

**CITY OF CORCORAN
CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2010**

**CITY OF CORCORAN
JUNE 30, 2010**

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JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Corcoran, California (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 51-54 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 inquires 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 basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Corcoran, California. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related 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
February 10, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CORCORAN
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents:			
Unrestricted	\$ 9,124,733	\$ 6,153,591	\$ 15,278,324
Restricted	-	69,706	69,706
Cash with fiscal agent - restricted	390,099	2,317,206	2,707,305
Receivables	11,484,005	1,264,748	12,748,753
Prepaid expenses	9,413	-	9,413
Property held for resale	469,434	-	469,434
Unamortized bond discount	-	-	-
Internal balances	(2,000,000)	2,000,000	-
Bond issuance costs	296,938	163,421	460,359
Deferred outflow of resources	-	3,028,881	3,028,881
Capital assets:			
Non-depreciable	1,367,040	985,983	2,353,023
Depreciable, net of accumulated depreciation	<u>13,515,922</u>	<u>29,206,311</u>	<u>42,722,233</u>
Total assets	<u>34,657,584</u>	<u>45,189,847</u>	<u>79,847,431</u>
<u>LIABILITIES</u>			
Accounts payable	1,093,272	461,343	1,554,615
Deposits	2,116	-	2,116
Interest payable	-	272,368	272,368
Deferred revenues	6,713,071	-	6,713,071
Due within one year:			
Note payable	-	87,903	87,903
Certificate of participation	40,000	530,000	570,000
Tax allocation	185,000	-	185,000
Compensated absences	191,253	17,931	209,184
Noncurrent liabilities:			
Derivative instrument liability	-	3,028,881	3,028,881
Due in more than one year:			
Note payable	-	643,890	643,890
Certificate of participation	345,000	23,285,636	23,630,636
Tax allocation	3,970,000	-	3,970,000
Compensated absences	<u>217,874</u>	<u>3,591</u>	<u>221,465</u>
Total liabilities	<u>12,757,586</u>	<u>28,331,543</u>	<u>41,089,129</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	10,342,962	6,207,068	16,550,030
Restricted for:			
Debt service restrictions	390,099	2,386,912	2,777,011
Unrestricted	<u>11,166,937</u>	<u>8,264,324</u>	<u>19,431,261</u>
Total net assets	<u>\$ 21,899,998</u>	<u>\$ 16,858,304</u>	<u>\$ 38,758,302</u>

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

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FUND FINANCIAL STATEMENTS

**CITY OF CORCORAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 1,666,111	\$ -	\$ -	\$ -	\$ (1,666,111)	\$ -	\$ (1,666,111)
Community development	2,568,454	41,936	1,282,303	-	(1,244,215)	-	(1,244,215)
Public safety	3,450,729	-	218,142	40,261	(3,192,326)	-	(3,192,326)
Public works	1,066,232	-	790,058	4,509	(271,665)	-	(271,665)
Parks and recreation	548,966	-	-	-	(548,966)	-	(548,966)
Interest on long-term debt	313,719	-	-	-	(313,719)	-	(313,719)
Total governmental activities	9,614,211	41,936	2,290,503	44,770	(7,237,002)	-	(7,237,002)
Business-type activities:							
Water	4,427,844	4,546,270	-	-	-	118,426	118,426
Sewer	1,250,644	984,201	-	-	-	(266,443)	(266,443)
Refuse	1,661,785	1,658,154	-	-	-	(3,631)	(3,631)
Storm drain	332,912	303,483	-	-	-	(29,429)	(29,429)
Transit	880,296	71,882	850,460	-	-	42,046	42,046
Total business-type activities	8,553,481	7,563,990	850,460	-	-	(139,031)	(139,031)
Total	\$ 18,167,692	\$ 7,605,926	\$ 3,140,963	\$ 44,770	(7,237,002)	(139,031)	(7,376,033)
General revenues:							
Taxes:							
Property taxes					1,461,713	-	1,461,713
Sales and use taxes					997,707	-	997,707
Franchise taxes					246,698	-	246,698
Other taxes					215,253	-	215,253
Motor vehicle in-lieu					2,356,606	-	2,356,606
Investment income					64,534	53,643	118,177
Rental income					276,830	53,115	329,945
CDBG/Home Loan repayments					7,736	-	7,736
Miscellaneous					396,697	309,436	706,133
Transfers					(1,211,632)	1,211,632	-
Total general revenues and transfers					4,812,142	1,627,826	6,439,968
Changes in net assets					(2,424,860)	1,488,795	(936,065)
Net assets, July 1, 2009					24,324,858	15,369,509	39,694,367
Net assets, June 30, 2010					\$ 21,899,998	\$ 16,858,304	\$ 38,758,302

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

**CITY OF CORCORAN
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund	Corcoran Redevelopment Agency Debt Service Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Community Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents:							
Unrestricted	\$ 3,049,678	\$ 615,163	\$ 21,515	\$ 403,489	\$ 1,551,407	\$ 3,483,484	\$ 9,124,736
Cash with fiscal agent:							
Restricted	-	313,526	-	-	-	76,573	390,099
Receivables	393,543	61,048	1,457,623	2,118,678	-	622,027	4,652,919
Prepaid expenses	9,413	-	-	-	-	-	9,413
Advances to other funds	2,341,508	784,795	679,004	-	-	-	3,805,307
Property held for resale	18,593	-	-	-	450,841	-	469,434
Total assets	<u>\$ 5,812,735</u>	<u>\$ 1,774,532</u>	<u>\$ 2,158,142</u>	<u>\$ 2,522,167</u>	<u>\$ 2,002,248</u>	<u>\$ 4,182,084</u>	<u>\$ 18,451,908</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 492,937	\$ 2,972	\$ 216,866	\$ 274,988	\$ 37,656	\$ 67,848	\$ 1,093,267
Deposits	1,616	-	-	-	-	500	2,116
Deferred revenue	1,615,482	-	1,678,728	2,008,072	-	388,439	5,690,721
Advances from other funds	-	-	-	-	5,805,307	-	5,805,307
Total liabilities	<u>2,110,035</u>	<u>2,972</u>	<u>1,895,594</u>	<u>2,283,060</u>	<u>5,842,963</u>	<u>456,787</u>	<u>12,591,411</u>
Fund balances:							
Reserved for:							
Debt service	-	313,526	-	-	-	76,573	390,099
Unreserved:							
General fund	3,702,700	-	-	-	-	-	3,702,700
Special revenue funds	-	-	262,548	239,107	-	3,631,509	4,133,164
Debt service funds	-	1,458,034	-	-	-	(3,577)	1,454,457
Capital projects funds	-	-	-	-	(3,840,715)	20,792	(3,819,923)
Total fund balances	<u>3,702,700</u>	<u>1,771,560</u>	<u>262,548</u>	<u>239,107</u>	<u>(3,840,715)</u>	<u>3,725,297</u>	<u>5,860,497</u>
Total liabilities and fund balances	<u>\$ 5,812,735</u>	<u>\$ 1,774,532</u>	<u>\$ 2,158,142</u>	<u>\$ 2,522,167</u>	<u>\$ 2,002,248</u>	<u>\$ 4,182,084</u>	<u>\$ 18,451,908</u>

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, 2010**

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

Total fund balances - total governmental funds	\$ 5,860,497
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.	14,882,962
Long-term liabilities were not due and payable in the current period; therefore, they are not reported in the governmental funds.	(4,949,127)
Bond issuance costs to be amortized over the life of the debt.	296,938
Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the governmental funds.	<u>5,808,728</u>
Net assets of governmental activities	<u>\$ 21,899,998</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, 2010

	General Fund	Corcoran Redevelopment Agency Debt Service Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Community Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Property taxes	\$ 172,278	\$ 1,022,408	\$ -	\$ -	\$ -	\$ 272,843	\$ 1,467,529
Other taxes	1,282,020	-	-	-	-	-	1,282,020
Licenses and permits	164,875	-	-	-	-	-	164,875
Intergovernmental revenues	2,538,018	-	-	-	-	548,834	3,086,852
Charges for services	56,970	-	-	-	-	-	56,970
Fines and penalties	40,261	-	-	-	-	-	40,261
Use of money and property	55,886	8,814	20,907	27,608	-	272,622	385,837
Grant drawdowns	39,157	-	514,233	618,103	-	492,593	1,664,086
Loan repayments	7,730	-	123,302	177,662	-	21,679	330,373
Miscellaneous	172,819	-	-	-	-	122,933	295,752
Total revenues	4,530,014	1,031,222	658,442	823,373	-	1,731,504	8,774,555
EXPENDITURES:							
Current:							
General government	786,557	390,524	-	-	-	124,283	1,301,364
Community development	1,890	-	1,280,777	508,536	543,970	462,451	2,797,624
Public safety	3,336,627	-	-	-	-	51,748	3,388,375
Public works	286,503	-	-	-	-	518,077	804,580
Parks and recreation	433,052	-	-	-	-	-	433,052
Capital outlay:							
General government	36,117	-	-	-	-	-	36,117
Public safety	309,004	-	-	-	-	134,797	443,801
Public works	423,596	-	-	-	-	-	423,596
Debt service:							
Principal retirement	-	180,000	-	-	-	40,000	220,000
Interest and fiscal charges	-	188,734	-	-	88,313	36,672	313,719
Total expenditures	5,613,346	759,258	1,280,777	508,536	632,283	1,368,028	10,162,228
Excess (deficiency) of revenues over (under) expenditures	(1,083,332)	271,964	(622,335)	314,837	(632,283)	363,476	(1,387,673)
Other financing sources (uses):							
Operating transfers in	239,820	-	114,349	-	508,014	166,728	1,028,911
Operating transfers out	(244,204)	(508,014)	(100,757)	-	-	(1,387,568)	(2,240,543)
Total other financing sources (uses)	(4,384)	(508,014)	13,592	-	508,014	(1,220,840)	(1,211,632)
Net changes in fund balances	(1,087,716)	(236,050)	(608,743)	314,837	(124,269)	(857,364)	(2,599,305)
Fund balances, July 1, 2009	4,790,416	2,007,610	871,291	(75,730)	(3,716,446)	4,582,661	8,459,802
Fund balances, June 30, 2010	\$ 3,702,700	\$ 1,771,560	\$ 262,548	\$ 239,107	\$ (3,840,715)	\$ 3,725,297	\$ 5,860,497

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, 2010

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

Net change in fund balances - total governmental funds	\$ (2,599,305)
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.	824,249
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.	(694,339)
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.	(163,290)
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.	<u>207,825</u>
Changes in net assets of governmental activities	<u>\$ (2,424,860)</u>

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ENTERPRISE FUNDS

**CITY OF CORCORAN
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2010**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Nonmajor Storm Drain Fund	Total
ASSETS						
Cash and cash equivalents:						
Unrestricted	\$ 4,376,294	\$ 768,944	\$ 41,060	\$ 924,368	\$ 42,925	\$ 6,153,591
Restricted	69,706	-	-	-	-	69,706
Cash with fiscal agent - restricted	2,317,206	-	-	-	-	2,317,206
Receivables	562,474	175,594	270,775	201,693	54,212	1,264,748
Due from other funds	380,000	23,771	28,131	-	4,360	436,262
Unamortized bond issuance cost	163,421	-	-	-	-	163,421
Total current assets	7,869,101	968,309	339,966	1,126,061	101,497	10,404,934
Noncurrent assets:						
Advances to other funds	2,000,000	-	-	-	-	2,000,000
Deferred outflow of resources	3,028,881	-	-	-	-	3,028,881
Capital assets:						
Nondepreciable	737,730	201,600	-	-	46,653	985,983
Depreciable, net of accumulated depreciation	23,844,065	3,314,169	10,731	-	2,037,346	29,206,311
Total noncurrent assets	29,610,676	3,515,769	10,731	-	2,083,999	35,221,175
Total assets	37,479,777	4,484,078	350,697	1,126,061	2,185,496	45,626,109
LIABILITIES						
Accounts payable	276,269	52,937	110,478	17,164	4,495	461,343
Interest payable	272,368	-	-	-	-	272,368
Due to other funds	56,262	-	-	-	380,000	436,262
Compensated absences	7,906	7,219	1,727	-	1,079	17,931
Certificates of participation	530,000	-	-	-	-	530,000
Notes payable	56,953	30,950	-	-	-	87,903
Total current liabilities	1,199,758	91,106	112,205	17,164	385,574	1,805,807
Compensated absences	2,012	1,449	246	-	(116)	3,591
Certificates of participation	23,285,636	-	-	-	-	23,285,636
Notes payable	505,250	138,640	-	-	-	643,890
Derivative instrument liability	3,028,881	-	-	-	-	3,028,881
Total noncurrent liabilities	26,821,779	140,089	246	-	(116)	26,961,998
Total liabilities	28,021,537	231,195	112,451	17,164	385,458	28,767,805
NET ASSETS						
Invested in capital assets, net of related debt	766,159	3,346,179	10,731	-	2,083,999	6,207,068
Restricted for:						
Debt service	2,386,912	-	-	-	-	2,386,912
Unrestricted	6,305,169	906,704	227,515	1,108,897	(283,961)	8,264,324
Total net assets	\$ 9,458,240	\$ 4,252,883	\$ 238,246	\$ 1,108,897	\$ 1,800,038	\$ 16,858,304

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, 2010

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Nonmajor Storm Drain Fund	Total
OPERATING REVENUES:						
Charges for services	\$ 4,546,130	\$ 984,201	\$ 1,658,154	\$ 71,882	\$ 303,483	\$ 7,563,850
Connection fees	<u>140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140</u>
Total operating revenues	<u>4,546,270</u>	<u>984,201</u>	<u>1,658,154</u>	<u>71,882</u>	<u>303,483</u>	<u>7,563,990</u>
OPERATING EXPENSES:						
Personnel costs	383,177	325,590	91,443	311,292	35,866	1,147,368
Maintenance and supplies	1,720,409	413,934	1,448,164	59,722	24,891	3,667,120
Depreciation and amortization	1,052,299	343,183	16,874	-	70,787	1,483,143
Administrative and allocated costs	<u>241,461</u>	<u>160,504</u>	<u>105,304</u>	<u>509,282</u>	<u>199,168</u>	<u>1,215,719</u>
Total operating expenses	<u>3,397,346</u>	<u>1,243,211</u>	<u>1,661,785</u>	<u>880,296</u>	<u>330,712</u>	<u>7,513,350</u>
Operating income (loss)	<u>1,148,924</u>	<u>(259,010)</u>	<u>(3,631)</u>	<u>(808,414)</u>	<u>(27,229)</u>	<u>50,640</u>
NON-OPERATING REVENUES (EXPENSES):						
Interest income	40,745	5,172	164	7,224	338	53,643
Rental income	45,915	-	-	7,200	-	53,115
Grants	-	-	-	850,460	-	850,460
Capital contributions	48,846	195,522	-	-	61,317	305,685
Other income	216	2,457	805	-	273	3,751
Interest and fiscal charges	<u>(1,030,498)</u>	<u>(7,433)</u>	<u>-</u>	<u>-</u>	<u>(2,200)</u>	<u>(1,040,131)</u>
Total non-operating revenues (expenses)	<u>(894,776)</u>	<u>195,718</u>	<u>969</u>	<u>864,884</u>	<u>59,728</u>	<u>226,523</u>
Other financing sources (uses):						
Operating transfers in	-	15,810	-	1,052,427	159,205	1,227,442
Operating transfers out	<u>-</u>	<u>(15,810)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,810)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,052,427</u>	<u>159,205</u>	<u>1,211,632</u>
Changes in net assets	254,148	(63,292)	(2,662)	1,108,897	191,704	1,488,795
Net assets, July 1, 2009	<u>9,204,092</u>	<u>4,316,175</u>	<u>240,908</u>	<u>-</u>	<u>1,608,334</u>	<u>15,369,509</u>
Net assets, June 30, 2010	<u>\$ 9,458,240</u>	<u>\$ 4,252,883</u>	<u>\$ 238,246</u>	<u>\$ 1,108,897</u>	<u>\$ 1,800,038</u>	<u>\$ 16,858,304</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, 2010**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Nonmajor Storm Drain Fund	Total
Cash flows from operating activities:						
Cash received from customers	\$ 4,523,577	\$ 967,467	\$ 1,637,898	\$ 35,296	\$ 298,414	\$ 7,462,652
Cash payments to suppliers for goods and services	(1,886,108)	(468,568)	(1,449,216)	(567,598)	(24,281)	(4,395,771)
Cash payments to employees for services	(384,709)	(323,602)	(91,600)	(311,292)	(35,901)	(1,147,104)
Cash payments to other funds for allocated costs	(2,179,867)	(161,178)	(106,101)	-	(199,291)	(2,646,437)
Net cash provided (used) by operating activities	<u>72,893</u>	<u>14,119</u>	<u>(9,019)</u>	<u>(843,594)</u>	<u>38,941</u>	<u>(726,660)</u>
Cash flows from noncapital financing activities:						
Proceeds from non-operating revenues	45,915	-	-	7,200	-	53,115
Transfers from (to) other funds	-	-	-	-	(60,000)	(60,000)
Net cash provided (used) by noncapital financing activities	<u>45,915</u>	<u>-</u>	<u>-</u>	<u>7,200</u>	<u>(60,000)</u>	<u>(6,885)</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(35,792)	(2,798)	-	-	-	(38,590)
Principal payment	(170,642)	(43,793)	-	-	-	(214,435)
Grants	-	-	-	850,460	-	850,460
Capital contributions	48,846	195,522	-	-	61,317	305,685
Cash received from other	246	2,457	6,924	-	273	9,900
Interest and fiscal charges	(984,569)	(8,622)	-	-	(2,200)	(995,391)
Net cash provided (used) by capital financing activities	<u>(1,141,911)</u>	<u>142,766</u>	<u>6,924</u>	<u>850,460</u>	<u>59,390</u>	<u>(82,371)</u>
Cash flows from investing activities:						
Interest on investments	54,384	5,105	368	10,053	183	70,093
Net cash provided (used) by investing activities	<u>54,384</u>	<u>5,105</u>	<u>368</u>	<u>10,053</u>	<u>183</u>	<u>70,093</u>
Increase (decrease) in cash and cash equivalents	(968,719)	161,990	(1,727)	24,119	38,514	(745,823)
Cash and cash equivalents, July 1, 2009	<u>7,731,925</u>	<u>606,954</u>	<u>42,787</u>	<u>900,249</u>	<u>4,411</u>	<u>9,286,326</u>
Cash and cash equivalents, June 30, 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>

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, 2010**

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Transit Fund</u>	<u>Nonmajor Storm Drain Fund</u>	<u>Total</u>
Operating income (loss)	\$ 1,148,924	\$ (259,010)	\$ (3,631)	\$ (808,414)	\$ (27,229)	\$ 50,640
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	991,828	343,183	16,874	-	70,787	1,422,672
Amortization	60,471	-	-	-	-	60,471
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable, net	(22,693)	(16,732)	(20,258)	(36,586)	(5,069)	(101,338)
(Increase) decrease in due from other funds	(1,940,000)	(674)	(797)	-	(123)	(1,941,594)
Increase (decrease) in accounts payable	(165,699)	(54,634)	(1,050)	1,406	610	(219,367)
Increase (decrease) in due to other funds	1,594	-	-	-	-	1,594
Increase (decrease) in compensated absences	(1,532)	1,986	(157)	-	(35)	262
Net cash provided (used) by operating activities	<u>\$ 72,893</u>	<u>\$ 14,119</u>	<u>\$ (9,019)</u>	<u>\$ (843,594)</u>	<u>\$ 38,941</u>	<u>\$ (726,660)</u>

Reconciliation of Cash to Balance Sheet

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Transit Fund</u>	<u>Nonmajor Storm Drain Fund</u>	<u>Total</u>
Cash and cash equivalents:						
Unrestricted	\$ 4,376,294	\$ 768,944	\$ 41,060	\$ 924,368	\$ 42,925	\$ 6,153,591
Restricted	69,706	-	-	-	-	69,706
Cash with fiscal agent - restricted	<u>2,317,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,317,206</u>
	<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>
Supplemental Disclosures:						
Interest paid	<u>\$ 1,030,498</u>	<u>\$ 7,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,200</u>	<u>\$ 1,040,131</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, 2010**

	Asset Seizure (Unprocessed)	Kings County CDBG	Amigos de la Comunidad	Corcoran Police Explorers	Citizens on Patrol	Total
<u>ASSETS</u>						
Cash	\$ 753	\$ 18,096	\$ 1,088	\$ 414	\$ 203	\$ 20,554
Receivables:						
Interest	-	92	-	-	-	92
Notes	-	1,222,813	-	-	-	1,222,813
Total assets	<u>753</u>	<u>1,241,001</u>	<u>1,088</u>	<u>414</u>	<u>203</u>	<u>1,243,459</u>
<u>LIABILITIES</u>						
Due to other agencies	<u>753</u>	<u>1,241,001</u>	<u>1,088</u>	<u>414</u>	<u>203</u>	<u>1,243,459</u>
Total liabilities	<u>753</u>	<u>1,241,001</u>	<u>1,088</u>	<u>414</u>	<u>203</u>	<u>1,243,459</u>
Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Blended Component 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, 2010

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

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

Fund Financial 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, 2010**

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 Development Block Grant Special Revenue Fund** is used to account for the federal grants that provide for development of a viable urban community by providing suitable housing, principally for low and moderate income residents.
- ♦ The **HOME Program Special Revenue Fund** is used to account for the federal grants that provide financing for low-income household for the acquisition, rehabilitation, or new construction of single family homes.
- ♦ The **Community Redevelopment Agency Capital 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.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

The City reports the following agency funds:

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

Measurement Focus, Basis of Accounting

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

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

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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 by the government.

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

Restricted Assets

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

Interfund Transactions

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

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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

Bond Issuance Costs

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

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$2,000. The City has chosen not to capitalize infrastructure in place prior to the adoption of GASB 34. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and improvements	25-40 years
Infrastructures	5-20 years
Equipment	3-10 years
Vehicles	5-10 years
Utility system	30 years

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010**

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.

Fund Equity

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

Encumbrances

The City does not use encumbrance accounting.

Budgetary and Budgetary Accounting

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

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

Use of Estimates

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

Use of Restricted and Unrestricted Net Assets

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Classification of Net Assets

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

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

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of capital projects, and specific projects and programs as established by the City Council.

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Summary of Deposits and Investments

A reconciliation of the City’s deposit and investment balances as of June 30, 2010, is as follows:

Cash on hand	\$ 1,250
Deposits with financial institutions	588,046
Investments	<u>17,486,593</u>
Total cash and investments	<u><u>\$ 18,075,889</u></u>
Government-Wide:	
Statement of Net Assets:	
Cash and cash equivalents	\$ 15,348,030
Cash with fiscal agent	2,707,305
Fiduciary Funds:	
Statement of Net Assets:	
Cash and cash equivalents	<u>20,554</u>
Total	<u><u>\$ 18,075,889</u></u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Investments Authorized by the Debt Agreements

Investment 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.

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

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk (Continued)

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

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State investment pool	\$ 14,653,551	\$ 14,653,551	\$ -	\$ -	\$ -
RMA investment pool	125,737	125,737	-	-	-
Held by bond trustee:					
Money market funds	<u>2,707,305</u>	<u>2,707,305</u>	-	-	-
Total	<u>\$ 17,486,593</u>	<u>\$ 17,486,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (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	aa	Not Rated
State investment pool	\$ 14,653,551	\$ 14,653,551	\$ -	\$ -	\$ -
RMA investment pool	125,737	125,737	-	-	-
Held by bond trustee:					
Money market funds	<u>2,707,305</u>	-	<u>2,707,305</u>	-	-
Total	<u>\$ 17,486,593</u>	<u>\$ 14,779,288</u>	<u>\$ 2,707,305</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of Credit Risk

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

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

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

As of June 30, 2010, the carrying amount of the City's bank deposits was \$588,047, and the respective bank balances totaled \$469,680. 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 \$219,680 was collateralized with pooled securities held by the financial institution's trust department. These securities are held in the name of the financial institution and not that of the City.

Local Agency Investment Fund

The City participates in an external investment pool, as defined by the Government Accounting Standards Board (GASB) Statement No. 31, by way of its funds on deposit in the Local Agency Investment Fund (LAIF) managed by the State of California Treasurer and is not registered with the Securities and Exchange Commission. These funds are pooled with those of other agencies in the State and invested in accordance with State guidelines. The value of the City's shares in the LAIF that may be withdrawn is determined on an amortized costs basis, which may be different from the fair value of the City's position in the pool. The City's portion of the June 30, 2010, balance was \$14,653,551. A breakdown of the investments included in the balance is not available at the balance sheet date.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2010, consist of the following for the governmental funds:

	General Fund	Corcorn Redevelopment Debt Service Fund	Community Development Block Grant Special Revenue Fund	Home Program Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Receivables:						
Taxes	\$ 15,577	\$ 58,615	\$ -	\$ -	\$ 61,871	\$ 136,063
Interest	3,800	2,433	8,532	136,483	45,202	196,450
Grants	-	-	215,981	110,092	124,860	450,933
Other	149,166	-	-	-	130,381	279,547
Notes	225,000	-	1,233,110	1,872,103	259,713	3,589,926
Receivables, net	<u>\$ 393,543</u>	<u>\$ 61,048</u>	<u>\$ 1,457,623</u>	<u>\$ 2,118,678</u>	<u>\$ 622,027</u>	<u>\$ 4,652,919</u>

Receivables as of June 30, 2010, consist of the following for the enterprise funds:

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Nonmajor Storm Drain Fund	Total
Receivables:						
Accounts	\$ 612,549	\$ 194,504	\$ 289,705	\$ -	\$ 60,044	\$ 1,156,802
Interest	7,329	973	(236)	1,408	155	9,629
Taxes	-	-	-	200,285	-	200,285
Other	-	-	11,062	-	-	11,062
Allowance for uncollectible	(57,404)	(19,883)	(29,756)	-	(5,987)	(113,030)
Receivables, net	<u>\$ 562,474</u>	<u>\$ 175,594</u>	<u>\$ 270,775</u>	<u>\$ 201,693</u>	<u>\$ 54,212</u>	<u>\$ 1,264,748</u>

NOTE 4 – INTERFUND TRANSACTIONS

Due To and Due From Other Funds

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

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

	Due	
	From	To
Enterprise funds:		
Major funds:		
Water fund	\$ 380,000	\$ 56,262
Sewer fund	23,771	-
Refuse fund	28,131	-
Nonmajor funds:		
Storm drain fund	<u>4,360</u>	<u>380,000</u>
Total	<u>\$ 436,262</u>	<u>\$ 436,262</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

Long-Term Interfund Advances

At June 30, 2010, the funds below have made advances that were not expected to be repaid in one year or less.

	Receivable Funds	Payable Funds
Major Funds:		
Governmental funds:		
General fund	\$ 2,341,508	\$ -
Corcoran Redevelopment Agency debt service fund	784,795	-
Community Development Block Grant special revenue fund	679,004	-
Community Redevelopment Agency capital projects fund	-	5,805,307
Enterprise funds:		
Water fund	2,000,000	-
 Total	\$ 5,805,307	\$ 5,805,307

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, 2010:

	Transfers	
	In	Out
Major Funds:		
Governmental funds:		
General fund	\$ 239,820	\$ 244,204
Community development block grant special revenue fund	114,349	100,757
Corcoran redevelopment agency debt service fund	-	508,014
Redevelopment Agency:		
Capital projects fund	508,014	-
Other governmental funds:		
Prison mitigation special revenue fund	-	1,946
Economic development loan programs special revenue fund	-	13,593
Technological program grant special revenue fund	-	104,557
Transportation and street special revenue fund	166,728	1,267,472
Enterprise fund:		
Sewer fund	15,810	15,810
Transit	1,052,427	-
Storm drain	159,205	-
 Total	\$ 2,256,353	\$ 2,256,353

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 – NOTES RECEIVABLE / DEFERRED REVENUE

Notes receivable consisted of the following as of June 30, 2010:

	Major Funds			Nonmajor Funds	
	General Fund	Community Development Block Grant Special Revenue Fund	HOME Program Special Revenue Funds	Economic Development Research Loan Program Special Revenue Fund	Community Redevelopment Agency Special Revenue Fund
1% note receivable, payable on or before June 14, 2010, secured by debtor's accounts receivable.	\$ 225,000	\$ -	\$ -	\$ -	\$ -
Loans receivable under Business Revolving Loan Program.	-	-	-	110,416	-
Loans receivable under the RDA first-time homebuyer programs, secured by deeds of trust on the properties.	-	-	-	-	149,294
Loans receivable under the Community Development Block Grant Program, secured by deeds of trust on the rehabilitated properties.	-	1,233,110	-	-	-
Loans receivable under the HOME Grant Program, secured by deeds of trust on the rehabilitated properties.	-	-	1,872,103	-	-
Total notes receivable	<u>\$ 225,000</u>	<u>\$ 1,233,110</u>	<u>\$ 1,872,103</u>	<u>\$ 110,416</u>	<u>\$ 149,294</u>

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

The deferred payment loan receivables under the Community Development Block Grant Programs, HOME Program, the State Deferred Loan Program, and Community Redevelopment Housing Set-Aside Funds are not required to be paid back until the participating homeowner sells, transfers title to the rehabilitated property, or discontinues residence in the dwelling, at which time, the full amount of the deferred loan is due. Deferred payment loans are "non-performing" loans and are not recorded as receivable or deferred revenue. Such loans totaled \$6,831,088 as of June 30, 2010.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2010, is as follows:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 364,334	\$ -	\$ -	\$ 364,334
Construction in progress	376,980	281,372	-	658,352
Infrastructure in progress	<u>103,502</u>	<u>344,353</u>	<u>(103,501)</u>	<u>344,354</u>
Total capital assets not being depreciated	<u>844,816</u>	<u>625,725</u>	<u>(103,501)</u>	<u>1,367,040</u>
Capital assets being depreciated:				
Buildings and other improvements	10,359,918	-	-	10,359,918
Machinery and equipment	1,977,498	137,628	(104,172)	2,010,954
Infrastructure	5,649,095	248,187	-	5,897,282
Vehicles	<u>2,145,813</u>	<u>-</u>	<u>-</u>	<u>2,145,813</u>
Total capital assets being depreciated	<u>20,132,324</u>	<u>385,815</u>	<u>(104,172)</u>	<u>20,413,967</u>
Less accumulated depreciation for:				
Buildings and other improvements	(2,704,266)	(329,512)	-	(3,033,778)
Machinery and equipment	(1,546,597)	(92,725)	20,382	(1,618,940)
Infrastructure	(510,194)	(142,197)	-	(652,391)
Vehicles	<u>(1,463,031)</u>	<u>(129,905)</u>	<u>-</u>	<u>(1,592,936)</u>
Total accumulated depreciation	<u>(6,224,088)</u>	<u>(694,339)</u>	<u>20,382</u>	<u>(6,898,045)</u>
Total capital assets being depreciated, net	<u>13,908,236</u>	<u>(308,524)</u>	<u>(83,790)</u>	<u>13,515,922</u>
Governmental activity capital assets, net	<u>\$ 14,753,052</u>	<u>\$ 317,201</u>	<u>\$ (187,291)</u>	<u>\$ 14,882,962</u>

For the year ended June 30, 2010, depreciation expense on capital assets was charged to the governmental functions as follows:

General government	\$ 100,424
Community development	124,885
Public safety	66,355
Public works	286,049
Parks and recreation	<u>116,626</u>
Total	<u>\$ 694,339</u>

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities for the year ended June 30, 2010, is as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</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	43,364,329	159,204	-	43,523,533
Machinery and equipment	1,021,477	38,590	-	1,060,067
Vehicles	<u>490,641</u>	<u>-</u>	<u>-</u>	<u>490,641</u>
Total capital assets being depreciated	<u>44,876,447</u>	<u>197,794</u>	<u>-</u>	<u>45,074,241</u>
Less accumulated depreciation for:				
Utility system	(13,503,466)	(1,312,208)	-	(14,815,674)
Machinery and equipment	(583,348)	(66,583)	-	(649,931)
Vehicles	<u>(358,442)</u>	<u>(43,883)</u>	<u>-</u>	<u>(402,325)</u>
Total accumulated depreciation	<u>(14,445,256)</u>	<u>(1,422,674)</u>	<u>-</u>	<u>(15,867,930)</u>
Total capital assets being depreciated, net	<u>30,431,191</u>	<u>(1,224,880)</u>	<u>-</u>	<u>29,206,311</u>
Business-type capital assets, net	<u>31,417,174</u>	<u>(1,224,880)</u>	<u>-</u>	<u>30,192,294</u>
Total capital assets	<u>\$ 46,170,226</u>	<u>\$ (907,679)</u>	<u>\$ (187,291)</u>	<u>\$ 45,075,256</u>

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

Business-Type Activities:	
Water	\$ 991,830
Sewer	343,183
Storm Drain	70,787
Refuse	<u>16,874</u>
Total	<u>\$ 1,422,674</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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 \$217,874 for governmental activities and \$3,591 for business-type activities at June 30, 2010, 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, 2010, the balance is \$409,127 for governmental activities and \$21,522 for the business-type activities.

	Balance July 1, 2009	Incurred	Satisfied	Balance June 30, 2010	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
Compensated absences	\$ 245,837	\$ 236,992	\$ (73,702)	\$ 409,127	\$ 191,253	\$ 217,874
Business-Type Activities:						
Compensated absences	\$ 21,258	\$ 25,074	\$ (24,810)	\$ 21,522	\$ 17,931	\$ 3,591

NOTE 8 – LONG-TERM DEBT

The following is a summary of long-term obligation transactions for governmental activities for the year ended June 30, 2010:

	Balance July 1, 2009	Incurred or Issued	Satisfied or Matured	Balance June 30, 2010	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
2004 Tax Allocation Bonds	\$ 4,335,000	\$ -	\$ (180,000)	\$ 4,155,000	\$ 185,000	\$ 3,970,000
Certificates of Participation	425,000	-	(40,000)	385,000	40,000	345,000
Total governmental activities	\$ 4,760,000	\$ -	\$ (220,000)	\$ 4,540,000	\$ 225,000	\$ 4,315,000

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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>
2011	\$ 185,000	\$ 184,018	\$ 369,018
2012	190,000	177,543	367,543
2013	200,000	170,418	370,418
2014	205,000	162,918	367,918
2015	215,000	154,718	369,718
2016-2020	1,200,000	634,328	1,834,328
2021-2025	1,005,000	350,650	1,355,650
2026-2030	425,000	197,900	622,900
2031-2035	<u>530,000</u>	<u>82,500</u>	<u>612,500</u>
Totals	<u>\$ 4,155,000</u>	<u>\$ 2,114,993</u>	<u>\$ 6,269,993</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>
2011	\$ 40,000	\$ 32,813	\$ 72,813
2012	45,000	29,313	74,313
2013	50,000	25,156	75,156
2014	50,000	20,781	70,781
2015	60,000	16,187	76,187
2016	<u>140,000</u>	<u>10,937</u>	<u>150,937</u>
Totals	<u>\$ 385,000</u>	<u>\$ 135,187</u>	<u>\$ 520,187</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010:

	Balance July 1, 2009	Incurred or Issued	Satisfied or Matured	Balance June 30, 2010	Amounts Due Within One Year	Amounts Due in More Than One Year
Business-Type Activities:						
Davis-Grunsky Loan (Water Fund)	\$ 617,845	\$ -	\$ (55,642)	\$ 562,203	\$ 56,953	\$ 505,250
2003 Certificates of Participation	5,375,000	-	(115,000)	5,260,000	120,000	5,140,000
2003 Certificates of Participation - Unamortized Bond Discounts	(73,251)	-	3,053	(70,198)	-	(70,198)
2008 Certificates of Participation	19,900,000	-	-	19,900,000	410,000	19,490,000
2008 Certificates of Participation - Deferred Refunding	(1,166,295)	-	44,858	(1,121,437)	-	(1,121,437)
State Water Quality Control Fund Loans (Sewer Fund)	198,112	-	(29,210)	168,902	30,262	138,640
State Rural Economic Development Infrastructure Loan	15,271	-	(14,583)	688	688	-
Total business-type activities	<u>\$ 24,866,682</u>	<u>\$ -</u>	<u>\$ (166,524)</u>	<u>\$ 24,700,158</u>	<u>\$ 617,903</u>	<u>\$ 24,082,255</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
2011	\$ 56,953	\$ 12,361	\$ 69,314
2012	58,339	11,034	69,373
2013	59,725	9,673	69,398
2014	61,111	8,278	69,389
2015	62,497	6,847	69,344
2016-2019	<u>263,578</u>	<u>12,400</u>	<u>275,978</u>
Totals	<u>\$ 562,203</u>	<u>\$ 60,593</u>	<u>\$ 622,796</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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
2011	\$ 30,262	\$ 6,080	\$ 36,342
2012	31,351	4,991	36,342
2013	32,480	3,862	36,342
2014	33,649	2,693	36,342
2015	34,860	1,482	36,342
2016	6,300	43	6,343
Totals	\$ 168,902	\$ 19,151	\$ 188,053

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
2011	\$ 120,000	\$ 214,470	\$ 334,470
2012	120,000	211,020	331,020
2013	125,000	207,033	332,033
2014	130,000	202,570	332,570
2015	140,000	197,845	337,845
2016-2020	760,000	901,873	1,661,873
2021-2025	945,000	723,115	1,668,115
2026-2030	1,165,000	500,969	1,665,969
2031-2035	1,430,000	226,525	1,656,525
2036	325,000	6,906	331,906
Totals	\$ 5,260,000	\$ 3,392,326	\$ 8,652,326

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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.

<u>Fiscal Year Ending</u>	<u>State Rural Economic Development Infrastructure Loan (Sewer Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 688	\$ 12	\$ 700
Totals	<u>\$ 688</u>	<u>\$ 12</u>	<u>\$ 700</u>

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.

<u>Fiscal Year Ending</u>	<u>2008 Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 410,000	\$ 740,280	\$ 1,150,280
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
2016-2020	2,735,000	3,093,738	5,828,738
2021-2025	3,360,000	2,540,388	5,900,388
2026-2030	4,140,000	1,859,628	5,999,628
2031-2035	5,090,000	1,021,884	6,111,884
2036	<u>2,355,000</u>	<u>132,246</u>	<u>2,487,246</u>
Totals	<u>\$ 19,900,000</u>	<u>\$ 12,190,626</u>	<u>\$ 32,090,626</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, 2010

NOTE 8 – LONG-TERM DEBT (Continued)

2008 Certificates of Participation (Water Fund) (Continued)

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

Fair Value. The Counterparty informed the City that as of June 30, 2010, the swap had a fair value of (\$3,028,881). The Counterparty states that the valuation is based on a proprietary model.

Credit Risk. As of June 30, 2010, 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 October 1, 2005. To mitigate the potential for credit risk, if the Counterparty's credit quality falls below AA, the fair value of the swap will be fully collateralized by the Counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

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

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

Active plan members in the Safety and Miscellaneous Plans are required to contribute 9 percent and 7 percent of their annual covered salary, respectively. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 29.667% and 8.43% 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 2009/2010, the City's combined annual pension cost of \$601,120 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 payroll on a closed basis. The remaining amortization period of June 30, 2010, was 15 years.

The City's annual pension costs (APC) and net pension obligation as of and for the year ended June 30, 2010, 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>			
6/30/2008	\$ 176,829	100%	\$ -
6/30/2009	\$ 181,167	100%	\$ -
6/30/2010	\$ 222,414	100%	\$ -
<u>Safety Plan</u>			
6/30/2008	\$ 333,474	100%	\$ -
6/30/2009	\$ 312,538	100%	\$ -
6/30/2010	\$ 378,706	100%	\$ -

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Funded Status and Progress

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

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as of % of Covered Payroll
6/30/2008						
Miscellaneous	\$ 2,780,280,768	\$ 2,581,857,668	\$ 198,423,100	92.9%	\$ 688,606,681	28.8%
Safety	\$ 1,755,559,311	\$ 1,541,237,132	\$ 214,322,179	87.8%	\$ 210,590,567	101.8%

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, 2010:

Total assets	\$ 67,337,173
Total liabilities	<u>55,453,249</u>
Member's equity	<u>\$ 11,883,924</u>
Total revenues	\$ 29,546,299
Total expenses	<u>30,147,304</u>
Excess of expenses (loss) over income	<u>\$ (601,005)</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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 \$3,840,715 as of June 30, 2010. This is a result of expenditures in excess of tax increment revenues.

Non-Major Funds:

The **Technology Program Grant Special Revenue Fund** has a deficit fund balance of \$179,874 as of June 30, 2010. This is a result of more expenditures payout from that fund than revenues coming in.

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, 2010:

General Fund:	
Current:	
General government	\$36,117
Other financing sources (uses):	
Transfer out	\$159,204
Community Development Block Grants Special Revenue Fund:	
Current:	
Community development	\$320,777
Other financing sources (uses):	
Transfer out	\$100,757

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

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 14 – SEGMENT INFORMATION

The City maintains four enterprise funds that provide water, sewer, refuse, and storm drain services. Segment information for the year ended June 30, 2010, is as follows:

	Water Fund	Sewer Fund	Refuse Fund	Transit	Nonmajor Storm Drain Fund	Total
CONDENSED STATEMENT OF NET ASSETS						
Assets:						
Current assets	\$ 7,869,101	\$ 968,309	\$ 339,966	\$ 1,126,061	\$ 101,497	\$ 10,404,934
Capital assets (net)	29,610,676	3,515,769	10,731	-	2,083,999	35,221,175
Total assets	<u>37,479,777</u>	<u>4,484,078</u>	<u>350,697</u>	<u>1,126,061</u>	<u>2,185,496</u>	<u>45,626,109</u>
Liabilities:						
Current liabilities	1,199,758	91,106	112,205	17,164	385,574	1,805,807
Noncurrent liabilities	26,821,779	140,089	246	-	(116)	26,961,998
Total liabilities	<u>28,021,537</u>	<u>231,195</u>	<u>112,451</u>	<u>17,164</u>	<u>385,458</u>	<u>28,767,805</u>
Net Assets:						
Invested in capital assets, net of related debt	766,159	3,346,179	10,731	-	2,083,999	6,207,068
Restricted	2,386,912	-	-	-	-	2,386,912
Unrestricted	6,305,169	906,704	227,515	1,108,897	(283,961)	8,264,324
Total net assets	<u>\$ 9,458,240</u>	<u>\$ 4,252,883</u>	<u>\$ 238,246</u>	<u>\$ 1,108,897</u>	<u>\$ 1,800,038</u>	<u>\$ 16,858,304</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS						
Operating revenues	\$ 4,546,270	\$ 984,201	\$ 1,658,154	\$ 71,882	\$ 303,483	\$ 7,563,990
Depreciation expenses	(1,052,299)	(343,183)	16,874	-	(70,787)	(1,449,395)
Other operating expenses	(2,345,047)	(900,028)	1,644,911	880,296	(259,925)	(979,793)
Operating income (loss)	<u>1,148,924</u>	<u>(259,010)</u>	<u>3,319,939</u>	<u>952,178</u>	<u>(27,229)</u>	<u>5,134,802</u>
Nonoperating revenue (expenses):						
Other nonoperating revenue	94,977	197,979	805	7,200	61,590	362,551
Investment income	40,745	5,172	164	7,224	338	53,643
Interest expense	(1,030,498)	(7,433)	-	-	(2,200)	(1,040,131)
Total nonoperating revenue (expenses)	<u>(894,776)</u>	<u>195,718</u>	<u>969</u>	<u>14,424</u>	<u>59,728</u>	<u>(623,937)</u>
Transfers in (out)	-	-	-	-	159,205	159,205
Changes in net assets	254,148	(63,292)	(2,662)	1,108,897	191,704	1,488,795
Beginning net assets	9,204,092	4,316,175	240,908	-	1,608,334	15,369,509
Ending net assets	<u>\$ 9,458,240</u>	<u>\$ 4,252,883</u>	<u>\$ 238,246</u>	<u>\$ 1,108,897</u>	<u>\$ 1,800,038</u>	<u>\$ 16,858,304</u>
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided (used) by:						
Operating activities	\$ 72,893	\$ 14,119	\$ (9,019)	\$ (843,594)	\$ 38,941	\$ (726,660)
Noncapital financing activities	45,915	-	-	7,200	(60,000)	(6,885)
Capital and related financing activities	(1,141,911)	142,766	6,924	850,460	59,390	(82,371)
Investing activities	54,384	5,105	368	10,053	183	70,093
Net increase (decrease) in cash and cash equivalents	(968,719)	161,990	(1,727)	24,119	38,514	(745,823)
Beginning cash and cash equivalents	7,731,925	606,954	42,787	900,249	4,411	9,286,326
Ending cash and cash equivalents	<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>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CORCORAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2010**

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

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as of % of Covered Payroll
Miscellaneous:						
6/30/2006	\$ 2,754,396,608	\$ 2,492,226,176	\$ 262,170,432	90.5%	\$ 699,897,835	37.5%
6/30/2007	\$ 2,611,746,790	\$ 2,391,434,447	\$ 220,312,343	91.6%	\$ 665,522,859	33.1%
6/30/2008	\$ 2,780,280,768	\$ 2,581,857,668	\$ 198,423,100	92.9%	\$ 688,606,681	28.8%
Safety:						
6/30/2006	\$ 1,473,284,852	\$ 1,252,059,468	\$ 221,225,384	85.0%	\$ 177,088,890	124.9%
6/30/2007	\$ 1,648,159,522	\$ 1,422,143,105	\$ 226,016,417	86.3%	\$ 200,537,256	112.7%
6/30/2008	\$ 1,755,559,311	\$ 1,541,237,132	\$ 214,322,179	87.8%	\$ 210,590,567	101.8%

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
REVENUES:				
Property taxes	\$ 289,245	\$ 289,245	\$ 172,278	\$ (116,967)
Other taxes	1,607,354	1,607,354	1,282,020	(325,334)
Licenses and permits	141,020	141,020	164,875	23,855
Intergovernmental revenues	2,581,165	2,581,165	2,538,018	(43,147)
Charges for services	142,336	142,336	56,970	(85,366)
Fines and penalties	40,890	40,890	40,261	(629)
Use of money and property	67,300	67,300	55,886	(11,414)
Grant drawdowns	100,000	100,000	39,157	(60,843)
Loan repayments	7,730	7,730	7,730	-
Miscellaneous	92,500	92,500	172,819	80,319
Total revenues	<u>5,069,540</u>	<u>5,069,540</u>	<u>4,530,014</u>	<u>(539,526)</u>
EXPENDITURES:				
Current:				
General government	799,638	799,638	786,557	13,081
Community development	-	-	1,890	(1,890)
Public safety	3,509,263	3,509,263	3,336,627	172,636
Public works	303,606	303,606	286,503	17,103
Parks and recreation	492,311	492,311	433,052	59,259
Capital outlay:				
General government	-	-	36,117	(36,117)
Public safety	6,500,000	6,500,000	309,004	6,190,996
Public works	519,549	519,549	423,596	95,953
Total expenditures	<u>12,124,367</u>	<u>12,124,367</u>	<u>5,613,346</u>	<u>6,511,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,054,827)</u>	<u>(7,054,827)</u>	<u>(1,083,332)</u>	<u>5,971,495</u>
Other financing sources (uses):				
Operating transfers in	85,000	85,000	239,820	154,820
Operating transfers out	(85,000)	(85,000)	(244,204)	(159,204)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,384)</u>	<u>(4,384)</u>
Net change in fund balances	<u>(7,054,827)</u>	<u>(7,054,827)</u>	<u>(1,087,716)</u>	<u>5,967,111</u>
Fund balances, July 1, 2009	<u>4,790,416</u>	<u>4,790,416</u>	<u>4,790,416</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ (2,264,411)</u>	<u>\$ (2,264,411)</u>	<u>\$ 3,702,700</u>	<u>\$ 5,967,111</u>

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 20,907	\$ 20,907
Grant drawdowns	107,000	107,000	514,233	407,233
Loan repayments	<u>201,150</u>	<u>201,150</u>	<u>123,302</u>	<u>(77,848)</u>
Total revenues	<u>308,150</u>	<u>308,150</u>	<u>658,442</u>	<u>350,292</u>
EXPENDITURES:				
Current:				
Community development	<u>960,000</u>	<u>960,000</u>	<u>1,280,777</u>	<u>(320,777)</u>
Total expenditures	<u>960,000</u>	<u>960,000</u>	<u>1,280,777</u>	<u>(320,777)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(651,850)</u>	<u>(651,850)</u>	<u>(622,335)</u>	<u>29,515</u>
Other financing sources (uses):				
Operating transfers in	-	-	114,349	114,349
Operating transfers out	<u>-</u>	<u>-</u>	<u>(100,757)</u>	<u>(100,757)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>13,592</u>	<u>13,592</u>
Net change in fund balances	(651,850)	(651,850)	(608,743)	43,107
Fund balances, July 1, 2009	<u>871,291</u>	<u>871,291</u>	<u>871,291</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 219,441</u>	<u>\$ 219,441</u>	<u>\$ 262,548</u>	<u>\$ 43,107</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, 2010**

	<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	\$ -	\$ -	\$ 27,608	\$ 27,608
Grant drawdowns	342,850	342,850	508,011	165,161
Loan repayments	<u>227,143</u>	<u>227,143</u>	<u>177,662</u>	<u>(49,481)</u>
Total revenues	<u>569,993</u>	<u>569,993</u>	<u>713,281</u>	<u>143,288</u>
EXPENDITURES:				
Current:				
Community development	<u>684,995</u>	<u>684,995</u>	<u>398,444</u>	<u>286,551</u>
Total expenditures	<u>684,995</u>	<u>684,995</u>	<u>398,444</u>	<u>286,551</u>
Net change in fund balances	(115,002)	(115,002)	314,837	429,839
Fund balances, July 1, 2009	<u>-</u>	<u>-</u>	<u>(75,730)</u>	<u>(75,730)</u>
Fund balances, June 30, 2010	<u>\$ (115,002)</u>	<u>\$ (115,002)</u>	<u>\$ 239,107</u>	<u>\$ 354,109</u>

**CITY OF CORCORAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010**

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 eight nonmajor special revenue funds.

Prison Mitigation Fund

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

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.

Public Safety Funds

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

Parks Capital Fund

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

Community Redevelopment Agency Fund

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

Economic Development Loan Programs Fund

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

Assessment Districts

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

Technological Grant Program

To account for federal fund for the Narcotics Task Force

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

Corcoran Joint Powers Finance Authority Fund

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

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, 2010**

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents:				
Unrestricted	\$ 3,466,269	\$ (3,577)	\$ 20,792	\$ 3,483,484
Cash with fiscal agent:				
Restricted	-	76,573	-	76,573
Receivables	<u>622,027</u>	<u>-</u>	<u>-</u>	<u>622,027</u>
 Total assets	 <u>\$ 4,088,296</u>	 <u>\$ 72,996</u>	 <u>\$ 20,792</u>	 <u>\$ 4,182,084</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 67,848	\$ -	\$ -	\$ 67,848
Deposits	500	-	-	500
Deferred revenue	<u>388,439</u>	<u>-</u>	<u>-</u>	<u>388,439</u>
 Total liabilities	 <u>456,787</u>	 <u>-</u>	 <u>-</u>	 <u>456,787</u>
 Fund balances:				
Reserved for:				
Debt service	-	76,573	-	76,573
Unreserved:				
Undesignated:				
Special revenue	3,631,509	-	-	3,631,509
Debt service	-	(3,577)	-	(3,577)
Capital projects	<u>-</u>	<u>-</u>	<u>20,792</u>	<u>20,792</u>
 Total fund balances	 <u>3,631,509</u>	 <u>72,996</u>	 <u>20,792</u>	 <u>3,725,297</u>
 Total liabilities and fund balances	 <u>\$ 4,088,296</u>	 <u>\$ 72,996</u>	 <u>\$ 20,792</u>	 <u>\$ 4,182,084</u>

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES:				
Property taxes	\$ 272,843	\$ -	\$ -	\$ 272,843
Use of money and property	196,258	76,364	-	272,622
Intergovernmental revenues	548,834	-	-	548,834
Grant drawdowns	492,593	-	-	492,593
Repayment of loans	21,679	-	-	21,679
Miscellaneous	<u>122,933</u>	<u>-</u>	<u>-</u>	<u>122,933</u>
 Total revenues	 <u>1,655,140</u>	 <u>76,364</u>	 <u>-</u>	 <u>1,731,504</u>
 EXPENDITURES:				
Current services:				
General government	121,902	2,381	-	124,283
Community development	462,451	-	-	462,451
Public works	518,077	-	-	518,077
Public safety	51,748	-	-	51,748
Capital outlay:				
Public safety	134,797	-	-	134,797
Debt service:				
Principal retirement	-	40,000	-	40,000
Interest and fiscal charges	<u>359</u>	<u>36,313</u>	<u>-</u>	<u>36,672</u>
 Total expenditures	 <u>1,289,334</u>	 <u>78,694</u>	 <u>-</u>	 <u>1,368,028</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>365,806</u>	 <u>(2,330)</u>	 <u>-</u>	 <u>363,476</u>
 Other financing sources (uses):				
Operating transfers out	<u>(1,387,568)</u>	<u>-</u>	<u>-</u>	<u>(1,387,568)</u>
 Total other financing sources (uses)	 <u>(1,220,840)</u>	 <u>-</u>	 <u>-</u>	 <u>(1,220,840)</u>
 Net change in fund balances	 (855,034)	 (2,330)	 -	 (857,364)
 Fund balances, July 1, 2009	 <u>4,486,543</u>	 <u>75,326</u>	 <u>20,792</u>	 <u>4,582,661</u>
 Fund balances, June 30, 2010	 <u>\$ 3,631,509</u>	 <u>\$ 72,996</u>	 <u>\$ 20,792</u>	 <u>\$ 3,725,297</u>

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010**

	Prison Mitigation	Transportation and Street	Public Safety	Parks Capital	Community Redevelopment Agency	Economic Development Loan Programs	Assessment Districts	Technology Program Grant	Totals
ASSETS									
Cash and cash equivalents:									
Unrestricted	\$ -	\$ 985,650	\$ 475,567	\$ 270,195	\$ 1,650,223	\$ 966	\$ 331	\$ 83,337	\$ 3,466,269
Receivables	-	266,577	10,779	352	227,207	110,788	6,324	-	622,027
Total assets	\$ -	\$ 1,252,227	\$ 486,346	\$ 270,547	\$ 1,877,430	\$ 111,754	\$ 6,655	\$ 83,337	\$ 4,088,296
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 2	\$ 14,701	\$ 3,916	\$ -	\$ 22,745	\$ -	\$ 5,553	\$ 20,931	\$ 67,848
Deposits	-	-	-	-	500	-	-	-	500
Deferred revenue	-	-	-	-	194,313	110,789	-	83,337	388,439
Total liabilities	2	14,701	3,916	-	217,558	110,789	5,553	104,268	456,787
Fund balances:									
Unreserved:									
Undesignated	(2)	1,237,526	482,430	270,547	1,659,872	965	1,102	(20,931)	3,631,509
Total fund balances	(2)	1,237,526	482,430	270,547	1,659,872	965	1,102	(20,931)	3,631,509
Total liabilities and fund balances	\$ -	\$ 1,252,227	\$ 486,346	\$ 270,547	\$ 1,877,430	\$ 111,754	\$ 6,655	\$ 83,337	\$ 4,088,296

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Prison Mitigation	Transportation and Street	Public Safety	Parks Capital	Community Redevelopment Agency	Economic Development Loan Programs	Assessment Districts	Technology Program Grant	Totals
REVENUES:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 255,602	\$ -	\$ 17,241	\$ -	\$ 272,843
Use of money and property	6	4,684	3,822	1,572	186,174	-	-	-	196,258
Intergovernmental revenues	-	510,068	-	38,766	-	-	-	-	548,834
Grant drawdowns	-	233,650	100,000	-	-	-	-	158,943	492,593
Repayment of loans	-	-	-	-	7,121	14,558	-	-	21,679
Miscellaneous	-	716	120,161	152	1,904	-	-	-	122,933
Total revenues	6	749,118	223,983	40,490	450,801	14,558	17,241	158,943	1,655,140
EXPENDITURES:									
Current:									
General government	2	-	-	-	115,334	-	6,566	-	121,902
Community development	-	-	-	-	385,815	-	1,319	75,317	462,451
Public works	-	518,077	-	-	-	-	-	-	518,077
Public safety	-	-	51,748	-	-	-	-	-	51,748
Capital outlay:									
Public safety	-	65,443	69,354	-	-	-	-	-	134,797
Debt service:									
Interest and fiscal charges	-	359	-	-	-	-	-	-	359
Total expenditures	2	583,879	121,102	-	501,149	-	7,885	75,317	1,289,334
Excess (deficiency) of revenues over (under) expenditures	4	165,239	102,881	40,490	(50,348)	14,558	9,356	83,626	365,806
Other financing sources (uses):									
Operating transfers in	-	166,728	-	-	-	-	-	-	166,728
Operating transfers out	(1,946)	(1,267,472)	-	-	-	(13,593)	-	(104,557)	(1,387,568)
Total other financing sources (uses)	(1,946)	(1,100,744)	-	-	-	(13,593)	-	(104,557)	(1,220,840)
Net change in fund balances	(1,942)	(935,505)	102,881	40,490	(50,348)	965	9,356	(20,931)	(855,034)
Fund balances, July 1, 2009	1,940	2,173,031	379,549	230,057	1,710,220	-	(8,254)	-	4,486,543
Fund balances, June 30, 2010	\$ (2)	\$ 1,237,526	\$ 482,430	\$ 270,547	\$ 1,659,872	\$ 965	\$ 1,102	\$ (20,931)	\$ 3,631,509

**CITY OF CORCORAN
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUND
 JUNE 30, 2010**

	<u>Corcoran Joint Powers Finance Authority</u>
<u>ASSETS</u>	
Cash and cash equivalents:	
Unrestricted	\$ (3,577)
Cash with fiscal agent:	
Restricted	<u>76,573</u>
 Total assets	 <u>\$ 72,996</u>
<u>FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ -
Due to other funds	<u>-</u>
 Total liabilities	 <u>-</u>
 Fund balances:	
Reserved	76,573
Unreserved:	
Undesignated	<u>(3,577)</u>
 Total fund balances	 <u>72,996</u>
 Total liabilities and fund balances	 <u>\$ 72,996</u>

**CITY OF CORCORAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Corcoran Joint Powers Finance Authority</u>
REVENUES:	
Use of money and property	\$ <u>76,364</u>
 Total revenues	 <u>76,364</u>
EXPENDITURES:	
Current services:	
General government	2,381
Debt service:	
Principal	40,000
Interest and fiscal charges	<u>36,313</u>
 Total expenditures	 <u>78,694</u>
 Net change in fund balances	 <u>(2,330)</u>
Other financing sources (uses):	
Operating transfer (out)	<u>-</u>
 Total other financing sources (uses)	 <u>-</u>
 Net change in fund balances	 (2,330)
 Fund balances, July 1, 2009	 <u>75,326</u>
 Fund balances, June 30, 2010	 <u>\$ 72,996</u>

**CITY OF CORCORAN
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUND
 JUNE 30, 2010**

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

**CITY OF CORCORAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2010**

	Corcoran Joint Powers Finance Authority
REVENUES:	
Property taxes	\$ -
Total revenues	-
EXPENDITURES:	
Current:	
General government	-
Total expenditures	-
Excess (deficiency) of revenues over (under) expenditures	-
Other financing sources (uses):	
Operating transfers out	-
Total other financing sources (uses)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	-
Fund balances, July 1, 2009	20,792
Fund balances, June 30, 2010	\$ 20,792

**CITY OF CORCORAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract/ Pass-Through Entity Identifying Number	Grant Period		Program Award	Federal Expenditures
			From	To		
U.S. Department of Housing and Urban Development (HUD):						
Passed through the State of California:						
Community Development Block Grants:						
(State Program)	14.227	09-STBG-6408	03/10/10	12/31/12	600,000	\$ 215,981
(State Program)	14.228	05-STBG-1956	01/20/06	12/31/09	1,500,000	<u>134,846</u>
Total Community Development Block Grants						<u>350,827</u>
HOME Investment Partnership Program:						
(State HOME Program)	14.239	09-HOME-6124	04/04/07	06/30/09	800,000	<u>110,092</u>
Total HOME Investment Partnership Program						<u>110,092</u>
Total U.S. Department of Housing and Urban Development						<u>460,919</u>
U.S. Department of Justice						
Office of Community Oriented Policing Services (COPS)	16.710	2008CKWX0228	12/26/07	12/25/10	607,945	<u>179,874</u>
Total U.S. Department of Justice						<u>179,874</u>
U.S. Department of Transportation (DOT)						
Passed through the State of California:						
ARRA - Federal Transit - Capital Improvement Grants	20.509	649812	06/25/09	01/31/20	140,593	139,201
Highway Planning and Construction (Recovery)	20.205	06-5223R	04/14/10	09/30/15	1,081,472	<u>60,031</u>
Total U.S. Department of Transportation						<u>199,232</u>
Total expenditures of federal awards						<u>\$ 840,025</u>

**CITY OF CORCORAN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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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, business-type activities, and each major fund, and the aggregate remaining fund information of City of Corcoran, California (the City), as of and for the year ended June 30, 2010, and have issued our report thereon dated February 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 deficiency described in the schedule of findings and questioned costs as item 2010-1 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a significant deficiency.

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*.

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

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

Price Pange & Company

Clovis, California
February 10, 2011



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

To the Honorable and City Council
City of Corcoran, California

Compliance

We have audited the compliance of City of Corcoran, California (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

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 in order to determine our 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, federal award agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Price Pange & Company

Clovis, California
February 10, 2011

FINDINGS AND QUESTIONED COSTS

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

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> 14.228 20.509	<u>Name of Federal Program or Cluster</u> Community Development Block Grant ARRA - Federal Transit - Capital Improvement Grants
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

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.

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, 2010**

SECTION II – FINANCIAL STATEMENT FINDINGS

No items were reportable.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 09-01

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

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

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

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

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

Client Response:

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

Status

Implemented