

**CITY OF LEMOORE**

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**REPORT ON AUDITED  
FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

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**YEAR ENDED JUNE 30, 2011**

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March 14, 2011

Honorable City Council  
City of Lemoore  
Lemoore, California

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemoore, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011 and respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

City of Lemoore  
March 14, 2011  
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The budgetary comparison information on page 43, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sampson, Sampson and Partners, LLP*

CITY OF LEMOORE  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 37,548,108	\$ 9,302,140	\$ 46,850,248
Receivables:			
Accounts, net	551,219	2,258,625	2,809,844
Interest	40,511	11,629	52,140
Notes	2,761,415		2,761,415
Intergovernmental	1,076,404		1,076,404
Grants		1,359,638	1,359,638
Other	15,736		15,736
Prepaid expenses		4,943	4,943
Bond discounts	1,189,672	94,566	1,284,238
Internal balances	6,199,528	(6,199,528)	
Inventory		59,769	59,769
Assets held for resale	1,854,930		1,854,930
Cash with fiscal agent - restricted	19,441,913	1,620,979	21,062,892
Capital assets (net of accumulated depreciation):			
Non-depreciable	3,773,551	8,398,733	12,172,284
Depreciable	<u>55,806,151</u>	<u>13,596,578</u>	<u>69,402,729</u>
Total Assets	<u>130,259,138</u>	<u>30,508,072</u>	<u>160,767,210</u>
<b>LIABILITIES</b>			
Accounts payable	3,617,753	704,937	4,322,690
Accrued interest payable	882,876	16,588	899,464
Deposits and other liabilities	620,427	61,387	681,814
Noncurrent liabilities:			
Due within one year	1,069,238	541,237	1,610,475
Due in more than one year	<u>42,762,064</u>	<u>5,889,831</u>	<u>48,651,895</u>
Total Liabilities	<u>48,952,358</u>	<u>7,213,980</u>	<u>56,166,338</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	36,380,777	17,266,886	53,647,663
Restricted for:			
Debt Service	2,010,123		2,010,123
Community development	25,403,736		25,403,736
Streets and roads	5,699,551		5,699,551
Parks and recreation	2,006,540		2,006,540
Unrestricted	<u>9,806,053</u>	<u>6,027,206</u>	<u>15,833,259</u>
Total Net Assets	<u>\$ 81,306,780</u>	<u>\$23,294,092</u>	<u>\$104,600,872</u>

See independent auditors' report and notes to financial statements.

**CITY OF LEMOORE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets			
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 6,725,881	\$ 142,139	\$111,375	\$	\$ (6,472,367)	\$	\$ (6,472,367)
Public safety	4,608,197	174,441	432,888		(4,000,868)		(4,000,868)
Public works	350,549	447,935		850,513	947,899		947,899
Community development	13,191,774	9,780	63,214		(13,118,780)		(13,118,780)
Parks and recreation	405,919	176,923			(228,996)		(228,996)
Interest on long-term debt	<u>1,743,738</u>				<u>(1,743,738)</u>		<u>(1,743,738)</u>
Total governmental activities	<u>27,026,058</u>	<u>951,218</u>	<u>607,477</u>	<u>850,513</u>	<u>(24,616,850)</u>		<u>(24,616,850)</u>
Business-type activities:							
Water	3,427,536	5,008,749		707,835		2,289,048	2,289,048
Sewer	1,792,761	3,541,929				1,749,168	1,749,168
Refuse	2,022,570	2,865,372		6,952		849,754	849,754
Golf course	<u>1,450,794</u>	<u>1,372,337</u>				<u>(78,457)</u>	<u>(78,457)</u>
Total business-type activities	<u>8,693,661</u>	<u>12,788,387</u>		<u>714,787</u>		<u>4,809,513</u>	<u>4,809,513</u>
<b>Total primary government</b>	<u>\$35,719,719</u>	<u>\$13,739,605</u>	<u>\$607,477</u>	<u>\$1,565,300</u>	<u>\$(24,616,850)</u>	<u>\$ 4,809,513</u>	<u>\$(19,807,337)</u>
General revenues:							
Property taxes					11,312,419		11,312,419
Sales taxes					1,597,534		1,597,534
Other taxes					3,786,700		3,786,700
Unrestricted investment earnings					388,377	80,428	468,805
Other revenue					256,065		256,065
Transfers					<u>2,108,316</u>	<u>(2,108,316)</u>	
Total general revenues and transfers					<u>19,449,411</u>	<u>(2,027,888)</u>	<u>17,421,523</u>
Change in net assets					<u>(5,167,439)</u>	<u>2,781,625</u>	<u>(2,385,814)</u>
Net assets-beginning					<u>86,474,219</u>	<u>20,512,467</u>	<u>106,986,686</u>
Net assets-ending					<u>\$ 81,306,780</u>	<u>\$23,294,092</u>	<u>\$104,600,872</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	RDA Debt Service Fund	RDA Capital Projects Fund	Low and Moderate Income Housing Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 8,141,029	\$ 4,366,503	\$ 7,751,135	\$4,887,480	\$12,390,895	\$37,537,042
Cash with fiscal agents-restricted		19,441,913				19,441,913
Receivables:						
Accounts	551,219					551,219
Interest	8,090	3,733	9,295	7,317	12,076	40,511
Assessments					4,387	4,387
Notes	96,539		1,406,032	1,258,844		2,761,415
Intergovernmental	206,525		422,220	105,555		1,076,404
Other			7,572	3,777		11,349
Interfund receivables	1,137,307					1,137,307
Advances to other funds	1,625,914		6,535,121			8,161,035
Assets held for resale			1,558,402	296,528		1,854,930
Total assets	<u>\$11,766,623</u>	<u>\$23,812,149</u>	<u>\$17,689,777</u>	<u>\$6,559,501</u>	<u>\$12,749,462</u>	<u>\$72,577,512</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 697,052	\$ 1,477,237	\$ 965,945	\$ 21,659	\$ 413,650	\$ 3,575,543
Advances from other funds		1,625,914			148,380	1,774,294
Interfund payables			1,137,307			1,137,307
Deposits and other liabilities	620,427					620,427
Total liabilities	<u>1,317,479</u>	<u>3,103,151</u>	<u>2,103,252</u>	<u>21,659</u>	<u>562,030</u>	<u>7,107,571</u>
Fund balances:						
Nonspendable	1,704,244		6,535,121			8,239,365
Restricted		20,708,998	9,051,404	6,537,842	5,248,389	41,546,633
Committed	2,374,959				7,158,186	9,533,145
Unassigned	6,369,941				(219,143)	6,150,798
Total Fund Balances	<u>10,449,144</u>	<u>20,708,998</u>	<u>15,586,525</u>	<u>6,537,842</u>	<u>12,187,432</u>	<u>65,469,941</u>
Total Liabilities and fund balances	<u>\$11,766,623</u>	<u>\$23,812,149</u>	<u>\$17,689,777</u>	<u>\$6,559,501</u>	<u>\$12,749,462</u>	<u>\$72,577,512</u>

See independent auditors' report and notes to financial statements.



CITY OF LEMOORE  
RECONCILIATION OF THE FUND BALANCES OF THE  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011

Total fund balances – governmental funds	\$ 65,469,941
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds.	59,560,897
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental fund balance sheet.	(43,811,705)
Accrued interest payable is not recorded in the governmental funds since interest expenditures are recognized when paid.	(882,876)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	1,189,672
Internal service funds are used by management to charge the costs of fleet maintenance services to individual funds. The assets and liabilities of the internal revenue service funds are included in governmental activities in the statement of net assets.	<u>(219,149)</u>
Net assets of governmental activities	<u>\$ 81,306,780</u>

CITY OF LEMOORE  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	General	RDA Debt Service Fund	RDA Capital Projects Fund	Low and Moderate Income Housing Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUE</b>						
Property taxes	\$ 1,059,518		\$ 8,004,937	\$2,001,234	\$ 243,472	\$11,309,161
Other taxes	2,293,676					2,293,676
Licenses and permits	371,071				9,780	380,851
Charges for services	236,895					236,895
From other agencies	2,429,498				1,972,990	4,402,488
Fees and assessments	27,894				270,930	298,824
Use of money and property	56,764	17,416	168,821	109,321	41,442	393,764
Other revenue	<u>1,227,867</u>	<u>61,334</u>	<u>3,219</u>	<u>3,219</u>	<u>2,400</u>	<u>1,294,820</u>
Total revenues	<u>7,703,183</u>	<u>17,416</u>	<u>8,235,092</u>	<u>2,113,774</u>	<u>2,541,014</u>	<u>20,610,479</u>
<b>EXPENDITURES</b>						
General government	3,379,180				419,585	3,798,765
Public safety	4,503,385					4,503,385
Public works	289,579				55,847	345,426
Community development			5,120,693	413,077		5,533,770
Parks and recreation	408,167					408,167
Capital outlay	155,687				1,728,661	1,884,348
Debt service						
Principal		1,401,199				1,401,199
Interest		1,364,557				1,364,557
Bond issuance costs		1,009,397				1,009,397
Total expenditures	<u>8,735,998</u>	<u>3,775,153</u>	<u>5,120,693</u>	<u>413,077</u>	<u>2,204,093</u>	<u>20,249,014</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,032,815)</u>	<u>(3,757,737)</u>	<u>3,114,399</u>	<u>1,700,697</u>	<u>336,921</u>	<u>361,465</u>
Other financing sources (uses):						
Bond proceeds		19,150,000				19,150,000
Operating transfers in	1,497,550	4,518,182	2,671,283		201,677	8,888,692
Operating transfers out	<u>(234,644)</u>	<u>(1,288,493)</u>	<u>(4,669,234)</u>	<u>(429,973)</u>	<u>(55,285)</u>	<u>(6,677,629)</u>
Total other financing sources (uses)	<u>1,262,906</u>	<u>22,379,689</u>	<u>(1,997,951)</u>	<u>(429,973)</u>	<u>146,392</u>	<u>21,361,065</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	General	RDA Debt Service Fund	RDA Capital Projects Fund	Low and Moderate Income Housing Fund	Other Governmental Funds	Total Governmental Funds
Net change in fund balances	230,091	18,621,952	1,116,448	1,270,724	483,313	21,722,528
Fund balances, July 1, 2010	<u>10,219,053</u>	<u>2,087,046</u>	<u>14,470,077</u>	<u>5,267,118</u>	<u>11,704,119</u>	<u>43,747,413</u>
Fund balances, June 30, 2011	<u>\$10,449,144</u>	<u>\$20,708,998</u>	<u>\$15,586,525</u>	<u>\$6,537,842</u>	<u>\$12,187,432</u>	<u>\$65,469,941</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, 2011

Net change in fund balances - total governmental funds \$ 21,722,528

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (3,696,274)

Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets. 1,401,199

The issuance of long-term debt (eg., bonds,) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has, any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (24,539,497)

Internal service funds are used by management to charge the costs of fleet maintenance, employee benefits, liability and property insurance and general services to individual funds. The change in net assets of certain activities of internal service funds is reported with governmental activities. (55,395)

Change in net assets of governmental activities \$ (5,167,439)

CITY OF LEMOORE  
STATEMENT OF FUND NET ASSETS  
ENTERPRISE FUNDS  
JUNE 30, 2011

	Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Refuse	Golf Course		
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 2,680,427	\$ 5,626,138	\$	\$ 995,575	\$ 9,302,140	\$ 1,149
Restricted cash and investments:						
Cash with fiscal agent	462,185	308,124		850,670	1,620,979	9,917
Receivables:						
Accounts	1,615,393	347,749	307,836	15,931	2,286,909	
Less: Allowance for doubtful accounts	(10,743)	(9,546)	(7,995)		(28,284)	
Interest	4,440	6,064	208	917	11,629	
Grant	1,359,638				1,359,638	
Interfund receivables		74,633			74,633	
Inventory				59,769	59,769	
Prepaid expenses				4,943	4,943	
Total current assets	<u>6,111,340</u>	<u>6,353,162</u>	<u>300,049</u>	<u>1,927,805</u>	<u>14,692,356</u>	<u>11,066</u>
Non-current assets:						
Bond discounts	56,713	37,853			94,566	
Capital assets:						
Non-depreciable	7,129,411	392,805	252,504	624,013	8,398,733	
Depreciable, net of accumulated depreciation	<u>6,536,651</u>	<u>4,275,781</u>	<u>358,628</u>	<u>2,425,518</u>	<u>13,596,578</u>	<u>18,805</u>
Total non-current assets	<u>13,722,775</u>	<u>4,706,439</u>	<u>611,132</u>	<u>3,049,531</u>	<u>22,089,877</u>	<u>18,805</u>
Total assets	<u>\$19,834,115</u>	<u>\$11,059,601</u>	<u>\$911,181</u>	<u>\$4,977,336</u>	<u>\$36,782,233</u>	<u>\$29,871</u>

CITY OF LEMOORE  
STATEMENT OF FUND NET ASSETS  
ENTERPRISE FUNDS  
JUNE 30, 2011  
(Continued)

	Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Refuse	Golf Course		
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 560,846	\$ 45,217	\$ 83,030	\$ 15,844	\$ 704,937	\$ 42,209
Deposits and other liabilities	16,741			44,646	61,387	
Accrued compensated absences	34,802	27,980	22,759		85,541	19,597
Interfund payables			71,859		71,859	2,774
Accrued interest payable	9,293	6,195		1,100	16,588	
Current portion of long-term liabilities	215,000	130,000		195,000	540,000	
Current portion of capital leases				15,178	15,178	
Total current liabilities	<u>836,682</u>	<u>209,392</u>	<u>177,648</u>	<u>271,768</u>	<u>1,495,490</u>	<u>64,580</u>
Non-current liabilities:						
Long-term liabilities	2,342,000	1,466,000		2,275,000	6,083,000	
Deferred refunding	(175,590)	(117,061)			(292,651)	
Advances from other funds				6,386,741	6,386,741	
Total non-current liabilities	<u>2,166,410</u>	<u>1,348,939</u>		<u>8,661,741</u>	<u>12,177,090</u>	
Total liabilities	<u>3,003,092</u>	<u>1,558,331</u>	<u>177,648</u>	<u>8,933,509</u>	<u>13,672,580</u>	<u>64,580</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	11,746,837	3,497,771	611,132	1,414,623	17,270,363	18,805
Unrestricted	<u>5,084,186</u>	<u>6,003,499</u>	<u>122,401</u>	<u>(5,370,796)</u>	<u>5,839,290</u>	<u>(53,514)</u>
Total net assets (deficit)	<u>\$16,831,023</u>	<u>\$9,501,270</u>	<u>\$733,533</u>	<u>\$(3,956,173)</u>	<u>23,109,653</u>	<u>\$(34,709)</u>
Adjustments to reflect the consolidation of internal Service fund activities related to enterprise funds						
					184,439	
Net assets of business-type activities					<u>\$23,294,092</u>	

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Refuse		
<b>OPERATING REVENUES:</b>					
Charges for services	\$4,916,427	\$3,455,830	\$2,795,422	\$1,362,667	\$926,244
Fines and forfeitures	87,212	55,982	53,655		196,849
Other revenues	<u>5,110</u>	<u>30,117</u>	<u>16,295</u>	<u>9,670</u>	<u>61,192</u>
Total operating revenues	<u>5,008,749</u>	<u>3,541,929</u>	<u>2,865,372</u>	<u>1,372,337</u>	<u>926,244</u>
<b>OPERATING EXPENSES:</b>					
Salaries and benefits	915,615	634,082	556,945	352,344	212,533
Materials and supplies	301,684	131,639	27,577	344,819	355,958
Utilities	867,926	308,877	1,406	80,900	727
Contractual services	595,143	191,163	967,258	139,074	6,711
Repairs and maintenance	92,441	27,221	4,368	51,760	175,790
Other expenses	147,769	136,578	368,571	117,000	769,918
Depreciation and amortization	<u>371,032</u>	<u>279,898</u>	<u>139,705</u>	<u>205,762</u>	<u>26,766</u>
Total operating expenses	<u>3,291,610</u>	<u>1,709,458</u>	<u>2,065,830</u>	<u>1,291,659</u>	<u>880,149</u>
Operating income (loss)	<u>1,717,139</u>	<u>1,832,471</u>	<u>799,542</u>	<u>80,678</u>	<u>46,095</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Intergovernmental	707,835		6,952		70,824
Interest income	35,848	36,552	1,036	6,992	80,428
Interest expense	<u>(148,787)</u>	<u>(96,749)</u>		<u>(159,135)</u>	<u>(404,671)</u>
Total non-operating revenues (expenses)	<u>594,896</u>	<u>(60,197)</u>	<u>7,988</u>	<u>(152,143)</u>	<u>70,824</u>

CITY OF LEMOORE  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011  
(Continued)

	Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Refuse	Golf Course		
Other financing sources (uses):						
Transfers in	186,291	20,442		195,586	402,319	
Transfers out	<u>(406,268)</u>	<u>(396,457)</u>	<u>(710,559)</u>	<u>(997,351)</u>	<u>(2,510,655)</u>	<u>(102,747)</u>
Total other financing sources (uses)	(219,977)	(376,015)	(710,559)	(801,765)	(2,108,316)	(102,747)
Change in net assets	<u>2,092,058</u>	<u>1,396,259</u>	<u>96,971</u>	<u>(873,230)</u>	<u>2,712,058</u>	<u>14,172</u>
Net assets, July 1, 2010	14,738,965	8,105,011	636,562	(3,082,943)		(48,881)
Net assets, June 30, 2011	<u>\$16,831,023</u>	<u>\$9,501,270</u>	<u>\$ 733,533</u>	<u>\$(3,956,173)</u>		<u>\$ (34,709)</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					<u>184,439</u>	
Change in net assets of business-type activities					<u>\$ 2,896,497</u>	

See independent auditors' report and notes to financial statements.



**CITY OF LEMOORE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Fund
	Water	Sewer	Refuse	Golf Course		
Cash flows from operating activities:						
Receipts from customers and users	\$ 4,098,255	\$3,611,727	\$ 2,814,506	\$1,389,631	\$11,914,119	\$ 926,244
Payments to suppliers	(1,971,779)	(902,117)	(1,377,739)	(772,079)	(5,023,714)	(624,401)
Payments to employees	(906,272)	(632,290)	(563,340)	(352,344)	(2,454,246)	(210,345)
Other operating revenues	5,110	30,117	16,295	9,670	61,192	
Net cash provided (used) by operating activities	<u>1,225,314</u>	<u>2,107,437</u>	<u>889,722</u>	<u>274,878</u>	<u>4,497,351</u>	<u>91,498</u>
Cash flows from non-capital financing activities:						
Intergovernmental revenue	3,091,353		6,952		3,098,305	70,824
Loans from/(to) other funds		230,160	(170,585)	1,304,963	1,364,538	(59,575)
Transfers from other funds	186,291	20,442			206,733	
Transfers to other funds	(406,268)	(396,457)	(710,559)	(801,765)	(2,315,049)	(102,747)
Net cash provided (used) by non-capital financing activities	<u>2,871,376</u>	<u>(145,855)</u>	<u>(874,192)</u>	<u>503,198</u>	<u>2,354,527</u>	<u>(91,498)</u>
Cash flows from capital and related financing activities:						
Principal paid on capital debt	(182,541)	(159,028)		(214,170)	(555,739)	
Interest paid on capital debt	(149,425)	(97,175)		(159,307)	(405,907)	
Acquisition of capital assets	(1,244,143)	(7,283)	(16,609)	(41,603)	(1,310,138)	
Net cash provided used by capital and related financing activities	<u>(1,576,109)</u>	<u>(263,986)</u>	<u>(16,609)</u>	<u>(415,080)</u>	<u>(2,271,784)</u>	
Cash flows from investing activities:						
Interest earned	36,123	36,167	1,079	6,843	80,212	
Net cash provided by investing activities	<u>36,123</u>	<u>36,167</u>	<u>1,079</u>	<u>6,843</u>	<u>80,212</u>	
Net increase (decrease) in cash and investments	2,556,704	1,733,763		369,839	4,660,306	
Cash and investments-beginning of year	<u>585,908</u>	<u>4,200,499</u>		<u>1,476,406</u>	<u>6,262,813</u>	<u>11,066</u>
Cash and investments-end of year	<u>\$ 3,142,612</u>	<u>\$5,934,262</u>	<u>\$</u>	<u>\$1,846,245</u>	<u>\$10,923,119</u>	<u>\$ 11,066</u>
Cash and investments	\$ 2,680,427	\$5,626,138	\$	\$ 995,575	\$ 9,302,140	\$ 1,149
Cash with fiscal agent	462,185	308,124		850,670	1,620,979	9,917
Total cash and investments	<u>\$ 3,142,612</u>	<u>\$5,934,262</u>	<u>\$</u>	<u>\$1,846,245</u>	<u>\$10,923,119</u>	<u>\$ 11,066</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 1,717,139	\$1,832,471	\$ 799,542	\$ 80,678	\$ 4,429,830	\$ 46,095
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	371,032	279,898	139,705	205,762	996,397	26,766
(Increase) decrease in accounts receivable	(901,739)	99,915	(34,571)	(138)	(836,533)	
Increase (decrease) in inventory				(4,082)	(4,082)	
Increase (decrease) in prepaid expenses				(1,176)	(1,176)	
Increase (decrease) in accounts payable	33,184	(106,639)	(8,559)	(33,268)	(115,282)	16,449
Increase (decrease) in compensated absences	9,343	1,792	(6,395)		4,740	2,188
Increase (decrease) in deposits and other liabilities	(3,645)			27,102	23,457	
Total adjustments	<u>(491,825)</u>	<u>274,966</u>	<u>90,180</u>	<u>194,200</u>	<u>67,521</u>	<u>45,403</u>
Net cash provided (used) by operating activities	<u>\$ 1,225,314</u>	<u>\$2,107,437</u>	<u>\$ 889,722</u>	<u>\$ 274,878</u>	<u>\$ 4,497,351</u>	<u>\$ 91,498</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE  
STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and investments	\$693,700
Other assets	<u>28,800</u>
Total assets	<u>\$722,500</u>
<b>LIABILITIES:</b>	
Accounts payable	\$ 2,510
Due to others	513,117
Deposits	<u>206,873</u>
Total liabilities	<u>\$722,500</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Reporting Entity**

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

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

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

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

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

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**B. Basis of Accounting/Measurement Focus**

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

**Government-wide Financial Statements**

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

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

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

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

During the 2010/11 year, the City changed the method of reporting its road network and related infrastructure capital assets on the government-wide financial statements from the modified approach to the depreciation approach. The modified approach permits the City to not depreciate a network system or subsystem of infrastructure assets. The City had previously used the modified approach for its road network, street lights, and landscape zones. The City has adopted a 15-year estimated life for these assets.

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**Governmental Fund Financial Statements**

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

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

The City reports the following major governmental funds:

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

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

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

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

**Enterprise Fund Financial Statements**

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

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

The City reports the following major enterprise funds:

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

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

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

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

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

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

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

#### **Additional Fund Financial Statements**

Additionally, the government reports the following fund types:

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

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

#### **C. Cash and Investments**

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

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**D. Cash and Cash Equivalents**

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

**E. Use of Estimates**

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

**F. Receivables and Payables**

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

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

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

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

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

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**G. Inventory**

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

**H. Assets Held for Resale**

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

**I. Use of Restricted/Unrestricted Net Assets**

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

**J. Capital Assets**

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

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

**K. Risk Management**

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

**L. Compensated Absences Payable**

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



CITY OF LEMOORE  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2011  
 (Continued)

**M. Long-Term Debt**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as debt service expenditures.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments as of June 30, 2011 reclassified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$46,850,248
Restricted cash and investments	21,062,892
Fiduciary funds:	
Cash and investments	<u>693,700</u>
Total cash and investments	<u>\$68,606,840</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 3,180
Deposits with financial institutions	3,176,150
Investments	<u>65,427,510</u>
Total cash and investments	<u>\$68,606,840</u>

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

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

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

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

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

**Investments Authorized by Debt Agreements**

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

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

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**Disclosures Relating to Interest Rate Risk**

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

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

Investment Type	Fair Value	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	Longer Than 60 Months
Money market funds	\$18,849,666	\$18,849,666	\$	\$	\$
State investment pool	44,553,057	44,553,057			
Investment contracts	<u>2,024,787</u>				<u>2,024,787</u>
	<u>\$65,427,510</u>	<u>\$63,402,723</u>	<u>\$</u>	<u>\$</u>	<u>\$2,024,787</u>

**Disclosures Relating to Credit Risk**

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

Investment Type	Amount	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
Money market funds	\$18,849,666	N/A	\$18,849,666	\$
State investment pool	44,553,057	N/A		44,553,057
Investment contracts	<u>2,024,787</u>	N/A		<u>2,024,787</u>
	<u>\$65,427,510</u>		<u>\$18,849,666</u>	<u>\$46,577,844</u>

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**Concentration of Credit Risk**

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

**Custodial Credit Risk**

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

As of June 30, 2011, no City of Lemoore deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. In addition, as of June 30, 2011, no investments were held by the same broker dealer (counterparty) that was used by the City of Lemoore to purchase the securities.

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

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

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**NOTE 3 – INTERFUND ACTIVITIES**

Interfund balances for the purpose of the government-wide statements have been eliminated. The composition of interfund balances in the fund level statements as of June 30, 2011 is as follows:

**A. Current Interfund Receivables/Payables**

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

	Due From Other Funds	Due To Other Funds
Major funds:		
General fund	\$1,137,307	\$
Refuse fund		71,859
Sewer fund	74,633	
RDA capital projects fund		1,137,307
Internal service funds:		
Fleet maintenance	_____	2,774
Total	<u>\$1,211,940</u>	<u>\$1,211,940</u>

**B. Long-Term Interfund Advances**

At June 30, 2011 the funds below had made advances that were not expected to be repaid in one year or less.

	Receivable Funds	Payable Funds
Major funds:		
General fund	\$1,625,914	\$
RDA debt service fund		1,625,914
RDA capital projects fund	6,535,121	
Golf Course		6,386,741
Nonmajor funds:		
Storm drain expansion	_____	148,380
Total	<u>\$8,161,035</u>	<u>\$8,161,035</u>

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**C. Transfers Between Funds**

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

	Transfers	
	In	Out
Major funds:		
General fund	\$1,497,550	\$ 234,644
RDA debt service fund	4,518,182	1,288,493
RDA capital projects funds	2,671,283	4,669,234
RDA low and moderate income housing special revenue fund		429,973
Water	186,291	406,268
Sewer	20,442	396,457
Refuse		710,559
Golf Course	195,586	997,351
Nonmajor funds:		
Maintenance assessment district special revenue fund		27,000
Storm drain expansion capital projects fund		5,567
Recreation improvement capital projects fund		9,568
Facility infrastructure capital projects fund	126,700	
Capital improvements fees capital projects fund		13,150
Fleet maintenance internal service fund		102,747
Streets grant fund special revenue fund	74,977	
Total	<u>\$9,291,011</u>	<u>\$9,291,011</u>

**NOTE 4 – ASSETS HELD FOR RESALE**

The following is a summary of changes in the assets held for resale during the 2010-2011 fiscal year.

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Land held for resale	<u>\$1,410,905</u>	<u>\$444,025</u>	<u>\$</u>	<u>\$1,854,930</u>

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
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**NOTE 5 -- CAPITAL ASSETS**

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

	<u>Balance July 1, 2010</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2011</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,140,181	\$	\$	\$ 3,140,181
Construction in progress	<u>954,857</u>	<u>221,761</u>	<u>(543,248)</u>	<u>633,370</u>
Total capital assets, not being depreciated	<u>4,095,038</u>	<u>221,761</u>	<u>(543,248)</u>	<u>3,773,551</u>
Capital assets, being depreciated:				
Buildings and improvements	13,907,109	221,561		14,128,670
Machinery and equipment	5,295,794	60,682	(61,673)	5,294,803
Infrastructure	1,180,589	461,040		1,641,629
Road network	<u>45,043,117</u>	<u>                    </u>	<u>(466,044)</u>	<u>44,577,073</u>
Total capital assets, being depreciated	<u>65,426,609</u>	<u>743,283</u>	<u>(527,717)</u>	<u>65,642,175</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,075,919)	(380,144)		(2,456,063)
Machinery and equipment	(3,885,886)	(335,124)	59,510	(4,161,500)
Infrastructure	(257,100)	(48,543)		(305,643)
Road network	<u>                    </u>	<u>(2,912,818)</u>	<u>                    </u>	<u>(2,912,818)</u>
Total accumulated depreciation	<u>(6,218,905)</u>	<u>(3,676,629)</u>	<u>59,510</u>	<u>(9,836,024)</u>
Total capital assets, being depreciated, net	<u>59,207,704</u>	<u>(2,933,346)</u>	<u>(2,163)</u>	<u>55,806,151</u>
<b>Governmental activity capital assets, net</b>	<u><b>\$63,302,742</b></u>	<u><b>\$(2,711,585)</b></u>	<u><b>\$(1,011,455)</b></u>	<u><b>\$59,579,702</b></u>

Capital Assets Business-Type Activity

**Water Fund:**

Capital assets, not being depreciated:				
Land	\$ 427,232	\$	\$	\$ 427,232
Construction in progress	<u>5,466,434</u>	<u>1,584,574</u>	<u>(348,829)</u>	<u>6,702,179</u>
Total capital assets, not being depreciated	<u>5,893,666</u>	<u>1,584,574</u>	<u>(348,829)</u>	<u>7,129,411</u>
Capital assets, being depreciated				
Buildings and improvements	10,606,862			10,606,862
Machinery and equipment	<u>1,938,272</u>	<u>8,398</u>	<u>12,525</u>	<u>1,959,195</u>
Total capital assets, being depreciated	<u>12,545,134</u>	<u>8,398</u>	<u>12,525</u>	<u>12,566,057</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,656,089)	(288,723)		(4,944,812)
Machinery and equipment	<u>(989,760)</u>	<u>(82,309)</u>	<u>(12,525)</u>	<u>(1,084,594)</u>
Total accumulated depreciation	<u>(5,645,849)</u>	<u>(371,032)</u>	<u>(12,525)</u>	<u>(6,029,406)</u>
Total capital assets, being depreciated, net	<u>6,899,285</u>	<u>(362,634)</u>	<u>                    </u>	<u>6,536,651</u>
<b>Water Fund Capital Assets, net</b>	<u><b>\$12,792,951</b></u>	<u><b>\$1,221,940</b></u>	<u><b>\$(348,829)</b></u>	<u><b>\$13,666,062</b></u>

**CITY OF LEMOORE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2011**  
(Continued)

	Balance July 1, 2010	Additions/ Completions	Retirements/ Adjustments	Balance June 30, 2011
<b>Sewer Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 392,805	\$	\$	\$ 392,805
Construction in progress	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total capital assets, not being depreciated	<u>392,805</u>	<u>          </u>	<u>          </u>	<u>392,805</u>
Capital assets, being depreciated				
Buildings and improvements	5,126,984			5,126,984
Machinery and equipment	<u>3,160,512</u>	<u>7,783</u>	<u>20,442</u>	<u>3,188,737</u>
Total capital assets, being depreciated	<u>8,287,496</u>	<u>7,783</u>	<u>20,442</u>	<u>8,315,721</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,311,690)	(170,175)		(1,481,865)
Machinery and equipment	<u>(2,427,910)</u>	<u>(109,723)</u>	<u>(20,442)</u>	<u>(2,558,075)</u>
Total accumulated depreciation	<u>(3,739,600)</u>	<u>(279,898)</u>	<u>(20,442)</u>	<u>(4,039,940)</u>
Total capital assets, being depreciated, net	<u>4,547,896</u>	<u>(272,115)</u>	<u>          </u>	<u>4,275,781</u>
<b>Sewer Fund Capital Assets, net</b>	<u>\$ 4,940,701</u>	<u>\$(272,115)</u>	<u>\$</u>	<u>\$ 4,668,586</u>
<b>Refuse Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 252,504	\$	\$	\$ 252,504
Total capital assets, not being depreciated	<u>252,504</u>	<u>          </u>	<u>          </u>	<u>252,504</u>
Capital assets, being depreciated				
Machinery and equipment	<u>1,669,939</u>	<u>16,609</u>	<u>          </u>	<u>1,686,548</u>
Total capital assets, being depreciated	<u>1,669,939</u>	<u>16,609</u>	<u>          </u>	<u>1,686,548</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>(1,188,215)</u>	<u>(139,705)</u>	<u>          </u>	<u>(1,327,920)</u>
Total accumulated depreciation	<u>(1,188,215)</u>	<u>(139,705)</u>	<u>          </u>	<u>(1,327,920)</u>
Total capital assets, being depreciated, net	<u>481,724</u>	<u>(123,096)</u>	<u>          </u>	<u>358,628</u>
<b>Refuse Fund Capital Assets, net</b>	<u>\$ 734,228</u>	<u>\$(123,096)</u>	<u>\$</u>	<u>\$ 611,132</u>
<b>Golf Course Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 624,013	\$	\$	\$ 624,013
Total capital assets, not being depreciated	<u>624,013</u>	<u>          </u>	<u>          </u>	<u>624,013</u>
Capital assets, being depreciated				
Buildings and improvements	4,316,193	36,831		4,353,024
Machinery and equipment	<u>662,464</u>	<u>4,772</u>	<u>          </u>	<u>667,236</u>
Total capital assets, being depreciated	<u>4,978,657</u>	<u>41,603</u>	<u>          </u>	<u>5,020,260</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,409,656)	(83,309)		(1,492,965)
Machinery and equipment	<u>(979,324)</u>	<u>(122,453)</u>	<u>          </u>	<u>(1,101,777)</u>
Total accumulated depreciation	<u>(2,388,980)</u>	<u>(205,762)</u>	<u>          </u>	<u>(2,594,742)</u>
Total capital assets, being depreciated, net	<u>2,589,677</u>	<u>(164,159)</u>	<u>          </u>	<u>2,425,518</u>
<b>Golf Course Fund Capital Assets, net</b>	<u>\$ 3,213,690</u>	<u>\$(164,159)</u>	<u>\$</u>	<u>\$ 3,049,531</u>
<b>Total Capital Assets, net</b>	<u>\$21,681,570</u>	<u>\$ 662,570</u>	<u>\$(348,829)</u>	<u>\$21,995,311</u>



CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
 (Continued)

For the year ended June 30, 2011, depreciation expense on capital assets was charged to the governmental functions as follows:

General government	\$ 5,511
Public safety	35,543
Public works	1,273
Parks and recreation	404
Community development	710,240
Capital assets held by the Internal Service	
Funds were charged to the various functions based on their usage	<u>10,840</u>
Total	<u>\$763,811</u>

**NOTE 6 – DEPOSITS AND OTHER LIABILITIES**

Deposits and other liabilities at June 30, 2011 consisted of the following:

	General Fund	Water Fund	Golf Course Fund	Total
Deposits	\$620,427	\$	\$	\$620,427
Other liabilities	<u>          </u>	<u>16,741</u>	<u>44,646</u>	<u>61,387</u>
Total deposits and other liabilities	<u>\$620,427</u>	<u>\$16,741</u>	<u>\$44,646</u>	<u>\$681,814</u>

**NOTE 7 – COMPENSATED ABSENCES**

The City's policy relating to compensated absences is described in Note 1. As shown in the table of long-term obligations in the following note, the non-current portion of this debt at fiscal year end was \$344,541 and \$66,966 for governmental activities and business type activities, respectively. This obligation is expected to be paid in future years from the available resources derived from the respective funds to which the employee services are rendered.

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
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**NOTE 8 – LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions of the City for governmental activities for the year ended June 30, 2011.

	<u>Balance July 1, 2010</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More Than One Year</u>
<b>Governmental Activities:</b>						
<b>Bonds payable:</b>						
1998 RDA Tax Allocation Refunding	\$ 5,725,000	\$	\$ 45,000	\$ 5,680,000	\$ 260,000	\$ 5,420,000
2003 RDA Tax Allocation Refunding	12,370,000		400,000	11,970,000	195,000	11,775,000
2011 RDA Tax Allocation Bonds		19,150,000		19,150,000		19,150,000
Unamortized deferred charges for defeasance	<u>(33,889)</u>		<u>(1,473)</u>	<u>(32,416)</u>	<u>(1,473)</u>	<u>(30,943)</u>
Total bonds payable	<u>18,061,111</u>	<u>19,150,000</u>	<u>443,527</u>	<u>36,767,584</u>	<u>453,527</u>	<u>36,314,057</u>
<b>Obligations payable:</b>						
Leprino Owner Participation Agreement Obligation	1,589,241		519,062	1,070,179	529,576	540,603
Leprino Owner Participation Agreement Obligation		6,000,000	437,137	5,562,863		5,562,863
Compensated absences	<u>410,248</u>	<u>20,428</u>		<u>430,676</u>	<u>86,135</u>	<u>344,541</u>
Governmental activity long-term liabilities	<u>\$20,060,600</u>	<u>\$25,170,428</u>	<u>\$1,399,726</u>	<u>\$43,831,302</u>	<u>\$1,069,238</u>	<u>\$42,762,064</u>

**Tax Allocation Refunding Bonds**

**1998 RDA Tax Allocation Refunding Bonds**

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

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

<u>Year Ending June 30,</u>	<u>1998 RDA Tax Allocation Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 260,000	\$ 287,550	\$ 547,550
2013	275,000	274,030	549,030
2014	285,000	259,730	544,730
2015	300,000	244,910	544,910
2016	320,000	229,310	549,310
2017-2021	1,860,000	883,920	2,743,920
2022-2026	<u>2,380,000</u>	<u>368,500</u>	<u>2,748,500</u>
Totals	<u>\$5,680,000</u>	<u>\$2,547,950</u>	<u>\$8,227,950</u>

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
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**2003 RDA Tax Allocation Refunding Bonds**

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

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

<u>Year Ending June 30,</u>	<u>2003 RDA Tax Allocation Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 195,000	\$ 545,184	\$ 740,184
2013	195,000	538,359	733,359
2014	200,000	531,148	731,148
2015	215,000	523,256	738,256
2016	220,000	514,664	734,664
2017-2021	1,240,000	2,424,553	3,664,553
2022-2026	1,545,000	2,111,591	3,656,591
2027-2031	4,740,000	1,393,075	6,133,075
2032-2034	<u>3,420,000</u>	<u>248,431</u>	<u>3,668,431</u>
Total	<u>11,970,000</u>	<u>8,830,261</u>	<u>20,800,261</u>
Less: Unamortized deferred charges for defeasance	<u>(32,416)</u>	_____	<u>(32,416)</u>
	<u>\$11,937,584</u>	<u>\$8,830,261</u>	<u>\$20,767,845</u>

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
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**2011 Tax Allocation Bonds**

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

The proceeds were used to finance additional redevelopment activities, fund parity debt service reserve for the Bonds and to pay the costs of issuance.

Annual debt service requirements to maturity for the 2011 Tax Allocation Bond are as follows:

Year Ending June 30,	2011 Tax Allocation Bonds		
	Principal	Interest	Total
2012	\$	\$ 554,318	\$ 554,318
2013	160,000	1,357,513	1,517,513
2014	170,000	1,352,712	1,522,712
2015	165,000	1,345,913	1,510,913
2016	170,000	1,339,313	1,509,313
2017-2021	920,000	6,573,906	7,493,906
2022-2026	1,115,000	6,288,694	7,403,694
2027-2031	1,685,000	5,823,081	7,508,081
2032-2036	4,865,000	5,037,362	9,902,362
2037-2041	<u>9,900,000</u>	<u>2,186,318</u>	<u>12,086,318</u>
	<u>\$19,150,000</u>	<u>\$31,859,130</u>	<u>\$51,009,130</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 than \$250 million, the Agency's reimbursement obligation increased to \$6 million, payable in 10 annual installments of \$600,000 each, subject to the Leprino facility having an assessed value in excess of \$250 million and verification of actual infrastructure costs incurred by Leprino. During the current fiscal year, a payment of \$1,040,100 was made. This payment was adjusted from \$600,000 because the facility assessed value was \$413 million. Future payments are expected to equal \$600,000.

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
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(Continued)

Although the stated interest rate on this obligation is zero percent, the Agency has used the effective interest rate on its 2003 Tax Allocation Refunding Bonds (4.75%) as an imputed interest discount rate to value the obligation at its present value of \$3,017,181 (taking into account the reduction or increase in payment based on the assessed value as discussed above) for reporting purposes. Scheduled payments on this obligation are presented below.

Year Ending June 30,	Leprino Owner Participation Agreement Obligation		
	Principal	Interest	Total
2012	\$ 529,576	\$ 70,424	\$ 600,000
2013	<u>540,603</u>	<u>59,397</u>	<u>600,000</u>
Total	<u>\$1,070,179</u>	<u>\$129,821</u>	<u>\$1,200,000</u>

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

It has been acknowledged that the City will incur an additional liability of approximately \$6,000,000 for wastewater improvements at the Leprino plant and this liability will be paid from the additional tax increments that the plant would generate based on this expansion. The amount calculated for 2010/2011 was \$437,137 based on the increase in tax increments and other factors.

The old liability of \$6,000,000 will continue to be paid at the \$600,000 per year amount and is scheduled to be paid off in two more years.

The following is a summary of the long-term obligation transactions of the City for business-type activities for the year ended June 30, 2011.

	Balance July 1, 2010	Incurred or Issued	Satisfied or Matured	Balance June 30, 2011	Amounts Due Within One Year	Amounts Due in More Than One Year
<b>Business-Type Activities:</b>						
<b>Bonds payable:</b>						
Lease revenue bonds	\$4,305,000	\$	\$315,000	\$3,990,000	\$325,000	\$3,665,000
Certificates of participation	2,660,000		190,000	2,470,000	195,000	2,275,000
2001 Refunding lease	49,933		49,933			
Less deferred refunding amount	<u>(325,164)</u>		<u>(32,516)</u>	<u>(292,648)</u>	<u>(32,516)</u>	<u>(260,132)</u>
Total bonds payable	6,689,769		522,417	6,167,352	487,484	5,679,868
Notes payable	182,000		19,000	163,000	20,000	143,000
Capital leases	39,348		24,170	15,178	15,178	
Compensated absences	<u>80,801</u>	<u>4,740</u>		<u>85,541</u>	<u>18,575</u>	<u>66,966</u>
Business type activity long-term liabilities	<u>\$6,991,918</u>	<u>\$4,740</u>	<u>\$565,587</u>	<u>\$6,431,071</u>	<u>\$541,237</u>	<u>\$5,889,834</u>

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**1995 Variable Rate Demand Certificates of Participation**

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

The following is a schedule of the future estimated minimum payments related to the 1995 Variable Rate Demand Certificates of Participation at June 30, 2011.

<u>Year Ending June 30,</u>	<u>Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 195,000	\$ 82,498	\$ 277,498
2013	205,000	75,985	280,985
2014	215,000	69,138	284,138
2015	230,000	61,957	291,957
2016	240,000	54,275	294,275
2017-2021	<u>1,385,000</u>	<u>143,286</u>	<u>1,528,286</u>
Total	<u>\$2,470,000</u>	<u>\$487,139</u>	<u>\$2,957,139</u>

**Lease Revenue Bonds**

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

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

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

Year Ending June 30,	Lease Revenue Bonds		
	Principal	Interest	Total
2012	\$ 325,000	\$ 179,033	\$ 504,033
2013	340,000	164,898	504,898
2014	355,000	149,778	504,778
2015	370,000	133,643	503,643
2016	385,000	116,463	501,463
2017-2021	<u>2,215,000</u>	<u>283,484</u>	<u>2,498,484</u>
Total	<u>\$3,990,000</u>	<u>\$1,027,299</u>	<u>\$5,017,299</u>

**Note Payable**

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

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Notes Payable 1977 Emergency Drought Relief		
	Principal	Interest	Total
2012	\$ 20,000	\$ 7,650	\$ 27,650
2013	21,000	6,625	27,625
2014	22,000	5,550	27,550
2015	23,000	4,425	27,425
2016	24,000	3,250	27,250
2017-2018	<u>53,000</u>	<u>2,675</u>	<u>55,675</u>
Total	<u>\$163,000</u>	<u>\$30,175</u>	<u>\$193,175</u>

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
 (Continued)

**NOTE 9 – CAPITAL LEASE COMMITMENTS**

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

The following is an analysis of the equipment leased as of June 30, 2011:

	Business-Type Activities
Equipment	\$ 144,307
Less: Accumulated depreciation	<u>(109,466)</u>
	<u>\$ 34,841</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 are as follows:

	Business-Type Activities
2012	<u>\$ 18,175</u>
Less: Estimated amount representing interest	<u>(2,998)</u>
Present value of future minimum lease payments	<u>\$ 15,177</u>

**NOTE 10 – CLASSIFICATION OF NET ASSETS**

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

*Invested in capital assets, net of related debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

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

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



CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

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

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

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

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

#### **NOTE 11 – POSTRETIREMENT BENEFITS**

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

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**NOTE 12 – DEFINED BENEFIT PENSION PLAN**

**Plan Description**

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

**Funding Policy**

Active plan members in the Miscellaneous and Safety plans are required to contribute 7.0% and 9.0%, respectively, of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2010-2011 was 9.289% for miscellaneous employees, and 14.572% for police officers, of annual payroll. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

**Annual Pension Costs**

For the fiscal year ended June 30, 2011, the City’s annual pension cost of \$965,961 for PERS was equal to the City’s required and actual contributions. The required contribution for the fiscal year ended June 30, 2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expense), (b) projected annual salary increases that vary by duration of service ranging from 3.55% to 14.45% for both safety and miscellaneous members, and (c) 3.25% payroll growth. Both (a) and (b) included an inflation component of 3%. The actuarial values of the Miscellaneous and Police Safety of the City of Lemoore’s assets were determined by using a technique that smoothes the effects of short-term volatility in the fair market value of investments over a two to five year period, depending on the size of investment gains and/or losses. The Miscellaneous and the Safety Plans of the City of Lemoore’s unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010 was 18 years for Miscellaneous and 15 years for Police Safety.

Fiscal Year	Three-Year Trend Information for PERS		Net Pension Obligation
	Annual Pension Cost (ACP)	Percentage of ACP Contributed	
6/30/09	\$1,027,636	100.0%	0
6/30/10	\$1,014,120	100.0%	0
6/30/11	\$ 965,961	100.0%	0

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**Funded Status and Funding Progress**

As of June 30, 2010, the most recent actuarial valuation date the plan was 89.0% funded for non-safety employees and 84.5% funded for safety employees. The actuarial accrued liability for benefits was \$3.3 billion for non-safety employees and \$470 million for safety employees and the actuarial value of assets was \$2.3 billion for non-safety employees and \$313 million for safety employees, resulting in an unfunded actuarial accrued liability (UAAL) of \$362 million for non-safety employees and \$773 million for safety employees. The covered payroll (annual payroll of active employees covered by the plan) was \$748 million for non-safety members and \$618 million for safety members, and the ratio of UAAL to the covered payroll was 48.5% and 117.6% respectively.

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

Required Supplementary Information

Public Employees Retirement System  
Schedule of Funding Progress

(Dollar Amounts in Thousands)

Valuation Date	Actuarial Value Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Unfunded AAL (UAAL)/ (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>Miscellaneous Plan</u>						
6/30/08	\$2,547,323	\$2,780,281	\$232,958	91.6%	\$688,607	33.8%
6/30/09	\$2,758,511	\$3,104,798	\$346,287	88.9%	\$742,981	46.6%
6/30/10	\$2,946,408	\$3,309,065	\$362,657	89.0%	\$748,401	48.5%
<u>Safety Plan</u>						
6/30/08	\$ 438,675	\$ 504,296	\$ 65,621	87.0%	\$ 77,903	84.2%
6/30/09	\$ 368,646	\$ 440,333	\$ 71,687	83.7%	\$ 60,158	119.2%
6/30/11	\$ 396,740	\$ 469,526	\$ 72,786	84.5%	\$ 61,878	117.6%

**NOTE 13 – DEFERRED COMPENSATION**

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

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**NOTE 14 – RISK MANAGEMENT**

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

For liability insurance, the risk pool covers the City above its self-insurance retention level of \$50,000 up to \$1,000,000. CSJVRMA participates in an excess pool, which provides general liability coverage from \$1,000,000 to \$29,000,000.

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

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

	As of and for the Year Ended June 30, 2011
Total Assets	<u>\$69,444,059</u>
Total Liabilities	\$55,945,081
Total Net Assets	<u>13,498,978</u>
Total Liabilities and Net Assets	<u>\$69,444,059</u>
Total Revenues for Year	\$27,941,713
Total Expenses for Year	<u>26,326,659</u>
Change in net assets	<u>\$ 1,615,054</u>

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

CITY OF LEMOORE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011  
(Continued)

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

**General Liability**

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

**Federal Awards and Grants**

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

**NOTE 16 – DEFICIT AND FUND EQUITY**

The **Golf Course Fund** has a net assets deficit of \$3,956,173. The deficit is due primarily to current operating income that is insufficient to cover outstanding long-term debt obligations. It is anticipated that the deficit in this fund will be eliminated through future revenues or transfers from other funds.

The **Streets Grant Fund** has a net fund balance deficit of \$219,143. The deficit will be eliminated through future revenues or transfers from other funds.

**NOTE 17 – SUBSEQUENT EVENTS**

Lemoore Redevelopment Agency:

In January 2011, the Governor announced his intent to eliminate redevelopment agencies as a way to help balance the State budget. The Legislature later enacted, and the Governor signed, ABx1 26 (dissolution of redevelopment agencies) and ABx1 27 (allowing redevelopment agencies to continue with voluntary payments to the State). These bills took effect on June 29, 2011.

Many believe these bills violated a number of provisions in the California Constitution, including the recently enacted Proposition 22, so the California League of Cities and the California Redevelopment Association filed suit in the California Supreme Court challenging the constitutionality of these bills. On August 11, 2011, the Supreme Court agreed to take the case and issued partial stays of both ABx1 26 and ABx1 27.

On December 29, 2011, the California Supreme Court announced its ruling to uphold ABx1 26, but overturned and invalidated ABx1 27, essentially dissolving all redevelopment agencies in California on February 1, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEMOORE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 1,052,000	\$ 1,013,200	\$ 1,059,518	\$ 46,318
Other taxes	2,159,000	2,094,000	2,293,676	199,676
Licenses and permits	489,300	439,200	371,071	(68,129)
Charges for services	156,500	181,500	236,895	55,395
From other agencies	2,270,500	2,514,602	2,429,498	(85,104)
Fees and assessments	27,000	22,000	27,894	5,894
Use of money and property	80,000	60,000	56,764	(3,236)
Other revenue	<u>915,176</u>	<u>1,028,676</u>	<u>1,227,867</u>	<u>199,191</u>
Total revenues	<u>7,149,476</u>	<u>7,353,178</u>	<u>7,703,183</u>	<u>350,005</u>
<b>EXPENDITURES:</b>				
General government	2,499,909	3,158,548	3,391,705	(233,157)
Public safety	4,421,009	4,416,374	4,503,385	(87,011)
Public works	298,625	298,231	289,579	8,652
City streets	429,357			
Parks and recreation	687,285	339,409	408,167	(68,758)
Capital outlay	<u>3,142</u>	<u>201,452</u>	<u>155,687</u>	<u>45,765</u>
Total expenditures	<u>8,339,327</u>	<u>8,414,014</u>	<u>8,748,523</u>	<u>(334,509)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,189,851)</u>	<u>(1,060,836)</u>	<u>(1,045,340)</u>	<u>15,496</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,497,550	1,497,550	1,497,550	
Transfers out	<u>(222,119)</u>	<u>(222,119)</u>	<u>(222,119)</u>	
Total other financing sources (uses)	<u>1,275,431</u>	<u>1,275,431</u>	<u>1,275,431</u>	
Net change in fund balances	85,580	214,595	230,091	15,496
Fund balances, July 1, 2010	<u>10,219,053</u>	<u>10,219,053</u>	<u>10,219,053</u>	
Fund balances, June 30, 2011	<u>\$10,304,633</u>	<u>\$10,433,648</u>	<u>\$10,449,144</u>	<u>\$ 15,496</u>

See independent auditors' report and notes to financial statements.

CITY OF LEMOORE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL  
LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 1,666,648	\$ 1,666,648	\$2,001,234	\$ 334,586
Use of money and property	28,000	28,000	109,321	81,321
Other revenue	4,420	4,420	3,219	(1,201)
	<u>1,699,068</u>	<u>1,699,068</u>	<u>2,113,774</u>	<u>414,706</u>
Total revenues				
EXPENDITURES:				
Community development	<u>3,046,800</u>	<u>3,246,800</u>	<u>413,077</u>	<u>2,833,723</u>
	<u>3,046,800</u>	<u>3,246,800</u>	<u>413,077</u>	<u>2,833,723</u>
Total expenditures				
Revenues over (under) expenditures	(1,347,732)	(1,547,732)	1,700,697	3,248,429
Other financing sources (uses):				
Transfers out	<u>(426,973)</u>	<u>(429,973)</u>	<u>(429,973)</u>	_____
Total other financing sources (uses):	<u>(429,973)</u>	<u>(429,973)</u>	<u>(429,973)</u>	_____
Net change in fund balances	<u>(1,777,705)</u>	<u>(1,977,705)</u>	<u>1,270,724</u>	<u>3,248,429</u>
Fund balances, July 1, 2010	<u>5,267,118</u>	<u>5,267,118</u>	<u>5,267,118</u>	_____
Fund balances, June 30, 2011	<u>\$ 3,489,413</u>	<u>\$ 3,289,413</u>	<u>\$6,537,842</u>	<u>\$3,248,429</u>



CITY OF LEMOORE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011

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

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

**EXCESS OF EXPENDITURES OVER APROPRIATIONS**

For the year ended June 30, 2011, expenditures exceeded appropriations in parks and recreation and capital outlay by \$68,758 and \$45,765, respectively. These overexpenditures were funded by greater than anticipated revenues.

SUPPLEMENTARY INFORMATION

CITY OF LEMOORE  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

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

**Grant Fund**

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

**Traffic Safety Fund**

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

**Gasoline Tax Fund**

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

**Local Transportation Fund**

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

**Maintenance Assessment District Fund**

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

**TE/STP Exchange fund**

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

**Downtown Improvement Fund**

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

**Streets Grant Fund**

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

CITY OF LEMOORE  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011  
(Continued)

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

**Storm Drain Expansion Fund**

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

**Street Improvement Fund**

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

**Recreation Improvement Fund**

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

**Facility Infrastructure Fund**

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

**Capital Improvement Fees Fund**

To account for miscellaneous capital projects using developer fees.

CITY OF LEMOORE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	<u>Combined Special Revenue Funds</u>	<u>Combined Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$6,107,020	\$6,283,875	\$12,390,895
Receivables:			
Interest	5,791	6,285	12,076
Assessments		4,387	4,387
Intergovernmental	<u>220,899</u>	<u>121,205</u>	<u>342,104</u>
Total assets	<u>\$6,333,710</u>	<u>\$6,415,752</u>	<u>\$12,749,462</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 402,078	\$ 11,572	\$ 413,650
Advances		<u>148,380</u>	<u>148,380</u>
Total liabilities	<u>402,078</u>	<u>159,952</u>	<u>562,030</u>
Fund Balances			
Restricted	5,248,389		5,248,389
Committed	902,386	6,255,800	7,158,186
Unassigned	<u>(219,143)</u>		<u>(219,143)</u>
Total fund balances	<u>5,931,632</u>	<u>6,255,800</u>	<u>12,187,432</u>
Total liabilities and fund balances	<u>\$6,333,710</u>	<u>\$6,415,752</u>	<u>\$12,749,462</u>

CITY OF LEMOORE  
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Combined Special Revenue Funds</u>	<u>Combined Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 243,472	\$	\$ 243,472
From other agencies	1,972,990	.	1,972,990
Fees and assessments	50,188	220,742	270,930
Licenses and permits	9,780		9,780
Use of money and property	18,789	22,653	41,442
Other revenue	<u>2,400</u>	<u>                    </u>	<u>2,400</u>
Total revenues	<u>2,297,619</u>	<u>243,395</u>	<u>2,541,014</u>
<b>EXPENDITURES</b>			
Liabilities:			
Current:			
General government	419,585		419,585
Public works		55,847	55,847
Capital outlay:			
General government		56,713	56,713
City streets	1,646,780		1,646,780
Public works	<u>                    </u>	<u>25,168</u>	<u>25,168</u>
Total expenditures	<u>2,066,365</u>	<u>137,728</u>	<u>2,204,093</u>
Excess (deficiency) of revenues over (under) expenditures	<u>231,254</u>	<u>105,667</u>	<u>336,921</u>
Other financing sources (uses):			
Operating transfers in	74,977	126,700	201,677
Operating transfers out	<u>(27,000)</u>	<u>(28,285)</u>	<u>(55,285)</u>
Total other financing sources (uses)	<u>47,977</u>	<u>98,415</u>	<u>146,392</u>
Net change in fund balances	<u>279,231</u>	<u>204,082</u>	<u>483,313</u>
Fund balances, July 1, 2010	<u>5,652,401</u>	<u>6,051,718</u>	<u>11,704,119</u>
Fund balances, June 30, 2011	<u>\$5,931,632</u>	<u>\$6,255,800</u>	<u>\$12,187,432</u>

CITY OF LEMOORE  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2011

	<u>Traffic Safety</u>	<u>Gasoline Tax</u>	<u>Local Transportation</u>	<u>Grant Fund</u>	<u>Streets Grant Fund</u>
<b>ASSETS</b>					
Cash and investments	\$297,121	\$2,021,824	\$1,333,413	\$37,646	\$ 42,555
Receivables:					
Interest	295	1,998	1,121	37	
Intergovernmental	<u>4,198</u>	<u>39,322</u>	<u>37,649</u>	<u>      </u>	<u>14,666</u>
Total assets	<u>\$301,614</u>	<u>\$2,063,144</u>	<u>\$1,372,183</u>	<u>\$37,683</u>	<u>\$ 57,221</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ _____	\$ 78,118	\$ _____	\$ 150	\$ 276,364
Total liabilities	<u>      </u>	<u>78,118</u>	<u>      </u>	<u>150</u>	<u>276,364</u>
Fund balances:					
Restricted	301,614	1,985,026	1,372,183	37,533	
Committed					
Unassigned	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>(219,143)</u>
Total fund balances	<u>301,614</u>	<u>1,985,026</u>	<u>1,372,183</u>	<u>37,533</u>	<u>(219,143)</u>
Total liabilities and fund balances	<u>\$301,614</u>	<u>\$2,063,144</u>	<u>\$1,372,183</u>	<u>\$37,683</u>	<u>\$ 57,221</u>

CITY OF LEMOORE  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2011

	Maintenance Assessment District	TE/STP Exchange Fund	Downtown Improvement	Totals
<b>ASSETS</b>				
Cash and investments	\$934,702	\$1,425,554	\$14,205	\$6,107,020
Receivables:				
Interest	913	1,415	12	5,791
Intergovernmental	<u>          </u>	<u>125,064</u>	<u>          </u>	<u>220,899</u>
Total assets	<u>\$935,615</u>	<u>\$1,552,033</u>	<u>\$14,217</u>	<u>\$6,333,710</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 43,967	\$ <u>          </u>	\$ 3,479	\$ 402,078
Total liabilities	<u>43,967</u>	<u>          </u>	<u>3,479</u>	<u>402,078</u>
Fund balances:				
Restricted		1,552,033		5,248,389
Committed	891,648		10,738	902,386
Unassigned	<u>          </u>	<u>          </u>	<u>          </u>	<u>(219,143)</u>
Total fund balances	<u>891,648</u>	<u>1,552,033</u>	<u>10,738</u>	<u>5,931,632</u>
Total liabilities and fund balances	<u>\$935,615</u>	<u>\$1,552,033</u>	<u>\$14,217</u>	<u>\$6,333,710</u>



CITY OF LEMOORE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Traffic Safety</u>	<u>Gasoline Tax</u>	<u>Local Transportation</u>	<u>Grant Fund</u>	<u>Streets Grant Fund</u>
REVENUES:					
Property taxes	\$	\$	\$	\$	\$
From other agencies		374,438	350,119	60,814	725,449
Fees and assessments	50,188				
Licenses and permits					
Use of money and property	1,000	4,867	4,510	106	267
Other revenue				2,400	
Total revenues	<u>51,188</u>	<u>379,305</u>	<u>354,629</u>	<u>63,320</u>	<u>725,716</u>
EXPENDITURES:					
Current:					
General government				13,125	
Capital outlay:					
City streets		105,393	327,658		1,213,729
Total expenditures		<u>105,393</u>	<u>327,658</u>	<u>13,125</u>	<u>1,213,729</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,188</u>	<u>273,912</u>	<u>26,971</u>	<u>50,195</u>	<u>(488,013)</u>
Other financing sources (uses):					
Operating transfers in					74,977
Operating transfers out					
Total other financing sources (uses)					<u>74,977</u>
Net change in fund balances	<u>51,188</u>	<u>273,912</u>	<u>26,971</u>	<u>50,195</u>	<u>(413,036)</u>
Fund balances, July 1, 2010	<u>250,426</u>	<u>1,711,114</u>	<u>1,345,212</u>	<u>(12,662)</u>	<u>193,893</u>
Fund balances, June 30, 2011	<u>\$301,614</u>	<u>\$1,985,026</u>	<u>\$1,372,183</u>	<u>\$ 37,533</u>	<u>\$ (219,143)</u>

CITY OF LEMOORE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Maintenance Assessment District</u>	<u>TE/STP Exchange Fund</u>	<u>Downtown Improvement</u>	<u>Totals</u>
REVENUES:				
Property taxes	\$243,472	\$	\$	\$ 243,472
From other agencies	337,106	125,064		1,972,990
Fees and assessments				50,188
Licenses and permits			9,780	9,780
Use of money and property	2,873	5,118	48	18,789
Other revenue				2,400
Total revenues	<u>583,451</u>	<u>130,182</u>	<u>9,828</u>	<u>2,297,619</u>
EXPENDITURES:				
Current:				
General government	394,964		11,496	419,585
Capital outlay:				
City streets				1,646,780
Total expenditures	<u>394,964</u>		<u>11,496</u>	<u>2,066,365</u>
Excess (deficiency) of revenues over (under) expenditures	<u>188,487</u>	<u>130,182</u>	<u>(1,668)</u>	<u>231,254</u>
Other financing sources (uses):				
Operating transfers in				74,977
Operating transfers out	<u>(27,000)</u>			<u>(27,000)</u>
Total other financing sources (uses)	<u>(27,000)</u>			<u>47,977</u>
Net change in fund balances	<u>161,487</u>	<u>130,182</u>	<u>(1,668)</u>	<u>279,231</u>
Fund balances, July 1, 2010	<u>730,161</u>	<u>1,421,851</u>	<u>12,406</u>	<u>5,652,401</u>
Fund balances, June 30, 2011	<u>\$891,648</u>	<u>\$1,552,033</u>	<u>\$10,738</u>	<u>\$5,931,632</u>

CITY OF LEMOORE  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2011

	<u>Storm Drain Expansion</u>	<u>Street Improvement</u>	<u>Recreation Improvement</u>	<u>Facility Infrastructure</u>	<u>Capital Improvement Fees</u>	<u>Totals</u>
ASSETS						
Cash and investments	\$836,810	\$113,310	\$2,004,552	\$174,096	\$3,155,107	\$6,283,875
Receivables:						
Accounts	26,091				95,114	121,205
Interest	830	107	1,988	173	3,187	6,285
Assessments		4,387				4,387
Total assets	<u>\$863,731</u>	<u>\$117,804</u>	<u>\$2,006,540</u>	<u>\$174,269</u>	<u>\$3,253,408</u>	<u>\$6,415,752</u>
FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$	\$	\$	\$ 11,572	\$ 11,572
Advances payable	148,380					148,380
Total liabilities	<u>148,380</u>				<u>11,572</u>	<u>159,952</u>
Fund balances:						
Committed	<u>715,351</u>	<u>117,804</u>	<u>2,006,540</u>	<u>174,269</u>	<u>3,241,836</u>	<u>6,255,800</u>
Total fund balances	<u>715,351</u>	<u>117,804</u>	<u>2,006,540</u>	<u>174,269</u>	<u>3,241,836</u>	<u>6,255,800</u>
Total liabilities and fund balances	<u>\$863,731</u>	<u>\$117,804</u>	<u>\$2,006,540</u>	<u>\$174,269</u>	<u>\$3,253,408</u>	<u>\$6,415,752</u>

CITY OF LEMOORE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Storm Drain Expansion</u>	<u>Street Improvement</u>	<u>Recreation Improvement</u>	<u>Facility Infrastructure</u>	<u>Capital Improvement Fees</u>	<u>Totals</u>
REVENUES:						
Fees and assessments	\$ 40,239	\$	\$ 24,498	\$	\$ 156,005	\$ 220,742
Use of money and property	<u>3,036</u>	<u>396</u>	<u>7,245</u>	<u>298</u>	<u>11,678</u>	<u>22,653</u>
Total revenues	<u>43,275</u>	<u>396</u>	<u>31,743</u>	<u>298</u>	<u>167,683</u>	<u>243,395</u>
EXPENDITURES:						
Current:						
Public works					55,847	55,847
Capital outlay:						
General government			1,944		54,769	56,713
Public works	<u>994</u>				<u>24,174</u>	<u>25,168</u>
Total expenditures	<u>994</u>		<u>1,944</u>		<u>134,790</u>	<u>137,728</u>
Excess (deficiency) of revenues over (under) expenditures	<u>42,281</u>	<u>396</u>	<u>29,799</u>	<u>298</u>	<u>32,893</u>	<u>105,667</u>
Other financing sources (uses):						
Operating transfers in				126,700		126,700
Operating transfers out	<u>(5,567)</u>		<u>(9,568)</u>		<u>(13,150)</u>	<u>(28,285)</u>
Total other financing sources (uses)	<u>(5,567)</u>		<u>(9,568)</u>	<u>126,700</u>	<u>(13,150)</u>	<u>98,415</u>
Net change in fund balances	<u>36,714</u>	<u>396</u>	<u>20,231</u>	<u>126,998</u>	<u>19,743</u>	<u>204,082</u>
Fund balances, July 1, 2010	<u>678,637</u>	<u>117,408</u>	<u>1,986,309</u>	<u>47,271</u>	<u>3,222,093</u>	<u>6,051,718</u>
Fund balances, June 30, 2011	<u>\$715,351</u>	<u>\$117,804</u>	<u>\$2,006,540</u>	<u>\$174,269</u>	<u>\$3,241,836</u>	<u>\$6,255,800</u>

CITY OF LEMOORE  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2011

	<u>Fleet Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$	\$ 1,149	\$ 1,149
Cash with fiscal agent	<u>          </u>	<u>9,917</u>	<u>9,917</u>
Total current assets	<u>          </u>	<u>11,066</u>	<u>11,066</u>
Noncurrent assets:			
Capital assets:			
Depreciable, net of accumulated depreciation	<u>18,805</u>	<u>          </u>	<u>18,805</u>
Total assets	<u>18,805</u>	<u>11,066</u>	<u>29,871</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	42,209		42,209
Accrued compensated absences	19,597		19,597
Interfund payable	<u>2,774</u>	<u>          </u>	<u>2,774</u>
Total liabilities	<u>64,580</u>	<u>          </u>	<u>64,580</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	18,805		18,805
Unrestricted	<u>(64,580)</u>	<u>11,066</u>	<u>(53,514)</u>
Total net assets (deficit)	<u>\$(45,775)</u>	<u>\$11,066</u>	<u>\$(34,709)</u>

CITY OF LEMOORE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Fleet</u> <u>Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
OPERATING REVENUE:			
Charges for services	\$ <u>926,244</u>	\$ _____	\$ <u>926,244</u>
Total operating revenue	<u>926,244</u>	_____	<u>926,244</u>
OPERATING EXPENSES:			
Salaries and benefits	212,533		212,533
Materials and supplies	355,958		355,958
Utilities	727		727
Contractual services	6,711		6,711
Repairs and maintenance	277,454		277,454
Depreciation and amortization	<u>26,766</u>	_____	<u>26,766</u>
Total operating expenses	<u>880,149</u>	_____	<u>880,149</u>
Operating income (loss)	46,095		46,095
NON-OPERATING REVENUES (EXPENSES):			
Intergovernmental	<u>70,824</u>	_____	<u>70,824</u>
Total Non-operating revenues (expenses)	<u>70,824</u>	_____	<u>70,824</u>
Other financing sources (uses):			
Transfers out	<u>(102,747)</u>	_____	<u>(102,747)</u>
Total other financing sources (uses)	<u>(102,747)</u>	_____	<u>(102,747)</u>
Change in net assets	14,172		14,172
Net assets, July 1, 2010	<u>(59,947)</u>	<u>11,066</u>	<u>(48,881)</u>
Net assets (deficit), June 30, 2011	<u>\$ (45,775)</u>	<u>\$11,066</u>	<u>\$ (34,709)</u>

CITY OF LEMOORE  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Fleet Maintenance</u>	<u>Insurance</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers and users	\$ 926,244	\$	\$ 926,244
Cash payments to suppliers for goods and services	(624,401)		(624,401)
Cash payments to employees for services	<u>(210,345)</u>		<u>(210,345)</u>
Net cash provided (used) by operating activities	91,498		91,498
Cash flows from noncapital financing activities:			
Intergovernmental	70,824		70,824
Transfers to other funds	(102,747)		(102,747)
Loans from other funds	<u>(59,575)</u>		<u>(59,575)</u>
Net cash used by noncapital financing activities	(91,498)		(91,498)
Decrease in cash and cash equivalents			
Cash and investments, July 1, 2010	<u>          </u>	<u>11,066</u>	<u>11,066</u>
Cash and investments, June 30, 2011	<u>          </u>	<u>11,066</u>	<u>11,066</u>
Cash and cash investments		1,149	1,149
Cash with fiscal agent	<u>          </u>	<u>9,917</u>	<u>9,917</u>
Total cash and investments	<u>\$          </u>	<u>\$11,066</u>	<u>\$ 11,066</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income	\$ 46,095	\$	\$ 46,095
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	26,766		26,766
Changes in assets and liabilities:			
Increase (decrease) in accounts payable	16,449		16,449
Increase (decrease) in compensated absences	<u>2,188</u>		<u>2,188</u>
Net cash provided (used) by operating activities	<u>\$ 91,498</u>	<u>\$          </u>	<u>\$ 91,498</u>

CITY OF LEMOORE  
COMBINING STATEMENT OF FIDUCIARY FUND ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2011

	Laguna Irrigation	Other Agency Funds	Totals
<b>ASSETS</b>			
Cash and investments	\$459,306	\$234,394	\$693,700
Other assets	<u>28,800</u>	<u>          </u>	<u>28,800</u>
Total assets	<u>488,106</u>	<u>234,394</u>	<u>722,500</u>
<b>LIABILITIES</b>			
Accounts payable		2,510	2,510
Due to others	488,106	25,011	513,117
Deposits	<u>          </u>	<u>206,873</u>	<u>206,873</u>
Total liabilities	<u>\$488,106</u>	<u>\$234,394</u>	<u>\$722,500</u>