<u>60,393,515</u>	<u>(301,137)</u>	<u>(512)</u>	<u>-</u>	<u>60,091,866</u>
Governmental activities capital assets, net	<u>\$ 65,054,546</u>	<u>\$ 1,378,498</u>	<u>\$ (1,772,026)</u>	<u>\$ -</u>	<u>\$ 64,661,018</u>

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

General government	\$ 29,094
Public safety	390,369
Public works	1,780,265
Parks and recreation	63,218
Community development	2,135
Capital assets held by the Internal Service Funds were charged to the various functions based on their usage	<u>12,742</u>
Total depreciation expense - governmental activities	<u>\$ 2,277,823</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities for the year ending June 30, 2018 is as follows:

Business-Type Activities

	Balance June 30, 2017 (Restated)	Additions	Reductions	Transfers/ Adjustments	Balance June 30, 2018
Water Fund:					
Capital Assets, not being depreciated:					
Land	\$ 427,232	\$ -	\$ -	\$ -	\$ 427,232
Construction in progress	<u>631,843</u>	<u>641,838</u>	<u>(11,559)</u>	<u>-</u>	<u>1,262,122</u>
Total capital assets, not being depreciated	<u>1,059,075</u>	<u>641,838</u>	<u>(11,559)</u>	<u>-</u>	<u>1,689,354</u>
Capital assets, being depreciated:					
Buildings and improvements	16,795,957	-	-	-	16,795,957
Machinery and equipment	<u>14,305,742</u>	<u>25,787</u>	<u>-</u>	<u>-</u>	<u>14,331,529</u>
Total capital assets, being depreciated	<u>31,101,699</u>	<u>25,787</u>	<u>-</u>	<u>-</u>	<u>31,127,486</u>
Less accumulated depreciation for:					
Buildings and improvements	(7,176,122)	(395,999)	-	-	(7,572,121)
Machinery and equipment	<u>(2,858,134)</u>	<u>(584,920)</u>	<u>-</u>	<u>-</u>	<u>(3,443,054)</u>
Total accumulated depreciation, net	<u>(10,034,256)</u>	<u>(980,919)</u>	<u>-</u>	<u>-</u>	<u>(11,015,175)</u>
Total capital assets, being depreciated, net	<u>21,067,443</u>	<u>(955,132)</u>	<u>-</u>	<u>-</u>	<u>20,112,311</u>
Water fund capital assets, net	<u>\$ 22,126,518</u>	<u>\$ (313,294)</u>	<u>\$ (11,559)</u>	<u>\$ -</u>	<u>\$ 21,801,665</u>
Sewer Fund:					
Capital assets, not being depreciated:					
Land	\$ 749,841	\$ -	\$ -	\$ -	\$ 749,841
Construction in progress	<u>118,466</u>	<u>1,547,546</u>	<u>(1,477,472)</u>	<u>-</u>	<u>188,540</u>
Total capital assets, not being depreciated	<u>868,307</u>	<u>1,547,546</u>	<u>(1,477,472)</u>	<u>-</u>	<u>938,381</u>
Capital assets, being depreciated:					
Buildings and improvements	8,142,916	1,477,472	-	-	9,620,388
Machinery and equipment	<u>5,856,058</u>	<u>127,492</u>	<u>(125,000)</u>	<u>-</u>	<u>5,858,550</u>
Total capital assets, being depreciated	<u>13,998,974</u>	<u>1,604,964</u>	<u>(125,000)</u>	<u>-</u>	<u>15,478,938</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,761,135)	(264,050)	-	-	(3,025,185)
Machinery and equipment	<u>(2,949,810)</u>	<u>(253,355)</u>	<u>125,000</u>	<u>-</u>	<u>(3,078,165)</u>
Total accumulated depreciation, net	<u>(5,710,945)</u>	<u>(517,405)</u>	<u>125,000</u>	<u>-</u>	<u>(6,103,350)</u>
Total capital assets, being depreciated, net	<u>8,288,029</u>	<u>1,087,559</u>	<u>-</u>	<u>-</u>	<u>9,375,588</u>
Sewer fund capital assets, net	<u>\$ 9,156,336</u>	<u>\$ 2,635,105</u>	<u>\$ (1,477,472)</u>	<u>\$ -</u>	<u>\$ 10,313,969</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS (Continued)

Business-Type Activities (Continued)

	June 30, 2017 (Restated)	Additions	Reductions	Transfers/ Adjustments	Balance June 30, 2018
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>-</u>	<u>252,505</u>
Capital assets, being depreciated:					
Machinery and equipment	2,494,182	28,763	(39,378)	-	2,483,567
Total capital assets, being depreciated	<u>2,494,182</u>	<u>28,763</u>	<u>(39,378)</u>	<u>-</u>	<u>2,483,567</u>
Less accumulated depreciation for:					
Machinery and equipment	<u>(1,770,269)</u>	<u>(157,416)</u>	<u>39,378</u>	<u>-</u>	<u>(1,888,307)</u>
Total accumulated depreciation, net	<u>(1,770,269)</u>	<u>(157,416)</u>	<u>39,378</u>	<u>-</u>	<u>(1,888,307)</u>
Total capital assets, being depreciated, net	<u>723,913</u>	<u>(128,653)</u>	<u>-</u>	<u>-</u>	<u>595,260</u>
Refuse fund capital assets, net	<u>\$ 976,418</u>	<u>\$ (128,653)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 847,765</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>-</u>	<u>624,013</u>
Capital assets, being depreciated					
Buildings and improvements	4,428,991	-	-	-	4,428,991
Machinery and equipment	<u>603,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>603,216</u>
Total capital assets, being depreciated	<u>5,032,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,032,207</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,918,361)	(108,033)	-	-	(3,026,394)
Machinery and equipment	<u>(509,487)</u>	<u>(24,945)</u>	<u>-</u>	<u>-</u>	<u>(534,432)</u>
Total accumulated depreciation, net	<u>(3,427,848)</u>	<u>(132,978)</u>	<u>-</u>	<u>-</u>	<u>(3,560,826)</u>
Total capital assets, being depreciated, net	<u>1,604,359</u>	<u>(132,978)</u>	<u>-</u>	<u>-</u>	<u>1,471,381</u>
Golf course fund capital assets, net	<u>\$ 2,228,372</u>	<u>\$ (132,978)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,095,394</u>

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Water	\$ 980,919
Sewer	517,405
Refuse	157,416
Golf Course	<u>132,978</u>
Total	<u>\$ 1,788,718</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – COMPENSATED ABSENCES

The City’s policy relating to compensated absences is described in Note 1. As shown in long-term liabilities (Note 8), the noncurrent portion of this debt at fiscal year-end was \$488,199 and \$125,809, 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, 2018, the balance is \$610,248 for governmental activities and \$157,261 for business-type activities.

NOTE 8 – LONG-TERM LIABILITIES

The following is a summary of the long-term liabilities transactions of the City for governmental activities for the year ended June 30, 2018:

	Balance June 30, 2017	Incurred or Issued	Satisfied or Matured	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 508,352	\$ 426,640	\$ (324,744)	\$ 610,248	\$ 122,049
Governmental activities long-term liabilities	<u>\$ 508,352</u>	<u>\$ 426,640</u>	<u>\$ (324,744)</u>	<u>\$ 610,248</u>	<u>\$ 122,049</u>

The following is a summary of the long-term liabilities transactions of the City for business-type activities for the year ended June 30, 2018:

	Balance June 30, 2017	Incurred or Issued	Satisfied or Matured	Balance June 30, 2018	Due Within One Year
Business-Type Activities:					
Series 2013 water revenue loan	\$ 5,831,369	\$ -	\$ (433,017)	\$ 5,398,352	\$ 443,856
Compensated absences	138,170	102,778	(83,687)	157,261	31,452
Business-type activities long-term liabilities	<u>\$ 5,969,539</u>	<u>\$ 102,778</u>	<u>\$ (516,704)</u>	<u>\$ 5,555,613</u>	<u>\$ 475,308</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – LONG-TERM LIABILITIES (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 Series 2013 Water Revenue Loan at June 30, 2018:

Fiscal Years Ending June 30	Series 2013 Water Revenue Loan		
	Principal	Interest	Total
2019	\$ 443,856	\$ 129,773	\$ 573,629
2020	454,967	118,662	573,629
2021	466,355	107,274	573,629
2022	478,029	95,600	573,629
2023	489,995	83,634	573,629
2024-2028	2,640,210	227,934	2,868,144
2029	<u>424,940</u>	<u>5,280</u>	<u>430,220</u>
Totals	<u>\$ 5,398,352</u>	<u>\$ 768,157</u>	<u>\$ 6,166,509</u>

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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 has pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 11.

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 two types of items that qualify for reporting in this category and they are unavailable revenues and pension deferrals.

- Unavailable revenues arise only under a modified accrual basis of accounting and are reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	Grants Fund	Lemoore Housing Authority	Other Governmental Funds	Total Governmental Funds
Deferred housing loans	<u>\$ 651,200</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 851,200</u>
Total	<u>\$ 651,200</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 851,200</u>

- The City has pension related items that qualify to be reported in deferred inflows of resources. The pension related deferred inflows of resources are described in detail in Note 11.

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 – 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.

NOTE 11 – DEFINED BENEFIT PENSION PLAN

California Public Employees’ Retirement Plan (CalPERS)

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Lemoore’s (City) sponsors four rate plans (two miscellaneous and two safety.) Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Miscellaneous	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.418%	6.533%
	Safety	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9.00%	11.50%
Required employer contribution rates	14.971%	11.990%

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

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

A. General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$554,461 for the fiscal year ended June 30, 2018.

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City’s contributions to the plan recognized as pension expense for the year ended June 30, 2018 were \$1,035,775.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$12,347,424.

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.1224%
Proportion - June 30, 2017	0.1245%
Change - Increase (Decrease)	0.0021%

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

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

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2018, the City recognized pension expense of \$1,783,737. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,316,527	\$ -
Changes of assumptions	2,070,243	158,251
Differences between actual and expected experience	4,788	95,096
Net differences between projected and actual earnings on plan investments	461,434	-
Change in employer's proportion	154,523	169,065
Differences between the employer's actual contributions and the employer's proportionate share of contributions	-	311,018
Total	\$ 4,007,515	\$ 733,430

\$1,316,527 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2019	\$ 324,778
2020	1,208,417
2021	696,766
2022	(272,403)
2023	-
Thereafter	-

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.00% ⁽²⁾
Mortality	Derived using CalPERS' Membership Data for all Funds ⁽³⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

⁽³⁾ The mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

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

C. Actuarial Assumptions (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experiences Study can be found on the CalPERS website.

Change of Assumptions – In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

D. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees’ Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	<u>100.00%</u>		

^(a)An expected inflation of 2.5% used for this period.

^(b)An expected inflation of 3.0% used for this period.

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

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

D. Discount Rate (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –

The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate -1%	Current Discount Rate	Discount Rate +1%
6.15%	7.15%	8.15%
\$19,177,623	\$12,347,424	\$6,720,189

E. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

F. Payable to the Pension Plan

There was no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 12 – 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 13 – EMPLOYEE LOAN PROGRAM

In March 2004, the City Council approved the Homebuyer Assistance Program (Program), which provides interest-free, forgivable loans to full-time, permanent City employees for the purchase of a single family residence. The amount available to borrow is \$15,000 for sworn personnel and \$10,000 for all other employees and are forgiven incrementally over ten years, beginning at the time of disbursement. All loans are secured by a deed of trust on the property and must be repaid upon the termination of the employee, whether voluntary or involuntary, with certain exceptions, or a lien is placed on the property. It is the expectation at the time of disbursement that the employee will remain in the City’s employ and in the purchased home; therefore, the City’s expects no repayment will be necessary. Accordingly, the City has decided to immediately write off all loan balances. During the fiscal year ended June 30, 2018, the City entered into six new loan agreements totaling \$70,000 and made collections on one loan totaling \$1,500. At June 30, 2018, the remaining balance of open loans is \$282,472.

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – RISK MANAGEMENT

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a public entity risk pool for workers' compensation and general liability insurance. The CSJVRMA is a consortium of 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 annual financial report may be obtained from the consortium's executive office at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833. The following is a summary of financial information of the CSJVRMA as of and for the fiscal year ended June 30, 2018:

Total assets	\$ 110,234,633
Total liabilities	<u>92,209,231</u>
Member's equity	<u>\$ 18,025,402</u>
Total revenue for year	\$ 46,669,852
Total expenses for year	<u>46,619,021</u>
Change in net position	<u>\$ 50,831</u>

NOTE 15 – 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

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

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 – 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	\$ 5,624,352
Noncurrent assets	<u>21,801,665</u>
Total assets	<u>27,426,017</u>
Deferred Outflows of Resources	<u>405,406</u>
Liabilities:	
Current liabilities	652,603
Noncurrent liabilities	<u>7,293,647</u>
Total liabilities	<u>7,946,250</u>
Deferred Inflows of Resources	<u>130,139</u>
Net Position:	
Net investment in capital assets	15,381,430
Unrestricted	<u>4,373,604</u>
Total net position	<u><u>\$ 19,755,034</u></u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	
Operating revenues	\$ 5,708,314
Depreciation expenses	(980,919)
Other operating expenses	<u>(3,698,860)</u>
Operating income (loss)	<u>1,028,535</u>
Nonoperating revenues (expenses)	
Other nonoperating revenue	577,046
Investing income	30,739
Interest expense	<u>(140,762)</u>
Total nonoperating revenues (expenses)	<u>467,023</u>
Changes in net position	1,495,558
Beginning net position	<u>18,259,476</u>
Ending net position	<u><u>\$ 19,755,034</u></u>
CONDENSED STATEMENT OF CASH FLOWS	
Net cash provided (used) by:	
Operating activities	\$ 2,706,555
Noncapital financing activities	(450,000)
Capital and related financing activities	(652,799)
Investing activities	<u>30,739</u>
Net increase (decrease) in cash and investments	1,634,495
Beginning cash and investments	<u>3,443,838</u>
Ending cash and investments	<u><u>\$ 5,078,333</u></u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 – LEMOORE REDEVELOPMENT SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND

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 and Investments

A reconciliation of the Lemoore Redevelopment Successor Agency Private Purpose Trust Fund’s cash and investments as of June 30, 2018 is as follows:

Cash on hand	\$ 3,123,976
Cash with fiscal agents	<u>2,342,401</u>
Total cash and investments	<u>\$ 5,466,377</u>

Receivables

A reconciliation of the Lemoore Redevelopment Successor Agency Private Purpose Trust Fund’s receivables balances as of June 30, 2018 is as follows:

Advances to the City of Lemoore	\$ 1,865,449
Note receivable	<u>1,191,657</u>
Total receivables	<u>\$ 3,057,106</u>

Long-term Liabilities

The following is a summary of long-term liabilities transactions for the Lemoore Redevelopment Successor Agency Private Purpose Trust Fund at June 30, 2018:

	Balance June 30, 2017	Incurred or Issued	Satisfied or Matured	Balance June 30, 2018	Amounts Due Within One Year	Amounts Due in More Than One Year
Bonds payable:						
2011 RDA Tax Allocation	\$ 1,165,000	\$ -	\$ 180,000	\$ 985,000	\$ 180,000	\$ 805,000
Less: bond discount	(184,138)	-	(26,305)	(157,833)	-	(157,833)
2014 RDA Tax Allocation Refunding	<u>14,726,064</u>	-	<u>626,612</u>	<u>14,099,452</u>	<u>653,805</u>	<u>13,445,647</u>
Total bonds payable	<u>15,706,926</u>	-	<u>780,307</u>	<u>14,926,619</u>	<u>833,805</u>	<u>14,092,814</u>
Leprino Owner Participation Agreement Obligation	<u>1,798,857</u>	-	-	<u>1,798,857</u>	<u>1,030,158</u>	<u>768,699</u>
Business-type activities long-term liabilities	<u>\$ 17,505,783</u>	<u>\$ -</u>	<u>\$ 780,307</u>	<u>\$ 16,725,476</u>	<u>\$ 1,863,963</u>	<u>\$ 14,861,513</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 – LEMOORE REDEVELOPMENT SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND
(Continued)

Tax Allocation Refunding Bonds

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, 2018. The 2011 Bonds are payable from and secured by incremental property tax revenue (Pledged Tax Revenues).

On December 5, 2016, the Agency participated in a partial defeasance of the 2011 Tax Allocation Bonds by placing cash in irrevocable escrow accounts held and managed by bank trustees. Accordingly, the escrow account and the defeased portion of the bonds are not included on the Agency's financial statements. The Agency's remaining bonds are payable through August 1, 2024.

The following is a schedule of the future estimated minimum payments related to the 2011 Bonds at June 30, 2018:

<u>Fiscal Years Ending June 30</u>	<u>2011 Tax Allocation Refunding Bond</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 180,000	\$ 52,306	\$ 232,306
2020	195,000	42,453	237,453
2021	195,000	31,728	226,728
2022	200,000	20,244	220,244
2023	70,000	11,925	81,925
2024-2025	<u>145,000</u>	<u>9,772</u>	<u>154,772</u>
Totals	<u>\$ 985,000</u>	<u>\$ 168,428</u>	<u>\$ 1,153,428</u>

CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 17 – LEMOORE REDEVELOPMENT SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND
(Continued)

Long-term Liabilities (Continued)

2014 RDA Tax Allocation Refunding Bonds

The Agency issued \$15,855,465 of its Tax Allocation Refunding Bonds on June 27, 2014 (the 2014 Bonds) to currently fund \$4,160,427 and \$10,269,654 of the Agency's remaining issuances of the 1998 RDA Tax Allocation Refunding Bond and the 2003 RDA Tax Allocations Refunding Bonds, and to fund issuance costs and a reserve account. Beginning February 1, 2015, interest and principal on the 2014 Bonds is payable semi-annually on February 1 and August 1 of each year at an interest rate of 3.960% per annum. Debt Service payments of the 2014 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. The final payment of the loan is scheduled for August 1, 2033.

The following is a schedule of the future estimated minimum payments related to the 2014 Bonds at June 30, 2018:

Fiscal Years Ending June 30	2014 Tax Allocation Refunding Bond		
	Principal	Interest	Total
2019	\$ 653,805	\$ 545,393	\$ 1,199,198
2020	675,446	519,074	1,194,520
2021	706,474	491,712	1,198,186
2022	736,800	463,135	1,199,935
2023	761,297	433,473	1,194,770
2024-2028	4,270,985	1,680,709	5,951,694
2029-2033	5,143,391	753,265	5,896,656
2034	1,151,254	22,795	1,174,049
Totals	<u>\$ 14,099,452</u>	<u>\$ 4,909,556</u>	<u>\$ 19,009,008</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.

The City will incurred 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 plant would generate based on this expansion.

The total liability to Leprino Foods Company at June 30, 2018 was \$1,798,857.

**CITY OF LEMOORE
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 18 – RESTATEMENT OF BEGINNING NET POSITION/FUND BALANCE

Prior Period Adjustments

Business-type Activities

Beginning net position of the Business-type Activities in the Government-Wide Statement of Activities has been restated to record a prior period adjustment as presented in the reconciliation below:

<u>Description</u>	<u>Business-Type Activities</u>
Beginning net position	\$ 41,978,430
Prior period adjustment:	
Understatement of capital assets	<u>37,723</u>
Beginning net position, as restated	<u>\$ 42,016,153</u>

Fund Financial Statements

The City has determined that certain transactions were recorded incorrectly in the prior year. The beginning fund balance of the General Fund has been restated as presented in the reconciliation below:

<u>Description</u>	<u>Golf Course Fund</u>
Beginning fund balance	\$ (532,473)
Prior period adjustment:	
Understatement of capital assets	<u>37,723</u>
Beginning fund balance, as restated	<u>\$ (494,750)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LEMOORE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amount		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 2,354,700	\$ 2,354,700	\$ 2,464,254	\$ 109,554
Other taxes	2,627,700	2,627,700	2,648,759	21,059
Licenses and permits	765,800	870,800	1,278,297	407,497
Charges for services	667,700	667,700	619,751	(47,949)
Intergovernmental	2,347,600	2,347,600	2,556,396	208,796
Fees and assessments	22,900	22,900	45,517	22,617
Use of money and property	162,500	162,500	139,898	(22,602)
Other revenue	158,140	170,264	285,141	114,877
Total revenues	9,107,040	9,224,164	10,038,013	813,849
EXPENDITURES				
Current:				
General government	723,140	802,110	937,399	(135,289)
Public safety	6,015,074	6,111,376	6,472,587	(361,211)
Public works	1,143,245	1,197,285	967,956	229,329
Community development	298,582	298,582	322,809	(24,227)
Parks and recreation	1,069,683	1,088,057	1,167,121	(79,064)
Capital outlay	6,754,200	6,970,137	339,044	6,631,093
Total expenditures	16,003,924	16,467,547	10,206,916	6,260,631
Excess (deficiency) of revenues over (under) expenditures	(6,896,884)	(7,243,383)	(168,903)	7,074,480
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	4,926	4,926
Total other financing sources (uses)	-	-	4,926	4,926
Net changes in fund balances	(6,896,884)	(7,243,383)	(163,977)	7,079,406
Fund balances - beginning	9,183,761	9,183,761	9,183,761	-
Fund balances - ending	\$ 2,286,877	\$ 1,940,378	\$ 9,019,784	\$ 7,079,406

**CITY OF LEMOORE
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 YEARS*
AS OF JUNE 30, 2018**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Proportion of the net pension liability	0.1197%	0.1160%	0.1224%	0.1245%
Proportionate share of the net pension liability	\$ 7,519,752	\$ 7,960,168	\$ 10,592,376	\$ 12,347,424
Covered payroll	\$ 5,076,165	\$ 5,273,173	\$ 5,467,395	\$ 5,850,364
Proportionate Share of the net pension liability as percentage of covered payroll	148.14%	150.96%	193.74%	211.05%
Plan fiduciary net position as a percentage of the total pension liability	81.49%	80.97%	76.05%	74.96%

Notes to Schedule:

Change in Benefit Terms None

Change in Assumptions

The discount rate decreased from 7.65 percent to 7.15 percent.

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**CITY OF LEMOORE
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
AS OF JUNE 30, 2018**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 1,048,489	\$ 1,067,105	\$ 1,088,741	\$ 1,035,775	\$ 1,316,527
Contributions in relation to the actuarially determined contributions	<u>1,048,489</u>	<u>1,067,105</u>	<u>1,088,741</u>	<u>1,035,775</u>	<u>1,316,527</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 5,076,165	\$ 5,273,173	\$ 5,467,395	\$ 5,850,364	\$ 6,279,086
Contributions as a percentage of covered payroll	20.66%	20.24%	19.91%	17.70%	20.97%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available

SUPPLEMENTARY INFORMATION

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**CITY OF LEMOORE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

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 **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 **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 **Grants Fund** is used to account for the City's receipts and expenditures of the state, federal, and other grants.

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 the City's 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, 2018**

	Combined Special Revenue Funds	Combined Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 9,326,643	\$ 6,632,036	\$ 15,958,679
Receivables:			
Accounts	-	20,928	20,928
Intergovernmental	<u>210,319</u>	<u>-</u>	<u>210,319</u>
Total assets	<u>\$ 9,536,962</u>	<u>\$ 6,652,964</u>	<u>\$ 16,189,926</u>
LIABILITIES			
Accounts payable	<u>\$ 79,134</u>	<u>\$ 2,063</u>	<u>\$ 81,197</u>
Total liabilities	<u>79,134</u>	<u>2,063</u>	<u>81,197</u>
FUND BALANCES			
Restricted:			
Public safety	478,347	-	478,347
Public works	7,520,468	-	7,520,468
Capital projects and improvements	<u>13,537</u>	<u>6,650,901</u>	<u>6,664,438</u>
Total fund balances	<u>9,457,828</u>	<u>6,650,901</u>	<u>16,108,729</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,536,962</u>	<u>\$ 6,652,964</u>	<u>\$ 16,189,926</u>

**CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Combined Special Revenue Funds	Combined Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Licenses and permits	\$ 9,555	\$ -	\$ 9,555
Charges for services	45,000	-	45,000
Intergovernmental	1,741,062	-	1,741,062
Fees and assessments	677,934	772,539	1,450,473
Use of money and property	<u>47,486</u>	<u>35,346</u>	<u>82,832</u>
 Total revenues	 <u>2,521,037</u>	 <u>807,885</u>	 <u>3,328,922</u>
 EXPENDITURES			
Current:			
General government	5,725	-	5,725
Public works	728,893	28,539	757,432
Capital outlay	<u>595,228</u>	<u>166,938</u>	<u>762,166</u>
Total expenditures	<u>1,329,846</u>	<u>195,477</u>	<u>1,525,323</u>
 Net changes in fund balances	 1,191,191	 612,408	 1,803,599
 Fund balances - beginning	 <u>8,266,637</u>	 <u>6,038,493</u>	 <u>14,305,130</u>
 Fund balances - end of year	 <u>\$ 9,457,828</u>	 <u>\$ 6,650,901</u>	 <u>\$ 16,108,729</u>

**CITY OF LEMOORE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

	Gasoline Tax Fund	Traffic Safety	Local Transportation	Maintenance Assessment District	TE/STP Exchange Fund	Downtown Improvement	Streets Grants Fund	Totals
ASSETS								
Cash and investments	\$ 1,457,735	\$ 478,347	\$ 3,037,347	\$ 3,118,987	\$ 850,100	\$ 15,102	\$ 369,025	\$ 9,326,643
Receivables:								
Intergovernmental	<u>33,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,158</u>	<u>210,319</u>
Total assets	<u>\$ 1,490,896</u>	<u>\$ 478,347</u>	<u>\$ 3,037,347</u>	<u>\$ 3,118,987</u>	<u>\$ 850,100</u>	<u>\$ 15,102</u>	<u>\$ 546,183</u>	<u>\$ 9,536,962</u>
LIABILITIES								
Accounts payable	<u>\$ 45,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,716</u>	<u>\$ 106</u>	<u>\$ 1,565</u>	<u>\$ 15,327</u>	<u>\$ 79,134</u>
Total liabilities	<u>45,420</u>	<u>-</u>	<u>-</u>	<u>16,716</u>	<u>106</u>	<u>1,565</u>	<u>15,327</u>	<u>79,134</u>
FUND BALANCES								
Restricted:								
Public safety	-	478,347	-	-	-	-	-	478,347
Public works	-	-	3,037,347	3,102,271	849,994	-	530,856	7,520,468
Community development	1,445,476	-	-	-	-	-	-	1,445,476
Capital projects and improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,537</u>	<u>-</u>	<u>13,537</u>
Total fund balances	<u>1,445,476</u>	<u>478,347</u>	<u>3,037,347</u>	<u>3,102,271</u>	<u>849,994</u>	<u>13,537</u>	<u>530,856</u>	<u>9,457,828</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,490,896</u>	<u>\$ 478,347</u>	<u>\$ 3,037,347</u>	<u>\$ 3,118,987</u>	<u>\$ 850,100</u>	<u>\$ 15,102</u>	<u>\$ 546,183</u>	<u>\$ 9,536,962</u>

CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Gasoline Tax	Traffic Safety	Local Transportation	Maintenance Assessment District	TE/STP Exchange	Downtown Improvement	Streets Grants	Totals
REVENUES								
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,555	\$ -	\$ 9,555
Charges for services	-	45,000	-	-	-	-	-	45,000
Intergovernmental	688,931	-	572,008	-	170,047	-	310,076	1,741,062
Fees and assessments	-	2,243	-	675,691	-	-	-	677,934
Use of money and property	7,656	2,387	13,981	17,732	4,324	85	1,321	47,486
Total revenues	<u>696,587</u>	<u>49,630</u>	<u>585,989</u>	<u>693,423</u>	<u>174,371</u>	<u>9,640</u>	<u>311,397</u>	<u>2,521,037</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	5,725	-	5,725
Public works	292,009	-	-	419,696	17,188	-	-	728,893
Capital outlay	65,395	-	-	14	286,723	-	243,096	595,228
Total expenditures	<u>357,404</u>	<u>-</u>	<u>-</u>	<u>419,710</u>	<u>303,911</u>	<u>5,725</u>	<u>243,096</u>	<u>1,329,846</u>
Net change in fund balance	339,183	49,630	585,989	273,713	(129,540)	3,915	68,301	1,191,191
Fund balances - beginning	<u>1,106,293</u>	<u>428,717</u>	<u>2,451,358</u>	<u>2,828,558</u>	<u>979,534</u>	<u>9,622</u>	<u>462,555</u>	<u>8,266,637</u>
Fund balances - ending	<u>\$ 1,445,476</u>	<u>\$ 478,347</u>	<u>\$ 3,037,347</u>	<u>\$ 3,102,271</u>	<u>\$ 849,994</u>	<u>\$ 13,537</u>	<u>\$ 530,856</u>	<u>\$ 9,457,828</u>

**CITY OF LEMOORE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2018**

	<u>Street Improvement</u>	<u>Recreation Improvement</u>	<u>Facility Infrastructure</u>	<u>Capital Improvement Fees</u>	<u>Totals</u>
ASSETS					
Cash and investments	\$ 122,471	\$ 2,362,712	\$ 445,483	\$ 3,701,370	\$ 6,632,036
Receivables:					
Accounts	<u>-</u>	<u>9,258</u>	<u>-</u>	<u>11,670</u>	<u>20,928</u>
Total assets	<u>\$ 122,471</u>	<u>\$ 2,371,970</u>	<u>\$ 445,483</u>	<u>\$ 3,713,040</u>	<u>\$ 6,652,964</u>
LIABILITIES					
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,063</u>	<u>2,063</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,063</u>	<u>2,063</u>
FUND BALANCES					
Restricted:					
Capital projects and improvements	<u>122,471</u>	<u>2,371,970</u>	<u>445,483</u>	<u>3,710,977</u>	<u>6,650,901</u>
Total fund balances	<u>122,471</u>	<u>2,371,970</u>	<u>445,483</u>	<u>3,710,977</u>	<u>6,650,901</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 122,471</u>	<u>\$ 2,371,970</u>	<u>\$ 445,483</u>	<u>\$ 3,713,040</u>	<u>\$ 6,652,964</u>

**CITY OF LEMOORE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Street Improvement</u>	<u>Recreation Improvement</u>	<u>Facility Infrastructure</u>	<u>Capital Improvement Fees</u>	<u>Totals</u>
REVENUES					
Fees and assessments	\$ -	\$ 201,761	\$ -	\$ 570,778	\$ 772,539
Use of money and property	<u>677</u>	<u>12,727</u>	<u>2,464</u>	<u>19,478</u>	<u>35,346</u>
Total revenues	<u>677</u>	<u>214,488</u>	<u>2,464</u>	<u>590,256</u>	<u>807,885</u>
EXPENDITURES					
Current:					
Public works	-	-	-	28,539	28,539
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,938</u>	<u>166,938</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,477</u>	<u>195,477</u>
Net change in fund balances before extra ordinary item	<u>677</u>	<u>214,488</u>	<u>2,464</u>	<u>394,779</u>	<u>612,408</u>
Net change in fund balances	677	214,488	2,464	394,779	612,408
Fund balances - beginning	<u>121,794</u>	<u>2,157,482</u>	<u>443,019</u>	<u>3,316,198</u>	<u>6,038,493</u>
Fund balances - ending	<u>\$ 122,471</u>	<u>\$ 2,371,970</u>	<u>\$ 445,483</u>	<u>\$ 3,710,977</u>	<u>\$ 6,650,901</u>

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**CITY OF LEMOORE
FIDUCIARY FUNDS
JUNE 30, 2018**

Fiduciary Funds

The **Trust and Agency Funds** are used to account for assets held by a governmental unit in a trustee capacity and/or as an agent for individuals, private organizations, other governmental units, and /or other funds. These include Successor Agency private purpose trust funds and agency funds.

Private Purpose Trust Funds

The **Lemoore Redevelopment Successor Agency Debt Service Fund** is used to retire debt obligations.

The **Lemoore Redevelopment Successor Agency Capital Projects Fund** is used to account for Successor Agency activities approved in the ROPS.

Agency Funds

The **Laguna Irrigation Fund** is used to account for an agreement to benefit water recharge or to purchase water.

The **Other Agency Funds** is used to account for development deposit amounts and a trust account for contributions to be used for special activities.

The **Insurance Fund** is used to account for dental benefits for employees.

**CITY OF LEMOORE
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2018**

	Lemoore Redevelopment Successor Agency Debt Service	Lemoore Redevelopment Successor Agency Capital Projects	Total Lemoore Redevelopment Successor Agency Private-Purpose Trust Fund
ASSETS			
Cash and investments	\$ -	\$ 3,123,976	\$ 3,123,976
Restricted cash with fiscal agents	2,342,401	-	2,342,401
Advances to City of Lemoore	-	1,865,449	1,865,449
Notes receivable	-	1,191,657	1,191,657
Assets held for resale	-	524,058	524,058
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,342,401</u>	<u>\$ 6,705,140</u>	<u>\$ 9,047,541</u>
LIABILITIES			
Accounts payable	\$ 23,455	\$ -	\$ 23,455
Intergovernmental payable	-	18,050	18,050
Interest payable	256,357	-	256,357
Long-term liabilities:			
Due within one year	833,805	1,030,158	1,863,963
Due in more than one year	14,092,814	768,699	14,861,513
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>15,206,431</u>	<u>1,816,907</u>	<u>17,023,338</u>
NET POSITION			
Held in trust for the retirement of obligations of the former Lemoore Redevelopment Agency	<u>(12,864,030)</u>	<u>4,888,233</u>	<u>(7,975,797)</u>
	<u> </u>	<u> </u>	<u> </u>
Total net position (deficit)	<u>\$ (12,864,030)</u>	<u>\$ 4,888,233</u>	<u>\$ (7,975,797)</u>

**CITY OF LEMOORE
 COMBINING STATEMENT OF
 CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

	Lemoore Redevelopment Successor Agency Debt Service	Lemoore Redevelopment Successor Agency Capital Projects	Total Lemoore Redevelopment Successor Agency Private-Purpose Trust Fund
ADDITIONS			
Taxes	\$ -	\$ 1,588,576	\$ 1,588,576
Investment earnings	6,647	89,499	96,146
Intrafund transfers	<u>1,418,742</u>	<u>-</u>	<u>1,418,742</u>
Total additions	<u>1,425,389</u>	<u>1,678,075</u>	<u>3,103,464</u>
DEDUCTIONS			
Community development	690	250,150	250,840
Intrafund transfers	-	1,418,742	1,418,742
Interest expense	648,198	-	648,198
Bad debt	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Total deductions	<u>648,888</u>	<u>1,768,892</u>	<u>2,417,780</u>
Changes in net position	776,501	(90,817)	685,684
Net position (deficit) - beginning	<u>(13,640,531)</u>	<u>4,979,050</u>	<u>(8,661,481)</u>
Net position (deficit) - ending	<u>\$ (12,864,030)</u>	<u>\$ 4,888,233</u>	<u>\$ (7,975,797)</u>

**CITY OF LEMOORE
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018**

	<u>Laguna Irrigation</u>	<u>Other Agency Funds</u>	<u>Insurance</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 74,404	\$ 465,459	\$ -	\$ 539,863
Cash with fiscal agent - restricted	-	-	155,006	155,006
Other assets	<u>28,800</u>	<u>-</u>	<u>-</u>	<u>28,800</u>
Total assets	<u>\$ 103,204</u>	<u>\$ 465,459</u>	<u>\$ 155,006</u>	<u>\$ 723,669</u>
LIABILITIES				
Accounts payable	\$ -	\$ 200,346	\$ -	\$ 200,346
Due to others	103,204	236,970	155,006	495,180
Deposits	<u>-</u>	<u>28,143</u>	<u>-</u>	<u>28,143</u>
Total liabilities	<u>\$ 103,204</u>	<u>\$ 465,459</u>	<u>\$ 155,006</u>	<u>\$ 723,669</u>

**CITY OF LEMOORE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018**

Laguna Irrigation

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
ASSETS				
Cash and investments	\$ 64,404	\$ 10,000	\$ -	\$ 74,404
Other assets	<u>28,800</u>	<u>-</u>	<u>-</u>	<u>28,800</u>
Total assets	<u>\$ 93,204</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 103,204</u>
LIABILITIES				
Due to others	<u>\$ 93,204</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 103,204</u>
Total liabilities	<u>\$ 93,204</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 103,204</u>

Other Agency Funds

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
ASSETS				
Cash and investments	\$ 257,552	\$ 1,187,452	\$ 979,545	\$ 465,459
Accounts receivable	<u>305,858</u>	<u>-</u>	<u>305,858</u>	<u>-</u>
Total assets	<u>\$ 563,410</u>	<u>\$ 1,187,452</u>	<u>\$ 1,285,403</u>	<u>\$ 465,459</u>
LIABILITIES				
Accounts payable	\$ 323,758	\$ 866,621	\$ 990,033	\$ 200,346
Due to others	202,577	274,172	239,779	236,970
Deposits	<u>37,075</u>	<u>46,659</u>	<u>55,591</u>	<u>28,143</u>
Total liabilities	<u>\$ 563,410</u>	<u>\$ 1,187,452</u>	<u>\$ 1,285,403</u>	<u>\$ 465,459</u>

CITY OF LEMOORE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018
(Continued)

Insurance

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS				
Cash with fiscal agent - restricted	\$ 129,549	\$ 90,435	\$ 64,978	\$ 155,006
Total assets	<u>\$ 129,549</u>	<u>\$ 90,435</u>	<u>\$ 64,978</u>	<u>\$ 155,006</u>
LIABILITIES				
Due to others	\$ 129,549	\$ 90,435	\$ 64,978	\$ 155,006
Total liabilities	<u>\$ 129,549</u>	<u>\$ 90,435</u>	<u>\$ 64,978</u>	<u>\$ 155,006</u>

Total

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS				
Cash and investments	\$ 321,956	\$ 1,197,452	\$ 979,545	\$ 539,863
Cash with fiscal agent - restricted	129,549	90,435	64,978	155,006
Accounts receivable	305,858	-	305,858	-
Other assets	<u>28,800</u>	<u>-</u>	<u>-</u>	<u>28,800</u>
Total assets	<u>\$ 786,163</u>	<u>\$ 1,287,887</u>	<u>\$ 1,350,381</u>	<u>\$ 723,669</u>
LIABILITIES				
Accounts payable	\$ 323,758	\$ 866,621	\$ 990,033	\$ 200,346
Due to others	425,330	374,607	304,757	495,180
Deposits	<u>37,075</u>	<u>46,659</u>	<u>55,591</u>	<u>28,143</u>
Total liabilities	<u>\$ 786,163</u>	<u>\$ 1,287,887</u>	<u>\$ 1,350,381</u>	<u>\$ 723,669</u>