

**CITY OF CORCORAN
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2012**

**CITY OF CORCORAN
JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corcoran, California (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, 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.

As discussed in Note 15, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Redevelopment Agency of the City of Corcoran has been dissolved and its assets turned over to and liabilities assumed by the Successor Agencies effective January 31, 2012. Certain transactions undertaken by the Redevelopment Agency of the City of Corcoran prior to the date of dissolution may be subject to review by the State as discussed in Note 15, but the effect of that review cannot be determined as of June 30, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 58 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Price Pange & Company

Clovis, California
March 25, 2013

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CORCORAN
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and investments:			
Unrestricted	\$ 5,592,147	\$ 6,509,999	\$ 12,102,146
Restricted	-	69,706	69,706
Cash with fiscal agent - restricted	76,507	2,348,656	2,425,163
Receivables	14,164,729	1,508,523	15,673,252
Prepaid expenses	11,459	-	11,459
Deposits	80,611	-	80,611
Property held for resale	2,102,299	-	2,102,299
Due from Successor Agency	88,313	-	88,313
Bond issuance costs	-	150,729	150,729
Deferred outflow of resources	-	4,861,396	4,861,396
Capital assets:			
Non-depreciable	1,193,028	1,093,958	2,286,986
Depreciable, net of accumulated depreciation	<u>10,489,502</u>	<u>28,324,988</u>	<u>38,814,490</u>
Total assets	<u>33,798,595</u>	<u>44,867,955</u>	<u>78,666,550</u>
<u>LIABILITIES</u>			
Accounts payable	451,207	500,665	951,872
Deposits	52,582	-	52,582
Interest payable	-	161,075	161,075
Deferred revenues	13,498,695	-	13,498,695
Noncurrent liabilities:			
Due within one year:			
Note payable	-	92,205	92,205
Certificate of participation	50,000	570,000	620,000
Compensated absences	193,406	18,537	211,943
Derivative instrument liability	-	4,861,396	4,861,396
Due in more than one year:			
Note payable	-	462,107	462,107
Certificate of participation	250,000	22,278,778	22,528,778
Compensated absences	<u>173,454</u>	<u>10,895</u>	<u>184,349</u>
Total liabilities	<u>14,669,344</u>	<u>28,955,658</u>	<u>43,625,002</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	11,382,530	6,015,856	17,398,386
Restricted for:			
Debt service	89,057	2,418,362	2,507,419
Community development	1,338,884	-	1,338,884
Public safety	300,957	-	300,957
Transportation and streets	1,953,992	-	1,953,992
Parks and recreation	101,734	-	101,734
Unrestricted	<u>3,962,097</u>	<u>7,478,079</u>	<u>11,440,176</u>
Total net assets	<u>\$ 19,129,251</u>	<u>\$ 15,912,297</u>	<u>\$ 35,041,548</u>

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

**CITY OF CORCORAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 960,346	\$ -	\$ -	\$ -	\$ (960,346)	\$ -	\$ (960,346)
Community development	2,015,480	36,735	1,121,963	-	(856,782)	-	(856,782)
Public safety	3,421,819	29,088	196,960	-	(3,195,771)	-	(3,195,771)
Public works	969,899	-	980,537	518,335	528,973	-	528,973
Parks and recreation	485,066	-	-	-	(485,066)	-	(485,066)
Interest on long-term debt	118,084	-	-	-	(118,084)	-	(118,084)
Total governmental activities	7,970,694	65,823	2,299,460	518,335	(5,087,076)	-	(5,087,076)
Business-type activities:							
Water	4,043,492	4,399,891	-	-	-	356,399	356,399
Sewer	1,229,765	1,017,318	-	-	-	(212,447)	(212,447)
Refuse	1,573,581	1,661,986	-	-	-	88,405	88,405
Storm drain	322,689	305,273	-	-	-	(17,416)	(17,416)
Transit	772,370	74,840	566,257	-	-	(131,273)	(131,273)
Total business-type activities	7,941,897	7,459,308	566,257	-	-	83,668	83,668
Total	\$ 15,912,591	\$ 7,525,131	\$ 2,865,717	\$ 518,335	(5,087,076)	83,668	(5,003,408)
General revenues:							
Taxes:							
Property taxes					914,691	-	914,691
Sales and use taxes					1,090,486	-	1,090,486
Franchise taxes					234,959	-	234,959
Other taxes					530,315	-	530,315
Motor vehicle in-lieu					2,196,314	-	2,196,314
Investment income					17,334	37,786	55,120
Rental income					315,816	53,399	369,215
Miscellaneous					203,773	61,566	265,339
Extraordinary item - RDA Dissolution					227,413	-	227,413
Transfers					2,000,000	(2,000,000)	-
Total general revenues and transfers					7,731,101	(1,847,249)	5,883,852
Changes in net assets					2,644,025	(1,763,581)	880,444
Net assets, July 1, 2011					16,455,747	17,380,334	33,836,081
Prior period adjustment					29,479	295,544	325,023
Net assets, July 1, 2011, as restated					16,485,226	17,675,878	34,161,104
Net assets, June 30, 2012					\$ 19,129,251	\$ 15,912,297	\$ 35,041,548

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

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FUND FINANCIAL STATEMENTS

CITY OF CORCORAN
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Corcoran Redevelopment Agency Debt Service Fund	Transportation and Street	Home Program Special Revenue Fund	Community Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments:							
Unrestricted	\$ 2,021,483	\$ -	\$ 1,824,334	\$ -	\$ -	\$ 1,746,331	\$ 5,592,148
Cash with fiscal agent:							
Restricted	-	-	-	-	-	76,507	76,507
Receivables	248,727	-	328,258	2,502,459	-	1,433,153	4,512,597
Due from other funds	91,890	-	-	-	-	37,255	129,145
Prepaid expenses	11,459	-	-	-	-	-	11,459
Deposits	80,611	-	-	-	-	-	80,611
Property held for resale	2,102,299	-	-	-	-	-	2,102,299
Total assets	\$ 4,556,469	\$ -	\$ 2,152,592	\$ 2,502,459	\$ -	\$ 3,293,246	\$ 12,504,766
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 287,594	\$ -	\$ 102,999	\$ 352	\$ -	\$ 60,262	\$ 451,207
Due to other funds	-	-	-	37,255	-	3,577	40,832
Deposits	51,882	-	-	-	-	700	52,582
Deferred revenue	197,342	-	95,601	2,431,606	-	1,431,331	4,155,880
Total liabilities	536,818	-	198,600	2,469,213	-	1,495,870	4,700,501
Fund balances:							
Nonspendable:							
Prepaid expenses	11,459	-	-	-	-	-	11,459
Property held for resale	2,102,299	-	-	-	-	-	2,102,299
Restricted for:							
Debt service	-	-	-	-	-	89,057	89,057
Community development	-	-	-	33,246	-	1,305,638	1,338,884
Public safety	-	-	-	-	-	300,957	300,957
Transportation and streets	-	-	1,953,992	-	-	-	1,953,992
Parks and recreation	-	-	-	-	-	101,734	101,734
Unassigned	1,905,893	-	-	-	-	(10)	1,905,883
Total fund balances	4,019,651	-	1,953,992	33,246	-	1,797,376	7,804,265
Total liabilities and fund balances	\$ 4,556,469	\$ -	\$ 2,152,592	\$ 2,502,459	\$ -	\$ 3,293,246	\$ 12,504,766

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, 2012**

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

Total fund balances - total governmental funds	\$ 7,804,265
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.	11,682,530
Long-term liabilities were not due and payable in the current period; therefore, they are not reported in the governmental funds.	(666,860)
Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the governmental funds.	<u>309,316</u>
Net assets of governmental activities	<u>\$ 19,129,251</u>

CITY OF CORCORAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Corcoran Redevelopment Agency Debt Service Fund	Transportation and Street Special Revenue Fund	Home Program Special Revenue Fund	Community Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Property taxes	\$ 233,086	\$ 539,086	\$ -	\$ -	\$ -	\$ 143,288	\$ 915,460
Other taxes	1,374,284	-	-	-	-	-	1,374,284
Licenses and permits	85,120	-	-	-	-	-	85,120
Intergovernmental revenues	2,284,583	-	1,735,425	-	-	7,379	4,027,387
Charges for services	54,491	-	-	-	-	-	54,491
Fines and penalties	27,911	-	-	-	-	-	27,911
Use of money and property	241,562	976	7,236	214	-	90,501	340,489
Grant drawdowns	45,541	-	-	482,757	-	467,515	995,813
Loan repayments	-	-	-	129,397	-	120,100	249,497
Miscellaneous	106,083	-	40	1,234	-	97,886	205,243
Total revenues	4,452,661	540,062	1,742,701	613,602	-	926,669	8,275,695
EXPENDITURES:							
Current:							
General government	845,226	-	-	-	-	11,110	856,336
Community development	183	7,896	-	636,160	700,636	596,870	1,941,745
Public safety	3,302,765	-	-	-	-	224,257	3,527,022
Public works	258,725	-	518,376	-	-	-	777,101
Parks and recreation	384,161	-	-	-	-	-	384,161
Capital outlay:							
General government	52,702	-	-	-	-	-	52,702
Public works	16,731	-	575,297	-	-	-	592,028
Parks and recreation	-	-	-	-	-	8,847	8,847
Debt service:							
Principal retirement	-	190,000	-	-	-	45,000	235,000
Interest and fiscal charges	-	88,771	-	-	-	29,313	118,084
Total expenditures	4,860,493	286,667	1,093,673	636,160	700,636	915,397	8,493,026
Excess (deficiency) of revenues over (under) expenditures	(407,832)	253,395	649,028	(22,558)	(700,636)	11,272	(217,331)
Other financing sources (uses):							
Operating transfers in	2,124,300	-	390,000	-	-	281,652	2,795,952
Operating transfers out	(100,000)	-	(390,000)	-	-	(305,952)	(795,952)
Total other financing sources (uses)	2,024,300	-	-	-	-	(24,300)	2,000,000
EXTRAORDINARY ITEM:							
RDA dissolution	(2,278,302)	(2,296,361)	-	-	5,146,657	(241,900)	330,094
Total extraordinary item	(2,278,302)	(2,296,361)	-	-	5,146,657	(241,900)	330,094
Net changes in fund balances	(661,834)	(2,042,966)	649,028	(22,558)	4,446,021	(254,928)	2,112,763
Fund balances, July 1, 2011	4,603,485	2,042,966	1,304,964	55,804	(4,446,021)	2,052,304	5,613,502
Prior period adjustment	78,000	-	-	-	-	-	78,000
Fund balances, July 1, 2011, as restated	4,681,485	2,042,966	1,304,964	55,804	(4,446,021)	2,052,304	5,691,502
Fund balances, June 30, 2012	\$ 4,019,651	\$ -	\$ 1,953,992	\$ 33,246	\$ -	\$ 1,797,376	\$ 7,804,265

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, 2012**

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

Net changes in fund balances - total governmental funds	\$ 2,112,763
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.	840,497
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.	(499,240)
Net assets transferred from the governmental activities to the successor agency trust fund as a result of RDA dissolution.	(176,030)
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.	19,064
Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the governmental funds.	111,971
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>235,000</u>
Changes in net assets of governmental activities	<u>\$ 2,644,025</u>

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

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ENTERPRISE FUNDS

**CITY OF CORCORAN
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2012**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
ASSETS						
Current assets:						
Cash and cash equivalents:						
Unrestricted	\$ 5,146,926	\$ 458,159	\$ 150,340	\$ 620,922	\$ 133,652	\$ 6,509,999
Restricted	69,706	-	-	-	-	69,706
Cash with fiscal agent - restricted	2,348,656	-	-	-	-	2,348,656
Receivables	686,930	202,119	304,729	253,394	61,351	1,508,523
Due from other funds	-	23,233	27,495	-	4,262	54,990
Unamortized bond issuance cost	150,729	-	-	-	-	150,729
Total current assets	8,402,947	683,511	482,564	874,316	199,265	10,642,603
Noncurrent assets:						
Advances to other funds	373,900	-	-	-	-	373,900
Deferred outflow of resources	4,861,396	-	-	-	-	4,861,396
Capital assets:						
Nondepreciable	770,686	276,619	-	-	46,653	1,093,958
Depreciable, net of accumulated depreciation	22,668,453	2,990,957	5,037	783,260	1,877,281	28,324,988
Total noncurrent assets	28,674,435	3,267,576	5,037	783,260	1,923,934	34,654,242
Total assets	37,077,382	3,951,087	487,601	1,657,576	2,123,199	45,296,845
LIABILITIES						
Current liabilities:						
Accounts payable	325,328	52,412	109,561	7,858	5,506	500,665
Interest payable	161,075	-	-	-	-	161,075
Due to other funds	54,989	-	-	-	-	54,989
Compensated absences	9,948	8,589	-	-	-	18,537
Certificates of participation	570,000	-	-	-	-	570,000
Notes payable	59,725	32,480	-	-	-	92,205
Total current liabilities	1,181,065	93,481	109,561	7,858	5,506	1,397,471
Noncurrent liabilities:						
Compensated absences	5,867	-	416	3,658	954	10,895
Advances from other funds	-	-	-	-	373,900	373,900
Certificates of participation	22,278,778	-	-	-	-	22,278,778
Notes payable	387,299	74,808	-	-	-	462,107
Derivative instrument liability	4,861,396	-	-	-	-	4,861,396
Total noncurrent liabilities	27,533,340	74,808	416	3,658	374,854	27,987,076
Total liabilities	28,714,405	168,289	109,977	11,516	380,360	29,384,547
NET ASSETS						
Invested in capital assets, net of related debt	143,337	3,160,288	5,037	783,260	1,923,934	6,015,856
Restricted for:						
Debt service	2,418,362	-	-	-	-	2,418,362
Unrestricted	5,801,278	622,510	372,587	862,800	(181,095)	7,478,080
Total net assets	\$ 8,362,977	\$ 3,782,798	\$ 377,624	\$ 1,646,060	\$ 1,742,839	\$ 15,912,298

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, 2012

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
OPERATING REVENUES:						
Charges for services	\$ 4,399,716	\$ 1,017,318	\$ 1,661,986	\$ 74,840	\$ 305,273	\$ 7,459,133
Connection fees	<u>175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175</u>
Total operating revenues	<u>4,399,891</u>	<u>1,017,318</u>	<u>1,661,986</u>	<u>74,840</u>	<u>305,273</u>	<u>7,459,308</u>
OPERATING EXPENSES:						
Personnel costs	397,935	285,922	59,629	276,372	31,745	1,051,603
Maintenance and supplies	1,521,646	464,626	1,429,137	67,270	23,342	3,506,021
Depreciation and amortization	1,076,462	339,624	2,847	76,987	94,347	1,590,267
Administrative and allocated costs	<u>182,576</u>	<u>133,586</u>	<u>81,968</u>	<u>351,741</u>	<u>173,255</u>	<u>923,126</u>
Total operating expenses	<u>3,178,619</u>	<u>1,223,758</u>	<u>1,573,581</u>	<u>772,370</u>	<u>322,689</u>	<u>7,071,017</u>
Operating income (loss)	<u>1,221,272</u>	<u>(206,440)</u>	<u>88,405</u>	<u>(697,530)</u>	<u>(17,416)</u>	<u>388,291</u>
NON-OPERATING REVENUES (EXPENSES):						
Interest income	34,314	2,722	313	45	386	37,780
Rental income	49,210	-	-	4,200	-	53,410
Grants	-	-	-	422,464	-	422,464
Capital contributions	12,753	37,336	-	-	2,400	52,489
Intergovernmental	-	-	-	143,793	-	143,793
Other income	271	436	7,036	266	1,064	9,073
Interest and fiscal charges	<u>(864,873)</u>	<u>(6,007)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(870,880)</u>
Total non-operating revenues (expenses)	<u>(768,325)</u>	<u>34,487</u>	<u>7,349</u>	<u>570,768</u>	<u>3,850</u>	<u>(151,871)</u>
Other financing sources (uses):						
Operating transfers in	-	204,622	-	-	-	204,622
Operating transfers out	<u>(2,000,000)</u>	<u>(204,622)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,204,622)</u>
Total other financing sources (uses)	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>
Changes in net assets	<u>(1,547,053)</u>	<u>(171,953)</u>	<u>95,754</u>	<u>(126,762)</u>	<u>(13,566)</u>	<u>(1,763,580)</u>
Net assets, July 1, 2011	9,809,463	3,759,774	281,870	1,772,822	1,756,405	17,380,334
Prior period adjustment	<u>100,567</u>	<u>194,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>295,544</u>
Net assets, July 1, 2011, as restated	<u>9,910,030</u>	<u>3,954,751</u>	<u>281,870</u>	<u>1,772,822</u>	<u>1,756,405</u>	<u>17,675,878</u>
Net assets, June 30, 2012	<u>\$ 8,362,977</u>	<u>\$ 3,782,798</u>	<u>\$ 377,624</u>	<u>\$ 1,646,060</u>	<u>\$ 1,742,839</u>	<u>\$ 15,912,298</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, 2012**

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash flows from operating activities:						
Cash received from customers	\$ 4,456,652	\$ 1,196,238	\$ 1,646,633	\$ 74,840	\$ 302,083	\$ 7,676,446
Cash payments to suppliers for goods and services	(1,438,204)	(521,997)	(1,423,038)	(476,573)	(25,164)	(3,884,976)
Cash payments to employees for services	(396,137)	(291,519)	(60,951)	(276,372)	(32,367)	(1,057,346)
Cash payments to other funds for allocated costs	(181,717)	(133,949)	(82,398)	-	(173,322)	(571,386)
Net cash provided (used) by operating activities	<u>2,440,594</u>	<u>248,773</u>	<u>80,246</u>	<u>(678,105)</u>	<u>71,230</u>	<u>2,162,738</u>
Cash flows from noncapital financing activities:						
Proceeds from non-operating revenues	49,210	-	-	4,200	-	53,410
Transfers to other funds	(2,000,000)	-	-	-	-	(2,000,000)
Net cash provided (used) by noncapital financing activities	<u>(1,950,790)</u>	<u>-</u>	<u>-</u>	<u>4,200</u>	<u>-</u>	<u>(1,946,590)</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(622,690)	(410,604)	-	(5,948)	(10,927)	(1,050,169)
Principal payment	(570,288)	(31,352)	-	-	-	(601,640)
Interfund loan repayment	2,006,100	-	-	-	-	2,006,100
Grants	-	-	-	292,775	-	292,775
Intergovernmental	-	-	-	144,059	-	144,059
Capital contributions	12,753	37,336	-	-	2,400	52,489
Other receipts	305	437	2,237	-	1,064	4,043
Interest and fiscal charges	(978,558)	(6,007)	-	-	-	(984,565)
Bond discount	(17,939)	-	-	-	-	(17,939)
Net cash provided (used) by capital and related financing activities	<u>(170,317)</u>	<u>(410,190)</u>	<u>2,237</u>	<u>430,886</u>	<u>(7,463)</u>	<u>(154,847)</u>
Cash flows from investing activities:						
Interest on investments	36,245	3,207	7	153	592	40,204
Net cash provided (used) by investing activities	<u>36,245</u>	<u>3,207</u>	<u>7</u>	<u>153</u>	<u>592</u>	<u>40,204</u>
Increase (decrease) in cash and cash equivalents	355,732	(158,210)	82,490	(242,866)	64,359	101,505
Cash and cash equivalents, July 1, 2011	<u>7,209,556</u>	<u>616,369</u>	<u>67,850</u>	<u>863,788</u>	<u>69,293</u>	<u>8,826,856</u>
Cash and cash equivalents, June 30, 2012	<u>\$ 7,565,288</u>	<u>\$ 458,159</u>	<u>\$ 150,340</u>	<u>\$ 620,922</u>	<u>\$ 133,652</u>	<u>\$ 8,928,361</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, 2012**

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

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Operating income (loss)	\$ 1,221,272	\$ (206,440)	\$ 88,405	\$ (697,530)	\$ (17,416)	\$ 388,291
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,016,102	339,624	2,847	76,987	94,347	1,529,907
Amortization	60,360	-	-	-	-	60,360
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable, net	56,761	178,922	(15,355)	-	(3,190)	217,138
(Increase) decrease in due from other funds	-	(363)	(430)	-	(67)	(860)
(Increase) decrease in deposits	3,616	-	-	-	-	3,616
(Increase) decrease in prepaids	-	5,580	2,205	-	620	8,405
Increase (decrease) in accounts payable	79,826	(62,951)	3,896	(57,562)	3,658	(33,133)
Increase (decrease) in due to other funds	859	-	-	-	(6,100)	(5,241)
Increase (decrease) in compensated absences	1,798	(5,599)	(1,322)	-	(622)	(5,745)
Net cash provided (used) by operating activities	<u>\$ 2,440,594</u>	<u>\$ 248,773</u>	<u>\$ 80,246</u>	<u>\$ (678,105)</u>	<u>\$ 71,230</u>	<u>\$ 2,162,738</u>

Reconciliation of Cash to Balance Sheet

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Cash and cash equivalents:						
Unrestricted	\$ 5,146,926	\$ 458,159	\$ 150,340	\$ 620,922	\$ 133,652	\$ 6,509,999
Restricted	69,706	-	-	-	-	69,706
Cash with fiscal agent - restricted	<u>2,348,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,348,656</u>
	<u>\$ 7,565,288</u>	<u>\$ 458,159</u>	<u>\$ 150,340</u>	<u>\$ 620,922</u>	<u>\$ 133,652</u>	<u>\$ 8,928,361</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, 2012**

	Agency Funds	RDA Successor Agency Trust Fund
<u>ASSETS</u>		
Cash	\$ 24,395	\$ 46,837
Cash with fiscal agent	-	317,650
Receivables:		
Accounts	-	16,290
Interest	171	-
Notes	1,162,033	-
Capital assets, net	-	3,545,571
 Total assets	 \$ 1,186,599	 \$ 3,926,348
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ 63,477
Due to City of Corcoran	-	88,313
Bond payable	-	3,507,385
Due to other agencies	1,186,599	-
 Total liabilities	 1,186,599	 3,659,175
<u>NET ASSETS</u>		
Held in trust	\$ -	\$ 267,173

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

**CITY OF CORCORAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>RDA Successor Agency Trust Fund</u>
<u>ADDITIONS</u>	
Taxes	\$ 208,240
Total additions	<u>208,240</u>
<u>DEDUCTIONS</u>	
Planning and community development	6,768
Operating transfers out	11,948
Depreciation	52,394
Amortization	12,161
Interest	<u>85,209</u>
Total Deductions	<u>168,480</u>
Change in net assets	39,760
Extraordinary gain	227,413
Net assets, beginning of year	<u>-</u>
Net assets, ending of year	<u>\$ 267,173</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, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The accompanying basic financial statements include the financial activities of the City, the primary government, and its component units, which are the Corcoran Redevelopment Agency (the Agency) and the Corcoran Public Financing Authority (the Authority). As further described in Note 15, the Agency was dissolved effective February 1, 2012. 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 influence over the operations of the component units and data from these units are combined with data of the primary government. The blended component units each have a June 30 year-end. No separate annual financial statements are prepared for these component units.

Blended Component Units

The ***Corcoran Redevelopment Agency*** (the 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. The funds of the Agency have been included in the governmental activities in the financial statements. As further describe in Note 15, the Agency was dissolved effective February 1, 2012.

The ***Corcoran Joint Powers Finance Authority*** (the 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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

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

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

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

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

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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. As further described in Note 15, the Agency was dissolved effective February 1, 2012.
- The **Transportation and Street Special Revenue Fund** is to account for sales tax restricted to transportation uses, revenues apportioned under the Streets and Highway Code, Sections 2105, 2106, 2107 and 2107.5 of the State of California, State funds apportioned under the Surface Transportation Program, State grant funds apportioned under the Traffic Congestion Relief Program, and federal funds apportioned under the Federal Aid Urban Grant. The City uses these funds for Dial-A-Ride/Amtrak Ticket transportation programs and for expenditures related to street construction and maintenance.
- The **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. As further described in Note 15, the Agency was dissolved effective February 1, 2012.

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

The City reports the following major enterprise funds:

- The **Water Fund** accounts for financial activity of the water utility system.
- The **Sewer Fund** is used to account for the financial activity of the sewage collection and wastewater treatment utility system.
- The **Refuse Fund** is used to account for the financial activity of the solid waste collection and disposal utility system.
- The **Transit Fund** is used to account for the financial activity of the transit activities including Dial-A-Ride, Amtrak ticket sales, and related street construction and maintenance.
- The **Storm Drain Fund** is used to account for the financial activity of the storm drain system.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The City's fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fund's activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City uses an agency fund to account for assets held for, due to, and other. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support the City's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

The City reports the following fiduciary funds:

- The **Assets Seizure (Unprocessed) Agency Fund** accounts for money that is seized as part of a police action and this money is used to help purchase fixed assets for the police department. Expenditures are limited to police-related activities.
- The **Kings County CDBG Agency Fund** accounts for Kings County Community Development Block Grants Program collections on notes receivable and remittance to Kings County.
- The **Corcoran Police Explorers Agency Fund** accounts for the moneys raised by the Police Explorers and the use of those funds.
- The **Successor Agency of the Redevelopment Agency Trust Fund** is used to account for assets and liabilities of the former redevelopment agency until they are distributed to other units of state and local government as a result of the dissolution of the redevelopment agency.

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 taxes 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, 2012

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 statement of cash flows, the City considers all highly liquid investments with maturities of three months or less when acquired as cash and cash equivalents.

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

Restricted Assets

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

Interfund Transactions

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

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Receivables

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

Property Tax Calendar

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

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

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

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

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

Discount on Bonds

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

Bond Issuance Costs

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

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$2,000. 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, 2012**

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 made a decision not to capitalize infrastructure in place prior to the adoption of GASB 34.

The City defines infrastructure as capital assets that are stationery 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, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Long-Term Debt

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

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

Encumbrances

The City does not use encumbrance accounting.

Budgetary and Budgetary Accounting

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

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

Use of Estimates

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Classification of Net Assets

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

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

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

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

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

Fund Balance

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

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity (Continued)

Fund Balance (Continued)

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

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

New Pronouncements

Governmental Accounting Standards Board Statement No. 65

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014.

Governmental Accounting Standards Board Statement No. 66

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014. Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this Statement is effective for the City's fiscal year ending June 30, 2013.

Governmental Accounting Standards Board Statement No. 67

In June 2012, GASB issued No. 67, *Financial Reporting for Pension Plans*—an amendment of GASB Statement No. 25. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2014.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 68

In June 2012, GASB issued No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The requirements of this Statement are effective for the City’s fiscal year ending June 30, 2015.

NOTE 2 – CASH AND INVESTMENTS

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

Summary of Deposits and Investments

A reconciliation of the City’s deposit and investment balances as of June 30, 2012, is as follows:

Cash on hand	\$ 1,350
Deposits with financial institutions	1,466,942
Investments	<u>13,517,605</u>
Total cash and investments	<u>\$ 14,985,897</u>
Government-Wide:	
Statement of Net Assets:	
Cash and investments	\$ 12,171,852
Cash with fiscal agent	2,425,163
Fiduciary Funds:	
Statement of Net Assets:	
Cash and investments	<u>388,882</u>
Total cash and investments	<u>\$ 14,985,897</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

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

Investments Authorized by the Debt Agreements

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

<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, 2012

NOTE 2 – CASH 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	\$ 10,645,320	\$ 10,645,320	\$ -	\$ -	\$ -
RMA investment pool	129,471	129,471	-	-	-
Held by bond trustee:					
Corporate issues	1,925,437	222,000	240,000	1,463,437	-
Money market funds	<u>817,377</u>	<u>817,377</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ 13,517,605	\$ 11,814,168	\$ 240,000	\$ 1,463,437	\$ -

Credit Risk

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

Investment Type	Total	Exempt from Disclosure	Rating as of Year-End		
			AAA	Aaa-mf	Not Rated
State investment pool	\$ 10,645,320	\$ -	\$ -	\$ -	\$ 10,645,320
RMA investment pool	129,471	-	-	-	129,471
Held by bond trustee:					
Corporate issues	1,925,438	1,272,000	653,438	-	-
Money market funds	<u>817,376</u>	<u>-</u>	<u>-</u>	<u>817,376</u>	<u>-</u>
Total	\$ 13,517,605	\$ 1,272,000	\$ 653,438	\$ 817,376	\$ 10,774,791

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, 2012

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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

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, 2012, the carrying amount of the City's bank deposits was \$1,466,942, and the respective bank balances totaled \$1,753,606. All bank balances were insured through the Federal Depository Insurance Company (FDIC). Of the total bank balance, \$233,375 was insured through the Federal Depository Insurance Company (FDIC). The remaining \$1,520,231 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, 2012, balance was \$10,645,320. 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, 2012**

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2012, consist of the following for the governmental funds:

	General Fund	Corcoran Redevelopment Agency Debt Service Fund	Transportation and Street Special Revenue Fund	Home Program Special Revenue Fund	Community Redevelopment Agency Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Receivables:							
Taxes	\$ 27,520	\$ -	\$ 232,006	\$ -	\$ -	\$ 490	\$ 260,016
Grants	-	-	-	70,823	-	-	70,823
Interest	1,723	-	593	493,169	-	146,667	642,152
Other	219,484	-	95,659	-	-	16,376	331,519
Notes	-	-	-	1,938,467	-	1,269,620	3,208,087
Receivables, net	<u>\$ 248,727</u>	<u>\$ -</u>	<u>\$ 328,258</u>	<u>\$ 2,502,459</u>	<u>\$ -</u>	<u>\$ 1,433,153</u>	<u>\$ 4,512,597</u>

Receivables as of June 30, 2012, consist of the following for the enterprise funds:

	Water Fund	Sewer Fund	Refuse Fund	Transit Fund	Storm Drain Fund	Total
Receivables:						
Accounts	\$ 740,418	\$ 221,406	\$ 324,564	\$ 446	\$ 67,222	\$ 1,354,056
Interest	3,884	596	107	1,132	116	5,835
Taxes	-	-	-	251,816	-	251,816
Other	32	-	9,814	-	-	9,846
Allowance for uncollectible	<u>(57,404)</u>	<u>(19,883)</u>	<u>(29,756)</u>	<u>-</u>	<u>(5,987)</u>	<u>(113,030)</u>
Receivables, net	<u>\$ 686,930</u>	<u>\$ 202,119</u>	<u>\$ 304,729</u>	<u>\$ 253,394</u>	<u>\$ 61,351</u>	<u>\$ 1,508,523</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 – INTERFUND TRANSACTIONS

Due To and Due From Other Funds

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

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

	Due	
	From	To
Governmental Funds		
Major Funds:		
General Fund	\$ 91,890	\$ -
HOME program Special Revenue Fund	-	37,255
Nonmajor Funds:	37,255	
Housing Authority Special Revenue Fund		
Corcoran Joint Powers Authority Debt Service Fund	-	3,577
Enterprise Funds		
Major Funds:		
Water Fund	-	54,989
Sewer Fund	23,233	-
Refuse Fund	27,495	-
Storm Drain Fund	4,262	-
Fiduciary funds	-	88,314
Total	\$ 184,135	\$ 184,135

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 – INTERFUND TRANSACTIONS

Long-Term Interfund Advances

At June 30, 2012, the funds below have made advances that were not expected to be repaid in one year or less.

	Receivable Funds	Payable Funds
Enterprise Funds		
Major Funds:		
Water Fund	373,900	-
Storm Drain Fund	-	373,900
 Total	\$ 373,900	\$ 373,900

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, 2012:

	Transfers	
	In	Out
Governmental Funds		
Major Funds:		
General Fund	\$ 2,124,300	\$ 100,000
Transportation and Street Special Revenue Fund	390,000	390,000
Nonmajor Funds:		
Economic Development Loan Programs Special Revenue Fund	-	15,000
Public Safety Special Revenue Fund	-	15,000
Community Development Block Grant Special Revenue Fund	55,700	50,000
Housing Authority Special Revenue Fund	225,952	-
Corcoran Redevelopment Agency Special Revenue Fund	-	225,952
Enterprise Funds		
Major Funds:		
Water Fund	-	2,000,000
Sewer fund	204,622	204,622
 Total	\$ 3,000,574	\$ 3,000,574

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 5 – NOTES RECEIVABLE / DEFERRED REVENUE

Notes receivable consisted of the following as of June 30, 2012:

	Major Fund	Nonmajor Funds			Total
	HOME Program Special Revenue Funds	Economic Development Research Loan Program Special Revenue Fund	Community Development Block Grant Special Revenue Fund	Housing Authority Special Revenue Fund	
Loans receivable under the Business Revolving Loan Program.	\$ -	\$ 96,129	\$ -	\$ -	\$ 96,129
Loans receivable under the Community Development Block Grant Program, secured by deeds of trust on the rehabilitated properties.	-	-	1,064,536	108,955	1,173,491
Loans receivable under the HOME Grant Program, secured by deeds of trust on the rehabilitated properties.	<u>1,938,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,938,467</u>
Total notes receivable	<u>\$ 1,938,467</u>	<u>\$ 96,129</u>	<u>\$ 1,064,536</u>	<u>\$ 108,955</u>	<u>\$ 3,208,087</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; however, they are recorded as receivable and deferred revenue in the Government-Wide Statement of Net Assets. Such loans totaled \$9,652,132 as of June 30, 2012.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2012, is as follows:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 609,528	\$ -	\$ (107,501)	\$ 502,027
Construction in progress	1,054,953	37,798	(417,456)	675,295
Infrastructure in progress	<u>426,572</u>	<u>575,347</u>	<u>(986,213)</u>	<u>15,706</u>
Total capital assets not being depreciated	<u>2,091,053</u>	<u>613,145</u>	<u>(1,511,170)</u>	<u>1,193,028</u>
Capital assets being depreciated:				
Buildings and other improvements	9,467,167	441,159	(3,352,184)	6,556,142
Machinery and equipment	1,816,558	285,589	(17,198)	2,084,949
Infrastructure	6,909,258	986,213	(1,666,725)	6,228,746
Vehicles	<u>1,095,212</u>	<u>-</u>	<u>-</u>	<u>1,095,212</u>
Total capital assets being depreciated	<u>19,288,195</u>	<u>1,712,961</u>	<u>(5,036,107)</u>	<u>15,965,049</u>
Less accumulated depreciation for:				
Buildings and other improvements	(3,176,314)	(254,144)	1,148,668	(2,281,790)
Machinery and equipment	(1,525,995)	(111,289)	17,195	(1,620,089)
Infrastructure	(800,792)	(156,340)	297,738	(659,394)
Vehicles	<u>(863,457)</u>	<u>(50,817)</u>	<u>-</u>	<u>(914,274)</u>
Total accumulated depreciation	<u>(6,366,558)</u>	<u>(572,590)</u>	<u>1,463,601</u>	<u>(5,475,547)</u>
Total capital assets being depreciated, net	<u>12,921,637</u>	<u>1,140,371</u>	<u>(3,572,506)</u>	<u>10,489,502</u>
Governmental activities capital assets, net	<u>\$ 15,012,690</u>	<u>\$ 1,753,516</u>	<u>\$ (5,083,676)</u>	<u>\$ 11,682,530</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 6 – CAPITAL ASSETS (Continued)

For the year ended June 30, 2012, depreciation expense on capital assets was charged to the governmental functions as follows:

General government	\$ 130,211
Community development	73,920
Public safety	82,237
Public works	184,072
Parks and recreation	<u>102,150</u>
Total	<u>\$ 572,590</u>

Capital assets activity of the business-type activities for the year ended June 30, 2012, is as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 985,983	\$ -	\$ -	\$ 985,983
Construction in progress	<u>-</u>	<u>107,975</u>	<u>-</u>	<u>107,975</u>
Total capital assets not being depreciated	<u>985,983</u>	<u>107,975</u>	<u>-</u>	<u>1,093,958</u>
Capital assets being depreciated:				
Utility system	44,496,542	654,133	(14,666)	45,136,009
Machinery and equipment	1,392,524	107,750	(16,382)	1,483,892
Vehicles	<u>1,546,338</u>	<u>-</u>	<u>(20,579)</u>	<u>1,525,759</u>
Total capital assets being depreciated	<u>47,435,404</u>	<u>761,883</u>	<u>(51,627)</u>	<u>48,145,660</u>
Less accumulated depreciation for:				
Utility system	(16,290,841)	(1,363,350)	-	(17,654,191)
Machinery and equipment	(737,535)	(105,508)	16,382	(826,661)
Vehicles	<u>(1,299,350)</u>	<u>(61,049)</u>	<u>20,579</u>	<u>(1,339,820)</u>
Total accumulated depreciation	<u>(18,327,726)</u>	<u>(1,529,907)</u>	<u>36,961</u>	<u>(19,820,672)</u>
Total capital assets being depreciated, net	<u>29,107,678</u>	<u>(768,024)</u>	<u>(14,666)</u>	<u>28,324,988</u>
Business-type activities capital assets, net	<u>30,093,661</u>	<u>(660,049)</u>	<u>(14,666)</u>	<u>29,418,946</u>

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

Business-Type Activities:	
Water	\$ 1,016,102
Sewer	339,624
Storm Drain	94,347
Refuse	2,847
Transit	<u>76,987</u>
Total	<u>\$ 1,529,907</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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 \$173,454 for governmental activities and \$4,884 for business-type activities at June 30, 2012, 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, 2012, the balance is \$366,860 for governmental activities and \$29,433 for the business-type activities.

	Balance July 1, 2011	Incurred	Satisfied	Balance June 30, 2012	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
Compensated absences	\$ 385,924	\$ 176,578	\$ (195,642)	\$ 366,860	\$ 193,406	\$ 173,454
Business-Type Activities:						
Compensated absences	\$ 31,518	\$ 46,494	\$ (48,580)	\$ 29,432	\$ 18,537	\$ 10,895

NOTE 8 – LONG-TERM DEBT

The following is a summary of long-term obligation transactions for governmental activities for the year ended June 30, 2012:

	Balance July 1, 2011	Incurred or Issued	Satisfied or Matured	Balance June 30, 2012	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
2004 Tax Allocation Bonds	\$ 3,970,000	\$ -	\$ (3,970,000)	\$ -	\$ -	\$ - (A)
Certificates of participation	345,000	-	(45,000)	300,000	50,000	250,000
Total governmental activities	\$ 4,315,000	\$ -	\$ (4,015,000)	\$ 300,000	\$ 50,000	\$ 250,000

(A) The retirement of \$3,970,000 in the 2004 Tax Allocation bonds payable resulted from the dissolution of the Corcoran Redevelopment Agency on January 31, 2012.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 – LONG-TERM DEBT (Continued)

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.

Fiscal Years Ending	1992 Certificates of Participation		
	Principal	Interest	Total
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>\$ 300,000</u>	<u>\$ 73,061</u>	<u>\$ 373,061</u>

The following is a summary of long-term obligation transactions for business-type activities for the year ended June 30, 2012:

	Balance July 1, 2011	Incurred or Issued	Satisfied or Matured	Balance June 30, 2012	Amounts Due Within One Year	Amounts Due in More Than One Year
Business-Type Activities:						
Davis-Grunsky Loan (Water Fund)	\$ 505,250	\$ -	\$ (58,226)	\$ 447,024	\$ 59,725	\$ 387,299
2003 Certificates of Participation	5,140,000	-	(120,000)	5,020,000	125,000	4,895,000
2003 Certificates of Participation - Unamortized Bond Discounts	(67,146)	-	3,052	(64,094)	-	(64,094)
2008 Certificates of Participation	19,490,000	-	(425,000)	19,065,000	445,000	18,620,000
2008 Certificates of Participation - Deferred Refunding	(1,076,580)	-	44,858	(1,031,722)	-	(1,031,722)
2008 Bond Discount	(146,510)	-	6,104	(140,406)	-	(140,406)
State Water Quality Control Fund Loans (Sewer Fund)	<u>138,640</u>	<u>-</u>	<u>(31,352)</u>	<u>107,288</u>	<u>32,480</u>	<u>74,808</u>
Total business-type activities	<u>\$ 23,983,654</u>	<u>\$ -</u>	<u>\$ (580,564)</u>	<u>\$ 23,403,090</u>	<u>\$ 662,205</u>	<u>\$ 22,740,885</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 – LONG-TERM DEBT (Continued)

Notes Payable

Davis-Grunsky Loan (Water Fund)

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

<u>Fiscal Years Ending</u>	<u>Davis-Grunsky Loan (Water Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 59,725	\$ 9,673	\$ 69,398
2014	61,111	8,278	69,389
2015	62,497	6,847	69,344
2016	63,883	5,382	69,265
2017	65,269	3,883	69,152
2018	66,655	2,348	69,003
2019	<u>67,884</u>	<u>786</u>	<u>68,670</u>
Totals	<u>\$ 447,024</u>	<u>\$ 37,197</u>	<u>\$ 484,221</u>

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.

<u>Fiscal Year Ending</u>	<u>State Water Quality Control Fund Loans (Sewer Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 32,480	\$ 3,862	\$ 36,342
2014	33,649	2,693	36,342
2015	34,860	1,482	36,342
2016	<u>6,299</u>	<u>43</u>	<u>6,342</u>
Totals	<u>\$ 107,288</u>	<u>\$ 8,080</u>	<u>\$ 115,368</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 – LONG-TERM DEBT (Continued)

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.

Fiscal Years Ending	2003 Certificates of Participation		
	Principal	Interest	Total
2013	\$ 125,000	\$ 207,033	\$ 332,033
2014	130,000	202,570	332,570
2015	140,000	197,845	337,845
2016	140,000	192,595	332,595
2017	145,000	186,895	331,895
2018-2022	830,000	835,358	1,665,358
2023-2027	1,025,000	640,171	1,665,171
2028-2032	1,265,000	397,693	1,662,693
2033-2036	<u>1,220,000</u>	<u>106,675</u>	<u>1,326,675</u>
Totals	<u>\$ 5,020,000</u>	<u>\$ 2,966,835</u>	<u>\$ 7,986,835</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.

Fiscal Years Ending	2008 Certificates of Participation		
	Principal	Interest	Total
2013	\$ 445,000	\$ 699,523	\$ 1,144,523
2014	460,000	698,972	1,158,972
2015	480,000	698,237	1,178,237
2016	500,000	697,502	1,197,502
2017	525,000	696,584	1,221,584
2018-2022	2,970,000	3,470,250	6,440,250
2023-2027	3,655,000	3,445,090	7,100,090
2028-2032	4,495,000	3,414,237	7,909,237
2033-2037	<u>5,535,000</u>	<u>3,376,038</u>	<u>8,911,038</u>
Totals	<u>\$ 19,065,000</u>	<u>\$ 17,196,433</u>	<u>\$ 36,261,433</u>

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

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (Continued)

2008 Certificates of Participation (Water Fund) (Continued)

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.

Terms. Under the swap, the City pays the counterparty, Piper Jaffray Financial Products Inc. ("the Counterparty") a fixed payment based upon a negotiated rate of 3.673% and receives a variable payment computed as 63% of the London Interbank Offered Rate (LIBOR) plus 30 basis points (.30%). The amount that the City receives under the swap agreement is structured to equal the amount that it pays on its Certificates, thus cancelling each other out and leaving the fixed rate portion amount to be paid under the swap as the net overall payment. The City also pays a letter of credit and remarketing fees on the variable rate bonds (totaling .50% annually). The swap has a notional amount of \$19.9 million and the associated variable-rate bond has a \$19.9 million principal amount. Starting in 2008, the notional value of the swap and the principal amount of the associated debt decline until the debt is completely retired in 2036. The bonds and the related swap agreement will mature on July 1, 2036.

Fair Value. The Counterparty informed the City that as of June 30, 2012, the swap had a fair value of (\$4,861,396). The Counterparty states that the valuation is based on a proprietary model.

Credit Risk. As of June 30, 2012, the City was not exposed to credit risk because the swap had a net negative fair value. This negative amount may increase if interest rates decrease in the future. However, if interest rates increase and the fair value of the swap become positive, the City will be exposed to credit risk, to a maximum possible loss equivalent to the swap's fair value. The swap Counterparty was rated AA by Standard & Poor's on October 1, 2005. To mitigate the potential for credit risk, if the Counterparty's credit quality falls below the AA rating, the fair value of the swap will be fully collateralized by the Counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

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

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

Active plan members in the Safety and Miscellaneous Plans are required to contribute 9 percent and 7 percent of their annual covered salary, respectively. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 32.126% and 9.992% 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 2011/2012, the City's combined annual pension cost of \$820,671 was equal to the annual requirement contribution. The current year's required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 13.15% for members of both plans; and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the Miscellaneous and Safety Plans' assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five-year period depending on the size of investment gains and/or losses. The Miscellaneous and Safety Plans' unfunded actuarial liabilities are being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period of June 30, 2012, was 14 years.

The City's annual pension costs (APC) and net pension obligation as of and for the year ended June 30, 2012, 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>			
6/30/2010	\$ 222,414	100%	\$ -
6/30/2011	\$ 217,257	100%	\$ -
6/30/2012	\$ 330,301	100%	\$ -
<u>Safety Plan</u>			
6/30/2010	\$ 378,706	100%	\$ -
6/30/2011	\$ 330,201	100%	\$ -
6/30/2012	\$ 490,370	100%	\$ -

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Funded Status and Progress

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as of % of Covered Payroll</u>
6/30/2011						
Miscellaneous	\$ 3,619,835,876	\$ 3,203,214,899	\$ 416,620,977	88.5%	\$ 759,263,518	54.9%
Safety	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,892,222	126.7%

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

NOTE 10 – RISK MANAGEMENT

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

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

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

At the termination of the joint venture agreement and after all claims have been settled, 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, 2012:

Total assets	\$ 70,671,479
Total liabilities	<u>58,388,460</u>
Member's equity	<u>\$ 12,283,019</u>
Total revenues	\$ 30,698,619
Total expenses	<u>31,914,578</u>
Excess of expenses (loss) over income	<u>\$ (1,215,959)</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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 charged 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 moneys 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 – 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, 2012:

General Fund:	
Current:	
General government	\$34,552
Community development	\$183
Parks and recreation	\$141
Capital outlay:	
General government	\$52,702
Public works	\$17,158
Other financing sources (uses):	
Transfer out	\$100,000
Transportation and Street Special Revenue Fund:	
Capital outlay:	
Public works	\$197,439
Other financing sources (uses):	
Transfer out	\$390,000

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

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 13 – SEGMENT INFORMATION

Segment information for the Water Fund for the year ended June 30, 2012, is as follows:

	<u>Water Fund</u>
CONDENSED STATEMENT OF NET ASSETS	
Assets:	
Current assets	\$ 8,402,947
Noncurrent assets	<u>28,674,435</u>
Total assets	<u>37,077,382</u>
Liabilities:	
Current liabilities	1,181,065
Noncurrent liabilities	<u>27,533,340</u>
Total liabilities	<u>28,714,405</u>
Net Assets:	
Invested in capital assets, net of related debt	143,337
Restricted	2,418,362
Unrestricted	<u>5,801,278</u>
Total net assets	<u>\$ 8,362,977</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	
Operating revenues	\$ 4,399,891
Depreciation expenses	(1,076,462)
Other operating expenses	<u>(2,102,157)</u>
Operating income (loss)	<u>1,221,272</u>
Nonoperating revenue (expenses):	
Other nonoperating revenue	62,234
Investment income	34,314
Interest expense	(864,873)
Transfers in (out)	<u>(2,000,000)</u>
Changes in net assets	(1,547,053)
Beginning net assets	9,809,463
Prior period adjustments	100,567
Ending net assets	<u>\$ 8,362,977</u>
CONDENSED STATEMENT OF CASH FLOWS	
Net cash provided (used) by:	
Operating activities	\$ 2,440,594
Noncapital financing activities	(1,950,790)
Capital and related financing activities	(170,317)
Investing activities	<u>36,245</u>
Net increase (decrease) in cash and cash equivalents	355,732
Beginning cash and cash equivalents	<u>7,209,556</u>
Ending cash and cash equivalents	<u>\$ 7,565,288</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

During the current year the following prior period adjustments were recorded:

Governmental Activities

The beginning net assets in governmental activities were understated by \$29,497 due to the understatement of capital assets of \$33,579, overstatement of land of \$82,100, and understatement of land held for resale of \$78,000 in fiscal year 2011. To correct these errors, beginning net assets in the Governmental Activities were increased by \$29,947.

Governmental Funds

The beginning fund balance in the General Fund was understated by \$78,000 due to a land held for resale understatement in fiscal year 2011. To correct this error, the beginning fund balance was increased by \$78,000.

Enterprise Funds

The beginning net assets in the Water Enterprise Fund were understated by \$100,567 due to overstatement of interest payable of \$115,567 and understatement of certificate of participation payable of \$15,000 in fiscal year 2011. To correct this error, beginning net assets were increased by \$100,567.

The beginning net assets in the Sewer Enterprise Fund were understated by \$194,977 due to unrecorded fixed assets of \$194,977 in fiscal year 2011. To correct this error, beginning net assets were increased by \$194,977.

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 (“the Bill”) that dissolved all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Corcoran that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 30, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution Number 2602.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments.)

In future years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to renew the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure of encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY
(Continued)

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable uncertainty regarding this issue. It is reasonable possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorable to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary gain (loss) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements and the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary gain that was recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary gain reported in the governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ 330,094
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	(3,597,905)
Long-term debt recorded in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	3,780,000
Bond issuance costs recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	<u>(284,776)</u>
Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statement of the City)	<u>\$ 227,413</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 15 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

(Continued)

Long-term Debt

Long-term debt reported in the Successor Agency Trust Fund at June 30, 2012 was comprised of the following:

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.

Annual debt service requirements to maturity for the 2004 Tax Allocation Bonds are as follows:

<u>Fiscal Years Ending</u>	<u>2004 Tax Allocation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 200,000	\$ 170,418	\$ 370,418
2014	205,000	162,918	367,918
2015	215,000	154,718	369,718
2016	220,000	146,117	366,117
2017	230,000	137,208	367,208
2018-2022	1,310,000	527,408	1,837,408
2023-2027	600,000	265,410	865,410
2028-2032	465,000	154,985	619,985
2033-2035	<u>335,000</u>	<u>34,250</u>	<u>369,250</u>
Totals	<u>\$ 3,780,000</u>	<u>\$ 1,753,432</u>	<u>\$ 5,533,432</u>

NOTE 16 – SUBSEQUENT EVENTS

The 2012A Water Revenue Refunding Bonds were issued September 26, 2012. These bonds provided for the refunding of the 2003 Certificates of Participations that were issued on July 1, 2003. The City is not funding a debt service reserve account for these bonds. Certificates authorized and issued have interest rates ranging from 3.00% to 4.00% and mature July 1, 2035.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 185,000	\$ 124,581	\$ 309,581
2014	150,000	157,538	307,538
2015	155,000	153,038	308,038
2016	160,000	148,388	308,388
2017	165,000	143,588	308,588
2018-2022	900,000	640,688	1,540,688
2023-2027	1,035,000	495,725	1,530,725
2028-2032	1,230,000	307,231	1,537,231
2032-2035	<u>855,000</u>	<u>68,513</u>	<u>923,513</u>
	<u>\$4,835,000</u>	<u>\$2,239,287</u>	<u>\$7,074,287</u>

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 16 – SUBSEQUENT EVENTS (continued)

The 2008 Certificates of Participation (Water Fund) were restructured in September, 2012. The Reserve Fund was eliminated and outstanding debt was reduced by \$940,000. The synthetic fixed rate structure of the bonds was maintained and the underlying letter of credit with Union Bank was renewed through 2016. The estimated savings in debt service over the life of the bonds is \$2.3 million based on an average interest rate of 4.70%.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 415,000	\$ 657,696	\$ 1,072,696
2014	430,000	642,258	1,072,258
2015	450,000	626,262	1,076,262
2016	475,000	609,522	1,084,522
2017	495,000	591,852	1,086,852
2018-2022	2,855,000	2,664,450	5,519,450
2023-2027	3,590,000	2,081,154	5,671,154
2028-2032	4,525,000	1,347,198	5,872,198
2032-2036	<u>4,445,000</u>	<u>422,964</u>	<u>4,867,964</u>
	<u>\$17,680,000</u>	<u>\$9,643,356</u>	<u>\$27,323,356</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CORCORAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

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

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as of % of Covered Payroll
Miscellaneous:						
6/30/2009	\$ 3,104,798,222	\$ 2,758,511,101	\$ 346,287,121	88.8%	\$ 742,981,488	46.6%
6/30/2010	\$ 3,309,064,934	\$ 2,946,408,106	\$ 362,656,828	89.0%	\$ 748,401,352	48.5%
6/30/2011	\$ 3,619,835,876	\$ 3,203,214,899	\$ 416,620,977	88.5%	\$ 759,263,518	54.9%
Safety:						
6/30/2009	\$ 1,802,882,330	\$ 1,520,081,328	\$ 282,801,002	84.3%	\$ 221,600,192	127.6%
6/30/2010	\$ 1,915,095,826	\$ 1,628,915,283	\$ 286,180,543	85.1%	\$ 224,562,008	127.4%
6/30/2011	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,892,222	126.7%

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amount</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Property taxes	\$ 225,751	\$ 225,751	\$ 233,086	\$ 7,335
Other taxes	1,226,454	1,226,454	1,374,284	147,830
Licenses and permits	134,927	134,927	85,120	(49,807)
Intergovernmental revenues	2,341,838	2,341,838	2,284,583	(57,255)
Charges for services	95,433	95,433	54,491	(40,942)
Fines and penalties	30,000	30,000	27,911	(2,089)
Use of money and property	244,173	244,173	241,562	(2,611)
Grant drawdowns	23,000	23,000	45,541	22,541
Miscellaneous	135,830	135,830	106,083	(29,747)
Total revenues	<u>4,457,406</u>	<u>4,457,406</u>	<u>4,452,661</u>	<u>(4,745)</u>
EXPENDITURES:				
Current:				
General government	1,021,920	1,021,920	845,226	176,694
Community development	-	-	183	(183)
Public safety	3,422,010	3,422,010	3,302,765	119,245
Public works	282,627	282,627	258,725	23,902
Parks and recreation	384,020	384,020	384,161	(141)
Capital outlay:				
General government	-	-	52,702	(52,702)
Public works	-	-	16,731	(16,731)
Total expenditures	<u>5,110,577</u>	<u>5,110,577</u>	<u>4,860,493</u>	<u>250,084</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(653,171)</u>	<u>(653,171)</u>	<u>(407,832)</u>	<u>245,339</u>
Other financing sources (uses):				
Operating transfers in	150,000	150,000	2,124,300	1,974,300
Operating transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>2,024,300</u>	<u>1,974,300</u>
EXTRAORDINARY ITEM:				
RDA dissolution	-	-	(2,278,302)	(2,278,302)
Total extraordinary item	<u>-</u>	<u>-</u>	<u>(2,278,302)</u>	<u>(2,278,302)</u>
Net change in fund balances	<u>(603,171)</u>	<u>(603,171)</u>	<u>(661,834)</u>	<u>(58,663)</u>
Fund balances, July 1, 2011	4,603,485	4,603,485	4,603,485	-
Prior period adjustment	78,000	78,000	78,000	-
Fund balances, July 1, 2011, as restated	<u>4,681,485</u>	<u>4,681,485</u>	<u>4,681,485</u>	<u>-</u>
Fund balances, June 30, 2012	<u>\$ 4,078,314</u>	<u>\$ 4,078,314</u>	<u>\$ 4,019,651</u>	<u>\$ (58,663)</u>

**CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
TRANSPORTATION AND STREET SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenues	\$ 1,504,992	\$ 1,504,992	\$ 1,735,425	\$ 230,433
Charges for services	82,200	82,200	-	(82,200)
Use of money and property	9,600	9,600	7,236	(2,364)
Grant drawdowns	82,564	82,564	-	(82,564)
Miscellaneous	-	-	40	40
Total revenues	<u>1,679,356</u>	<u>1,679,356</u>	<u>1,742,701</u>	<u>63,345</u>
EXPENDITURES:				
Current:				
Public works	1,235,254	1,235,254	518,376	716,878
Capital outlay:				
Public works	<u>377,858</u>	<u>377,858</u>	<u>575,297</u>	<u>(197,439)</u>
Total expenditures	<u>1,613,112</u>	<u>1,613,112</u>	<u>1,093,673</u>	<u>519,439</u>
Excess (deficiency) of revenues over (under) expenditures	<u>66,244</u>	<u>66,244</u>	<u>649,028</u>	<u>582,784</u>
Other financing sources (uses):				
Operating transfers in	-	-	390,000	390,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>(390,000)</u>	<u>(390,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	66,244	66,244	649,028	582,784
Fund balances, July 1, 2011	<u>1,304,964</u>	<u>1,304,964</u>	<u>1,304,964</u>	<u>-</u>
Fund balances, June 30, 2012	<u>\$ 1,371,208</u>	<u>\$ 1,371,208</u>	<u>\$ 1,953,992</u>	<u>\$ 582,784</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, 2012**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 214	\$ 214
Grant drawdowns	2,350,598	2,350,598	482,757	(1,867,841)
Loan repayments	168,240	168,240	129,397	(38,843)
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,234</u>	<u>1,234</u>
Total revenues	<u>2,518,838</u>	<u>2,518,838</u>	<u>613,602</u>	<u>(1,905,236)</u>
EXPENDITURES:				
Current:				
Community development	<u>1,328,050</u>	<u>1,328,050</u>	<u>636,160</u>	<u>691,890</u>
Total expenditures	<u>1,328,050</u>	<u>1,328,050</u>	<u>636,160</u>	<u>691,890</u>
Net change in fund balances	1,190,788	1,190,788	(22,558)	(1,213,346)
Fund balances, July 1, 2011	<u>55,804</u>	<u>55,804</u>	<u>55,804</u>	<u>-</u>
Fund balances, June 30, 2012	<u>\$ 1,246,592</u>	<u>\$ 1,246,592</u>	<u>\$ 33,246</u>	<u>\$ (1,213,346)</u>

**CITY OF CORCORAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - BUDGETARY INFORMATION

The City follows the following procedures, annually, in establishing the budgetary data reflected in the budgetary comparison schedules:

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

OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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

The **Community Redevelopment Special Revenue Fund** is used to account for the 20% tax increment funds required by state law to be set aside for low and moderate housing needs.

The **Public Safety Fund** is used 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.

The **Parks Capital Fund** is used to account for residential development tax funds that are restricted to acquisition, improvement and expansion of public park, playground and recreation facilities.

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 **Housing Authority Special Revenue Fund** is used to account for future financing for low-income household for the acquisition, rehabilitation, or new construction of single family homes.

The **Economic Development Loan Programs Fund** is used to account for the Business Loan Program that provides loans to local businesses unable to obtain other financing.

The **Assessment Districts** are used 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 **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.

The **Corcoran Joint Powers Finance Authority Fund** is used 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).

The **Corcoran Joint Powers Finance Authority Fund** is used to account for construction of the projects financed by the CJPFA.

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Nonmajor Special Revenue	Corcoran Joint Powers Finance Authority Debt Service Fund	Corcoran Joint Powers Finance Authority Capital Projects Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and investments:				
Unrestricted	\$ 1,730,222	\$ -	\$ 16,109	\$ 1,746,331
Cash with fiscal agent:				
Restricted	-	76,507	-	76,507
Receivables	1,433,135	-	18	1,433,153
Due from other funds	37,255	-	-	37,255
Total assets	<u>\$ 3,200,612</u>	<u>\$ 76,507</u>	<u>\$ 16,127</u>	<u>\$ 3,293,246</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 60,262	\$ -	\$ -	\$ 60,262
Deposits	700	-	-	700
Due to other funds	-	3,577	-	3,577
Deferred revenue	1,431,331	-	-	1,431,331
Total liabilities	1,492,293	3,577	-	1,495,870
Fund balances:				
Restricted for:				
Debt service	-	72,930	16,127	89,057
Community development	1,305,638	-	-	1,305,638
Public safety	300,957	-	-	300,957
Parks and recreation	101,734	-	-	101,734
Unassigned	(10)	-	-	(10)
Total fund balances	1,708,319	72,930	16,127	1,797,376
Total liabilities and fund balances	<u>\$ 3,200,612</u>	<u>\$ 76,507</u>	<u>\$ 16,127</u>	<u>\$ 3,293,246</u>

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Nonmajor Special Revenue	Corcoran Joint Powers Finance Authority Debt Service Fund	Corcoran Joint Powers Finance Authority Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:				
Property taxes	\$ 143,288	\$ -	\$ -	\$ 143,288
Use of money and property	16,106	74,318	77	90,501
Intergovernmental revenues	7,379	-	-	7,379
Grant drawdowns	467,515	-	-	467,515
Repayment of loans	120,100	-	-	120,100
Miscellaneous	97,886	-	-	97,886
Total revenues	<u>852,274</u>	<u>74,318</u>	<u>77</u>	<u>926,669</u>
EXPENDITURES:				
Current services:				
General government	8,726	-	2,384	11,110
Community development	596,870	-	-	596,870
Public safety	224,257	-	-	224,257
Capital outlay:				
Parks and recreation	8,847	-	-	8,847
Debt service:				
Principal retirement	-	45,000	-	45,000
Interest and fiscal charges	-	29,313	-	29,313
Total expenditures	<u>838,700</u>	<u>74,313</u>	<u>2,384</u>	<u>915,397</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,574</u>	<u>5</u>	<u>(2,307)</u>	<u>11,272</u>
Other financing sources (uses):				
Operating transfers in	281,652	-	-	281,652
Operating transfers out	<u>(305,952)</u>	<u>-</u>	<u>-</u>	<u>(305,952)</u>
Total other financing sources (uses)	<u>(24,300)</u>	<u>-</u>	<u>-</u>	<u>(24,300)</u>
EXTRAORDINARY ITEM:				
RDA dissolution	<u>(241,900)</u>	<u>-</u>	<u>-</u>	<u>(241,900)</u>
Total extraordinary item	<u>(241,900)</u>	<u>-</u>	<u>-</u>	<u>(241,900)</u>
Net changes in fund balances	<u>(252,626)</u>	<u>5</u>	<u>(2,307)</u>	<u>(254,928)</u>
Fund balances, July 1, 2011	<u>1,960,945</u>	<u>72,925</u>	<u>18,434</u>	<u>2,052,304</u>
Fund balances, June 30, 2012	<u>\$ 1,708,319</u>	<u>\$ 72,930</u>	<u>\$ 16,127</u>	<u>\$ 1,797,376</u>

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	Community Redevelopment Agency	Public Safety	Parks Capital	Community Development Block Grant
<u>ASSETS</u>				
Cash and investments:				
Unrestricted	\$ -	\$ 338,279	\$ 101,644	\$ 39,892
Receivables	-	252	90	1,157,958
Due from other funds	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 338,531</u>	<u>\$ 101,734</u>	<u>\$ 1,197,850</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ 37,574	\$ -	\$ 20,522
Deposits	-	-	-	-
Deferred revenue	-	-	-	1,157,849
Total liabilities	<u>-</u>	<u>37,574</u>	<u>-</u>	<u>1,178,371</u>
Fund balances:				
Restricted for:				
Community development	-	-	-	19,479
Public safety	-	300,957	-	-
Parks and recreation	-	-	101,734	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>300,957</u>	<u>101,734</u>	<u>19,479</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 338,531</u>	<u>\$ 101,734</u>	<u>\$ 1,197,850</u>

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012**

	<u>Housing Authority</u>	<u>Economic Development Loan Programs</u>	<u>Assessment Districts</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash and investments:				
Unrestricted	\$ 1,174,711	\$ 74,207	\$ 1,489	\$ 1,730,222
Receivables	177,923	96,420	492	1,433,135
Due from other funds	<u>37,255</u>	<u>-</u>	<u>-</u>	<u>37,255</u>
 Total assets	 <u>\$ 1,389,889</u>	 <u>\$ 170,627</u>	 <u>\$ 1,981</u>	 <u>\$ 3,200,612</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 175	\$ -	\$ 1,991	\$ 60,262
Deposits	700	-	-	700
Deferred revenue	<u>177,062</u>	<u>96,420</u>	<u>-</u>	<u>1,431,331</u>
 Total liabilities	 <u>177,937</u>	 <u>96,420</u>	 <u>1,991</u>	 <u>1,492,293</u>
Fund balances:				
Restricted for:				
Community development	1,211,952	74,207	-	1,305,638
Public safety	-	-	-	300,957
Parks and recreation	-	-	-	101,734
Unassigned	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>(10)</u>
 Total fund balances	 <u>1,211,952</u>	 <u>74,207</u>	 <u>(10)</u>	 <u>1,708,319</u>
 Total liabilities and fund balances	 <u>\$ 1,389,889</u>	 <u>\$ 170,627</u>	 <u>\$ 1,981</u>	 <u>\$ 3,200,612</u>

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Community Redevelopment Agency	Public Safety	Parks Capital	Community Development Block Grant
REVENUES:				
Property taxes	\$ 134,772	\$ -	\$ -	\$ -
Use of money and property	6,307	1,666	388	130
Intergovernmental revenues	-	-	7,379	-
Grant drawdowns	-	100,000	-	367,515
Repayment of loans	4,373	-	-	97,730
Miscellaneous	475	81,589	-	15,437
	<u>145,927</u>	<u>183,255</u>	<u>7,767</u>	<u>480,812</u>
Total revenues				
EXPENDITURES:				
Current:				
General government	-	-	-	-
Community development	84,799	-	-	481,511
Public safety	-	224,257	-	-
Capital outlay:				
Parks and recreation	-	-	8,847	-
	<u>84,799</u>	<u>224,257</u>	<u>8,847</u>	<u>481,511</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>61,128</u>	<u>(41,002)</u>	<u>(1,080)</u>	<u>(699)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	55,700
Operating transfers out	<u>(225,952)</u>	<u>(15,000)</u>	<u>-</u>	<u>(50,000)</u>
Total other financing sources (uses)	<u>(225,952)</u>	<u>(15,000)</u>	<u>-</u>	<u>5,700</u>
EXTRAORDINARY ITEM:				
RDA dissolution	<u>-</u>	<u>-</u>	<u>-</u>	<u>(241,900)</u>
Total extraordinary item	<u>-</u>	<u>-</u>	<u>-</u>	<u>(241,900)</u>
Net changes in fund balances	(164,824)	(56,002)	(1,080)	(236,899)
Fund balances, July 1, 2011	<u>164,824</u>	<u>356,959</u>	<u>102,814</u>	<u>256,378</u>
Fund balances, June 30, 2012	<u>\$ -</u>	<u>\$ 300,957</u>	<u>\$ 101,734</u>	<u>\$ 19,479</u>

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Housing Authority	Economic Development Loan Programs	Assessment Districts	Totals
REVENUES:				
Property taxes	\$ -	\$ -	\$ 8,516	\$ 143,288
Use of money and property	7,610	-	5	16,106
Intergovernmental revenues	-	-	-	7,379
Grant drawdowns	-	-	-	467,515
Repayment of loans	6,404	11,593	-	120,100
Miscellaneous	385	-	-	97,886
Total revenues	<u>14,399</u>	<u>11,593</u>	<u>8,521</u>	<u>852,274</u>
EXPENDITURES:				
Current:				
General government	-	-	8,726	8,726
Community development	29,240	-	1,320	596,870
Public safety	-	-	-	224,257
Capital outlay:				
Parks and recreation	-	-	-	8,847
Total expenditures	<u>29,240</u>	<u>-</u>	<u>10,046</u>	<u>838,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,841)</u>	<u>11,593</u>	<u>(1,525)</u>	<u>13,574</u>
Other financing sources (uses):				
Operating transfers in	225,952	-	-	281,652
Operating transfers out	-	(15,000)	-	(305,952)
Total other financing sources (uses)	<u>225,952</u>	<u>(15,000)</u>	<u>-</u>	<u>(24,300)</u>
EXTRAORDINARY ITEM:				
RDA dissolution	-	-	-	(241,900)
Total extraordinary item	<u>-</u>	<u>-</u>	<u>-</u>	<u>(241,900)</u>
Net changes in fund balances	211,111	(3,407)	(1,525)	(252,626)
Fund balances, July 1, 2011	<u>1,000,841</u>	<u>77,614</u>	<u>1,515</u>	<u>1,960,945</u>
Fund balances, June 30, 2012	<u>\$ 1,211,952</u>	<u>\$ 74,207</u>	<u>\$ (10)</u>	<u>\$ 1,708,319</u>

**CITY OF CORCORAN
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2012**

	<u>Asset Seizure (Unprocessed)</u>	<u>Kings County CDBG</u>	<u>Corcoran Police Explorers</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 752	\$ 21,367	\$ 2,276	\$ 24,395
Receivables:				
Interest	-	171	-	171
Notes	<u>-</u>	<u>1,162,033</u>	<u>-</u>	<u>1,162,033</u>
Total assets	<u>\$ 752</u>	<u>\$ 1,183,571</u>	<u>\$ 2,276</u>	<u>\$ 1,186,599</u>
<u>LIABILITIES</u>				
Due to other agencies	<u>\$ 752</u>	<u>\$ 1,183,571</u>	<u>\$ 2,276</u>	<u>\$ 1,186,599</u>
Total liabilities	<u>\$ 752</u>	<u>\$ 1,183,571</u>	<u>\$ 2,276</u>	<u>\$ 1,186,599</u>

**CITY OF CORCORAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS SEIZURES (UNPROCESSED)				
<u>ASSETS</u>				
Cash	\$ 752	\$ -	\$ -	\$ 752
Receivables:				
Interest	-	-	-	-
Notes	-	-	-	-
Total assets	<u>\$ 752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 752</u>
<u>LIABILITIES</u>				
Due to other agencies	<u>\$ 754</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ 752</u>
Total liabilities	<u>\$ 754</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ 752</u>
KINGS COUNTY CDBG				
<u>ASSETS</u>				
Cash	\$ 15,556	\$ 28,764	\$ (22,953)	\$ 21,367
Receivables:				
Interest	80	93	(2)	171
Notes	1,189,677	-	(27,644)	1,162,033
Total assets	<u>\$ 1,205,313</u>	<u>\$ 28,857</u>	<u>\$ (50,599)</u>	<u>\$ 1,183,571</u>
<u>LIABILITIES</u>				
Due to other agencies	<u>\$ 1,205,311</u>	<u>\$ 52,069</u>	<u>\$ (73,809)</u>	<u>\$ 1,183,571</u>
Total liabilities	<u>\$ 1,205,311</u>	<u>\$ 52,069</u>	<u>\$ (73,809)</u>	<u>\$ 1,183,571</u>
CORCORAN POLICE EXPLORERS				
<u>ASSETS</u>				
Cash	\$ 1,040	\$ 5,601	\$ (4,365)	\$ 2,276
Receivables:				
Interest	-	-	-	-
Notes	-	-	-	-
Total assets	<u>\$ 1,040</u>	<u>\$ 5,601</u>	<u>\$ (4,365)</u>	<u>\$ 2,276</u>
<u>LIABILITIES</u>				
Due to other agencies	<u>\$ 1,041</u>	<u>\$ 6,489</u>	<u>\$ (5,254)</u>	<u>\$ 2,276</u>
Total liabilities	<u>\$ 1,041</u>	<u>\$ 6,489</u>	<u>\$ (5,254)</u>	<u>\$ 2,276</u>

**CITY OF CORCORAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract/ Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development (HUD):			
Passed through the State of California:			
Community Development Block Grants:			
(State Program)	14.228	09-STBG-6408	\$ 216,584
(State Program)	14.228	10-STBG-6706	<u>221,407</u>
Total Community Development Block Grants			<u>437,991</u>
HOME Investment Partnership Program:			
(State HOME Program)	14.239	09-HOME-6124	<u>268,315</u>
Total HOME Investment Partnership Program			<u>268,315</u>
Total U.S. Department of Housing and Urban Development			<u>706,306</u>
Total expenditures of federal awards			<u>\$ 706,306</u>

**CITY OF CORCORAN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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OTHER INDEPENDENT AUDITOR'S REPORTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Corcoran, California (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2012-01 to be a material weakness.

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
March 25, 2013



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

INDEPENDENT AUDITOR'S REPORT

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

Compliance

We have audited the City of Corcoran, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City's management. Our responsibility is to express an opinion on City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

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

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

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

Price Pange & Company

Clovis, California
March 25, 2013

FINDINGS AND QUESTIONED COSTS

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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	<u>Name of Federal Program or Cluster</u> Community Development Block Grant
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2012-01

Condition: The City of Corcoran's governmental capital assets schedule had several errors from the calculation of depreciation, historical cost values, and transferring of assets.

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

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

Effect: Governmental capital assets were understated by \$33,579 in the prior fiscal year.

Recommendation: The capital assets schedule should be reviewed for propriety by someone other than the person preparing the depreciation schedule and the City should invest in capital assets software to help with the tracking and depreciation of capital assets.

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

**CITY OF CORCORAN
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2011-01

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

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

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

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

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

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

Status: Implemented

Finding 2011-02

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

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

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

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

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

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

Status: Not implemented, see current year finding 2012-01.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported