

**CITY OF CORCORAN
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2011**

**CITY OF CORCORAN
JUNE 30, 2011**

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

We conducted our audit in accordance with auditing standards 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As discussed in Note 16, the State of California adopted Assembly Bill 1X 26 on June 29, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. On December 29, 2011, the Court ruled that Assembly Bill 1X 26, the dissolution measure, is largely upheld and is a proper exercise of the legislative power vested in the Legislature by the State Constitution. Accordingly, the Agency was dissolved effective January 31, 2012. The financial statements do not include any adjustments as a result of the dissolution of the Agency. The City has adopted a resolution which names it as the Successor Agency of the Redevelopment Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 55 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Price Pange & Company

Clovis, California
March 30, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CORCORAN
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and investments:			
Unrestricted	\$ 6,251,543	\$ 6,406,327	\$ 12,657,870
Restricted	-	69,706	69,706
Cash with fiscal agent - restricted	393,844	2,350,823	2,744,667
Receivables	4,621,241	1,298,091	5,919,332
Prepaid expenses	58,012	8,405	66,417
Deposits	70,902	3,616	74,518
Property held for resale	1,908,959	-	1,908,959
Internal balances	(2,000,000)	2,000,000	-
Bond issuance costs	284,777	157,075	441,852
Deferred outflow of resources	-	2,451,257	2,451,257
Capital assets:			
Non-depreciable	2,091,053	985,983	3,077,036
Depreciable, net of accumulated depreciation	<u>12,969,996</u>	<u>28,912,701</u>	<u>41,882,697</u>
Total assets	<u>26,650,327</u>	<u>44,643,984</u>	<u>71,294,311</u>
<u>LIABILITIES</u>			
Accounts payable	906,884	537,462	1,444,346
Deposits	47,690	-	47,690
Interest payable	-	274,760	274,760
Deferred revenues	4,539,082	-	4,539,082
Noncurrent liabilities:			
Due within one year:			
Note payable	-	89,690	89,690
Certificate of participation	45,000	545,000	590,000
Tax allocation	190,000	-	190,000
Compensated absences	201,387	26,804	228,191
Derivative instrument liability	-	2,451,257	2,451,257
Due in more than one year:			
Note payable	-	554,200	554,200
Certificate of participation	300,000	22,779,764	23,079,764
Tax allocation	3,780,000	-	3,780,000
Compensated absences	<u>184,537</u>	<u>4,713</u>	<u>189,250</u>
Total liabilities	<u>10,194,580</u>	<u>27,263,650</u>	<u>37,458,230</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	10,746,049	5,930,030	16,676,079
Restricted for:			
Debt service	2,134,325	2,420,529	4,554,854
Community development	1,554,032	-	1,554,032
Public safety	356,959	-	356,959
Transportation and streets	1,300,921	-	1,300,921
Parks and recreation	102,814	-	102,814
Other purposes	1,515	-	1,515
Unrestricted	<u>259,132</u>	<u>9,029,775</u>	<u>9,288,907</u>
Total net assets	<u>\$ 16,455,747</u>	<u>\$ 17,380,334</u>	<u>\$ 33,836,081</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, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 1,212,931	\$ -	\$ -	\$ -	\$ (1,212,931)	\$ -	\$ (1,212,931)
Community development	2,006,494	59,450	766,865	-	(1,180,179)	-	(1,180,179)
Public safety	3,558,398	31,436	197,205	-	(3,329,757)	-	(3,329,757)
Public works	898,192	-	630,953	921,006	653,767	-	653,767
Parks and recreation	512,517	-	-	-	(512,517)	-	(512,517)
Interest on long-term debt	213,569	-	-	-	(213,569)	-	(213,569)
Total governmental activities	8,402,101	90,886	1,595,023	921,006	(5,795,186)	-	(5,795,186)
Business-type activities:							
Water	4,130,312	4,388,958	-	-	-	258,646	258,646
Sewer	1,532,951	1,004,656	-	-	-	(528,295)	(528,295)
Refuse	1,597,273	1,640,703	-	-	-	43,430	43,430
Storm drain	355,501	306,827	-	-	-	(48,674)	(48,674)
Transit	802,397	68,099	509,284	-	-	(225,014)	(225,014)
Total business-type activities	8,418,434	7,409,243	509,284	-	-	(499,907)	(499,907)
Total	\$ 16,820,535	\$ 7,500,129	\$ 2,104,307	\$ 921,006	(5,795,186)	(499,907)	(6,295,093)
General revenues:							
Taxes:							
Property taxes					1,472,536	-	1,472,536
Sales and use taxes					740,417	-	740,417
Franchise taxes					252,634	-	252,634
Other taxes					144,124	-	144,124
Motor vehicle in-lieu					2,271,035	-	2,271,035
Investment income					1,591,096	54,058	1,645,154
Rental income					279,089	42,618	321,707
Miscellaneous					221,324	47,829	269,153
Total general revenues and transfers					6,972,255	144,505	7,116,760
Changes in net assets					1,177,069	(355,402)	821,667
Net assets, July 1, 2010					21,899,998	16,858,304	38,758,302
Prior period adjustment					(6,621,320)	877,432	(5,743,888)
Net assets, July 1, 2010, as restated					15,278,678	17,735,736	33,014,414
Net assets, June 30, 2011					\$ 16,455,747	\$ 17,380,334	\$ 33,836,081

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, 2011

	General Fund	Corcoran Redevelopment Agency Debt Service Fund	Community Redevelopment Agency Special Revenue Fund	Home Program Special Revenue Fund	Housing Authority Special Revenue Fund	Community Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and investments:								
Unrestricted	\$ 2,447,927	\$ 593,939	\$ 160,104	\$ 151,219	\$ 1,000,000	\$ -	\$ 1,898,354	\$ 6,251,543
Cash with fiscal agent:								
Restricted	-	317,342	-	-	-	-	76,502	393,844
Receivables	416,815	55,378	184,129	2,469,204	842	-	1,494,873	4,621,241
Due from other funds	22,209	431,809	-	-	-	-	-	454,018
Prepaid expenses	52,539	-	-	1,430	-	-	4,043	58,012
Deposits	70,902	-	-	-	-	-	-	70,902
Advances to other funds	539,455	784,795	-	-	-	-	679,004	2,003,254
Property held for resale	1,908,959	-	-	-	-	-	-	1,908,959
Total assets	\$ 5,458,806	\$ 2,183,263	\$ 344,233	\$ 2,621,853	\$ 1,000,842	\$ -	\$ 4,152,776	\$ 15,761,773
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 549,703	\$ 121,665	\$ 8,148	\$ 97,012	\$ -	\$ 10,958	\$ 119,397	\$ 906,883
Due to other funds	-	18,632	-	-	-	431,809	3,577	454,018
Deposits	46,990	-	700	-	-	-	-	47,690
Deferred revenue	258,628	-	170,561	2,469,037	-	-	1,838,199	4,736,425
Advances from other funds	-	-	-	-	-	4,003,254	-	4,003,254
Total liabilities	855,321	140,297	179,409	2,566,049	-	4,446,021	1,961,173	10,148,270
Fund balances:								
Nonspendable:								
Prepaid expenses	52,539	-	-	1,430	-	-	4,043	58,012
Advances to other funds	539,455	-	-	-	-	-	-	539,455
Property held for resale	1,908,959	-	-	-	-	-	-	1,908,959
Restricted for:								
Debt service	-	2,042,966	-	-	-	-	91,359	2,134,325
Community development	-	-	164,824	54,374	1,000,842	-	333,992	1,554,032
Public safety	-	-	-	-	-	-	356,959	356,959
Transportation and streets	-	-	-	-	-	-	1,300,921	1,300,921
Parks and recreation	-	-	-	-	-	-	102,814	102,814
Other purposes	-	-	-	-	-	-	1,515	1,515
Unassigned	2,102,532	-	-	-	-	(4,446,021)	-	(2,343,489)
Total fund balances	4,603,485	2,042,966	164,824	55,804	1,000,842	(4,446,021)	2,191,603	5,613,503
Total liabilities and fund balances	\$ 5,458,806	\$ 2,183,263	\$ 344,233	\$ 2,621,853	\$ 1,000,842	\$ -	\$ 4,152,776	\$ 15,761,773

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, 2011**

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

Total fund balances - total governmental funds	\$ 5,613,503
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.	15,061,049
Long-term liabilities were not due and payable in the current period; therefore, they are not reported in the governmental funds.	(4,700,924)
Bond issuance costs to be amortized over the life of the debt.	284,777
Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the governmental funds.	<u>197,342</u>
Net assets of governmental activities	<u>\$ 16,455,747</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, 2011

	General Fund	Corcoran Redevelopment Agency Debt Service Fund	Community Redevelopment Agency Special Revenue Fund	Home Program Special Revenue Fund	Housing Authority Special Revenue Fund	Community Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:								
Property taxes	\$ 210,719	\$ 1,004,058	\$ 251,015	\$ -	\$ -	\$ -	\$ 8,310	\$ 1,474,102
Other taxes	1,038,976	-	-	-	-	-	-	1,038,976
Licenses and permits	92,187	-	-	-	-	-	-	92,187
Intergovernmental revenues	2,364,900	-	-	-	-	-	630,339	2,995,239
Charges for services	77,680	-	-	-	-	-	-	77,680
Fines and penalties	31,436	-	-	-	-	-	-	31,436
Use of money and property	1,699,325	7,221	184,368	860	842	2,511	81,589	1,976,716
Sale of assets	-	-	-	-	-	58,908	-	58,908
Grant drawdowns	726,947	-	-	169,741	-	-	350,406	1,247,094
Loan repayments	-	-	13,391	173,353	-	-	196,419	383,163
Miscellaneous	127,195	-	2,770	-	-	-	82,420	212,385
Total revenues	6,369,365	1,011,279	451,544	343,954	842	61,419	1,349,483	9,587,886
EXPENDITURES:								
Current:								
General government	985,015	-	128,848	-	-	-	9,190	1,123,053
Community development	-	222,571	227,090	552,257	-	589,628	331,458	1,923,004
Public safety	3,402,783	-	-	-	-	-	108,869	3,511,652
Public works	271,344	-	-	-	-	-	461,814	733,158
Parks and recreation	411,999	-	-	-	-	-	205	412,204
Capital outlay:								
General government	4,876	-	218,493	-	-	-	-	223,369
Public safety	2,684	-	-	-	-	-	-	2,684
Public works	1,024,768	-	-	-	-	-	74,661	1,099,429
Parks and recreation	-	-	-	-	-	-	170,165	170,165
Debt service:								
Principal retirement	-	185,000	-	-	-	-	40,000	225,000
Interest and fiscal charges	-	180,780	-	-	-	88,313	32,813	301,906
Total expenditures	6,103,469	588,351	574,431	552,257	-	677,941	1,229,175	9,725,624
Excess (deficiency) of revenues over (under) expenditures	265,896	422,928	(122,887)	(208,303)	842	(616,522)	120,308	(137,738)
Other financing sources (uses):								
Operating transfers in	738,839	-	-	25,000	1,000,000	-	95,728	1,859,567
Operating transfers out	(135,000)	-	(1,372,161)	-	-	-	(352,406)	(1,859,567)
Total other financing sources (uses)	603,839	-	(1,372,161)	25,000	1,000,000	-	(256,678)	-
Net changes in fund balances	869,735	422,928	(1,495,048)	(183,303)	1,000,842	(616,522)	(136,370)	(137,738)
Fund balances, July 1, 2010	3,702,700	1,771,560	1,659,872	239,107	-	(3,840,715)	2,327,973	5,860,497
Prior period adjustment	31,050	(151,522)	-	-	-	11,216	-	(109,256)
Fund balances, July 1, 2010, as restated	3,733,750	1,620,038	1,659,872	239,107	-	(3,829,499)	2,327,973	5,751,241
Fund balances, June 30, 2011	\$ 4,603,485	\$ 2,042,966	\$ 164,824	\$ 55,804	\$ 1,000,842	\$ (4,446,021)	\$ 2,191,603	\$ 5,613,503

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, 2011**

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

Net changes in fund balances - total governmental funds	\$ (137,738)
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.	1,495,672
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 an expenditure in the governmental funds.	(531,224)
Loss on disposal of capital assets	(83,035)
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.	23,203
Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the governmental funds.	197,352
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.	212,839
Changes in net assets of governmental activities	\$ 1,177,069

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

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ENTERPRISE FUNDS

**CITY OF CORCORAN
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2011**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
ASSETS						
Current assets:						
Cash and cash equivalents:						
Unrestricted	\$ 4,789,027	\$ 616,369	\$ 67,850	\$ 863,788	\$ 69,293	\$ 6,406,327
Restricted	69,706	-	-	-	-	69,706
Cash with fiscal agent - restricted	2,350,823	-	-	-	-	2,350,823
Receivables	645,088	186,548	284,271	123,814	58,370	1,298,091
Prepays	-	5,580	2,205	-	620	8,405
Deposits	3,616	-	-	-	-	3,616
Due from other funds	-	22,870	27,065	-	4,195	54,130
Unamortized bond issuance cost	157,075	-	-	-	-	157,075
Total current assets	8,015,335	831,367	381,391	987,602	132,478	10,348,173
Noncurrent assets:						
Advances to other funds	2,380,000	-	-	-	-	2,380,000
Deferred outflow of resources	2,451,257	-	-	-	-	2,451,257
Capital assets:						
Nondepreciable	737,730	201,600	-	-	46,653	985,983
Depreciable, net of accumulated depreciation	23,094,821	2,994,996	7,884	854,299	1,960,701	28,912,701
Total noncurrent assets	28,663,808	3,196,596	7,884	854,299	2,007,354	34,729,941
Total assets	36,679,143	4,027,963	389,275	1,841,901	2,139,832	45,078,114
LIABILITIES						
Current liabilities:						
Accounts payable	245,502	115,363	105,667	69,079	1,851	537,462
Interest payable	274,760	-	-	-	-	274,760
Due to other funds	54,130	-	-	-	-	54,130
Compensated absences	10,174	12,956	1,738	-	1,936	26,804
Certificates of participation	545,000	-	-	-	-	545,000
Notes payable	58,339	31,351	-	-	-	89,690
Total current liabilities	1,187,905	159,670	107,405	69,079	3,787	1,527,846
Noncurrent liabilities:						
Compensated absences	3,843	1,230	-	-	(360)	4,713
Advances from other funds	-	-	-	-	380,000	380,000
Certificates of participation	22,779,764	-	-	-	-	22,779,764
Notes payable	446,911	107,289	-	-	-	554,200
Derivative instrument liability	2,451,257	-	-	-	-	2,451,257
Total noncurrent liabilities	25,681,775	108,519	-	-	379,640	26,169,934
Total liabilities	26,869,680	268,189	107,405	69,079	383,427	27,697,780
NET ASSETS						
Invested in capital assets, net of related debt	2,537	3,057,956	7,884	854,299	2,007,354	5,930,030
Restricted for:						
Debt service	2,420,529	-	-	-	-	2,420,529
Unrestricted	7,386,397	701,818	273,986	918,523	(250,949)	9,029,775
Total net assets	\$ 9,809,463	\$ 3,759,774	\$ 281,870	\$ 1,772,822	\$ 1,756,405	\$ 17,380,334

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, 2011

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
OPERATING REVENUES:						
Charges for services	\$ 4,384,999	\$ 1,004,656	\$ 1,640,703	\$ 68,099	\$ 305,138	\$ 7,403,595
Connection fees	<u>3,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,689</u>	<u>5,648</u>
Total operating revenues	<u>4,388,958</u>	<u>1,004,656</u>	<u>1,640,703</u>	<u>68,099</u>	<u>306,827</u>	<u>7,409,243</u>
OPERATING EXPENSES:						
Personnel costs	396,288	332,806	83,337	308,600	36,955	1,157,986
Maintenance and supplies	1,536,348	697,853	1,411,472	54,736	35,915	3,736,324
Depreciation and amortization	1,068,384	341,181	2,847	70,390	91,311	1,574,113
Administrative and allocated costs	<u>229,582</u>	<u>153,725</u>	<u>99,617</u>	<u>368,671</u>	<u>191,320</u>	<u>1,042,915</u>
Total operating expenses	<u>3,230,602</u>	<u>1,525,565</u>	<u>1,597,273</u>	<u>802,397</u>	<u>355,501</u>	<u>7,511,338</u>
Operating income (loss)	<u>1,158,356</u>	<u>(520,909)</u>	<u>43,430</u>	<u>(734,298)</u>	<u>(48,674)</u>	<u>(102,095)</u>
NON-OPERATING REVENUES (EXPENSES):						
Interest income	44,745	3,335	194	5,497	290	54,061
Rental income	36,618	-	-	6,000	-	42,618
Grants	-	-	-	39,413	-	39,413
Capital contributions	7,719	22,343	-	-	3,695	33,757
Intergovernmental	-	-	-	469,871	-	469,871
Other income	3,495	9,508	-	10	1,056	14,069
Interest and fiscal charges	<u>(899,710)</u>	<u>(7,386)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(907,096)</u>
Total non-operating revenues (expenses)	<u>(807,133)</u>	<u>27,800</u>	<u>194</u>	<u>520,791</u>	<u>5,041</u>	<u>(253,307)</u>
Changes in net assets	<u>351,223</u>	<u>(493,109)</u>	<u>43,624</u>	<u>(213,507)</u>	<u>(43,633)</u>	<u>(355,402)</u>
Net assets, July 1, 2010	9,458,240	4,252,883	238,246	1,108,897	1,800,038	16,858,304
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>877,432</u>	<u>-</u>	<u>877,432</u>
Net assets, July 1, 2010, as restated	<u>9,458,240</u>	<u>4,252,883</u>	<u>238,246</u>	<u>1,986,329</u>	<u>1,800,038</u>	<u>17,735,736</u>
Net assets, June 30, 2011	<u>\$ 9,809,463</u>	<u>\$ 3,759,774</u>	<u>\$ 281,870</u>	<u>\$ 1,772,822</u>	<u>\$ 1,756,405</u>	<u>\$ 17,380,334</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, 2011**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash flows from operating activities:						
Cash received from customers	\$ 4,309,488	\$ 993,806	\$ 1,621,201	\$ 145,809	\$ 302,839	\$ 7,373,143
Cash payments to suppliers for goods and services	(1,575,360)	(641,006)	(1,418,488)	(374,888)	(39,176)	(4,048,918)
Cash payments to employees for services	(392,189)	(327,288)	(83,572)	(308,600)	(36,342)	(1,147,991)
Cash payments to other funds for allocated costs	(231,714)	(152,824)	(98,551)	-	(191,155)	(674,244)
Net cash provided (used) by operating activities	<u>2,110,225</u>	<u>(127,312)</u>	<u>20,590</u>	<u>(537,679)</u>	<u>36,166</u>	<u>1,501,990</u>
Cash flows from noncapital financing activities:						
Proceeds from non-operating revenues	<u>36,618</u>	-	-	<u>6,000</u>	-	<u>42,618</u>
Net cash provided (used) by noncapital financing activities	<u>36,618</u>	-	-	<u>6,000</u>	-	<u>42,618</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(255,728)	(22,008)	-	(43,858)	(14,666)	(336,260)
Principal payment	(586,918)	(30,950)	-	-	-	(617,868)
Grants	-	-	-	39,413	-	39,413
Capital contributions	7,719	22,343	-	469,881	3,695	503,638
Cash received from other	3,428	9,508	6,044	-	1,056	20,036
Interest and fiscal charges	(897,318)	(7,386)	-	-	-	(904,704)
Bond discount	(17,939)	-	-	-	-	(17,939)
Net cash provided (used) by capital financing activities	<u>(1,746,756)</u>	<u>(28,493)</u>	<u>6,044</u>	<u>465,436</u>	<u>(9,915)</u>	<u>(1,313,684)</u>
Cash flows from investing activities:						
Interest on investments	<u>46,263</u>	<u>3,230</u>	<u>156</u>	<u>5,663</u>	<u>117</u>	<u>55,429</u>
Net cash provided (used) by investing activities	<u>46,263</u>	<u>3,230</u>	<u>156</u>	<u>5,663</u>	<u>117</u>	<u>55,429</u>
Increase (decrease) in cash and cash equivalents	446,350	(152,575)	26,790	(60,580)	26,368	286,353
Cash and cash equivalents, July 1, 2010	<u>6,763,206</u>	<u>768,944</u>	<u>41,060</u>	<u>924,368</u>	<u>42,925</u>	<u>8,540,503</u>
Cash and cash equivalents, June 30, 2011	<u>\$ 7,209,556</u>	<u>\$ 616,369</u>	<u>\$ 67,850</u>	<u>\$ 863,788</u>	<u>\$ 69,293</u>	<u>\$ 8,826,856</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, 2011**

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

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Operating income (loss)	\$ 1,158,356	\$ (520,909)	\$ 43,430	\$ (734,298)	\$ (48,674)	\$ (102,095)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,004,973	341,181	2,847	70,390	91,311	1,510,702
Amortization	63,411	-	-	-	-	63,411
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable, net	(79,470)	(10,848)	(19,504)	77,710	(3,988)	(36,100)
(Increase) decrease in due from other funds	-	901	1,066	-	165	2,132
(Increase) decrease in deposits	(3,616)	-	-	-	-	(3,616)
(Increase) decrease in prepaids	-	(5,580)	(2,205)	-	(620)	(8,405)
Increase (decrease) in accounts payable	(35,396)	62,427	(4,809)	48,519	(2,641)	68,100
Increase (decrease) in due to other funds	(2,132)	-	-	-	-	(2,132)
Increase (decrease) in compensated absences	4,099	5,516	(235)	-	613	9,993
Net cash provided (used) by operating activities	<u>\$ 2,110,225</u>	<u>\$ (127,312)</u>	<u>\$ 20,590</u>	<u>\$ (537,679)</u>	<u>\$ 36,166</u>	<u>\$ 1,501,990</u>

Reconciliation of Cash to Balance Sheet

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash and cash equivalents:						
Unrestricted	\$ 4,789,027	\$ 616,369	\$ 67,850	\$ 863,788	\$ 69,293	\$ 6,406,327
Restricted	69,706	-	-	-	-	69,706
Cash with fiscal agent - restricted	<u>2,350,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,350,823</u>
	<u>\$ 7,209,556</u>	<u>\$ 616,369</u>	<u>\$ 67,850</u>	<u>\$ 863,788</u>	<u>\$ 69,293</u>	<u>\$ 8,826,856</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, 2011**

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 17,349
Receivables:	
Interest	80
Notes	<u>1,189,677</u>
Total assets	<u>\$ 1,207,106</u>
<u>LIABILITIES</u>	
Due to other agencies	<u>\$ 1,207,106</u>
Total liabilities	<u>\$ 1,207,106</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, 2011**

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 (the 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 units each have 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 Units

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, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

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

Certain eliminations have been made as prescribed by GASB No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net 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 Statements – The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in funds and changes in fund balances as presented in these statements to the net 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, 2011**

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 **Corcoran Redevelopment Agency Debt Service Fund** is used to account for repayment of bonds and loans issued by the Corcoran Redevelopment Agency.
- ♦ The **Community Redevelopment Agency Special Revenue Fund** is used to account for the 20% tax increment funds required by state law to be set aside for low and moderate housing needs.
- ♦ 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 **Housing Authority Special Revenue Fund** is used to account for future financing for low-income household for the acquisition, rehabilitation, or new construction of single family homes.
- ♦ The **Community Redevelopment Agency Capital Projects 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 major enterprise funds, the Water, Sewer, Refuse, and Transit, 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.
- ♦ The **Transit Fund** is used to account for the financial activity of the transit activities including Dial-A-Ride, Amtrak ticket sales, and related street construction and maintenance.
- ♦ The **Storm Drain Fund** is used to account for the financial activity of the storm drain system.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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 **Corcoran Police Explorers Agency Fund** accounts for the monies raised by the Police Explorers 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, 2011**

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, and 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 as cash and cash equivalents.

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, 2011**

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

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

Grant and entitlement revenues are recorded as receivables in the funds when all eligibility requirements have been met. The corresponding governmental fund revenues are recorded 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 discounts are 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, 2011

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 year.

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 recognize 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, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Long-Term Debt

In the government-wide and proprietary fund-type 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.

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.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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

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

Fund Balance

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

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Fund Balance (Continued)

- Unassigned: This classification includes any negative residual amounts that may exist as a result of expenditures incurred for specific purposes in excess of amounts restricted, committed or assigned to those purposes.

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

New Pronouncements

Governmental Accounting Standards Board Statement No. 54

In March 2009, Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The City has implemented GASB Statement No. 54, beginning with the fiscal year ending June 30, 2011.

Governmental Accounting Standards Board Statement No. 59

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The City has implemented GASB Statement No. 59, beginning with the fiscal year ending June 30, 2011.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

Governmental Accounting Standards Board Statement No. 60

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 62

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

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

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

Governmental Accounting Standards Board Statement No. 63

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

Governmental Accounting Standards Board Statement No. 64

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This Statement sets forth criteria to establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2012.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 – CASH 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, 2011, is as follows:

Cash on hand	\$	1,350
Deposits with financial institutions		442,240
Investments		<u>15,046,002</u>
 Total cash and investments	 \$	 <u><u>15,489,592</u></u>
 Government-Wide:		
Statement of Net Assets:		
Cash and investments	\$	12,727,576
Cash with fiscal agent		2,744,667
 Fiduciary Funds:		
Statement of Net Assets:		
Cash and investments		<u>17,349</u>
 Total cash and investments	 \$	 <u><u>15,489,592</u></u>

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's 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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments Authorized by the Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in On Issuer
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
Money Market 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 the City manages its exposure to interest rate risk is by maintaining funds in liquid, short-term investments which can be converted to cash when necessary to meet disbursement requirements.

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

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State investment pool	\$ 12,171,864	\$ 12,171,864	\$ -	\$ -	\$ -
RMA investment pool	129,471	129,471	-	-	-
Held by bond trustee:					
U.S. government issues	984,564	327,609	656,955	-	-
Corporate issues	975,708	246,000	-	729,708	-
Money market funds	784,395	784,395	-	-	-
Total	\$ 15,046,002	\$ 13,659,339	\$ 656,955	\$ 729,708	\$ -

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by 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	Aaa-mf	Not Rated
State investment pool	\$ 12,171,864	\$ -	\$ -	\$ -	\$ 12,171,864
RMA investment pool	129,471	-	-	-	129,471
Held by bond trustee:					
U.S. government issues	984,564	-	984,564	-	-
Corporate issues	975,708	-	729,708	-	246,000
Money market funds	784,395	-	-	784,395	-
Total	<u>\$ 15,046,002</u>	<u>\$ -</u>	<u>\$ 1,714,272</u>	<u>\$ 784,395</u>	<u>\$ 12,547,335</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.

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, 2011, the carrying amount of the City's bank deposits was \$442,240, and the respective bank balances totaled \$468,142. 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 \$218,143 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.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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, 2011, balance was \$12,171,864. A breakdown of the investments included in the balance is not available at the balance sheet date.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2011, consist of the following for the governmental funds:

	General Fund	Corcoran Redevelopment Agency Debt Service Fund	Community Redevelopment Agency Special Revenue Fund	Home Program Special Revenue Fund	Housing Authority Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Receivables:							
Taxes	\$ 26,263	\$ 54,299	\$ 13,575	\$ -	\$ -	\$ 79,076	\$ 173,213
Interest	3,436	1,079	64,680	477,607	842	75,817	623,461
Other	387,116	-	-	-	-	113,628	500,744
Notes	-	-	105,874	1,991,597	-	1,226,352	3,323,823
Receivables, net	<u>\$ 416,815</u>	<u>\$ 55,378</u>	<u>\$ 184,129</u>	<u>\$ 2,469,204</u>	<u>\$ 842</u>	<u>\$ 1,494,873</u>	<u>\$ 4,621,241</u>

Receivables as of June 30, 2011, consist of the following for the enterprise funds:

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Receivables:						
Accounts	\$ 696,612	\$ 205,351	\$ 309,209	\$ 458	\$ 64,032	\$ 1,275,662
Interest	5,813	1,080	(198)	1,240	325	8,260
Taxes	-	-	-	122,116	-	122,116
Other	67	-	5,016	-	-	5,083
Allowance for uncollectible	<u>(57,404)</u>	<u>(19,883)</u>	<u>(29,756)</u>	<u>-</u>	<u>(5,987)</u>	<u>(113,030)</u>
Receivables, net	<u>\$ 645,088</u>	<u>\$ 186,548</u>	<u>\$ 284,271</u>	<u>\$ 123,814</u>	<u>\$ 58,370</u>	<u>\$ 1,298,091</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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
Governmental Funds		
Major Funds:		
General Fund	\$ 22,209	\$ -
Community Redevelopment Agency debt service fund	431,809	18,632
Community Development capital projects fund	-	431,809
Nonmajor Funds:		
Corcoran Joint Powers Authority debt service fund	-	3,577
Enterprise Funds:		
Major Funds:		
Water Fund	-	54,130
Sewer Fund	22,870	-
Refuse Fund	27,065	-
Storm Drain Fund	4,195	-
Total	\$ 508,148	\$ 508,148

Long-Term Interfund Advances

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

	Receivable Funds	Payable Funds
	Governmental Funds	
Major Funds:		
General Fund	\$ 539,455	\$ -
Community Redevelopment Agency capital projects fund	-	4,003,254
Corcoran Redevelopment Agency debt service fund	784,795	-
Nonmajor Funds:		
Community Development Block Grant special revenue fund	679,004	-
Enterprise Funds:		
Major Funds:		
Water Fund	2,380,000	-
Storm Drain Fund	-	380,000
Total	\$ 4,383,254	\$ 4,383,254

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

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 transfers out consisted of the following as of June 30, 2011:

	Transfers	
	In	Out
Governmental Funds		
Major funds:		
General Fund	\$ 738,839	\$ 135,000
Housing Authority special revenue fund	1,000,000 *	-
Community Development RDA special revenue fund	-	1,372,161
HOME Program special revenue fund	25,000	-
Nonmajor funds:		
Public Safety special revenue fund	-	121,000
Technological Program grant special revenue fund	-	25,228
Transportation and Street special revenue fund	95,728	206,178
Total	\$ 1,859,567	\$ 1,859,567

* The transfer of \$1,000,000 from the Community Development RDA special revenue fund to the Housing Authority special revenue fund is to establish a fund for future housing activities due to the dissolution of the redevelopment agencies.

NOTE 5 – NOTES RECEIVABLE / DEFERRED REVENUE

Notes receivable consisted of the following as of June 30, 2011:

	Major Funds		Nonmajor Funds	
	Community Redevelopment Agency Special Revenue Fund	HOME Program Special Revenue Funds	Economic Development Research Loan Program Special Revenue Fund	Community Development Block Grant Special Revenue Fund
Loans receivable under the Business Revolving Loan Program.	\$ -	\$ -	\$ 103,385	
Loans receivable under the Community Development Block Grant Program, secured by deeds of trust on the rehabilitated properties.	105,874	-	-	1,122,968
Loans receivable under the HOME Grant Program, secured by deeds of trust on the rehabilitated properties.	-	1,991,597	-	-
Total notes receivable	\$ 105,874	\$ 1,991,597	\$ 103,385	\$ 1,122,968

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – NOTES RECEIVABLE / DEFERRED REVENUE (Continued)

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; however they are recorded as receivable and deferred revenue in the Government-Wide Statement of Net Assets. Such loans totaled \$7,934,444 as of June 30, 2011.

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2011, is as follows:

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 364,334	\$ 245,194	\$ -	\$ 609,528
Construction in progress	658,352	396,601	-	1,054,953
Infrastructure in progress	<u>344,354</u>	<u>82,218</u>	<u>-</u>	<u>426,572</u>
Total capital assets not being depreciated	<u>1,367,040</u>	<u>724,013</u>	<u>-</u>	<u>2,091,053</u>
Capital assets being depreciated:				
Buildings and other improvements	9,865,257	-	(398,090)	9,467,167
Machinery and equipment	2,010,954	4,876	(199,272)	1,816,558
Infrastructure	5,897,282	1,011,976	-	6,909,258
Vehicles	<u>1,251,697</u>	<u>-</u>	<u>(156,485)</u>	<u>1,095,212</u>
Total capital assets being depreciated	<u>19,025,190</u>	<u>1,016,852</u>	<u>(753,847)</u>	<u>19,288,195</u>
Less accumulated depreciation for:				
Buildings and other improvements	(2,982,646)	(264,543)	70,875	(3,176,314)
Machinery and equipment	(1,598,106)	(77,788)	198,258	(1,477,636)
Infrastructure	(652,391)	(148,401)	-	(800,792)
Vehicles	<u>(979,450)</u>	<u>(40,492)</u>	<u>156,485</u>	<u>(863,457)</u>
Total accumulated depreciation	<u>(6,212,593)</u>	<u>(531,224)</u>	<u>425,618</u>	<u>(6,318,199)</u>
Total capital assets being depreciated, net	<u>12,812,597</u>	<u>485,628</u>	<u>(328,229)</u>	<u>12,969,996</u>
Governmental activity capital assets, net	<u>\$ 14,179,637</u>	<u>\$ 1,209,641</u>	<u>\$ (328,229)</u>	<u>\$ 15,061,049</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 – CAPITAL ASSETS (Continued)

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

General government	\$ 98,249
Community development	94,912
Public safety	48,759
Public works	187,526
Parks and recreation	<u>101,778</u>
 Total	 <u>\$ 531,224</u>

Capital assets activity of the business-type activities for the year ended June 30, 2011, is as follows:

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 985,983	\$ -	\$ -	\$ 985,983
Total capital assets not being depreciated	<u>985,983</u>	<u>-</u>	<u>-</u>	<u>985,983</u>
Capital assets being depreciated:				
Utility system	44,286,900	14,665	-	44,301,565
Machinery and equipment	1,070,929	321,595	-	1,392,524
Vehicles	<u>1,546,338</u>	<u>-</u>	<u>-</u>	<u>1,546,338</u>
Total capital assets being depreciated	<u>46,904,167</u>	<u>336,260</u>	<u>-</u>	<u>47,240,427</u>
Less accumulated depreciation for:				
Utility system	(14,939,439)	(1,351,402)	-	(16,290,841)
Machinery and equipment	(657,847)	(79,688)	-	(737,535)
Vehicles	<u>(1,219,738)</u>	<u>(79,612)</u>	<u>-</u>	<u>(1,299,350)</u>
Total accumulated depreciation	<u>(16,817,024)</u>	<u>(1,510,702)</u>	<u>-</u>	<u>(18,327,726)</u>
Total capital assets being depreciated, net	<u>30,087,143</u>	<u>(1,174,442)</u>	<u>-</u>	<u>28,912,701</u>
Business-type capital assets, net	<u>31,073,126</u>	<u>(1,174,442)</u>	<u>-</u>	<u>29,898,684</u>
Total capital assets	<u>\$ 45,252,763</u>	<u>\$ 35,199</u>	<u>\$ (328,229)</u>	<u>\$ 44,959,733</u>

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

Business-Type Activities:	
Water	\$ 1,004,972
Sewer	341,181
Storm Drain	91,311
Refuse	2,847
Transit	<u>70,391</u>
 Total	 <u>\$ 1,510,702</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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 \$184,537 for governmental activities and \$4,713 for business-type activities at June 30, 2011, 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, 2011, the balance is \$385,924 for governmental activities and \$31,517 for the business-type activities.

	Balance July 1, 2010	Incurred	Satisfied	Balance June 30, 2011	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
Compensated absences	\$ 409,127	\$ 199,926	\$ (223,129)	\$ 385,924	\$ 201,387	\$ 184,537
Business-Type Activities:						
Compensated absences	\$ 21,522	\$ 30,371	\$ (20,376)	\$ 31,517	\$ 26,804	\$ 4,713

NOTE 8 – LONG-TERM DEBT

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

	Balance July 1, 2010	Incurred or Issued	Satisfied or Matured	Balance June 30, 2011	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
2004 Tax Allocation Bonds	\$ 4,155,000	\$ -	\$ (185,000)	\$ 3,970,000	\$ 190,000	\$ 3,780,000
Certificates of Participation	385,000	-	(40,000)	345,000	45,000	300,000
Total governmental activities	\$ 4,540,000	\$ -	\$ (225,000)	\$ 4,315,000	\$ 235,000	\$ 4,080,000

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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>
2012	\$ 190,000	\$ 177,543	\$ 367,543
2013	200,000	170,418	370,418
2014	205,000	162,918	367,918
2015	215,000	154,718	369,718
2016	220,000	146,117	366,117
2017-2021	1,255,000	582,737	1,837,737
2022-2026	805,000	303,542	1,108,542
2027-2031	445,000	176,980	621,980
2032-2035	435,000	56,000	491,000
Totals	<u>\$ 3,970,000</u>	<u>\$ 1,930,973</u>	<u>\$ 5,900,973</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 CJPFA 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>
2012	\$ 45,000	\$ 29,313	\$ 74,313
2013	50,000	25,156	75,156
2014	50,000	20,781	70,781
2015	60,000	16,187	76,187
2016	140,000	10,937	150,937
Totals	<u>\$ 345,000</u>	<u>\$ 102,374</u>	<u>\$ 447,374</u>

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011:

	Balance July 1, 2010	Incurred or Issued	Satisfied or Matured	Balance June 30, 2011	Amounts Due Within One Year	Amounts Due in More Than One Year
Business-Type Activities:						
Davis-Grunsky Loan (Water Fund)	\$ 562,203	\$ -	\$ (56,953)	\$ 505,250	\$ 58,339	\$ 446,911
2003 Certificates of Participation	5,260,000	-	(120,000)	5,140,000	120,000	5,020,000
2003 Certificates of Participation - Unamortized Bond Discounts	(70,198)	-	3,052	(67,146)	-	(67,146)
2008 Certificates of Participation	19,885,000	-	(410,000)	19,475,000	425,000	19,050,000
2008 Certificates of Participation - Deferred Refunding	(1,121,437)	-	44,857	(1,076,580)	-	(1,076,580)
2008 Bond Discount	(152,729)	-	6,219	(146,510)	-	(146,510)
State Water Quality Control Fund Loans (Sewer Fund)	168,902	-	(30,262)	138,640	31,351	107,289
State Rural Economic Development Infrastructure Loan	688	-	(688)	-	-	-
Total business-type activities	<u>\$ 24,532,429</u>	<u>\$ -</u>	<u>\$ (563,775)</u>	<u>\$ 23,968,654</u>	<u>\$ 634,690</u>	<u>\$ 23,333,964</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.

Fiscal Year Ending	Davis-Grunsky Loan (Water Fund)		
	Principal	Interest	Total
2012	\$ 58,339	\$ 11,034	\$ 69,373
2013	59,725	9,673	69,398
2014	61,111	8,278	69,389
2015	62,497	6,847	69,344
2016	63,883	5,382	69,265
2017-2019	<u>199,695</u>	<u>7,018</u>	<u>206,713</u>
Totals	<u>\$ 505,250</u>	<u>\$ 48,232</u>	<u>\$ 553,482</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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 \$6,343 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
2012	\$ 31,351	\$ 4,991	\$ 36,342
2013	32,480	3,862	36,342
2014	33,649	2,693	36,342
2015	34,860	1,482	36,342
2016	6,300	43	6,343
Totals	\$ 138,640	\$ 13,071	\$ 151,711

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
2012	\$ 120,000	\$ 211,020	\$ 331,020
2013	125,000	207,033	332,033
2014	130,000	202,570	332,570
2015	140,000	197,845	337,845
2016	140,000	192,595	332,595
2017-2021	795,000	869,493	1,664,493
2022-2026	980,000	682,538	1,662,538
2027-2031	1,215,000	450,394	1,665,394
2032-2036	1,495,000	164,369	1,659,369
Totals	\$ 5,140,000	\$ 3,177,857	\$ 8,317,857

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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. This loan was paid off during the year.

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
2012	\$ 425,000	\$ 725,028	\$ 1,150,028
2013	445,000	709,218	1,154,218
2014	460,000	692,664	1,152,664
2015	480,000	675,552	1,155,552
2016	500,000	657,696	1,157,696
2017-2021	2,850,000	2,991,996	5,841,996
2022-2026	3,505,000	2,415,396	5,920,396
2027-2031	4,315,000	1,705,620	6,020,620
2032-2036	5,310,000	832,536	6,142,536
2037	<u>1,200,000</u>	<u>44,640</u>	<u>1,244,640</u>
Totals	<u>\$ 19,490,000</u>	<u>\$ 11,450,346</u>	<u>\$ 30,940,346</u>

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, 2011

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 3.673% 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 a 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 2008, 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, 2011, the swap had a fair value of (\$2,451,257). The Counterparty states that the valuation is based on a proprietary model.

Credit Risk. As of June 30, 2011, 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 become 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 on October 1, 2005. To mitigate the potential for credit risk, if the Counterparty's credit quality falls below the AA rating, 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 costs 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 and 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, 2011**

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description

The City's 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 2010-2011 was 30.496% and 8.906% 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 2010/2011, the City's combined annual pension cost of \$547,458 was equal to the annual requirement contribution. The current year's required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative 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 payrolls on a closed basis. The remaining amortization period of June 30, 2011, was 15 years.

The City's annual pension costs (APC) and net pension obligation as of and for the year ended June 30, 2011, were 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>			
6/30/2009	\$ 181,167	100%	\$ -
6/30/2010	\$ 222,414	100%	\$ -
6/30/2011	\$ 217,257	100%	\$ -
<u>Safety Plan</u>			
6/30/2009	\$ 312,538	100%	\$ -
6/30/2010	\$ 378,706	100%	\$ -
6/30/2011	\$ 330,201	100%	\$ -

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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.

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as of % of Covered Payroll</u>
6/30/2010						
Miscellaneous	\$ 3,309,064,934	\$ 2,946,408,106	\$ 362,656,828	89.0%	\$ 748,401,352	48.5%
Safety	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%

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, 2011:

Total assets	\$ 69,444,059
Total liabilities	<u>55,945,081</u>
Member's equity	<u>\$ 13,498,978</u>
Total revenues	\$ 28,377,519
Total expenses	<u>26,762,465</u>
Excess of expenses (loss) over income	<u>\$ 1,615,054</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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 Projects Fund** has a deficit fund balance of \$4,446,021 as of June 30, 2011. This is a result of expenditures in excess of tax increment revenues.

NOTE 13 – 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, 2011:

General Fund:	
Capital outlay:	
Public works	\$1,024,768
Other financing sources (uses):	
Transfer out	\$135,000
Community Redevelopment Agency Special Revenue Fund:	
Capital outlay:	
General government	\$218,493
Other financing sources (uses):	
Transfer out	\$1,372,161

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 – SEGMENT INFORMATION

The City maintains four enterprise funds that provide water and sewer funds. Segment information for the year ended June 30, 2011, is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
CONDENSED STATEMENT OF NET ASSETS		
Assets:		
Current assets	\$ 8,015,335	\$ 831,367
Capital assets (net)	<u>28,663,808</u>	<u>3,196,596</u>
Total assets	<u>36,679,143</u>	<u>4,027,963</u>
Liabilities:		
Current liabilities	1,187,905	159,670
Noncurrent liabilities	<u>25,681,775</u>	<u>108,519</u>
Total liabilities	<u>26,869,680</u>	<u>268,189</u>
Net Assets:		
Invested in capital assets, net of related debt	2,537	3,057,956
Restricted	2,420,529	-
Unrestricted	<u>7,386,397</u>	<u>701,818</u>
Total net assets	<u>\$ 9,809,463</u>	<u>\$ 3,759,774</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating revenues	\$ 4,388,958	\$ 1,004,656
Depreciation expenses	(1,068,384)	(341,181)
Other operating expenses	<u>(2,162,218)</u>	<u>(1,184,384)</u>
Operating income (loss)	<u>1,158,356</u>	<u>(520,909)</u>
Nonoperating revenue (expenses):		
Other nonoperating revenue	47,832	31,851
Investment income	44,745	3,335
Interest expense	<u>(899,710)</u>	<u>(7,386)</u>
Total nonoperating revenue (expenses)	<u>(807,133)</u>	<u>27,800</u>
Changes in net assets	351,223	(493,109)
Beginning net assets	<u>9,458,240</u>	<u>4,252,883</u>
Ending net assets	<u>\$ 9,809,463</u>	<u>\$ 3,759,774</u>
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	\$ 2,110,225	\$ (127,312)
Noncapital financing activities	36,618	-
Capital and related financing activities	(1,746,756)	(28,493)
Investing activities	<u>46,263</u>	<u>3,230</u>
Net increase (decrease) in cash and cash equivalents	446,350	(152,575)
Beginning cash and cash equivalents	<u>6,763,206</u>	<u>768,944</u>
Ending cash and cash equivalents	<u>\$ 7,209,556</u>	<u>\$ 616,369</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

During the current year the following prior period adjustments were identified.

Governmental Activities:

During the current fiscal year, the City changed its policy related to the accounting for CDBG long-term non-performing loans. The City is no longer recording an asset for these loans in the government-wide statement of net assets. As a result, loans receivable were decreased by \$6,831,089 and deferred referred revenue was decreased by \$1,022,350, resulting in a decrease to net assets of \$5,808,739.

In addition, capital assets totaling \$703,325 were overstated, revenues totaling \$42,266, and expenses totaling \$151,522 were understated in fiscal year 2010. To correct these errors, beginning net assets in the Governmental Activities were decreased by \$812,581.

Governmental Funds:

The beginning fund balance in the General Fund was understated by \$31,050 due to a revenue understatement in fiscal year 2010. To correct this error, the beginning fund balance was increased by \$31,050.

The beginning fund balance in the Corcoran Redevelopment Agency Debt Service Fund was overstated by \$151,522 due to an expense understatement in fiscal year 2010. To correct this error, the beginning fund balance was decreased by \$151,522.

The beginning fund balance in the Corcoran Redevelopment Agency Capital Projects Fund was understated by \$11,216 due to a revenue understatement in fiscal year 2010. To correct this error, the beginning fund balance was increased by \$11,216.

Enterprise Funds:

The beginning net assets in the Transit Enterprise Fund were understated by \$877,432 due to capital assets which had not been previously recorded by the City. To correct this error, beginning net assets were increased by \$877,432.

NOTE 16 – SUBSEQUENT EVENTS

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1X 26 and 27 as part of the State's budget package. Assembly Bill 1X 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1X 27 provides a means for redevelopment agencies to continue to exist and operate by means of a voluntary alternative redevelopment program.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011, on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court (Court) to overturn Assembly Bills 1X 26 and 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the Court ruled that Assembly Bill 1X 26, the dissolution measure, is largely upheld and is a proper exercise of the legislative power vested in the Legislature by the State Constitution. A different conclusion was rendered with respect to Assembly Bill 1X 27, which was invalidated in its entirety by the Court. Accordingly, the Agency was dissolved effective January 31, 2012. The financial statements do not include any adjustments as a result of the dissolution of the Agency.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 16 – SUBSEQUENT EVENTS (Continued)

Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued)

The following is a summary of the significant provisions of Assembly Bill 1X 26:

Suspends Redevelopment Activity - As of June 29, 2011, the Agency cannot incur new obligations and debt. More specifically, the Agency cannot enter into or amend contracts, renew or extend leases or other agreements, and dispose of or transfer real property or other assets. Agencies are required to continue to make scheduled payments on bonds and other legally binding agreements, and to manage existing contracts, projects, and other agreements.

Dissolves Redevelopment Agencies - Assembly Bill 1X 26 dissolves all redevelopment agencies and community development agencies. All assets and responsibilities for closing out the activities of the former agency are transferred to a "Successor Agency."

Creates Successor Agencies - The Successor Agency is presumed to be the sponsoring community of the redevelopment agency (i.e. the City). The responsibility of a Successor Agency includes making payments and performing obligations of the former redevelopment agency in accordance with a schedule of enforceable obligations. Enforceable obligations include; bonds, loans, legally required payments, including payments for pension obligations, judgments or settlements, and other legally binding and enforceable agreements. A Successor Agency is required to dispose of the former agency's assets in an expeditious fashion, to transfer the housing functions to its sponsoring community, to wind down the affairs of the former agency (including the payment of debt and completion of obligated projects), to prepare administrative budgets, and to provide support to the "Oversight Board."

Transfer of Housing Functions - The sponsoring community may choose to assume the housing functions and the housing assets of the dissolved agency. Should the sponsoring community choose not to assume these responsibilities, all assets and functions would be transferred to the local housing authority.

Creation of Oversight Boards - The Oversight Board, which is comprised of seven member representatives from local government bodies, is tasked with reviewing and approving the actions of the Successor Agency. Two of the seven members would be City representatives appointed by the City Council - one of which must be an employee from the recognized employee organization representing the largest number of employees working for the redevelopment agency as of the date of dissolution. The remaining members are appointed by the County (2), the County Superintendent of Education (1), the Chancellor of California Community Colleges (1), and the largest special district taxing entity in the territorial jurisdiction of the former redevelopment agency which is eligible to receive property tax revenues pursuant to Section 34188.

The City Council adopted Resolution 2602 on January 30, 2012, to name the City of Corcoran as the successor agency to the Redevelopment Agency and also as the successor housing authority.

Management has evaluated subsequent events through March 30, 2012, the date the financial statements were available to be issued. Except as described above, no other events requiring recognition or disclosure in the financial statements were identified.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CORCORAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011**

Both of the City's defined benefit pension plans, the Miscellaneous Plan and the Safety Plan, are cost-sharing multiple employer defined benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The information presented 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:						
6/30/2008	\$ 2,780,280,768	\$ 2,581,857,668	\$ 198,423,100	92.9%	\$ 688,606,681	28.8%
6/30/2009	\$ 3,104,798,222	\$ 2,758,511,101	\$ 346,287,121	88.8%	\$ 742,981,488	46.6%
6/30/2010	\$ 3,309,064,934	\$ 2,946,408,106	\$ 362,656,828	89.0%	\$ 748,401,352	48.5%
Safety:						
6/30/2008	\$ 1,755,559,311	\$ 1,541,237,132	\$ 214,322,179	87.8%	\$ 210,590,567	101.8%
6/30/2009	\$ 1,802,882,330	\$ 1,520,081,328	\$ 282,801,002	84.3%	\$ 221,600,192	127.6%
6/30/2010	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amount		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 223,198	\$ 223,198	\$ 210,719	\$ (12,479)
Other taxes	1,359,316	1,359,316	1,038,976	(320,340)
Licenses and permits	175,090	175,090	92,187	(82,903)
Intergovernmental revenues	2,533,350	2,533,350	2,364,900	(168,450)
Charges for services	102,550	94,540	77,680	(16,860)
Fines and penalties	40,890	40,890	31,436	(9,454)
Use of money and property	53,280	54,280	1,699,325	1,645,045
Grant drawdowns	63,240	63,240	726,947	663,707
Miscellaneous	58,500	95,400	127,195	31,795
Total revenues	<u>4,609,414</u>	<u>4,639,304</u>	<u>6,369,365</u>	<u>1,730,061</u>
EXPENDITURES:				
Current:				
General government	2,473,772	2,473,772	985,015	1,488,757
Public safety	3,677,065	3,677,065	3,402,783	274,282
Public works	1,058,498	1,058,498	271,344	787,154
Parks and recreation	787,696	787,696	411,999	375,697
Capital outlay:				
General government	20,703	20,703	4,876	15,827
Public safety	6,500,000	6,500,000	2,684	6,497,316
Public works	-	-	1,024,768	(1,024,768)
Total expenditures	<u>14,517,734</u>	<u>14,517,734</u>	<u>6,103,469</u>	<u>8,414,265</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,908,320)</u>	<u>(9,878,430)</u>	<u>265,896</u>	<u>10,144,326</u>
Other financing sources (uses):				
Operating transfers in	-	-	738,839	738,839
Operating transfers out	-	-	(135,000)	(135,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>603,839</u>	<u>603,839</u>
Net change in fund balances	<u>(9,908,320)</u>	<u>(9,878,430)</u>	<u>869,735</u>	<u>10,748,165</u>
Fund balances, July 1, 2010	3,702,700	3,702,700	3,702,700	-
Prior period adjustment	31,050	31,050	31,050	-
Fund balances, July 1, 2010, as restated	<u>3,733,750</u>	<u>3,733,750</u>	<u>3,733,750</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ (6,174,570)</u>	<u>\$ (6,144,680)</u>	<u>\$ 4,603,485</u>	<u>\$ 10,748,165</u>

**CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 350,928	\$ 350,928	\$ 251,015	\$ (99,913)
Use of money and property	190,400	190,400	184,368	(6,032)
Loan repayments	6,000	6,000	13,391	7,391
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,770</u>	<u>2,770</u>
Total revenues	<u>547,328</u>	<u>547,328</u>	<u>451,544</u>	<u>(95,784)</u>
EXPENDITURES:				
Current:				
General government	162,218	162,218	128,848	33,370
Community development	268,140	268,140	227,090	41,050
Capital outlay:				
General government	<u>-</u>	<u>-</u>	<u>218,493</u>	<u>(218,493)</u>
Total expenditures	<u>430,358</u>	<u>430,358</u>	<u>574,431</u>	<u>(144,073)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>116,970</u>	<u>116,970</u>	<u>(122,887)</u>	<u>(239,857)</u>
Other financing sources (uses):				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,372,161)</u>	<u>(1,372,161)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,372,161)</u>	<u>(1,372,161)</u>
Net change in fund balances	116,970	116,970	(1,495,048)	(1,612,018)
Fund balances, July 1, 2010	<u>1,659,872</u>	<u>1,659,872</u>	<u>1,659,872</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 1,776,842</u>	<u>\$ 1,776,842</u>	<u>\$ 164,824</u>	<u>\$ (1,612,018)</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, 2011**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 860	\$ 860
Grant drawdowns	1,666,430	1,666,430	169,741	(1,496,689)
Loan repayments	<u>100,000</u>	<u>100,000</u>	<u>173,353</u>	<u>73,353</u>
Total revenues	<u>1,766,430</u>	<u>1,766,430</u>	<u>343,954</u>	<u>(1,422,476)</u>
EXPENDITURES:				
Current:				
Community development	<u>1,413,786</u>	<u>1,413,786</u>	<u>552,257</u>	<u>861,529</u>
Total expenditures	<u>1,413,786</u>	<u>1,413,786</u>	<u>552,257</u>	<u>861,529</u>
Excess (deficiency) of revenues over (under) expenditures	<u>352,644</u>	<u>352,644</u>	<u>(208,303)</u>	<u>(560,947)</u>
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Net change in fund balances	352,644	352,644	(183,303)	(535,947)
Fund balances, July 1, 2010	<u>239,107</u>	<u>239,107</u>	<u>239,107</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 591,751</u>	<u>\$ 591,751</u>	<u>\$ 55,804</u>	<u>\$ (535,947)</u>

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

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.

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 seven nonmajor special revenue funds.

Transportation and Street Fund

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.

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.

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.

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, 2011**

	<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 investments:				
Unrestricted	\$ 1,879,920	\$ -	\$ 18,434	\$ 1,898,354
Cash with fiscal agent:				
Restricted	-	76,502	-	76,502
Receivables	1,494,873	-	-	1,494,873
Prepaid expenses	4,043	-	-	4,043
Advances to other funds	679,004	-	-	679,004
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,057,840</u>	<u>\$ 76,502</u>	<u>\$ 18,434</u>	<u>\$ 4,152,776</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 119,397	\$ -	\$ -	\$ 119,397
Due to other funds	-	3,577	-	3,577
Deferred revenue	1,838,199	-	-	1,838,199
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,957,596</u>	<u>3,577</u>	<u>-</u>	<u>1,961,173</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	4,043	-	-	4,043
Restricted for:				
Debt service	-	72,925	18,434	91,359
Community development	333,992	-	-	333,992
Public safety	356,959	-	-	356,959
Transportation and street	1,300,921	-	-	1,300,921
Parks and recreation	102,814	-	-	102,814
Other purposes	1,515	-	-	1,515
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>2,100,244</u>	<u>72,925</u>	<u>18,434</u>	<u>2,191,603</u>
Total liabilities and fund balances	<u>\$ 4,057,840</u>	<u>\$ 76,502</u>	<u>\$ 18,434</u>	<u>\$ 4,152,776</u>

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

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES:				
Property taxes	\$ 8,310	\$ -	\$ -	\$ 8,310
Use of money and property	8,823	72,742	24	81,589
Intergovernmental revenues	630,339	-	-	630,339
Grant drawdowns	350,406	-	-	350,406
Repayment of loans	196,419	-	-	196,419
Miscellaneous	<u>82,420</u>	<u>-</u>	<u>-</u>	<u>82,420</u>
 Total revenues	 <u>1,276,717</u>	 <u>72,742</u>	 <u>24</u>	 <u>1,349,483</u>
 EXPENDITURES:				
Current services:				
General government	6,808	-	2,382	9,190
Community development	331,458	-	-	331,458
Parks and recreation	205	-	-	205
Public works	461,814	-	-	461,814
Public safety	108,869	-	-	108,869
Capital outlay:				
Public works	74,661	-	-	74,661
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Parks and recreation	170,165	-	-	170,165
Debt service:				
Principal retirement	-	40,000	-	40,000
Interest and fiscal charges	<u>-</u>	<u>32,813</u>	<u>-</u>	<u>32,813</u>
 Total expenditures	 <u>1,153,980</u>	 <u>72,813</u>	 <u>2,382</u>	 <u>1,229,175</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>122,737</u>	 <u>(71)</u>	 <u>(2,358)</u>	 <u>120,308</u>
 Other financing sources (uses):				
Operating transfers in	95,728	-	-	95,728
Operating transfers out	<u>(352,406)</u>	<u>-</u>	<u>-</u>	<u>(352,406)</u>
 Total other financing sources (uses)	 <u>(256,678)</u>	 <u>-</u>	 <u>-</u>	 <u>(256,678)</u>
 Net changes in fund balances	 (133,941)	 (71)	 (2,358)	 (136,370)
 Fund balances, July 1, 2010	 <u>2,234,185</u>	 <u>72,996</u>	 <u>20,792</u>	 <u>2,327,973</u>
 Fund balances, June 30, 2011	 <u>\$ 2,100,244</u>	 <u>\$ 72,925</u>	 <u>\$ 18,434</u>	 <u>\$ 2,191,603</u>

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

	Transportation and Street	Public Safety	Parks Capital	Community Development Block Grant
<u>ASSETS</u>				
Cash and investments:				
Unrestricted	\$ 1,264,517	\$ 352,412	\$ 140,120	\$ 40,189
Receivables	182,923	12,122	183	1,195,188
Prepaid expenses	4,043	-	-	-
Advances to other funds	-	-	-	679,004
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,451,483</u>	<u>\$ 364,534</u>	<u>\$ 140,303</u>	<u>\$ 1,914,381</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 44,207	\$ 7,575	\$ 37,489	\$ 25,850
Deferred revenue	102,312	-	-	1,632,153
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>146,519</u>	<u>7,575</u>	<u>37,489</u>	<u>1,658,003</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	4,043	-	-	-
Restricted for:				
Community development	-	-	-	256,378
Public safety	-	356,959	-	-
Transportation and street	1,300,921	-	-	-
Parks and recreation	-	-	102,814	-
Other purposes	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,304,964</u>	<u>356,959</u>	<u>102,814</u>	<u>256,378</u>
Total liabilities and fund balances	<u>\$ 1,451,483</u>	<u>\$ 364,534</u>	<u>\$ 140,303</u>	<u>\$ 1,914,381</u>

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

	Economic Development Loan Programs	Assessment Districts	Technology Program Grant	Totals
<u>ASSETS</u>				
Cash and investments:				
Unrestricted	\$ 77,558	\$ 5,124	\$ -	\$ 1,879,920
Receivables	103,790	667	-	1,494,873
Prepaid expenses	-	-	-	4,043
Advances to other funds	-	-	-	679,004
Total assets	<u>\$ 181,348</u>	<u>\$ 5,791</u>	<u>\$ -</u>	<u>\$ 4,057,840</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ 4,276	\$ -	\$ 119,397
Deferred revenue	103,734	-	-	1,838,199
Total liabilities	<u>103,734</u>	<u>4,276</u>	<u>-</u>	<u>1,957,596</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	-	-	-	4,043
Restricted for:				
Community development	77,614	-	-	333,992
Public safety	-	-	-	356,959
Transportation and street	-	-	-	1,300,921
Parks and recreation	-	-	-	102,814
Other purposes	-	1,515	-	1,515
Total fund balances	<u>77,614</u>	<u>1,515</u>	<u>-</u>	<u>2,100,244</u>
Total liabilities and fund balances	<u>\$ 181,348</u>	<u>\$ 5,791</u>	<u>\$ -</u>	<u>\$ 4,057,840</u>

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

	Transportation and Street	Public Safety	Parks Capital	Community Development Block Grant
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	4,034	3,826	781	125
Intergovernmental revenues	629,416	-	923	-
Grant drawdowns	-	100,000	-	167,069
Repayment of loans	-	-	-	119,477
Miscellaneous	<u>80,913</u>	<u>572</u>	<u>935</u>	<u>-</u>
Total revenues	<u>714,363</u>	<u>104,398</u>	<u>2,639</u>	<u>286,671</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Community development	-	-	-	292,841
Parks and recreation	-	-	205	-
Public works	461,814	-	-	-
Public safety	-	108,869	-	-
Capital outlay:				
Parks and recreation	-	-	170,165	-
Public works	<u>74,661</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>536,475</u>	<u>108,869</u>	<u>170,370</u>	<u>292,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>177,888</u>	<u>(4,471)</u>	<u>(167,731)</u>	<u>(6,170)</u>
Other financing sources (uses):				
Operating transfers in	95,728	-	-	-
Operating transfers out	<u>(206,178)</u>	<u>(121,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(110,450)</u>	<u>(121,000)</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	67,438	(125,471)	(167,731)	(6,170)
Fund balances, July 1, 2010	<u>1,237,526</u>	<u>482,430</u>	<u>270,545</u>	<u>262,548</u>
Fund balances, June 30, 2011	<u>\$ 1,304,964</u>	<u>\$ 356,959</u>	<u>\$ 102,814</u>	<u>\$ 256,378</u>

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

	Economic Development Loan Programs	Assessment Districts	Technology Program Grant	Totals
REVENUES:				
Property taxes	\$ -	\$ 8,310	\$ -	\$ 8,310
Use of money and property	57	-	-	8,823
Intergovernmental revenues	-	-	-	630,339
Grant drawdowns	-	-	83,337	350,406
Repayment of loans	76,942	-	-	196,419
Miscellaneous	-	-	-	82,420
	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,420</u>
Total revenues	<u>76,999</u>	<u>8,310</u>	<u>83,337</u>	<u>1,276,717</u>
EXPENDITURES:				
Current:				
General government	350	6,458	-	6,808
Community development	-	1,439	37,178	331,458
Parks and recreation	-	-	-	205
Public works	-	-	-	461,814
Public safety	-	-	-	108,869
Capital outlay:				
Parks and recreation	-	-	-	170,165
Public works	-	-	-	74,661
	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,661</u>
Total expenditures	<u>350</u>	<u>7,897</u>	<u>37,178</u>	<u>1,153,980</u>
Excess (deficiency) of revenues over (under) expenditures	<u>76,649</u>	<u>413</u>	<u>46,159</u>	<u>122,737</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	95,728
Operating transfers out	-	-	(25,228)	(352,406)
	<u>-</u>	<u>-</u>	<u>(25,228)</u>	<u>(256,678)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(25,228)</u>	<u>(256,678)</u>
Net changes in fund balances	76,649	413	20,931	(133,941)
Fund balances, July 1, 2010	<u>965</u>	<u>1,102</u>	<u>(20,931)</u>	<u>2,234,185</u>
Fund balances, June 30, 2011	<u>\$ 77,614</u>	<u>\$ 1,515</u>	<u>\$ -</u>	<u>\$ 2,100,244</u>

**CITY OF CORCORAN
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUND
 JUNE 30, 2011**

	Corcoran Joint Powers Finance Authority
<u>ASSETS</u>	
Cash with fiscal agent:	
Restricted	\$ <u>76,502</u>
 Total assets	 \$ <u><u>76,502</u></u>
<u>FUND BALANCES</u>	
Liabilities:	
Due to other funds	\$ <u>3,577</u>
 Total liabilities	 <u>3,577</u>
 Fund balances:	
Restricted for:	
Debt service	<u>72,925</u>
 Total fund balances	 <u>72,925</u>
 Total liabilities and fund balances	 \$ <u><u>76,502</u></u>

**CITY OF CORCORAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Corcoran Joint Powers Finance Authority</u>
REVENUES:	
Use of money and property	\$ <u>72,742</u>
Total revenues	<u>72,742</u>
EXPENDITURES:	
Debt service:	
Principal	40,000
Interest and fiscal charges	<u>32,813</u>
Total expenditures	<u>72,813</u>
Net change in fund balance	(71)
Fund balances, July 1, 2010	<u>72,996</u>
Fund balances, June 30, 2011	<u>\$ 72,925</u>

**CITY OF CORCORAN
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUND
 JUNE 30, 2011**

	Corcoran Joint Powers Finance Authority
<u>ASSETS</u>	
Cash and investments:	
Unrestricted	\$ 18,434
Total assets	\$ 18,434
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ -
Total liabilities	-
Fund balances:	
Restricted for:	
Debt service	18,434
Total fund balances	18,434
Total liabilities and fund balances	\$ 18,434

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

	Corcoran Joint Powers Finance Authority <hr style="border: 0.5px solid black;"/>
REVENUES:	
Use of money and property	\$ <u>24</u>
Total revenues	<u>24</u>
EXPENDITURES:	
Current:	
General government	<u>2,382</u>
Total expenditures	<u>2,382</u>
Net change in fund balance	(2,358)
Fund balances, July 1, 2010	<u>20,792</u>
Fund balances, June 30, 2011	<u>\$ 18,434</u>

**CITY OF CORCORAN
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2011**

	<u>Asset Seizure (Unprocessed)</u>	<u>Kings County CDBG</u>	<u>Corcoran Police Explorers</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 753	\$ 15,556	\$ 1,040	\$ 17,349
Receivables:				
Interest	-	80	-	80
Notes	<u>-</u>	<u>1,189,677</u>	<u>-</u>	<u>1,189,677</u>
Total assets	<u>\$ 753</u>	<u>\$ 1,205,313</u>	<u>\$ 1,040</u>	<u>\$ 1,207,106</u>
<u>LIABILITIES</u>				
Due to other agencies	<u>\$ 753</u>	<u>\$ 1,205,313</u>	<u>\$ 1,040</u>	<u>\$ 1,207,106</u>
Total liabilities	<u>\$ 753</u>	<u>\$ 1,205,313</u>	<u>\$ 1,040</u>	<u>\$ 1,207,106</u>

**CITY OF CORCORAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS SEIZURES (UNPROCESSED)				
<u>ASSETS</u>				
Cash	\$ 753	\$ -	\$ -	\$ 753
Receivables:				
Interest	-	-	-	-
Notes	-	-	-	-
Total assets	<u>\$ 753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 753</u>
<u>LIABILITIES</u>				
Due to other agencies	\$ 753	\$ -	\$ -	\$ 753
Total liabilities	<u>\$ 753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 753</u>
KINGS COUNTY CDBG				
<u>ASSETS</u>				
Cash	\$ 18,096	\$ 22,822	\$ (25,362)	\$ 15,556
Receivables:				
Interest	92	-	(12)	80
Notes	1,222,813	-	(33,136)	1,189,677
Total assets	<u>\$ 1,241,001</u>	<u>\$ 22,822</u>	<u>\$ (58,510)</u>	<u>\$ 1,205,313</u>
<u>LIABILITIES</u>				
Due to other agencies	\$ 1,241,001	\$ 22,951	\$ (58,639)	\$ 1,205,313
Total liabilities	<u>\$ 1,241,001</u>	<u>\$ 22,951</u>	<u>\$ (58,639)</u>	<u>\$ 1,205,313</u>
CORCORAN POLICE EXPLORERS				
<u>ASSETS</u>				
Cash	\$ 414	\$ 1,789	\$ (1,163)	\$ 1,040
Receivables:				
Interest	-	-	-	-
Notes	-	-	-	-
Total assets	<u>\$ 414</u>	<u>\$ 1,789</u>	<u>\$ (1,163)</u>	<u>\$ 1,040</u>
<u>LIABILITIES</u>				
Due to other agencies	\$ 414	\$ 1,789	\$ (1,163)	\$ 1,040
Total liabilities	<u>\$ 414</u>	<u>\$ 1,789</u>	<u>\$ (1,163)</u>	<u>\$ 1,040</u>

**CITY OF CORCORAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract/ Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD):			
Passed through the State of California:			
Community Development Block Grants: (State Program)	14.228	09-STBG-6408	\$ 210,237
Total Community Development Block Grants			<u>210,237</u>
HOME Investment Partnership Program: (State HOME Program)	14.239	09-HOME-6124	<u>277,821</u>
Total HOME Investment Partnership Program			<u>277,821</u>
Total U.S. Department of Housing and Urban Development			<u>488,058</u>
U.S. Department of Justice			
Direct Award:			
Office of Community Oriented Policing Services (COPS)	16.710	2008CKWX0228	62,406
Bulletproof Vest Partnership	16.607	9046405	<u>1,526</u>
Total U.S. Department of Justice			<u>63,932</u>
U.S. Department of Transportation (DOT)			
Passed through the State of California:			
ARRA - Highway Planning and Construction	20.205	06-5223R	<u>918,876</u>
Total U.S. Department of Transportation			<u>918,876</u>
Total expenditures of federal awards			<u>\$ 1,470,866</u>

**CITY OF CORCORAN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

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 accrual basis of accounting.

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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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corcoran, California (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other certain matters that we reported to management of City of Corcoran, California, in a separate letter dated March 30, 2012.

City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

Clovis, California
March 30, 2012

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

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

Compliance

We have audited the City of Corcoran, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. 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 City's management. Our responsibility is to express an opinion on City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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

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

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

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

Price Pange & Company

Clovis, California
March 30, 2012

FINDINGS AND QUESTIONED COSTS

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness identified? X Yes 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? Yes X 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> 20.205	<u>Name of Federal Program or Cluster</u> ARRA - Highway Planning and Construction
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2011-01

Condition: The City of Corcoran's governmental revenues, which are collected sixty days or more after the current fiscal year-end, were not properly recorded in the deferred revenue account; rather they were recorded incorrectly into the revenue account.

Criteria: According to Governmental Accounting Standards Board (GASB) Statement No. 33, governmental revenue which is collected more than sixty days after year-end should be recorded as deferred revenue.

Cause: Due to staff shortages, there was a lack of review to ensure proper recording of accruals.

Effect: Deferred revenue was understated and revenue overstated by \$197,342 in the current fiscal year.

Recommendation: All journal entries should be reviewed for propriety by someone other than the person making the entry.

Response: The City will make an effort to redistribute the work to allow for a more complete review process.

Finding 2011-02

Condition: The City of Corcoran's governmental capital assets schedule was overstated resulting from an asset transfer between funds.

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 34

Cause: Due to staff shortages, there was a lack of review to ensure accuracy of the capital assets schedule.

Effect: Governmental capital assets were overstated by \$703,324 in the prior fiscal year.

Recommendation: The capital assets schedule should be reviewed for propriety by someone other than the person preparing the depreciation schedule.

Response: The City will make it a priority to update and review the fixed asset schedules on an ongoing basis and review options for streamlining the process.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No items are reportable.

**CITY OF CORCORAN
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2010-1

Condition: Capital outlay transactions were not properly recorded on the City's depreciation schedule.

Effect: There were capital outlay transactions that did not get recorded or appeared twice on the City's depreciation schedule.

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

Criteria: GASB 34

Recommendation: There should be a secondary review of the depreciation schedule for accuracy, and capital outlay activities should be reconciled to the depreciation schedule.

Client Response: We will change our procedures to allow for review and approval of the Fixed Assets schedules by the Finance Director.

Status: Not implemented. See current year finding 2011-1.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported