

**CITY OF CORCORAN
COUNTY OF KINGS**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2009**

**CITY OF CORCORAN
JUNE 30, 2009**

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JUNE 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Corcoran, California

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Corcoran, California (City), as of and for the year ended June 30, 2009, 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 generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows 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 December 9, 2009, 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.

The City of Corcoran has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America require that a management's discussion and analysis be presented as supplementary information.

The *budgetary comparison information* on pages 51-56 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Corcoran, California. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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.

Price Pange & Company

Clovis, California
December 9, 2009

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CORCORAN
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents:			
Unrestricted	\$ 10,199,900	\$ 6,413,235	\$ 16,613,135
Restricted	-	69,706	69,706
Cash with fiscal agent - restricted	390,047	1,903,136	2,293,183
Receivables:			
Accounts, net allowance for uncollectible	-	979,019	979,019
Taxes	128,281	-	128,281
Interest	560,148	21,836	581,984
Grants	209,600	-	209,600
Other	995,175	17,215	1,012,390
Notes	9,565,371	-	9,565,371
Prepays	6,059	-	6,059
Property held for resale	18,593	-	18,593
Unamortized bond discount	-	158,942	158,942
Bond issuance cost	309,099	169,768	478,867
Capital assets:			
Non-depreciable	844,816	985,983	1,830,799
Depreciable, net of accumulated depreciation	<u>13,908,236</u>	<u>30,431,191</u>	<u>44,339,427</u>
Total assets	<u>37,135,325</u>	<u>41,150,031</u>	<u>78,285,356</u>
<u>LIABILITIES</u>			
Accounts payable	1,253,611	664,954	1,918,565
Deposits	17,340	-	17,340
Interest payable	-	227,628	227,628
Deferred revenues	6,533,679	-	6,533,679
Noncurrent liabilities:			
Due within one year:			
Note payable	-	99,016	99,016
Certificate of participation	40,000	525,000	565,000
Tax allocation	180,000	-	180,000
Compensated absences	173,164	18,821	191,985
Due in more than one year:			
Note payable	-	732,212	732,212
Certificate of participation	385,000	23,510,454	23,895,454
Tax allocation	4,155,000	-	4,155,000
Compensated absences	<u>72,673</u>	<u>2,437</u>	<u>75,110</u>
Total liabilities	<u>12,810,467</u>	<u>25,780,522</u>	<u>38,590,989</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	9,993,052	6,550,492	16,543,544
Restricted for:			
Debt service restrictions	390,047	1,972,842	2,362,889
Unrestricted	<u>13,941,759</u>	<u>6,846,175</u>	<u>20,787,934</u>
Total net assets	<u>\$ 24,324,858</u>	<u>\$ 15,369,509</u>	<u>\$ 39,694,367</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CORCORAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 1,227,504	\$ -	\$ -	\$ -	\$ (1,227,504)	\$ -	\$ (1,227,504)
Community development	2,366,533	110,054	843,804	-	(1,412,675)	-	(1,412,675)
Public safety	3,483,063	73,593	127,772	45,524	(3,236,174)	-	(3,236,174)
Public works	1,964,344	-	786,491	96,623	(1,081,230)	-	(1,081,230)
Parks and recreation	506,509	-	-	-	(506,509)	-	(506,509)
Interest on long-term debt	320,061	-	-	-	(320,061)	-	(320,061)
Total governmental activities	9,868,014	183,647	1,758,067	142,147	(7,784,153)	-	(7,784,153)
Business-type activities:							
Water	4,665,744	4,136,472	-	-	-	(529,272)	(529,272)
Sewer	1,435,922	1,067,308	-	-	-	(368,614)	(368,614)
Refuse	1,667,269	1,671,038	-	-	-	3,769	3,769
Storm drain	398,402	298,939	-	-	-	(99,463)	(99,463)
Total business-type activities	8,167,337	7,173,757	-	-	-	(993,580)	(993,580)
Total	\$ 18,035,351	\$ 7,357,404	\$ 1,758,067	\$ 142,147	(7,784,153)	(993,580)	(8,777,733)
General revenues:							
Taxes:							
Property taxes					1,424,216	-	1,424,216
Sales and use taxes					1,571,651	-	1,571,651
Franchise taxes					267,239	-	267,239
Other taxes					775,529	-	775,529
Motor vehicle in-lieu					2,380,828	-	2,380,828
Investment income					193,026	139,878	332,904
Rental income					283,947	14,426	298,373
Miscellaneous					803,380	228,727	1,032,107
Transfers					(2,000,000)	2,000,000	-
Total general revenues and transfers					5,699,816	2,383,031	8,082,847
Change in net assets					(2,084,337)	1,389,451	(694,886)
Net assets, July 1, 2008					26,237,803	14,024,915	40,262,718
Prior period adjustment					171,392	(44,857)	126,535
Net assets, July 1, 2008, as restated					26,409,195	13,980,058	40,389,253
Net assets, June 30, 2009					\$ 24,324,858	\$ 15,369,509	\$ 39,694,367

The notes to the basic financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF CORCORAN
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Transportation and Street Special Revenue Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Community Redevelopment Agency Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents:							
Unrestricted	\$ 4,238,901	\$ 1,888,251	\$ 527,691	\$ -	\$ 23,570	\$ 3,521,487	\$ 10,199,900
Cash with fiscal agent:							
Restricted	-	-	-	-	-	390,047	390,047
Receivables:							
Taxes	47,979	-	-	-	-	80,302	128,281
Interest	13,943	6,365	74,663	390,379	-	74,798	560,148
Grants	-	-	662	208,938	-	-	209,600
Other	352,732	358,739	215,794	-	-	67,910	995,175
Notes	-	-	1,256,648	1,728,175	-	209,735	3,194,558
Due from other funds	71,640	-	-	-	-	-	71,640
Prepays	6,059	-	-	-	-	-	6,059
Advances to other funds	2,271,645	-	660,554	-	-	784,795	3,716,994
Property held for resale	18,593	-	-	-	-	-	18,593
Total assets	\$ 7,021,492	\$ 2,253,355	\$ 2,736,012	\$ 2,327,492	\$ 23,570	\$ 5,129,074	\$ 19,490,995
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 660,286	\$ 62,831	\$ 98,151	\$ 217,968	\$ 23,022	\$ 191,353	\$ 1,253,611
Due to other funds	-	-	-	66,873	-	4,767	71,640
Deposits	17,340	-	-	-	-	-	17,340
Deferred revenue	1,553,450	17,490	1,766,570	2,118,381	-	515,714	5,971,605
Advances from other funds	-	-	-	-	3,716,994	-	3,716,994
Total liabilities	2,231,076	80,321	1,864,721	2,403,222	3,740,016	711,834	11,031,190
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	-	390,047	390,047
Unreserved:							
General fund	4,790,416	-	-	-	-	-	4,790,416
Special revenue funds	-	2,173,034	871,291	(75,730)	-	2,313,512	5,282,107
Debt service funds	-	-	-	-	-	1,692,889	1,692,889
Capital project funds	-	-	-	-	(3,716,446)	20,792	(3,695,654)
Total fund balances	4,790,416	2,173,034	871,291	(75,730)	(3,716,446)	4,417,240	8,459,805
Total liabilities and fund balances	\$ 7,021,492	\$ 2,253,355	\$ 2,736,012	\$ 2,327,492	\$ 23,570	\$ 5,129,074	\$ 19,490,995

The notes to the basic financial statements are an integral part of this statement.

CITY OF CORCORAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2009

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

Total fund balances - total governmental funds	\$ 8,459,805
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.	14,753,052
Long-term liabilities were not due and payable in the current period; therefore, they are not reported in the governmental funds.	(5,005,837)
Bond issuance costs to be amortized over the life of the debt.	309,099
Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the governmental funds.	<u>5,808,739</u>
Net assets of governmental activities	<u>\$ 24,324,858</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF CORCORAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Transportation and Street Special Revenue Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Community Redevelopment Agency Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Property taxes	\$ 246,277	\$ -	\$ -	\$ -	\$ -	\$ 1,182,121	\$ 1,428,398
Other taxes	1,872,942	582,555	-	-	-	-	2,455,497
Licenses and permits	158,998	-	-	-	-	-	158,998
Intergovernmental revenues	2,549,488	507,696	-	-	-	33,228	3,090,412
Charges for services	126,991	73,593	-	-	-	-	200,584
Fines and penalties	45,524	4,165	-	-	-	-	49,689
Use of money and property	116,272	45,444	20,907	2,567	23,681	320,375	529,246
Grant drawdowns	2,527	312,325	323,865	475,773	-	479,363	1,593,853
Loan repayments	-	-	132,677	176,921	334	23,545	333,477
Miscellaneous	603,642	4,612	-	-	-	2,600	610,854
Total revenues	5,722,661	1,530,390	477,449	655,261	24,015	2,041,232	10,451,008
EXPENDITURES:							
Current:							
General government	831,176	-	-	-	-	266,952	1,098,128
Community development	-	-	496,030	1,067,593	619,225	700,029	2,882,877
Public safety	3,329,834	-	-	-	-	72,069	3,401,903
Public works	266,158	1,437,933	-	-	-	-	1,704,091
Parks and recreation	390,850	-	-	-	-	-	390,850
Capital outlay:							
General government	162,966	-	-	-	-	-	162,966
Public safety	358,709	-	-	-	-	112,696	471,405
Public works	103,501	524,323	-	-	-	-	627,824
Debt service:							
Principal retirement	-	-	-	-	2,549	210,000	212,549
Interest and fiscal charges	-	435	-	-	88,339	231,287	320,061
Total expenditures	5,443,194	1,962,691	496,030	1,067,593	710,113	1,593,033	11,272,654
Excess (deficiency) of revenues over (under) expenditures	279,467	(432,301)	(18,581)	(412,332)	(686,098)	448,199	(821,646)
Other financing sources (uses):							
Operating transfers in	331,929	-	128,832	-	377,822	-	838,583
Operating transfers out	(2,103,000)	-	(134,129)	-	-	(601,454)	(2,838,583)
Total other financing sources (uses)	(1,771,071)	-	(5,297)	-	377,822	(601,454)	(2,000,000)
Net change in fund balances	(1,491,604)	(432,301)	(23,878)	(412,332)	(308,276)	(153,255)	(2,821,646)
Fund balances, July 1, 2008	6,291,322	2,565,348	872,349	336,602	(3,408,170)	4,470,469	11,127,920
Prior period adjustment	(9,302)	39,987	22,820	-	-	100,026	153,531
Fund balances, July 1, 2008, as restated	6,282,020	2,605,335	895,169	336,602	(3,408,170)	4,570,495	11,281,451
Fund balances, June 30, 2009	\$ 4,790,416	\$ 2,173,034	\$ 871,291	\$ (75,730)	\$ (3,716,446)	\$ 4,417,240	\$ 8,459,805

The notes to the basic financial statements are an integral part of this statement.

CITY OF CORCORAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

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

Net change in fund balances - total governmental funds	\$ (2,821,646)
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is capitalized. This is the amount of capital assets recorded.	1,262,195
Depreciation expense on capital assets is reported in the government-wide statement of activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(654,460)
Compensated absences expense reported in the statement of activities does not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds.	(70,807)
The issuance of long-term debt (eg., bonds) provides current financial resources to the 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 costs, 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.	(12,168)
Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the government-wide statement of net assets.	<u>212,549</u>
Changes in net assets of governmental activities	<u>\$ (2,084,337)</u>

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ENTERPRISE FUNDS

**CITY OF CORCORAN
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2009**

	Water Fund	Sewer Fund	Refuse Fund	Nonmajor Storm Drain Fund	Total
<u>ASSETS</u>					
Cash and cash equivalents:					
Unrestricted	\$ 5,759,083	\$ 606,954	\$ 42,787	\$ 4,411	\$ 6,413,235
Restricted	69,706	-	-	-	69,706
Cash with fiscal agent - restricted	1,903,136	-	-	-	1,903,136
Receivables:					
Accounts, net allowance for uncollectible	532,450	157,891	239,691	48,987	979,019
Interest	20,966	902	(32)	-	21,836
Other	30	-	17,185	-	17,215
Due from other funds	440,000	23,097	27,334	4,237	494,668
Unamortized bond issuance cost	169,768	-	-	-	169,768
Unamortized bond discount	158,942	-	-	-	158,942
Total current assets	<u>9,054,081</u>	<u>788,844</u>	<u>326,965</u>	<u>57,635</u>	<u>10,227,525</u>
Noncurrent assets:					
Nondepreciable	737,730	201,600	-	46,653	985,983
Depreciable, net of accumulated depreciation	24,800,103	3,654,554	27,605	1,948,929	30,431,191
Total noncurrent assets	<u>25,537,833</u>	<u>3,856,154</u>	<u>27,605</u>	<u>1,995,582</u>	<u>31,417,174</u>
Total assets	<u>34,591,914</u>	<u>4,644,998</u>	<u>354,570</u>	<u>2,053,217</u>	<u>41,644,699</u>
<u>LIABILITIES</u>					
Accounts payable	441,966	107,571	111,532	3,885	664,954
Interest payable	226,439	1,189	-	-	227,628
Due to other funds	54,668	-	-	440,000	494,668
Compensated absences	10,481	5,403	2,130	807	18,821
Certificates of participation	525,000	-	-	-	525,000
Notes payable	55,721	43,295	-	-	99,016
Total current liabilities	<u>1,314,275</u>	<u>157,458</u>	<u>113,662</u>	<u>444,692</u>	<u>2,030,087</u>
Compensated absences	969	1,277	-	191	2,437
Certificates of participation	23,510,454	-	-	-	23,510,454
Notes payable	562,124	170,088	-	-	732,212
Total noncurrent liabilities	<u>24,073,547</u>	<u>171,365</u>	<u>-</u>	<u>191</u>	<u>24,245,103</u>
Total liabilities	<u>25,387,822</u>	<u>328,823</u>	<u>113,662</u>	<u>444,883</u>	<u>26,275,190</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	884,534	3,642,771	27,605	1,995,582	6,550,492
Restricted for:					
Debt service	1,972,842	-	-	-	1,972,842
Unrestricted	6,346,716	673,404	213,303	(387,248)	6,846,175
Total net assets	<u>\$ 9,204,092</u>	<u>\$ 4,316,175</u>	<u>\$ 240,908</u>	<u>\$ 1,608,334</u>	<u>\$ 15,369,509</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CORCORAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Water Fund	Sewer Fund	Refuse Fund	Nonmajor Storm Drain Fund	Total
OPERATING REVENUES:					
Charges for services	\$ 4,136,297	\$ 1,067,308	\$ 1,671,038	\$ 298,939	\$ 7,173,582
Connection fees	<u>175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175</u>
Total operating revenues	<u>4,136,472</u>	<u>1,067,308</u>	<u>1,671,038</u>	<u>298,939</u>	<u>7,173,757</u>
OPERATING EXPENSES:					
Personnel costs	360,136	314,600	88,106	35,408	798,250
Maintenance and supplies	1,953,160	599,885	1,455,361	90,308	4,098,714
Depreciation and amortization	1,044,751	341,735	16,874	70,787	1,474,147
Administrative and allocated costs	<u>232,578</u>	<u>170,367</u>	<u>106,928</u>	<u>125,683</u>	<u>635,556</u>
Total operating expenses	<u>3,590,625</u>	<u>1,426,587</u>	<u>1,667,269</u>	<u>322,186</u>	<u>7,006,667</u>
Operating income (loss)	<u>545,847</u>	<u>(359,279)</u>	<u>3,769</u>	<u>(23,247)</u>	<u>167,090</u>
NON-OPERATING REVENUES (EXPENSES):					
Interest income	129,254	8,954	908	761	139,877
Rental income	14,426	-	-	-	14,426
Other income	74,040	116,471	50	38,167	228,728
Other expenses	-	-	-	(74,328)	(74,328)
Interest and fiscal charges	<u>(1,075,119)</u>	<u>(9,335)</u>	<u>-</u>	<u>(1,888)</u>	<u>(1,086,342)</u>
Total non-operating revenues (expenses)	<u>(857,399)</u>	<u>116,090</u>	<u>958</u>	<u>(37,288)</u>	<u>(777,639)</u>
Other financing sources (uses):					
Operating transfers in	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Total other financing sources (uses)	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Change in net assets	<u>1,688,448</u>	<u>(243,189)</u>	<u>4,727</u>	<u>(60,535)</u>	<u>1,389,451</u>
Net assets, July 1, 2008	7,560,501	4,559,364	236,181	1,668,869	14,024,915
Prior period adjustment	<u>(44,857)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,857)</u>
Net assets, July 1, 2008, as restated	<u>7,515,644</u>	<u>4,559,364</u>	<u>236,181</u>	<u>1,668,869</u>	<u>13,980,058</u>
Net assets, June 30, 2009	<u>\$ 9,204,092</u>	<u>\$ 4,316,175</u>	<u>\$ 240,908</u>	<u>\$ 1,608,334</u>	<u>\$ 15,369,509</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CORCORAN
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Water Fund	Sewer Fund	Refuse Fund	Nonmajor Storm Drain Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 4,122,745	\$ 1,088,369	\$ 1,702,274	\$ 303,835	\$ 7,217,223
Cash payments to suppliers for goods and services	(1,713,322)	(612,825)	(1,446,268)	(203,138)	(3,975,553)
Cash payments to employees for services	(355,265)	(312,785)	(87,686)	(35,137)	(790,873)
Cash payments to other funds for allocated costs	<u>(617,910)</u>	<u>(193,464)</u>	<u>(134,262)</u>	<u>(129,920)</u>	<u>(1,075,556)</u>
Net cash provided (used) by operating activities	<u>1,436,248</u>	<u>(30,705)</u>	<u>34,058</u>	<u>(64,360)</u>	<u>1,375,241</u>
Cash flows from noncapital financing activities:					
Proceeds from non-operating revenues	14,426	-	-	-	14,426
Transfers from other funds	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>440,000</u>	<u>2,440,000</u>
Net cash provided (used) by noncapital financing activities	<u>2,014,426</u>	<u>-</u>	<u>-</u>	<u>440,000</u>	<u>2,454,426</u>
Cash flows from capital financing activities:					
Acquisition of capital assets	(228,670)	(17,825)	-	(423,460)	(669,955)
Principal payment	(169,396)	(55,985)	-	-	(225,381)
Cash received from other	88,466	116,471	-	38,167	243,104
Cash payments to other	-	-	(12,206)	(74,328)	(86,534)
Interest and fiscal charges	<u>(959,471)</u>	<u>(9,545)</u>	<u>-</u>	<u>(1,888)</u>	<u>(970,904)</u>
Net cash provided (used) by capital financing activities	<u>(1,269,071)</u>	<u>33,116</u>	<u>(12,206)</u>	<u>(461,509)</u>	<u>(1,709,670)</u>
Cash flows from investing activities:					
Interest on investments	<u>133,498</u>	<u>13,205</u>	<u>698</u>	<u>1,796</u>	<u>149,197</u>
Net cash provided (used) by investing activities	<u>133,498</u>	<u>13,205</u>	<u>698</u>	<u>1,796</u>	<u>149,197</u>
Increase (decrease) in cash and cash equivalents	2,315,101	15,616	22,550	(84,073)	2,269,194
Cash and cash equivalents, July 1, 2008	<u>5,416,824</u>	<u>591,338</u>	<u>20,237</u>	<u>88,484</u>	<u>6,116,883</u>
Cash and cash equivalents, June 30, 2009	<u>\$ 7,731,925</u>	<u>\$ 606,954</u>	<u>\$ 42,787</u>	<u>\$ 4,411</u>	<u>\$ 8,386,077</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF CORCORAN
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Nonmajor Storm Drain Fund</u>	<u>Total</u>
Operating income (loss)	\$ 545,847	\$ (359,279)	\$ 3,769	\$ (23,247)	\$ 167,090
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	984,285	341,735	16,874	70,787	1,413,681
Amortization	60,466	-	-	-	60,466
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(13,727)	21,063	31,234	4,896	43,466
(Increase) decrease in due from other funds	(440,000)	(23,097)	(27,334)	(4,237)	(494,668)
Increase (decrease) in accounts payable	251,524	(12,940)	9,095	(112,830)	134,849
Increase (decrease) in unapplied credits	(11,686)	-	-	-	(11,686)
Increase (decrease) in due to other funds	54,668	-	-	-	54,668
Increase (decrease) in compensated absences	4,871	1,813	420	271	7,375
Net cash provided (used) by operating activities	<u>\$ 1,436,248</u>	<u>\$ (30,705)</u>	<u>\$ 34,058</u>	<u>\$ (64,360)</u>	<u>\$ 1,375,241</u>

Reconciliation of Cash to Balance Sheet

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Nonmajor Storm Drain Fund</u>	<u>Total</u>
Cash and cash equivalents:					
Unrestricted	\$ 5,759,083	\$ 606,954	\$ 42,787	\$ 4,411	\$ 6,413,235
Restricted	69,706	-	-	-	69,706
Cash with fiscal agent - restricted	<u>1,903,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,903,136</u>
	<u>\$ 7,731,925</u>	<u>\$ 606,954</u>	<u>\$ 42,787</u>	<u>\$ 4,411</u>	<u>\$ 8,386,077</u>
Supplemental Disclosures:					
Interest paid	<u>\$ 1,075,119</u>	<u>\$ 9,335</u>	<u>\$ -</u>	<u>\$ (1,888)</u>	<u>\$ 1,082,566</u>

The notes to the basic financial statements are an integral part of this statement.

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FIDUCIARY FUNDS

**CITY OF CORCORAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009**

	Asset Seizure (Unprocessed)	Kings County CDBG	Amigos de la Comunidad	Corcoran Police Explorers	Citizens on Patrol	Total
<u>ASSETS</u>						
Cash	\$ 687	\$ 88,764	\$ 1,088	\$ 414	\$ 203	\$ 91,156
Receivables:						
Interest	-	129	-	-	-	129
Notes	-	1,284,190	-	-	-	1,284,190
Total assets	<u>687</u>	<u>1,373,083</u>	<u>1,088</u>	<u>414</u>	<u>203</u>	<u>1,375,475</u>
<u>LIABILITIES</u>						
Due to other agencies	<u>687</u>	<u>1,371,607</u>	<u>1,088</u>	<u>414</u>	<u>203</u>	<u>1,373,999</u>
Total liabilities	<u>687</u>	<u>1,371,607</u>	<u>1,088</u>	<u>414</u>	<u>203</u>	<u>1,373,999</u>
Net Assets	<u>\$ -</u>	<u>\$ 1,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,476</u>

The notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Corcoran (the “City”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the government’s accounting principles are described below.

Reporting Entity

The City of Corcoran (City) was incorporated on August 11, 1914, as a general law city. The City has a council/manager form of government and is governed by a five-member elected council. The City Manager is appointed by the City Council. The City provides the following services: public safety (police), water utility, sanitation (solid waste disposal, sanitary wastewater and storm water utilities), parks and recreation, community development, public works, and general administrative services.

The accompanying basic financial statements include the financial activities of the City, the primary government, and its component units, which is the Corcoran Redevelopment Agency (Agency) and Corcoran Public Financing Authority (Authority). As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City’s operations. Further, the council has significant influences over the operations of the component units and data from these units are combined with data of the primary government. The blended component unit has a June 30 year-end. Separate financial statements are produced for the Agency and may be obtained from the City’s administrative office. No separate annual financial statements are prepared for the Authority.

Blended Component Unit

The ***Corcoran Redevelopment Agency*** (Agency) was established by Ordinance No. 286, adopted on February 5, 1973, pursuant to the State of California Health and Safety Code, Section 33000, entitled “Community Redevelopment Law.” The Agency was formed in order to redevelop, rehabilitate and revitalize the area within the boundaries of the Corcoran Industrial Sector Redevelopment Project to provide additional employment opportunities, and to provide safe, decent, sanitary and affordable housing, including housing for persons with low or moderate income. The membership of the Agency is comprised solely of individuals who serve on the Corcoran City Council and the administrative staff from the Agency. The financial activity of the Corcoran Redevelopment Agency has been blended into the City’s financial statements.

Complete financial statements for the Corcoran Redevelopment Agency may be obtained at the City of Corcoran’s Finance Department.

The ***Corcoran Joint Powers Finance Authority*** (Authority) is a non-profit corporation incorporated under the laws of the State of California in 1987. The formation of the Authority creates a financing entity through which tax allocation revenue bonds can be issued for the purpose of financing or refinancing capital projects of the Community Redevelopment Agency as permitted by the Community Law. The City Council acts as the governing board of the Authority and is responsible for the Authority’s fiscal and administrative activities. The funds of the Authority have been included in the governmental activities in the financial statements.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by narrative introduction and analytical overview of the City's financial activities in the form of "management discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of the private-sector organizations.

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

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

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

Certain eliminations have been made as prescribed by GASB No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated: Due to/Due from Other Funds, Interfund Note Receivable/Interfund Long-term Debt, and Transfers In/Transfers Out.

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

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

The City reports the following major governmental funds:

- ♦ The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- ♦ The **Transportation and Street Special Revenue Fund** is used to account for sales tax restricted to transportation uses, revenues apportioned under the Streets and Highway Code, Sections 2105, 2106, 2107 and 2107.5 of the State of California, state funds apportioned under the Surface Transportation Program, state grant funds apportioned under the Traffic Congestion Relief Program, and federal funds apportioned under the Federal Aid Urban Grant. The City uses these funds for Dial-A-Ride/Amtrak Ticket transportation programs and for expenditures related to street construction and maintenance.
- ♦ The **Community Development Block Grant Special Revenue Fund** is used to account for the federal grants that provide for development of a viable urban community by providing suitable housing, principally for low and moderate income residents.
- ♦ The **HOME Program Special Revenue Fund** is used to account for the federal grants that provide financing for low-income household for the acquisition, rehabilitation, or new construction of single family homes.
- ♦ The **Community Redevelopment Agency Capital Project Fund** is used to account for the acquisition, relocation, demolition and sale of land in the redevelopment area of the City. Projects are financed from the proceeds of bonds sold and loans from other City funds and eventually from property tax increment revenue.

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 fund.

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

The City reports the following major enterprise funds:

- ♦ The **Water Fund** accounts for financial activity of the water utility system.
- ♦ The **Sewer Fund** is used to account for the financial activity of the sewage collection and wastewater treatment utility system.
- ♦ The **Refuse Fund** is used to account for the financial activity of the solid waste collection and disposal utility system.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

The City's fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on an *economic resources* measurement focus and the accrual basis of accounting as are the enterprise funds explained below.

The City reports the following agency funds:

- ♦ The Assets Seizure (Unprocessed) Agency Fund accounts for money that is seized as part of a police action and this money is used to help purchase fixed assets for the police department. Expenditures are limited to police-related activities.
- ♦ The Kings County CDBG Agency Fund accounts for Kings County Community Development Block Grants Program collections on notes receivable and remittance to Kings County.
- ♦ The Amigos de la Comunidad Agency Fund accounts for the monies raised by the Police Department's Amigos and the use of those funds.
- ♦ The Corcoran Police Explorers Agency Fund accounts for the monies raised by the Police Explorers and the use of those funds.
- ♦ The Citizens on Patrol Agency Fund accounts for the monies raised by the Police Department's Citizens on Patrol and the use of those funds.

Measurement Focus, Basis of Accounting

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

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

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting (continued)

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

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

Assets, Liabilities and Equity

Cash and Cash Equivalents

For the purpose of accompanying statement of cash flows, the City considers all highly liquid investments with maturity of three months or less when acquired by the government.

All cash and cash equivalents of the enterprise funds are pooled with the City's pooled cash and cash equivalents.

Restricted Assets

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

Interfund Transactions

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

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Receivables

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

Property Tax Calendar

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

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

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

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

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

Discount on Bonds

The City's bond or debt discount is recorded as expenditures in the year they are incurred for governmental fund debt and are amortized over the life of the bond for debt service fund.

Bond Issuance Costs

The City's bond or debt issuance costs are recorded as assets in the year they are incurred for governmental fund debt and are amortized over the life of the bond for debt service fund.

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 \$2,000. The City has chosen not to capitalize infrastructure in place prior to the adoption of GASB 34. 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	25-40 years
Infrastructures	5-20 years
Equipment	3-10 years
Vehicles	5-10 years
Utility system	30 years

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Capital Assets (continued)

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure acquired since the beginning of the 2003 fiscal.

The City defines infrastructure as capital assets that are stationary and have expected useful lives significantly in excess of most capital assets. The assets include the street system, water purification and distribution system, sewer collection and treatment system, park and recreation improvement, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business.

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.

Property Held for Resale

Property held for resale consists of parcels of land and improvements. The parcels are recorded at cost.

Interest Payable

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

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

Compensated Absences Payable

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The City limits accumulated vacation to 30 working days for employees and 45 working days for management. All outstanding vacation pay is payable upon termination of employment.

Deferred Revenue

Deferred revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records deferred revenue related to uncollected outstanding, performing loans and intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred).

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Long-Term Debt

In the government-wide financial statements, and proprietary 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 proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

The City does not use encumbrance accounting.

Budgetary and Budgetary Accounting

Budgets are adopted annually for the general funds, special revenue funds, capital funds, debt service funds, and enterprise funds. Formal budgetary integration is employed as a management control device during the year for these funds. The annual budgets are prepared on the basis of accounting utilized by the fund.

Expenditures may not legally exceed budgeted appropriations at the fund level. The City Manager is authorized to make budget transfers between accounts within any fund. All revisions must be reported to the City Council.

Use of Estimates

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

Use of Restricted and Unrestricted Net Assets

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Classification of Net Assets

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

Invested in capital asset, 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. Additionally, this category presents restrictions placed on the categories of capital projects, and specific projects and programs as established by the City Council.

Unrestricted net assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions.

NOTE 2 – DEPOSITS AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the month-end cash and investment balances.

Summary of Deposits and Investments

A reconciliation of the City's deposit and investment balances as of June 30, 2009, is as follows:

Cash on hand	\$ 1,350
Deposits with financial institutions	1,073,479
Investments	<u>17,992,351</u>
 Total cash and investments	 <u>\$ 19,067,180</u>
 Government-Wide:	
Statement of Net Assets:	
Cash and investments	\$ 16,682,841
Cash with fiscal agent	2,293,183
 Fiduciary Funds:	
Statement of Net Assets:	
Cash and investments	<u>91,156</u>
 Total	 <u>\$ 19,067,180</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – DEPOSITS AND INVESTMENTS (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 by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provision of debt agreements of the City, rather than the general provisions of the California Government Code or the City’s investment policy.

Securities of the U.S. Government, or its agencies	Local agency investment fund deposits (state pool)
Certificates of deposit (or time deposits) placed with commercial banks and/or savings & loan companies	Passbook savings account demand deposits
Negotiable certificates of deposit	Small business administration loans
Bankers' acceptances	Repurchase agreements
Commercial paper	Reverse repurchase agreements

Investments Authorized by the Debt Agreements

Investment 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’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risks, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in On Issuer</u>
U.S. Treasury Bonds/Bills	None	None	None
U.S. Government Agency Bonds	None	None	None
Negotiable Certificates of Deposit	365 days	None	None
Time Certificates of Deposit	365 days	None	None
Banker's Acceptances	365 days	None	None
Commercial Paper	365 days	None	None
MoneyMarket Fund	None	None	None

All City investment activities were within State statutes and the City’s investment policy.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by maintaining funds in liquid, short-term investments which can be converted to cash when necessary to meet disbursement requirements.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk (continued)

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

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State investment pool	\$ 15,573,431	\$ 15,573,431	\$ -	\$ -	\$ -
RMA investment pool	125,737	125,737	-	-	-
Held by bond trustee: Money market funds	<u>2,293,183</u>	<u>2,293,183</u>	-	-	-
Total	<u>\$ 17,992,351</u>	<u>\$ 17,992,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Investment Type	Total	Exempt from Disclosure	Rating as of Year-End		
			Aaa	aa	Not Rated
State investment pool	\$ 15,573,431	\$ -	\$ -	\$ -	\$ 15,573,431
RMA investment pool	125,737	-	-	-	125,737
Held by bond trustee: Money market funds	<u>2,293,183</u>	-	<u>2,293,183</u>	-	-
Total	<u>\$ 17,992,351</u>	<u>\$ -</u>	<u>\$ 2,293,183</u>	<u>\$ -</u>	<u>\$ 15,699,168</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City does not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City's investments.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

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

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

As of June 30, 2009, the carrying amount of the City's bank deposits was \$1,073,479, and the respective bank balances totaled \$1,045,952, of the total bank balance. All bank balances were insured through the Federal Depository Insurance Company (FDIC). Of the total bank balance, \$250,000 was insured through the Federal Depository Insurance Company (FDIC). The remaining \$795,952 was collateralized with pooled securities held by the financial institution's trust department. These securities are held in the name of the financial institution and not that of the City.

Local Agency Investment Fund

The City participates in an external investment pool, as defined by the Government Accounting Standards Board (GASB) Statement No. 31, by way of its funds on deposit in the Local Agency Investment Fund (LAIF) managed by the State of California Treasurer and is not registered with the Securities and Exchange Commission. These funds are pooled with those of other agencies in the State and invested in accordance with State guidelines. The value of the City's shares in the LAIF that may be withdrawn is determined on an amortized costs basis, which may be different from the fair value of the City's position in the pool. The City's portion of the June 30, 2009, balance was \$15,573,431. A breakdown of the investments included in the balance is not available for the balance sheet date.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2009, consist of the following for the governmental funds:

	General Fund	Transportation and Street Special Revenue Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Receivables:						
Taxes	\$ 47,979	\$ -	\$ -	\$ -	\$ 80,302	\$ 128,281
Interest	13,943	6,365	74,663	390,379	74,798	560,148
Grants	-	-	662	208,938	-	209,600
Other	352,732	358,739	215,794	-	67,910	995,175
Notes	-	-	1,256,648	1,728,175	209,735	3,194,558
Receivables, net	<u>\$ 414,654</u>	<u>\$ 365,104</u>	<u>\$ 1,547,767</u>	<u>\$ 2,327,492</u>	<u>\$ 432,745</u>	<u>\$ 5,087,762</u>

Receivables as of June 30, 2009, consist of the following for the enterprise funds:

	Water Fund	Sewer Fund	Refuse Fund	Nonmajor Storm Drain Fund	Total
Receivables:					
Accounts	\$ 589,854	\$ 177,774	\$ 269,447	\$ 54,974	\$ 1,092,049
Interest	20,966	902	(32)	-	21,836
Other	30	-	17,185	-	17,215
Allowance for uncollectible	<u>(57,404)</u>	<u>(19,883)</u>	<u>(29,756)</u>	<u>(5,987)</u>	<u>(113,030)</u>
	<u>\$ 553,446</u>	<u>\$ 158,793</u>	<u>\$ 256,844</u>	<u>\$ 48,987</u>	<u>\$ 1,018,070</u>

NOTE 4 – INTERFUND TRANSACTIONS

Due To and Due From Other Funds

Due to/from balances have primarily been recorded when funds overdraw their share of pooled cash. Activities within fund types have been eliminated within the government-wide financial statements.

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	To
Major Funds:		
Governmental funds:		
General fund	\$ 71,640	\$ -
HOME program special revenue fund	-	66,873
Enterprise funds:		
Water fund	440,000	54,668
Sewer fund	23,097	-
Storm drain fund	4,237	440,000
Refuse fund	27,334	-
Nonmajor funds:		
Corcoran joint powers finance authority debt service fund	-	1,195
Assessment district special revenue fund	-	3,572
Total	<u>\$ 566,308</u>	<u>\$ 566,308</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4 – INTERFUND TRANSACTIONS (continued)

Long-Term Interfund Advances

At June 30, 2009, the funds below have made advances that were not expected to be repaid in one year or less.

	Receivable Funds	Payable Funds
Major Funds:		
Governmental funds:		
General fund	\$ 2,271,645	\$ -
Community development block grant special revenue fund	660,554	-
Redevelopment Agency:		
Capital project fund	-	3,716,994
Debt service fund	784,795	-
 Total	 \$ 3,716,994	 \$ 3,716,994

Transfers In and Transfers Out

With the City Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund. Transfers within fund types have been eliminated with the government-wide financial statements.

Transfers in and out consisted of the following as of June 30, 2009:

	Transfers	
	In	Out
Major Funds:		
Governmental funds:		
General fund	\$ 331,929	\$ 2,103,000
Community development block grant special revenue fund	128,832	134,129
Redevelopment Agency:		
Capital project fund	377,822	-
Other governmental funds:		
Prison mitigation special revenue fund	-	200,000
Public safety special revenue fund	-	10,000
Economic development loan programs special revenue fund	-	17,525
Technological program grant special revenue fund	-	18,929
Corcoran redevelopment agency debt service fund	-	355,000
Enterprise fund:		
Water Fund	2,000,000	-
 Total	 \$ 2,838,583	 \$ 2,838,583

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 – NOTES RECEIVABLE / DEFERRED REVENUE

Notes receivable consisted of the following as of June 30, 2009:

	Major Funds		Nonmajor Funds	
	Community Development Block Grant Special Revenue Fund	HOME Program Special Revenue Funds	Economic Development Research Loan Program Special Revenue Fund	Community Redevelopment Agency Special Revenue Fund
Loans receivable under Business Revolving Loan Program.	\$ -	\$ -	\$ 182,488	\$ -
Loans receivable under the RDA first-time homebuyer programs, secured by deeds of trust on the properties.	-	-	-	27,247
Loans receivable under the Community Development Block Grant Program, secured by deeds of trust on the rehabilitated properties.	1,256,648	-	-	-
Loans receivable under the HOME Grant Program, secured by deeds of trust on the rehabilitated properties.	-	1,728,175	-	-
Total notes receivable	<u>\$ 1,256,648</u>	<u>\$ 1,728,175</u>	<u>\$ 182,488</u>	<u>\$ 27,247</u>

Program disbursements are recorded as expenditures in the year the loans are made to participants even though the amounts will be recovered as the loans are repaid. The City maintains detailed records of these loans and records loan principal and interest payments as program revenues in the year such payments are received. Loans recorded as receivable are “performing” loans with monthly/annual activity.

The deferred payment loan receivables under the Community Development Block Grant Programs, HOME Program, the State Deferred Loan Program, and Community Redevelopment Housing Set-Aside Funds are not required to be paid back until the participating homeowner sells, transfers title to the rehabilitated property, or discontinues residence in the dwelling, at which time, the full amount of the deferred loan is due. Deferred payment loans are “non-performing” loans and are not recorded as receivable or deferred revenue. Such loans totaled \$6,370,812 as of June 30, 2009.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2009, is as follows:

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance June 30, 2009</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 364,334	\$ -	\$ -	\$ -	\$ 364,334
Construction in progress	1,973,224	353,469	-	(1,949,713)	376,980
Infrastructure in progress	<u>2,976</u>	<u>103,502</u>	<u>-</u>	<u>(2,976)</u>	<u>103,502</u>
Total capital assets not being depreciated	<u>2,340,534</u>	<u>456,971</u>	<u>-</u>	<u>(1,952,689)</u>	<u>844,816</u>
Capital assets being depreciated:					
Buildings and other improvements	8,239,235	170,970	-	1,949,713	10,359,918
Machinery and equipment	1,852,825	124,673	-	-	1,977,498
Infrastructure	5,240,924	405,195	-	2,976	5,649,095
Vehicles	<u>2,041,427</u>	<u>104,386</u>	<u>-</u>	<u>-</u>	<u>2,145,813</u>
Total capital assets being depreciated	<u>17,374,411</u>	<u>805,224</u>	<u>-</u>	<u>1,952,689</u>	<u>20,132,324</u>
Less accumulated depreciation for:					
Buildings and other improvements	(2,428,116)	(276,150)	-	-	(2,704,266)
Machinery and equipment	(1,432,930)	(113,667)	-	-	(1,546,597)
Infrastructure	(378,116)	(132,078)	-	-	(510,194)
Vehicles	<u>(1,330,466)</u>	<u>(132,565)</u>	<u>-</u>	<u>-</u>	<u>(1,463,031)</u>
Total accumulated depreciation	<u>(5,569,628)</u>	<u>(654,460)</u>	<u>-</u>	<u>-</u>	<u>(6,224,088)</u>
Total capital assets being depreciated, net	<u>11,804,783</u>	<u>150,764</u>	<u>-</u>	<u>1,952,689</u>	<u>13,908,236</u>
Governmental activity capital assets, net	<u>\$ 14,145,317</u>	<u>\$ 607,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,753,052</u>

For the year ended June 30, 2009, depreciation expense on capital assets was charged to the governmental functions as follows:

General government	\$ 50,165
Community development	124,885
Public safety	81,161
Public works	281,890
Parks and recreation	<u>116,359</u>
Total	<u>\$ 654,460</u>

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 – CAPITAL ASSETS (continued)

Capital assets activity of the business-type activities for the year ended June 30, 2009, is as follows:

	Balance July 1, 2008	Increases	Decreases	Transfers	Balance June 30, 2009
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 985,983	\$ -	\$ -	\$ -	\$ 985,983
Construction in progress	<u>163,475</u>	<u>-</u>	<u>-</u>	<u>(163,475)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,149,458</u>	<u>-</u>	<u>-</u>	<u>(163,475)</u>	<u>985,983</u>
Capital assets being depreciated:					
Utility system	42,548,725	652,129	-	163,475	43,364,329
Machinery and equipment	1,003,652	17,825	-	-	1,021,477
Vehicles	<u>490,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,641</u>
Total capital assets being depreciated	<u>44,043,018</u>	<u>669,954</u>	<u>-</u>	<u>163,475</u>	<u>44,876,447</u>
Less accumulated depreciation for:					
Utility system	(12,198,707)	(1,304,759)	-	-	(13,503,466)
Machinery and equipment	(636,237)	(80,167)	-	-	(716,404)
Vehicles	<u>(196,635)</u>	<u>(28,751)</u>	<u>-</u>	<u>-</u>	<u>(225,386)</u>
Total accumulated depreciation	<u>(13,031,579)</u>	<u>(1,413,677)</u>	<u>-</u>	<u>-</u>	<u>(14,445,256)</u>
Total capital assets being depreciated, net	<u>31,011,439</u>	<u>(743,723)</u>	<u>-</u>	<u>163,475</u>	<u>30,431,191</u>
Business-type capital assets, net	<u>32,160,897</u>	<u>(743,723)</u>	<u>-</u>	<u>-</u>	<u>31,417,174</u>
Total capital assets	<u>\$ 46,306,214</u>	<u>\$ (135,988)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,170,226</u>

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

Business-Type Activities:	
Water	\$ 984,281
Sewer	341,735
Storm Drain	70,787
Refuse	<u>16,874</u>
Total	<u>\$ 1,413,677</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 – COMPENSATED ABSENCES

The City’s policy relating to compensated absences is described in Note 1. As shown in the table below, the long-term portion of this debt, amounting to \$72,673 for governmental activities and \$2,437 for business-type activities at June 30, 2009, is expected to be paid in future years from future resources.

Because of the nature of compensated absences and uncertainty over when vacations will be taken, a statement of debt service requirements to maturity of compensated absences has not been presented. At June 30, 2009, the balance is \$245,837 for governmental activities and \$21,258 for the business-type activities.

	Balance July 1, 2008	Incurred	Satisfied	Balance June 30, 2009	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
Compensated absences	<u>\$ 175,030</u>	<u>\$ 186,813</u>	<u>\$ (116,006)</u>	<u>\$ 245,837</u>	<u>\$ 173,164</u>	<u>\$ 72,673</u>
Business-Type Activities:						
Compensated absences	<u>\$ 13,881</u>	<u>\$ 26,223</u>	<u>\$ (18,846)</u>	<u>\$ 21,258</u>	<u>\$ 18,821</u>	<u>\$ 2,437</u>

NOTE 8 – LONG-TERM DEBT

The following is a summary of long-term obligation transactions for governmental activities for the year ended June 30, 2009:

	Balance July 1, 2008	Incurred or Issued	Satisfied or Matured	Balance June 30, 2009	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
2004 Tax Allocation Bonds	\$ 4,510,000	\$ -	\$ (175,000)	\$ 4,335,000	\$ 180,000	\$ 4,155,000
Certificates of Participation	460,000	-	(35,000)	425,000	40,000	385,000
Kings County EDC Loan	<u>2,549</u>	<u>-</u>	<u>(2,549)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 4,972,549</u>	<u>\$ -</u>	<u>\$ (212,549)</u>	<u>\$ 4,760,000</u>	<u>\$ 220,000</u>	<u>\$ 4,540,000</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 – LONG-TERM DEBT (continued)

Revenue Bonds

2004 Tax Allocation Bonds

The 2004 Tax Allocation Refunding Bonds were issued on November 1, 2004, by the Community Redevelopment Agency to refund the Tax Allocation Refunding Bonds, Series 1994 issued by the Agency. Bonds authorized and issued have interest ranging from 1.9% to 5.0% and mature December 1, 2034.

<u>Fiscal Year Ending</u>	<u>2004 Tax Allocation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 180,000	\$ 189,418	\$ 369,418
2011	185,000	184,018	369,018
2012	190,000	177,543	367,543
2013	200,000	170,418	370,418
2014	205,000	162,918	367,918
2015-2019	1,155,000	682,818	1,837,818
2020-2024	1,190,000	405,783	1,595,783
2025-2029	405,000	217,745	622,745
2030-2034	505,000	107,750	612,750
2035	<u>120,000</u>	<u>6,000</u>	<u>126,000</u>
Totals	<u>\$ 4,335,000</u>	<u>\$ 2,304,411</u>	<u>\$ 6,639,411</u>

Certificates of Participation

The Certificates of Participation were issued on April 15, 1993, by Corcoran Joint Powers Finance Authority (CJPFA) at an interest rate of 8.75% to finance the acquisition of land and construction of a storm drainage system. The Certificates of Participation mature on June 1, 2016. The Certificates of Participation are secured by annual base rental lease payments payable by the City for use of the storm drainage system. The Authority was required under the terms of the trust agreement to deposit \$76,000 into a reserve fund.

<u>Fiscal Year Ending</u>	<u>1992 Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 40,000	\$ 36,313	\$ 76,313
2011	40,000	32,813	72,813
2012	45,000	29,313	74,313
2013	50,000	25,156	75,156
2014	50,000	20,781	70,781
2015-2016	<u>200,000</u>	<u>27,125</u>	<u>227,125</u>
Totals	<u>\$ 425,000</u>	<u>\$ 171,501</u>	<u>\$ 596,501</u>

Note Payable

The City received a \$20,000 economic development loan from Kings County of February 1, 2004, for business development. The City, in turn, loan the money to a local business owner for business assistance. The loan was repaid in monthly installments of \$359, including interest at 3.0%, through April 2009. There are no futures principal payments on this note payable.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 – LONG-TERM DEBT (continued)

The following is a summary of long-term obligation transactions for business-type activities for the year ended June 30, 2009:

	Balance July 1, 2008	Incurred or Issued	Satisfied or Matured	Balance June 30, 2009	Amounts Due Within One Year	Amounts Due in More Than One Year
Business-Type Activities:						
Davis-Grunsky Loan (Water Fund)	\$ 672,241	\$ -	\$ (54,396)	\$ 617,845	\$ 55,721	\$ 562,124
2003 Certificates of Participation	5,490,000	-	(115,000)	5,375,000	115,000	5,260,000
2003 Certificates of Participation - Unamortized Bond Discounts	(76,303)	-	3,052	(73,251)	-	(73,251)
2005 Certificates of Participation	-	-	-	-	-	-
2008 Certificates of Participation	19,900,000	-	-	19,900,000	410,000	19,490,000
2008 Certificates of Participation - Deferred Refunding	(1,211,152)	-	44,857	(1,166,295)	-	(1,166,295)
State Water Quality Control Fund Loans (Sewer Fund)	240,013	-	(41,901)	198,112	29,210	168,902
State Rural Economic Development Infrastructure Loan	29,355	-	(14,084)	15,271	14,085	1,186
Total business-type activities	<u>\$ 25,044,154</u>	<u>\$ -</u>	<u>\$ (177,472)</u>	<u>\$ 24,866,682</u>	<u>\$ 624,016</u>	<u>\$ 24,242,666</u>

Notes Payable

Davis-Grunsky Loan (Water Fund)

The Davis-Grunsky Contract D-GLC43 payable to the State of California, Department of Water Resources was for improvements made in fiscal year 1976 to the City's water system. The loan is to be repaid in annual payments of approximately \$70,000, including interest at 2.5% through fiscal year 2019. Under terms of the loan, the City was required to establish a reserve of \$69,706 in the City's Water Fund.

<u>Fiscal Year Ending</u>	<u>Davis-Grunsky Loan (Water Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 55,721	\$ 13,654	\$ 69,375
2011	56,953	12,361	69,314
2012	58,339	11,034	69,373
2013	59,725	9,673	69,398
2014	61,111	8,278	69,389
2015-2019	<u>325,996</u>	<u>19,248</u>	<u>345,244</u>
Totals	<u>\$ 617,845</u>	<u>\$ 74,248</u>	<u>\$ 692,093</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 – LONG-TERM DEBT (continued)

State Water Quality Control Fund Loans (Sewer Fund)

The State Water Quality Control Fund has two loans with the City of \$568,192 and \$200,000. The larger loan is payable in annual installments of \$36,342 including interest at 3.6%. The final payment of \$6,342 is due July 2016. The smaller loan is payable in annual installments of \$14,200, including interest at 3.6%. The final payment is due February 2016.

State Water Quality Control Fund Loans (Sewer Fund)			
Fiscal Year Ending	Principal	Interest	Total
2010	\$ 29,210	\$ 7,132	\$ 36,342
2011	30,262	6,080	36,342
2012	31,351	4,991	36,342
2013	32,480	3,862	36,342
2014	33,649	2,693	36,342
2015-2017	41,160	1,525	42,685
Totals	\$ 198,112	\$ 26,283	\$ 224,395

2003 Certificates of Participation (Water Fund)

The 2003 Certificates of Participation were issued on July 1, 2003, in the amount of \$5,915,000. These Certificates paid off the existing Farmers Home Administration Loan and also provided for the construction and acquisition of capital improvements to the City's municipal water system. Certificates authorized and issued have interest rates ranging from 2.00% to 4.25% and mature July 1, 2035.

2003 Certificates of Participation			
Fiscal Year Ending	Principal	Interest	Total
2010	\$ 115,000	\$ 217,558	\$ 332,558
2011	120,000	214,470	334,470
2012	120,000	211,020	331,020
2013	125,000	207,033	332,033
2014	130,000	202,570	332,570
2015-2019	735,000	932,363	1,667,363
2020-2024	910,000	762,120	1,672,120
2024-2029	1,115,000	549,419	1,664,419
2030-2034	1,365,000	285,919	1,650,919
2035	640,000	27,413	667,413
Totals	\$ 5,375,000	\$ 3,609,885	\$ 8,984,885

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 – LONG-TERM DEBT (continued)

State Rural Economic Development Infrastructure Loan (Sewer Fund)

The State Rural Economic Development Infrastructure loan is payable in semi-annual installments of \$7,495 including interest at 3.5% to July 2010. Under the terms of the contract with the State of California, the City was required to establish and deposit \$14,990 into REDIP reserve account, representing one year's annual debt service as security for the loan.

Fiscal Year Ending	State Rural Economic Development Infrastructure Loan (Sewer Fund)		
	Principal	Interest	Total
2010	\$ 14,582	\$ 408	\$ 14,990
2011	689	12	701
Totals	\$ 15,271	\$ 420	\$ 15,691

2008 Certificates of Participation (Water Fund)

The 2008 Certificates of Participation were issued on March 27, 2008, in the amount of \$19,900,000. These certificates provided for the refunding of the 2005 Certificates of Participation (Water System Project). Certificates authorized and issued have a variable rate of interest reset each Wednesday and mature July 1, 2036.

Fiscal Year Ending	2008 Certificates of Participation		
	Principal	Interest	Total
2010	\$ 410,000	\$ 740,280	\$ 1,150,280
2011	425,000	725,028	1,150,028
2012	445,000	709,218	1,154,218
2013	460,000	692,664	1,152,664
2014	480,000	675,552	1,155,552
2014-2018	2,735,000	3,093,738	5,828,738
2019-2023	3,360,000	2,540,388	5,900,388
2024-2028	4,140,000	1,859,628	5,999,628
2029-2033	5,090,000	1,021,884	6,111,884
2034-2036	2,355,000	132,246	2,487,246
Totals	\$ 19,900,000	\$ 12,190,626	\$ 32,090,626

Note: Assumes 3.72% interest rate and does not include Letter of Credit or remarketing fees.

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in October, 2005, the City entered into an interest rate swap in connection with the issuance of the \$21.9 million 2005 Certificates of Participation. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 3.655 percent (exclusive of remarketing fees). The swap agreement was continued as part of the 2008 refunding COPs.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 – LONG-TERM DEBT (continued)

2008 Certificates of Participation (Water Fund) (continued)

Terms. Under the swap, the City pays the counterparty, Piper Jaffray Financial Products Inc. (“the Counterparty”) a fixed payment based upon a negotiated rate of 3.72% and receives a variable payment computed as 63% of the London Interbank Offered Rate (LIBOR) plus 30 basis points (.30%). The amount that the City receives under the swap agreement is structured to equal the amount that it pays on its Certificates, thus cancelling each other out and leaving the fixed rate portion amount to be paid under the swap as the net overall payment. The City also pays letter of credit and remarketing fees on the variable rate bonds (totaling .50% annually). The swap has a notional amount of \$19.9 million and the associated variable-rate bond has a \$19.9 million principal amount. Starting in 2010, the notional value of the swap and the principal amount of the associated debt decline until the debt is completely retired in 2036. The bonds and the related swap agreement will mature on July 1, 2036.

Fair Value. The Counterparty informed the City that as of June 30, 2009, the swap had a fair value of (\$2,194,161.62). The Counterparty states that the valuation is based on a proprietary model.

Credit risk. As of June 30, 2009, the City was not exposed to credit risk because the swap had a net negative fair value. This negative amount may increase if interest rates decrease in the future. However, if interest rates increase and the fair value of the swap becomes positive, the City will be exposed to credit risk, to a maximum possible loss equivalent to the swap’s fair value. The swap Counterparty was rated AA by Standard & Poor’s October 1, 2005. To mitigate the potential for credit risk, if the Counterparty’s credit quality falls below AA, the fair value of the swap will be fully collateralized by the Counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

Basis risk. Basis risk is the risk that the interest rate paid by the City on the underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the Counterparty. The City bears basis risk on its swap. The swap has basis risk since the City receives a percentage of LIBOR to offset the actual variable bond rate the City pays on its bonds. The City is exposed to basis risk should the floating rate that it receives on the swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination event.” That is, the swap may be terminated by the City if the Counterparty’s credit quality rating falls below “A-“ as issued by Fitch Ratings or Standard & Poor’s or “A3” as issued by Moody’s Investors Service. The City of the Counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the City, if it was the defaulting party under the terms of the swap, would be liable to the Counterparty for a payment equal to the swap’s fair value.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description

The City defined benefit pension plans, the Miscellaneous Plan and the Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous and Safety Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan administered by CalPERS, which acts a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in the Safety and Miscellaneous Plans are required to contribute 9 percent and 7 percent of their annual covered salary, respectively. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 30.554 % and 8.178% for public safety and miscellaneous employees, respectively. 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. Therefore, a rate of zero is charged for the first \$133.33 per month.

Annual Pension Cost and Net Pension Obligation

For the fiscal year 2008/2009, the City's combined annual pension cost of \$493,705 was equal to the annual requirement contribution. The current year's required contribution was determined as part of the June 30, 2006, 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 expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 13.15% for members of both plans; and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the Miscellaneous and Safety Plans' assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The Miscellaneous and Safety Plans' unfunded actuarial liabilities are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period of June 30, 2009, was 15 years.

The City's annual pension cost (APC) and net pension obligation as of and for the year ended June 30, 2009, was as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Costs (APC)</u>	<u>Percent of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Miscellaneous Plan</u>			
06/30/07	\$ 159,158	100%	\$ -
06/30/08	\$ 176,829	100%	\$ -
06/30/09	\$ 181,167	100%	\$ -
<u>Safety Plan</u>			
06/30/07	\$ 274,195	100%	\$ -
06/30/08	\$ 333,474	100%	\$ -
06/30/09	\$ 312,538	100%	\$ -

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (continued)

Funded Status and Progress

The funded status of each plan as of the most recent actuarial valuation date presented below related to the plan as a whole, of which the City is one participating employer.

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as of % of Covered Payroll
06/30/07						
Miscellaneous	\$ 2,611,746,790	\$ 2,391,434,447	\$ 220,312,343	91.6%	\$ 665,522,859	33.1%
Safety	\$ 1,648,159,522	\$ 1,422,143,105	\$ 226,016,417	86.3%	\$ 200,537,256	112.7%

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

NOTE 10 – 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.

The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each worker's compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$50,000 and worker's compensation losses under \$100,000. The CSJVRMA participates in an excess pool which provides worker's compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-four (54) cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et. seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA.

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

The following is a summary of financial information of the CSJVRMA as of and for the fiscal year ended June 30, 2009:

Total assets	\$ 63,349,322
Total liabilities	<u>54,045,869</u>
Member's equity	<u>\$ 9,303,453</u>
Total revenues	\$ 28,036,256
Total expenses	<u>28,432,658</u>
Excess of expenses (loss) over income	<u>\$ (396,402)</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Construction Commitments

The City has entered into a construction contract with a private contractors amounting to a total commitment of approximately \$501,165. This is for the downtown façade improvement program. The City has made cumulative expenditures on these commitments through June 30, 2009, of \$77,676.

General Liability

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

Federal Awards and Grants

The City participates in grant programs which are governed by various rules and regulation of the grantor agencies. Costs charge to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to the compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 12 – DEFICIT FUND EQUITY

Major Funds:

The **Community Redevelopment Agency Capital Project Fund** has a deficit fund balance of \$3,716,446 as of June 30, 2009. This is a result of expenditures in excess of tax increment revenues.

The **Home Program Special Revenue Fund** has a deficit fund balance of \$75,730 as of June 30, 2009. This is a result of more expenditures payout from that fund than revenues coming in.

Non-Major Funds:

The **Assessment Districts Special Revenue Fund** has a deficit fund balance of \$8,254 as of June 30, 2009. This is a result of more expenditures payout from that fund than revenues coming in.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

The City made the following adjustments to the opening net assets at July 1, 2009:

Governmental Activities:

Revenues were overstated (understated) in prior year:	
General Fund	\$ 9,302
Transportation and Street Special Revenue Fund	(39,987)
Expenses were (overstated) understated in prior year:	
Corcoran Joint Powers Finance Authority Debt Service Fund	(100,026)
Community Development Block Grant Special Revenue Fund	<u>(22,820)</u>
Total governmental activities	<u>\$ (153,531)</u>

Business-Type Activities:

Amortization expense was understated in prior year:	
Water Fund	<u>\$ 44,857</u>
Total business-type activities	<u>\$ 44,857</u>

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 14 – SEGMENT INFORMATION

The City maintains four enterprise funds that provide water, sewer, refuse, and storm drain services. Segment information for the year ended June 30, 2009, is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Nonmajor Storm Drain Fund</u>	<u>Total</u>
CONDENSED STATEMENT OF NET ASSETS					
Assets:					
Current assets	\$ 9,054,081	\$ 788,844	\$ 326,965	\$ 57,635	\$ 10,227,525
Capital assets (net)	<u>25,537,833</u>	<u>3,856,154</u>	<u>27,605</u>	<u>1,995,582</u>	<u>31,417,174</u>
Total assets	<u>34,591,914</u>	<u>4,644,998</u>	<u>354,570</u>	<u>2,053,217</u>	<u>41,644,699</u>
Liabilities:					
Current liabilities	1,314,275	157,458	113,662	444,692	2,030,087
Noncurrent liabilities	<u>24,073,547</u>	<u>171,365</u>	<u>-</u>	<u>191</u>	<u>24,245,103</u>
Total liabilities	<u>25,387,822</u>	<u>328,823</u>	<u>113,662</u>	<u>444,883</u>	<u>26,275,190</u>
Net Assets:					
Invested in capital assets, net of related debt	884,534	3,642,771	27,605	1,995,582	6,550,492
Restricted	1,972,842	-	-	-	1,972,842
Unrestricted	<u>6,346,716</u>	<u>673,404</u>	<u>213,303</u>	<u>(387,248)</u>	<u>6,846,175</u>
Total net assets	<u>\$ 9,204,092</u>	<u>\$ 4,316,175</u>	<u>\$ 240,908</u>	<u>\$ 1,608,334</u>	<u>\$ 15,369,509</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS					
Operating revenues	\$ 4,136,472	\$ 1,067,308	\$ 1,671,038	\$ 298,939	\$ 7,173,757
Depreciation expenses	(1,044,751)	(341,735)	(16,874)	(70,787)	(1,474,147)
Other operating expenses	<u>(2,545,874)</u>	<u>(1,084,852)</u>	<u>(1,650,395)</u>	<u>(251,399)</u>	<u>(5,532,520)</u>
Operating income (loss)	<u>545,847</u>	<u>(359,279)</u>	<u>3,769</u>	<u>(23,247)</u>	<u>167,090</u>
Nonoperating revenue (expenses):					
Other nonoperating revenue	88,466	116,471	50	(36,161)	168,826
Investment income	129,254	8,954	908	761	139,877
Interest expense	<u>(1,075,119)</u>	<u>(9,335)</u>	<u>-</u>	<u>(1,888)</u>	<u>(1,086,342)</u>
Total nonoperating revenue (expenses)	<u>(857,399)</u>	<u>116,090</u>	<u>958</u>	<u>(37,288)</u>	<u>(777,639)</u>
Transfers in (out)	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Change in net assets	1,688,448	(243,189)	4,727	(60,535)	1,389,451
Beginning net assets	7,560,501	4,559,364	236,181	1,668,869	14,024,915
Prior period adjustments	<u>(44,857)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,857)</u>
Ending net assets	<u>\$ 9,204,092</u>	<u>\$ 4,316,175</u>	<u>\$ 240,908</u>	<u>\$ 1,608,334</u>	<u>\$ 15,369,509</u>
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	\$ 1,436,248	\$ (30,705)	\$ 34,058	\$ (64,360)	\$ 1,375,241
Noncapital financing activities	2,014,426	-	-	440,000	2,454,426
Capital and related financing activities	(1,269,071)	33,116	(12,206)	(461,509)	(1,709,670)
Investing activities	<u>133,498</u>	<u>13,205</u>	<u>698</u>	<u>1,796</u>	<u>149,197</u>
Net increase (decrease) in cash and cash equivalents	2,315,101	15,616	22,550	(84,073)	2,269,194
Beginning cash and cash equivalents	<u>5,416,824</u>	<u>591,338</u>	<u>20,237</u>	<u>88,484</u>	<u>6,116,883</u>
Ending cash and cash equivalents	<u>\$ 7,731,925</u>	<u>\$ 606,954</u>	<u>\$ 42,787</u>	<u>\$ 4,411</u>	<u>\$ 8,386,077</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CORCORAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009**

Both of the City's defined benefit pension plans, the Miscellaneous Plan and the Safety Plan, are cost-sharing multiple employer defined benefit pension plan that provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The information presented in below in the schedule of funding progress and employer contributions relates to the plan as a whole, of which the City is one participating employer.

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as of % of Covered Payroll
Miscellaneous:						
06/30/05	\$ 2,891,460,651	\$ 2,588,713,000	\$ 302,747,651	89.5%	\$ 755,046,679	40.1%
06/30/06	\$ 2,754,396,608	\$ 2,492,226,176	\$ 262,170,432	90.5%	\$ 699,897,835	37.5%
06/30/07	\$ 2,611,746,790	\$ 239,143,447	\$ 220,312,343	9.2%	\$ 665,522,859	33.1%
Safety:						
06/30/05	\$ 1,325,510,754	\$ 1,105,298,221	\$ 220,212,533	83.4%	\$ 161,466,071	136.4%
06/30/06	\$ 1,473,284,852	\$ 1,252,059,468	\$ 221,225,384	85.0%	\$ 177,088,890	124.9%
06/30/07	\$ 1,648,159,522	\$ 1,422,143,105	\$ 226,016,417	86.3%	\$ 200,537,256	112.7%

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Property taxes	\$ 256,680	\$ 256,680	\$ 246,277	\$ (10,403)
Other taxes	1,528,826	1,528,826	1,872,942	344,116
Licenses and permits	199,960	199,960	158,998	(40,962)
Intergovernmental revenues	2,148,280	2,148,280	2,549,488	401,208
Charges for services	181,605	181,605	126,991	(54,614)
Fines and penalties	35,500	35,500	45,524	10,024
Use of money and property	255,400	255,400	116,272	(139,128)
Grant drawdowns	-	-	2,527	2,527
Miscellaneous	45,750	45,750	603,642	557,892
Total revenues	<u>4,652,001</u>	<u>4,652,001</u>	<u>5,722,661</u>	<u>1,070,660</u>
EXPENDITURES:				
Current:				
General government	758,846	758,846	831,176	(72,330)
Public safety	3,366,125	3,366,125	3,329,834	36,291
Public works	651,512	651,512	266,158	385,354
Parks and recreation	459,285	459,285	390,850	68,435
Capital outlay:				
General government	1,724,500	1,724,500	162,966	1,561,534
Public safety	5,000,000	5,000,000	358,709	4,641,291
Public works	68,000	68,000	103,501	(35,501)
Total expenditures	<u>12,028,268</u>	<u>12,028,268</u>	<u>5,443,194</u>	<u>6,585,074</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,376,267)</u>	<u>(7,376,267)</u>	<u>279,467</u>	<u>7,655,734</u>
Other financing sources (uses):				
Operating transfers in	81,900	394,900	331,929	(62,971)
Operating transfers out	-	(2,103,000)	(2,103,000)	-
Total other financing sources (uses)	<u>81,900</u>	<u>(1,708,100)</u>	<u>(1,771,071)</u>	<u>(62,971)</u>
Net change in fund balances	<u>(7,294,367)</u>	<u>(9,084,367)</u>	<u>(1,491,604)</u>	<u>7,592,763</u>
Fund balances, July 1, 2008	6,291,322	6,291,322	6,291,322	-
Prior period adjustment	-	-	(9,302)	-
Fund balances, July 1, 2008, as restated	<u>6,291,322</u>	<u>6,291,322</u>	<u>6,282,020</u>	<u>(9,302)</u>
Fund balances, June 30, 2009	<u>\$ (1,003,045)</u>	<u>\$ (2,793,045)</u>	<u>\$ 4,790,416</u>	<u>\$ 7,583,461</u>

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 20,907	\$ 20,907
Grant drawdowns	437,456	437,456	323,865	(113,591)
Loan repayments	<u>965,340</u>	<u>965,340</u>	<u>132,677</u>	<u>(832,663)</u>
Total revenues	<u>1,402,796</u>	<u>1,402,796</u>	<u>477,449</u>	<u>(925,347)</u>
EXPENDITURES:				
Current:				
Community development	<u>1,728,386</u>	<u>1,728,386</u>	<u>496,030</u>	<u>1,232,356</u>
Total expenditures	<u>1,728,386</u>	<u>1,728,386</u>	<u>496,030</u>	<u>1,232,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(325,590)</u>	<u>(325,590)</u>	<u>(18,581)</u>	<u>307,009</u>
Other financing sources (uses):				
Operating transfers in	-	-	128,832	128,832
Operating transfers out	<u>-</u>	<u>-</u>	<u>(134,129)</u>	<u>(134,129)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(5,297)</u>	<u>(5,297)</u>
Net change in fund balances	(325,590)	(325,590)	(23,878)	301,712
Fund balances, July 1, 2008	<u>895,169</u>	<u>895,169</u>	<u>895,169</u>	<u>-</u>
Fund balances, June 30, 2009	<u>\$ 569,579</u>	<u>\$ 569,579</u>	<u>\$ 871,291</u>	<u>\$ 301,712</u>

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
TRANSPORTATION AND STREET SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amount</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Other taxes	\$ 738,724	\$ 738,724	\$ 582,555	\$ (156,169)
Intergovernmental revenues	462,125	462,125	507,696	45,571
Charges for services	80,000	80,000	73,593	(6,407)
Fines and penalties	-	-	4,165	4,165
Use of money and property	48,000	48,000	45,444	(2,556)
Grant drawdowns	80,930	80,930	312,325	231,395
Miscellaneous	-	-	4,612	4,612
Total revenues	<u>1,409,779</u>	<u>1,409,779</u>	<u>1,530,390</u>	<u>120,611</u>
EXPENDITURES:				
Current:				
Public works	1,462,497	1,462,497	1,437,933	24,564
Capital outlay:				
Public works	595,815	595,815	524,323	71,492
Interest and fiscal charges	-	-	435	(435)
Total expenditures	<u>2,058,312</u>	<u>2,058,312</u>	<u>1,962,691</u>	<u>95,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(648,533)</u>	<u>(648,533)</u>	<u>(432,301)</u>	<u>216,232</u>
Other financing sources (uses):				
Operating transfers in	50,756	50,756	-	(50,756)
Operating transfers out	(50,756)	(50,756)	-	50,756
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(648,533)</u>	<u>(648,533)</u>	<u>(432,301)</u>	<u>216,232</u>
Fund balances, July 1, 2008	2,565,348	2,565,348	2,565,348	-
Prior period adjustment	-	-	39,987	39,987
Fund balances, July 1, 2008, as restated	<u>2,565,348</u>	<u>2,565,348</u>	<u>2,605,335</u>	<u>39,987</u>
Fund balances, June 30, 2009	<u>\$ 1,916,815</u>	<u>\$ 1,916,815</u>	<u>\$ 2,173,034</u>	<u>\$ 256,219</u>

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
HOME PROGRAM SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 2,567	\$ 2,567
Grant drawdowns	349,000	349,000	475,773	126,773
Loan repayments	<u>296,290</u>	<u>296,290</u>	<u>176,921</u>	<u>(119,369)</u>
Total revenues	<u>645,290</u>	<u>645,290</u>	<u>655,261</u>	<u>9,971</u>
EXPENDITURES:				
Current:				
Community development	<u>670,885</u>	<u>670,885</u>	<u>1,067,593</u>	<u>(396,708)</u>
Total expenditures	<u>670,885</u>	<u>670,885</u>	<u>1,067,593</u>	<u>(396,708)</u>
Net change in fund balances	(25,595)	(25,595)	(412,332)	(386,737)
Fund balances, July 1, 2008	<u>-</u>	<u>-</u>	<u>336,602</u>	<u>336,602</u>
Fund balances, June 30, 2009	<u>\$ (25,595)</u>	<u>\$ (25,595)</u>	<u>\$ (75,730)</u>	<u>\$ (50,135)</u>

**CITY OF CORCORAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 - BUDGETARY INFORMATION

The City follows the following 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, which are open to the public. 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 revenue; 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; appropriation of unbudgeted departmental revenues; and approval of transfers which increase salary and benefit appropriations.
 - c. Items delegated to the department head – allocation of departmental appropriations to line item level.
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.

**CITY OF CORCORAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2009:

General Fund:	
Current:	
General government	\$72,330
Capital outlay:	
Public works	\$35,501
Community Development Block Grants Special Revenue Fund:	
Other Financing Sources (uses):	
Operating transfers out	\$134,129
Transportation and Street Special Revenue Fund:	
Debts service:	
Interest and fiscal charges	\$435
Other Financing Sources (uses):	
Operating transfers out	\$50,756
Home Investment Partnership Program:	
Current:	
Community development	\$396,708

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

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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

Prison Mitigation Fund

To account for funds received from the State of California Department of Corrections to address impacts on the City's infrastructure resulting from prison related growth.

Public Safety Funds

To account for grant funds received for supplemental public safety expenditures, adjudicated cash and other assets seized from drug arrests that are available for police department enhancements, and revenues and expenditures related to a rail spur study.

Parks Capital Fund

To account for Residential Development Tax funds that are restricted to acquisition, improvement and expansion of public park, playground and recreation facilities.

Community Redevelopment Agency Fund

To account for the operations and projects of the City Redevelopment Agency, and to account for the 20% of tax increment funds required by state law to be set aside for low and moderate housing needs.

Economic Development Loan Programs Fund

To account for the Business Loan Program that provides loans to local businesses unable to obtain other financing.

Assessment Districts

To account for two landscape and lighting districts that were established for subdivisions to provide for the maintenance to turf areas, shrubs, trees, and irrigations systems and walls. The first assessment for both districts will be submitted to the County to be added to the tax rolls for 2007/08.

Technological Grant Program

To account for federal fund for the Narcotics Task Force

The **Debt Service Funds** are used to account for the accumulation of resources for the payment of principal and interest on general debt of the City.

Corcoran Joint Powers Finance Authority Fund

To account for the repayment of debt issued by the Corcoran Joint Powers Finance Authority.

Community Redevelopment Agency Debt Service Fund

To account for the repayment of bonds and loans issued by the Corcoran Redevelopment Agency.

The **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities and improvements (other than those financed by enterprise funds).

Corcoran Joint Powers Finance Authority Fund

To account for construction of the projects financed by the CJPFA.

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents:				
Unrestricted	\$ 2,511,895	\$ 988,800	\$ 20,792	\$ 3,521,487
Cash with fiscal agent:				
Restricted	-	390,047	-	390,047
Receivables:				
Taxes	16,060	64,242	-	80,302
Interest	71,453	3,345	-	74,798
Other	67,910	-	-	67,910
Notes	209,735	-	-	209,735
Advances to other funds	<u>-</u>	<u>784,795</u>	<u>-</u>	<u>784,795</u>
 Total assets	 <u>\$ 2,877,053</u>	 <u>\$ 2,231,229</u>	 <u>\$ 20,792</u>	 <u>\$ 5,129,074</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 44,255	\$ 147,098	\$ -	\$ 191,353
Due to other funds	3,572	1,195	-	4,767
Deferred revenue	<u>515,714</u>	<u>-</u>	<u>-</u>	<u>515,714</u>
 Total liabilities	 <u>563,541</u>	 <u>148,293</u>	 <u>-</u>	 <u>711,834</u>
 Fund balances:				
Reserved for:				
Debt service	-	390,047	-	390,047
Unreserved:				
Undesignated:				
Special revenue	2,313,512	-	-	2,313,512
Debt service	-	1,692,889	-	1,692,889
Capital projects	<u>-</u>	<u>-</u>	<u>20,792</u>	<u>20,792</u>
 Total fund balances	 <u>2,313,512</u>	 <u>2,082,936</u>	 <u>20,792</u>	 <u>4,417,240</u>
 Total liabilities and fund balances	 <u>\$ 2,877,053</u>	 <u>\$ 2,231,229</u>	 <u>\$ 20,792</u>	 <u>\$ 5,129,074</u>

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES:				
Property taxes	\$ 239,770	\$ 942,351	\$ -	\$ 1,182,121
Use of money and property	225,529	94,846	-	320,375
Intergovernmental revenues	33,228	-	-	33,228
Grant drawdowns	479,363	-	-	479,363
Repayment of loans	23,545	-	-	23,545
Miscellaneous	2,600	-	-	2,600
Total revenues	<u>1,004,035</u>	<u>1,037,197</u>	<u>-</u>	<u>2,041,232</u>
EXPENDITURES:				
Current services:				
General government	125,668	141,284	-	266,952
Community development	700,029	-	-	700,029
Public safety	72,069	-	-	72,069
Capital outlay:				
Public safety	112,696	-	-	112,696
Debt service:				
Principal retirement	-	210,000	-	210,000
Interest and fiscal charges	-	231,287	-	231,287
Total expenditures	<u>1,010,462</u>	<u>582,571</u>	<u>-</u>	<u>1,593,033</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,427)</u>	<u>454,626</u>	<u>-</u>	<u>448,199</u>
Other financing sources (uses):				
Operating transfers out	<u>(246,454)</u>	<u>(355,000)</u>	<u>-</u>	<u>(601,454)</u>
Total other financing sources (uses)	<u>(246,454)</u>	<u>(355,000)</u>	<u>-</u>	<u>(601,454)</u>
Net change in fund balances	<u>(252,881)</u>	<u>99,626</u>	<u>-</u>	<u>(153,255)</u>
Fund balances, July 1, 2008	2,566,393	1,883,284	20,792	4,470,469
Prior period adjustments	<u>-</u>	<u>100,026</u>	<u>-</u>	<u>100,026</u>
Fund balances, July 1, 2008, as restated	<u>2,566,393</u>	<u>1,983,310</u>	<u>20,792</u>	<u>4,570,495</u>
Fund balances, June 30, 2009	<u>\$ 2,313,512</u>	<u>\$ 2,082,936</u>	<u>\$ 20,792</u>	<u>\$ 4,417,240</u>

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009**

	Prison Mitigation	Public Safety	Parks Capital	Community Redevelopment Agency	Economic Development Loan Programs	Assessment Districts	Technology Program Grant	Totals
<u>ASSETS</u>								
Cash and cash equivalents:								
Unrestricted	\$ 1,933	\$ 336,965	\$ 229,286	\$ 1,697,003	\$ -	\$ -	\$ 246,708	\$ 2,511,895
Receivables:								
Taxes	-	-	-	16,060	-	-	-	16,060
Interest	7	1,106	771	67,806	1,805	(42)	-	71,453
Other	-	51,530	-	16,380	-	-	-	67,910
Notes	-	-	-	27,247	182,488	-	-	209,735
Total assets	<u>\$ 1,940</u>	<u>\$ 389,601</u>	<u>\$ 230,057</u>	<u>\$ 1,824,496</u>	<u>\$ 184,293</u>	<u>\$ (42)</u>	<u>\$ 246,708</u>	<u>\$ 2,877,053</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ -	\$ 10,052	\$ -	\$ 25,135	\$ -	\$ 4,640	\$ 4,428	\$ 44,255
Deferred revenue	-	-	-	89,141	184,293	-	242,280	515,714
Due to other funds	-	-	-	-	-	3,572	-	3,572
Total liabilities	<u>-</u>	<u>10,052</u>	<u>-</u>	<u>114,276</u>	<u>184,293</u>	<u>8,212</u>	<u>246,708</u>	<u>563,541</u>
Fund balances:								
Unreserved:								
Undesignated	<u>1,940</u>	<u>379,549</u>	<u>230,057</u>	<u>1,710,220</u>	<u>-</u>	<u>(8,254)</u>	<u>-</u>	<u>2,313,512</u>
Total fund balances	<u>1,940</u>	<u>379,549</u>	<u>230,057</u>	<u>1,710,220</u>	<u>-</u>	<u>(8,254)</u>	<u>-</u>	<u>2,313,512</u>
Total liabilities and fund balances	<u>\$ 1,940</u>	<u>\$ 389,601</u>	<u>\$ 230,057</u>	<u>\$ 1,824,496</u>	<u>\$ 184,293</u>	<u>\$ (42)</u>	<u>\$ 246,708</u>	<u>\$ 2,877,053</u>

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Prison Mitigation	Public Safety	Parks Capital	Community Redevelopment Agency	Economic Development Loan Programs	Assessment Districts	Technology Program Grant	Totals
REVENUES:								
Property taxes	\$ -	\$ -	\$ -	\$ 235,588	\$ -	\$ 4,182	\$ -	\$ 239,770
Use of money and property	3,294	8,138	4,347	209,750	-	-	-	225,529
Intergovernmental revenues	-	-	33,228	-	-	-	-	33,228
Grant drawdowns	-	101,345	-	-	12,352	-	365,666	479,363
Repayment of loans	-	-	-	6,020	17,525	-	-	23,545
Miscellaneous	105	-	52	2,443	-	-	-	2,600
Total revenues	3,399	109,483	37,627	453,801	29,877	4,182	365,666	1,004,035
EXPENDITURES:								
Current:								
General government	242	-	-	116,098	-	9,328	-	125,668
Community development	-	-	-	339,091	12,351	1,850	346,737	700,029
Public safety	-	72,069	-	-	-	-	-	72,069
Capital outlay:								
Public safety	-	112,696	-	-	-	-	-	112,696
Total expenditures	242	184,765	-	455,189	12,351	11,178	346,737	1,010,462
Excess (deficiency) of revenues over (under) expenditures	3,157	(75,282)	37,627	(1,388)	17,526	(6,996)	18,929	(6,427)
Other financing sources (uses):								
Operating transfers out	(200,000)	(10,000)	-	-	(17,525)	-	(18,929)	(246,454)
Total other financing sources (uses)	(200,000)	(10,000)	-	-	(17,525)	-	(18,929)	(246,454)
Net change in fund balances	(196,843)	(85,282)	37,627	(1,388)	1	(6,996)	-	(252,881)
Fund balances, July 1, 2008	198,783	464,831	192,430	1,711,608	(1)	(1,258)	-	2,566,393
Fund balances, June 30, 2009	\$ 1,940	\$ 379,549	\$ 230,057	\$ 1,710,220	\$ -	\$ (8,254)	\$ -	\$ 2,313,512

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUND
JUNE 30, 2009**

	Corcoran Redevelopment Agency Debt Service Fund	Corcoran Joint Powers Finance Authority	Total
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash and cash equivalents:			
Unrestricted	\$ 988,800	\$ -	\$ 988,800
Cash with fiscal agent:			
Restricted	313,526	76,521	390,047
Receivables:			
Taxes	64,242	-	64,242
Interest	3,345	-	3,345
Advances to other funds	<u>784,795</u>	<u>-</u>	<u>784,795</u>
 Total assets	 <u>\$ 2,154,708</u>	 <u>\$ 76,521</u>	 <u>\$ 2,231,229</u>
<u>FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 147,098	\$ -	\$ 147,098
Due to other funds	<u>-</u>	<u>1,195</u>	<u>1,195</u>
 Total liabilities	 <u>147,098</u>	 <u>1,195</u>	 <u>148,293</u>
 Fund balances:			
Reserved	313,526	76,521	390,047
Unreserved:			
Undesignated	<u>1,694,084</u>	<u>(1,195)</u>	<u>1,692,889</u>
 Total fund balances	 <u>2,007,610</u>	 <u>75,326</u>	 <u>2,082,936</u>
 Total liabilities and fund balances	 <u>\$ 2,154,708</u>	 <u>\$ 76,521</u>	 <u>\$ 2,231,229</u>

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	Corcoran Redevelopment Agency Debt Service Fund	Corcoran Joint Powers Finance Authority	Total
REVENUES:			
Property taxes	\$ 942,351	\$ -	\$ 942,351
Use of money and property	<u>19,825</u>	<u>75,021</u>	<u>94,846</u>
Total revenues	<u>962,176</u>	<u>75,021</u>	<u>1,037,197</u>
EXPENDITURES			
Current services:			
General government	138,903	2,381	141,284
Debt service:			
Principal	175,000	35,000	210,000
Interest and fiscal charges	<u>191,693</u>	<u>39,594</u>	<u>231,287</u>
Total expenditures	<u>505,596</u>	<u>76,975</u>	<u>582,571</u>
Net change in fund balances	<u>456,580</u>	<u>(1,954)</u>	<u>454,626</u>
Other financing sources (uses):			
Operating transfer (out)	<u>(355,000)</u>	<u>-</u>	<u>(355,000)</u>
Total other financing sources (uses)	<u>(355,000)</u>	<u>-</u>	<u>(355,000)</u>
Net change in fund balances	101,580	(1,954)	99,626
Fund balances, July 1, 2008	1,806,004	77,280	1,883,284
Prior period adjustment	<u>100,026</u>	<u>-</u>	<u>100,026</u>
Fund balances, July 1, 2008, as restated	<u>1,906,030</u>	<u>77,280</u>	<u>1,983,310</u>
Fund balances, June 30, 2009	<u>\$ 2,007,610</u>	<u>\$ 75,326</u>	<u>\$ 2,082,936</u>

**CITY OF CORCORAN
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUND
 JUNE 30, 2009**

	Corcoran Joint Powers Finance Authority
<u>ASSETS</u>	
Cash and cash equivalents:	
Unrestricted	\$ 20,792
Total assets	\$ 20,792
 <u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	-
Total liabilities	-
Fund balances:	
Unreserved:	
Undesignated	20,792
Total fund balances	20,792
Total liabilities and fund balances	\$ 20,792

**CITY OF CORCORAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUND
 FOR THE YEAR ENDED JUNE 30, 2009**

	Corcoran Joint Powers Finance Authority
REVENUES:	
Property taxes	\$ -
Total revenues	-
EXPENDITURES:	
Current:	
General government	-
Total expenditures	-
Excess (deficiency) of revenues over (under) expenditures	-
Other financing sources (uses):	
Operating transfers out	-
Total other financing sources (uses)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	-
Fund balances, July 1, 2008	20,792
Fund balances, June 30, 2009	\$ 20,792

**CITY OF CORCORAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract/ Pass-Through Entity Identifying Number	Grant Period		Program Award	Federal Expenditures
			From	To		
U.S. Department of Housing and Urban Development (HUD):						
Passed through the State of California:						
Community Development Block Grants:						
(State Program)	14.227	07-PTAG-3661	06/18/08	12/31/09	12,352	\$ 12,352
(State Program)	14.228	05-STBG-1956	01/20/06	12/31/09	1,500,000	<u>416,531</u>
Total Community Development Block Grants						<u>428,883</u>
HOME Investment Partnership Program:						
(State HOME Program)	14.239	06-HOME-2345	04/04/07	06/30/09	600,000	<u>561,201</u>
Total HOME Investment Partnership Program						<u>561,201</u>
Total U.S. Department of Housing and Urban Development						<u>990,084</u>
U.S Department of Justice						
Office of Community Oriented						
Policing Services (COPS)	16.710	2008CKWX0228	12/26/07	12/25/10	607,945	364,666
Bulletproof Vest Partnership	16.607	9046405	04/01/09	09/30/11	6,322	<u>1,000</u>
Total U.S. Department of Justice						<u>365,666</u>
Total expenditures of federal awards						<u>\$ 1,355,750</u>

**CITY OF CORCORAN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Moneys received under federal grant programs have been recorded within the governmental activities of the government-wide financial statements and special revenue governmental funds of the City. The City utilizes the modified accrual basis of accounting for the governmental fund types. The accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting.

OTHER INDEPENDENT AUDITOR'S REPORTS

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

To the Honorable Mayor and City Council
City of Corcoran, California

We have audited the financial statements of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of City of Corcoran, California (City), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under the *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 09-01.

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

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

Price Pange & Company

December 9, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable and City Council
City of Corcoran, California

Compliance

We have audited the compliance of City of Corcoran, California (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 09-01.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-01 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

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

Price Pange & Company

December 9, 2009

FINDINGS AND QUESTIONED COSTS

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes _____ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a) _____ Yes X No

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
16.710	Policing Services (COPS)

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

Auditee qualified as low-risk auditee? X Yes _____ No

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION II – FINANCIAL STATEMENT FINDINGS

No items are reportable.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 09-01

Condition: Program income for the Community Development Block Grant was not reported correctly to the Federal government in the Program Income Report.

Effect: The Program Income Report excluded \$57,943 which was expensed in 2007.

Cause: The City does not have personnel reviewing the report for accuracy.

Criteria: OMB A-133, "Program Income Requirements."

Recommendation: Appoint personnel to review the report before submitting to the Federal government

Client Response:

We will set up a simple spreadsheet to track the balance in the program income accounts on a monthly basis to make sure that the City's books match the reports and that any adjustments made after the reports are submitted are reflected on the schedule and picked up on the next report.

**CITY OF CORCORAN
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

Finding 08-01

During our audit, we noted that the Redevelopment Agency's fiscal year 2006-07 financial statements were not submitted within 6 months following the end of the Redevelopment Agency's fiscal year-end date.

Recommendation

We recommend that the City implement the necessary policies and procedures to insure that all required reports are submitted to the proper authority in a timely manner.

Status

Implemented