

**CITY OF DELANO**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended**  
**June 30, 2010**

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**COUNCIL MEMBERS**

Ricardo G. Chavez  
 MAYOR

Grace Vallejo  
 MAYOR PRO TEM

Joe E. Aguirre Jr.

Liz Morris

Sam Ramirez

**CITY MANAGER**

Abdel L. Salem

January 31, 2011

To the Members of the City Council and Citizens of the City of Delano:

It is the policy of the City of Delano to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the annual financial statement of the City of Delano for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP for local governments as established by the Governmental Accounting Standards Board (GASB). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by MAYER HOFFMAN McCANN PC., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2010, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Council, City Mngr. & City Clerk	Human Resources	Finance/ Admin.	Finance Water	Police	CCF	Planning	Econ. Dev.	Building Dept.	Engineering Dept.	Recreation Parks	Public Works	Airport	Waste Treat. Plant	Transit
721-3303	721-3305	721-3310	721-3315	721-3377	721-3270	721-3340	721-9985	721-3360	721-3380	721-3335	721-3350	721-3338	721-3352	721-2284

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### Profile of the Government

The City of Delano was incorporated on April 13, 1915, as a general law city, after being recognized as a railroad terminus from the year 1873 to the date of incorporation. Located in the Southern San Joaquin Valley, Delano has a multi-cultural population and workforce, and is known as the "International Community". It has the distinction as the "Table Grape Capital of the World". The current population, 54,447, represents an increase of 38% over the past ten years. It should be noted that there are approximately 5,722 inmates (Group Quarters) in the State Prison and Community Correctional Facility included in the population count.

The City operates under a Council/Manager form of government. Policymaking and legislative authority are vested in a City Council consisting of the mayor and four other council members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with four council members elected every two years. The mayor is elected to serve a two-year term. The City provides a full range of services to its citizens. Services include: Police Services, Park and Community Services (Recreation); Public Works Functions including water, solid waste, sewer/wastewater treatment, street maintenance and street sweeping, and central garage; Community and Economic Activities; Administration services including personnel, finance, and general administration; Transit System; and Municipal Airport. Fire services are provided by a private contract. The City operates a Community Correctional Facility under contract with the State of California. The City also has a Redevelopment Agency, which is responsible for the rehabilitation and revitalization of certain areas in the City, and a Delano Financing Authority, which was established in conjunction with the issuing of Certificates of Participation for the construction of the community Correctional Facility. Both are included herewith as component unit reporting entities of the City.

The City of Delano requires that the City manager submit an estimated revenue and proposed expenditure budget for the ensuing year to the City council on or before the first day of June each year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Each department head is responsible for monitoring departmental expenditures incurred compared to appropriations established

by the City Council. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The City Manager and the Finance Director/Treasurer through administrative policies and periodic review provide oversight control functions.

### Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

**Local economy.** The City has maintained an overall stable financial condition with the General Fund ending the year with an unreserved fund balance of \$7,428,512 representing a decrease of 2% over last fiscal year.

The local economy has been characterized historically as agricultural. The table grape industry and the almond industry have been the primary agricultural emphasis, with a variety of private businesses dependent upon the agricultural industry. In recent years, the economic base has become more diversified. Sears Logistics Services, the West Coast distribution center for Sears, has a facility of 1,250,000 square feet at the Delano South Industrial Park and employs 525 persons. Delano Regional Medical Center employs over 565 persons in serving the South San Joaquin Valley needs for medical care, hospitalization facilities and emergency treatment services. Another major facility is North Kern State Prison that employs over 1,200 persons. Paramount Citrus Packing Company, a 300,000 square foot citrus fruit processing facility has approximately 350 employees at the peak production period. Paramount Citrus Packing is undergoing expansion of an additional 10 acres, which will in turn create 400 additional jobs. Delano also has a new innovative distribution platform designed to enhance logistics, distribution, consumer demands and inventory control Railex and employees 280 employees. All of these major employers have provided jobs for local people as well as supplying business opportunities for local, retail firms and service industries. Since Delano is located on Highway 99 midway between Bakersfield, and Tulare, the City has experienced rapid growth in recent years, of travel-related businesses including motel, restaurants, fast food establishments and fuel dispensing outlets. All of these factors have contributed to a more economically diverse community. The State is continuing to encounter economic challenges and difficulties which have produced shifts of local revenues to help finance state deficits. State revenues including property, sales and income taxes are dramatically depressed. The State, who is in their own fiscal crisis, continues their stand not to make any major moves to return other revenue previously taken-away from local government and is planning additional revenue take-aways to balance the State's every increasing deficit. The City of Delano expects California's economy to remain under pressure for an extended period of time. All of these factors contribute to lower revenue for the City. Future economic development includes Delano Downtown Commercial Center which is a commercial retail development on 9 acres

covering three city blocks, the development will contain a 29,000 sq. ft. bowling center, 46,700 sq. ft. of retail/shopping, 29,500 sq. ft. of office space, and 22,500 sq. ft. of restaurant/shopping. In addition, the Delano Marketplace is planned for construction in 2011, with an opening date of Spring 2012. The Center will consist of shopping, retail, commercial, and eateries. The over 244,000 sq. ft. shopping hub will provide over 800 new service jobs.

**Cash management policies and practices.** The City Treasurer has direct oversight over the City's pooled investment fund which covers cash and cash equivalents. As of June 30, 2010 the City Treasurer managed \$18, 592,059, Fiscal Agents managed \$1,018,952 and the Pension Committee oversaw investments of \$14,930,90 for investments totaling \$34,541,912. The Pension Fund investment practices and related disclosures regarding its investments are disclosed in separate financial statements.

Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, corporate bonds, and State Treasurer's investment pool. The maturities of the investments range from 30 days to 5 years, with an average maturity of 12 months. The average yield on investments was between 3 and 4 percent. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

**Risk management.** The City is self-insured for workers compensation and general liability risk, and participates in the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a consortium of fifty-four (54) cities in the San Joaquin Valley. The City carries a self-insured retention of \$100,000 for workers' compensation and \$50,000 for general liability exposure.

The City's risk management program enables the City to minimize its exposure to risk and control the associated costs of providing the program. In addition, an active employee safety training and inspection program continues to provide a safe work-place environment for Delano.

**Pension and other post employment benefits.** As of June 30, 2010, the most recent actuarial valuation date, the Plan was 63.78% funded. The actuarial accrued liability for benefits was \$32,480,826 and the actuarial value of the assets was \$20,715,515, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,765,311. The covered payroll as of June 30, 2010 valuation was \$8,552,939. The ratio of UAAL to the covered payroll was 137.56%.

For the year ended June 30, 2010, the annual required contribution to the Plan by the City was determined at 23.612% of covered payroll. Contributions aggregating \$2,015,746 were made in fiscal year 2010, which were over the recommended rate as adopted by the City Council.

The employee health insurance benefit is not part of the CSJVRMA program.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in cursive script that reads "Dale G. Flynn".

## **FINANCIAL SECTION**



**Mayer Hoffman McCann P.C.**  
An Independent CPA Firm

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Delano, 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 City of Delano, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Delano, California's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2010, on our consideration of the City of Delano, California'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.

### Southern California Locations

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The management's discussion and analysis, budgetary comparison schedules, Defined Benefit Pension Trust schedule of funding progress and employer contributions, Other Postemployment Benefits and CALPers schedule of funding progress as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Except for the Defined Benefit Pension Trust Schedule of Funding Progress and Employer Contributions, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Defined Benefit Pension Trust schedule of funding progress and employer contributions has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Mayer Hoffman McComm P.C.*

Bakersfield, California  
January 31, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Delano provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

### Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and the *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term and short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operation in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* uses services like public safety were financed in the *short-term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short-and long-term* financial information about the activities the government operates like businesses, such as the water and sewer system.
  - *Fiduciary fund* statements provide information about the fiduciary relationships-like the agency funds of the City-in which the City acts solely as *agent or trustee* for the benefit of others, to whom the resources in question belong.
  - *Budgetary comparison schedules* provide information about the extent to which revenue expectations were reached and the budgetary overruns and savings engendered by actual spending.
  - *Capital assets in the operation of governmental funds* provide information as to their source, function and activity and the changes in such functions and activity.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provided additional financial and budgetary information.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1  
Major Features of the City's Government and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City Government (except Fiduciary Funds) and the City's component	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required Financial Statements	-Statement of net assets -Statement of Activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balances	-Statement of net assets -Statement of revenues, expenses and changes in net assets -Statement of cash flows	-Statement of fiduciary net assets -Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities both short-term and long-term; the City's fiduciary funds do not currently contain capital assets, although they can
Type of Inflow/Outflow	All revenues and expenses during year, regardless of when cash is received	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities-as one way to measure the City's financial health, or financial position. Over time, (*increases and decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental activities – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenue finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of services accounted for in these funds.
- Component units – The City includes two separate legal entities in its report – the City Redevelopment Agency and the City Financing Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

### Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money (like grants received). The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows, into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting methods called *modified accrual* accounting, which measures cash and all other *current financial* assets that readily be converted to cash. The governmental fund statements provided a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- *Proprietary funds* – When the City charges customers for services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

### Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets. We exclude these activities from the City's other financial statements because the City cannot use these Assets to finance its operations. The City is responsible for ensuring that the assets reported in these Funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the government-wide statement of net assets follows:

Table 1  
Net Assets  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current & other assets	\$ 50,116	\$ 59,660	\$ (324)	\$ 4,625	\$ 49,792	\$ 64,285
Capital assets	149,625	152,856	51,156	31,705	200,781	184,561
Total assets	<u>199,741</u>	<u>212,516</u>	<u>50,832</u>	<u>36,330</u>	<u>250,573</u>	<u>248,846</u>
Long-term debt outstanding	16,533	17,659	28,639	4,274	45,172	21,933
Other liabilities	12,704	19,238	981	1,309	13,685	20,547
Total liabilities	<u>29,237</u>	<u>36,897</u>	<u>29,620</u>	<u>5,583</u>	<u>58,857</u>	<u>42,480</u>
Net assets:						
Invested in capital assets						
net of debt	149,570	151,471	22,880	27,431	172,450	178,902
Restricted	14,946	7,949	-	-	14,946	7,949
Unrestricted	5,988	16,199	(1,668)	3,316	4,320	19,515
Total net assets	<u>\$ 170,504</u>	<u>\$ 175,619</u>	<u>\$ 21,212</u>	<u>\$ 30,747</u>	<u>\$ 191,716</u>	<u>\$ 206,366</u>

Net assets of the City's governmental activities decreased by \$5 million (from \$176 million in FY09 to \$171 million in FY10). This was due to net decreases in taxes and other revenue compared to the prior year and increases in expenditures in the areas of public safety, economic development and culture and recreation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The net assets for the business-type activities for FY10 decreased from the prior year by \$9.5 million (FY09 was \$30.7 and FY10 \$21.2). This increase was due to additions in capital assets in the water and sewer funds for projects relating to the SRF loans which were incurred for the WWTP Plant Expansion and Arsenic Mitigation projects.

Table 2  
Statement of Activities  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program revenues:						
Charges for services	5,656	17,533	8,585	7,436	14,241	24,969
Capital grants and contributions	4,643	742	-	-	4,643	742
Operating grants and contributions	9,651	2,221	1,479	10,232	11,130	12,453
General revenues:						
Property taxes	5,824	5,541	-	-	5,824	5,541
Other taxes	7,632	8,594	-	-	7,632	8,594
Other general revenues	5,787	7,056	69	176	5,856	7,232
<b>Total revenues</b>	<b>39,193</b>	<b>41,687</b>	<b>10,133</b>	<b>17,844</b>	<b>49,326</b>	<b>59,531</b>
<b>Program expenses</b>						
General government	6,584	5,696	-	-	6,584	5,696
Public safety	19,403	25,397	-	-	19,403	25,397
Public works	9,730	2,125	-	-	9,730	2,125
Engineering services	541	393	-	-	541	393
Culture & recreation	2,613	2,982	-	-	2,613	2,982
Community development	2,203	2,790	-	-	2,203	2,790
Pass Thru Education	518	664	-	-	518	664
Long term debt interest/charges	956	1,139	-	-	956	1,139
Water/sewer	-	-	7,841	6,169	7,841	6,169
Refuse	-	-	2,840	2,311	2,840	2,311
Non-major enterprise funds (Airport and Transit)	-	-	2,308	1,909	2,308	1,909
Loss on sale of property	21	-	93	-	114	-
<b>Total expenses</b>	<b>42,569</b>	<b>41,186</b>	<b>13,082</b>	<b>10,389</b>	<b>55,651</b>	<b>51,575</b>
<b>Excess (deficiency) before transfers</b>	<b>(3,376)</b>	<b>501</b>	<b>(2,949)</b>	<b>7,455</b>	<b>(6,325)</b>	<b>7,956</b>
Transfers In and Out	(2,385)	(1,242)	2,158	1,242	(227)	-
<b>Increase (decrease) in assets</b>	<b>(5,761)</b>	<b>(741)</b>	<b>(791)</b>	<b>8,697</b>	<b>(6,552)</b>	<b>7,956</b>
Net assets beginning of year, as previously reported	175,619	176,512	30,747	22,020	8,755	198,532
Prior period adjustment	645	(152)	(8,744)	30	(8,099)	(122)
<b>Net assets end of year, as restated</b>	<b>170,503</b>	<b>175,619</b>	<b>21,212</b>	<b>30,747</b>	<b>191,715</b>	<b>206,366</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City is able to report a positive net asset balance as a whole. The decrease from the previous fiscal year 2009 and fiscal year 2010 is \$14.6 million or 7.0%. Expenditures in many departments increased in total by \$4.1 million and the offset was a decrease of 15% in revenues. The outlook for an increase in net assets citywide is positive. The City has implemented expenditure reductions to enable them to operate according to the projected reduction in revenues due the economic condition that now exists.

Net assets for the Governmental activities had a decrease of \$5.5 million in net assets. This decrease is a result of 6.0% (\$2.4 million) decrease in revenues and an increase in expenditures of 3.6% (\$1.4 million). This is a result of a decrease in taxes and charges for services revenue coming in lower than estimated. In addition the expenditures increased due mainly to an increase in health and other personnel benefits.

Net assets for the Business-type activities decreased by \$9.5 million (31%). The decrease is contributed to the water fund incurring expenses for the State Mandated Arsenic Mitigation Project that will not be covered by the SRF loan, old write offs for customer water accounts, and water revenues coming in much lower than expected.

The net assets for the Business-Type activities will increase in the future because the City's proprietary funds are highly capital intensive, requiring a significant investment in capital equipment and facilities to conduct operations. Our analysis below separately considers the operations of governmental and business-type activities. In addition, the majority of the expenditures relating to the Arsenic Mitigation Project will be paid for by the State SRF loan.

Our analysis below separately considers separately considers the operations of governmental and business-type activities.

### Governmental Activities

Expenses increased and revenues decreased for the City's governmental activities for the current fiscal year. The unreserved (unrestricted) fund balance in the general fund balance decreased by \$146,000 thousand compared to a \$588,000 thousand last fiscal year. The current year minimal difference was a result of the City implementing expenditure reductions to enable it to operate according to projected reduction in revenues due to the economic condition that now exists. The Department Heads, City Manager and the City Council worked diligently to assure that the fund balance in the General Fund was maintained.

The following projects are underway to enable the City to increases taxes in the General Fund:

Delano Downtown Commercial Center-is a commercial retail development on 9 acres, located just east of Highway 99 between 9<sup>th</sup> and 11<sup>th</sup> streets. Covering three city blocks, the development will contain a 29,000 sq. ft. bowling center, 46,700 sq. ft. of retail/shopping, 29,500 sq. ft. of office space, and 22,500 sq. ft. of restaurant/dining.

Delano Industrial Expansions-Paramount Citrus, an existing employer is undergoing expansion of an additional 10 acres, which will in turn create additional 400X new jobs. Railex, a rail distribution facility has plans to add an additional train to their existing route and provide for an additional 100 new jobs.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Delano Marketplace Center-The Delano Marketplace is planned for construction in 2011, with an opening date of Spring 2012. The Center will consist of shopping, retail, commercial, and eateries. The over 244,000 sq. ft. shopping hub will provide over 800 new service jobs.

In addition, the Aviator Casino/Card Room is estimated to open in February 2011 and will also bring in a significant amount of jobs to the City of Delano.

The cost of all governmental activities this year was \$55.7 million compared to \$51.5 million last year. However, as shown in the statement of activities the amount that our taxpayers ultimately financed for these activities through the City taxes was only \$13.5 million because some of the cost was paid by those who directly benefited from the programs \$14.2 million or by other governments and organizations that subsidized certain programs with grants and contributions \$15.7 million. The City paid for the remaining "public benefit" portion of government activities with \$7.4 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

These two projects are predicting to bring in over 2 million dollars annually in revenues.

### Business Type Activities

Revenues of the City's business-type activities (see Table 2) decreased from (\$17.8 million in 2009 to \$10.1 million in 2010).

The City is experiencing rapid growth, especially in the area of commercial development as mentioned above. It is estimated that over 1,300 new jobs will be created. In addition, it is projected that the City will receive approximately 7 million in developer impact fees. The sewer wastewater plant expansion is expected to be completed by 2010-2011. The water arsenic mitigation project is estimated to be completed by 2012.

## MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

**Major Governmental Funds**, the **General fund** is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of \$7.4 million as compared to last fiscal year's unrestricted fund balance of \$7.6 million, while the total fund balance reached \$7.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 46% of total general fund expenditures, while total fund balance also represents 47% of that same amount.

During the current fiscal year, the City's general fund balance decreased by \$107,000 thousand. This is attributed to decrease in revenues particularly in tax related revenues and charges for services. Expenditures, however, increased substantially in particular the areas of public safety, community & economic development and culture and recreation.

The Community Correctional Facility (CCF) unreserved fund balance decreased by approximately \$2,141,586 during the fiscal year due to inmate population being down therefore, projected revenues did not come in as anticipated and receivables of \$2,023,487 were recorded as deferred revenue.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Developer Impact Fees unreserved fund balance had an decrease of \$928,805 thousand as a result of the traffic impact fees expensed for the Woollomes Avenue and Highway 99 interchange improvements and expenditures for the Arsenic Mitigation project that were not appropriate to be paid for by the water SRF loan.

The Redevelopment Agency Capital Projects fund has an unrestricted fund balance of \$1,187,301 decrease of 516,847 over last fiscal year due mainly to a prior period adjustment of 645,286 for revenue deferred in error. This is in relation to a local automobile dealership.

**Major Enterprise Funds**, Unrestricted net assets of all the enterprise funds combined decreased by \$7.4 million. Below is a condensed statement of cash flows for the proprietary funds for June 30, 2010.

<u>Business-Type Activities</u>	2010	2009
Net Cash used by operating activities:	\$ (2,209,776)	\$ (5,466,080)
Net Cash provided by non-capital financing activities:	2,157,767	18,879,554
Net Cash used from capital and relating financing activities:	(6,539,175)	(13,289,829)
Net Cash provided by investing activities:	6,828	20,243
Net increase in cash and cash equivalents:	(6,584,356)	143,888
Cash and cash equivalents, beginning of year	6,584,356	6,508,708
Cash and cash equivalents, end of year	-	6,652,596

### CAPITAL ASSETS

Capital Assets  
(net of depreciation)  
(In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	\$ 5,058	\$ 4,582	\$ 3,184	\$ 3,184	\$ 8,242	\$ 7,766
Buildings	3,853	3,802	1,616	1,741	5,469	5,543
Improvements	9,434	9,266	9,666	10,527	19,100	19,793
Infrastructure	125,382	131,352	-	-	125,382	131,352
Equipment & machinery	2,531	2,798	3,626	4,211	6,157	7,009
Construction in progress	3,367	1,056	33,064	12,042	36,431	13,098
Total	<u>\$ 149,625</u>	<u>\$ 152,856</u>	<u>\$ 51,156</u>	<u>\$ 31,705</u>	<u>\$ 200,781</u>	<u>\$ 184,561</u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental activities capital assets for FY10 were \$150 million as compared to FY09 \$153 million. The decrease was primarily due to additional capitalization of the new police department facility and adjustments to the city's fixed assets module. Overall business-type activities capital assets for FY10 was \$51.1 million as compared to FY09 which was \$31.7 million, this was mainly due to the capitalization of the Wastewater Treatment Plant Expansion and the Arsenic Mitigation Project.

Additional information on the City's capital assets can be found in Note C to the financial statements.

### **LONG-TERM DEBT**

At the end of the current year, the City had bonded debt outstanding of \$14.9 million, and the remaining debt was compensated absences and net OPEB obligation, as shown below. The bonded debt is secured by pledged tax increment revenues. For 2011 policies have been implemented throughout the city to reduce the liability for accrued compensated absences.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Tax allocation bonds	\$ 15,130	\$ 15,355	\$ -	\$ -	\$ 15,130	\$ 15,355
Certificates of participation	-	1,195	-	-	-	1,195
Notes payable	55	191	-	-	55	191
Compensated absences	951	778	363	327	1,314	1,105
Refuse loans payable	-	-	45	208	45	208
Water loans payable	-	-	3,678	4,066	3,678	4,066
Sewer loans payable	-	-	24,554	8,744	24,554	8,744
Net OPEB obligation	397	139	-	-	397	139
<b>Total</b>	<b>\$ 16,533</b>	<b>\$ 17,658</b>	<b>\$ 28,640</b>	<b>\$ 13,345</b>	<b>\$ 45,173</b>	<b>\$ 31,003</b>

During the current fiscal year, the City paid off \$1.1 million lease payments from the California Department of Corrections and debt secured by pledged assets that amounted to \$191,000.

Additional information on the City's long-term debt can be found in Note E to the accompanying financial statements.

### **GENERAL FUND BUDGET**

Differences between the original budget expenditures and the final amended budget expenditures of the General Fund were \$1.8 million. The original budget for the current fiscal year was \$18.1 and the final budget from budget reduction sessions and other City Council approvals throughout the fiscal year 2010 was \$16.2.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### Contacting the City's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office, at the City of Delano, 1015-11<sup>th</sup> Ave., Delano, CA 93215.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF DELANO**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and investments	23,476,042	-	\$ 23,476,042
Cash with fiscal agents	1,239,382	-	1,239,382
Receivables (net of allowance for uncollectibles)	7,970,780	1,460,854	9,431,634
Due from other funds	2,990,320	(2,940,689)	49,631
Inventories	145,989	82,052	228,041
Prepays and other assets	63,864	-	63,864
Advances to other funds	(1,073,567)	1,073,567	-
Land held for resale	5,749,360	-	5,749,360
Deferred charges	2,415,097	-	2,415,097
Restricted assets:			
Deposits with insurance company	102,076	-	102,076
Loans receivable - long term	7,036,226	-	7,036,226
Capital assets:			
Non-depreciable	8,424,707	36,247,884	44,672,591
Depreciable, net of accumulated depreciation	141,200,234	14,908,268	156,108,502
<b>Total assets</b>	<b>199,740,510</b>	<b>50,831,936</b>	<b>250,572,446</b>
<b>LIABILITIES</b>			
Accounts payable	3,800,373	460,293	4,260,666
Other accrued expenses	468,333	96,886	565,219
Accrued interest payable	260,200	365,665	625,865
Deferred revenue	8,049,746	6,684	8,056,430
Deposits payable	125,546	51,041	176,587
Long-term liabilities:			
Compensated absences	950,942	363,128	1,314,070
Net OPEB obligation	397,330	-	397,330
Due within one year	354,187	446,995	801,182
Due in more than one year	14,830,640	27,829,108	42,659,748
<b>Total liabilities</b>	<b>29,237,297</b>	<b>29,619,800</b>	<b>58,857,097</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	149,570,114	22,880,050	172,450,164
Restricted for:			
Highways and streets	564,587	-	564,587
Culture and recreation	1,814,165	-	1,814,165
Community and economic development	12,566,273	-	12,566,273
Unrestricted	5,988,074	(1,667,914)	4,320,160
<b>Total net assets</b>	<b>\$170,503,213</b>	<b>\$ 21,212,136</b>	<b>\$ 191,715,349</b>

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

**CITY OF DELANO**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2010**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities:							
General government	6,584,470	3,356,738	1,789,925	1,259,536	(178,271)	-	(178,271)
Public safety	19,403,123	243,502	7,326,301	628,750	(11,204,570)	-	(11,204,570)
Public works	9,730,375	1,902,430	180,550	1,417,280	(6,230,115)	-	(6,230,115)
Engineering services	540,612	37,322	-	-	(503,290)	-	(503,290)
Culture and recreation	2,612,945	116,170	67,913	240,948	(2,187,914)	-	(2,187,914)
Community and economic development	2,203,015	-	-	1,096,836	(1,106,179)	-	(1,106,179)
Pass thru payments	518,287	-	-	-	(518,287)	-	(518,287)
Interest on long-term debt and fiscal charges	956,413	-	-	-	(956,413)	-	(956,413)
Total governmental activities	<u>42,549,240</u>	<u>5,656,162</u>	<u>9,364,689</u>	<u>4,643,350</u>	<u>(22,885,039)</u>	<u>-</u>	<u>(22,885,039)</u>
Business-type activities:							
Water and sewer	7,840,624	5,946,477	-	-	-	(1,894,147)	(1,894,147)
Refuse	2,840,239	2,249,200	-	-	-	(591,039)	(591,039)
Non-major enterprise funds	2,307,983	389,167	1,479,825	-	-	(438,991)	(438,991)
Total business-type activities	<u>12,988,846</u>	<u>8,584,844</u>	<u>1,479,825</u>	<u>-</u>	<u>-</u>	<u>(2,924,177)</u>	<u>(2,924,177)</u>
Total primary government	<u>55,538,086</u>	<u>14,241,006</u>	<u>10,844,514</u>	<u>4,643,350</u>	<u>(22,885,039)</u>	<u>(2,924,177)</u>	<u>(25,809,216)</u>
			General revenues				
			Property taxes	5,824,363	-	5,824,363	
			Sales taxes	7,632,028	-	7,632,028	
			Franchise taxes	536,915	-	536,915	
			Motor fuel tax	246,621	-	246,621	
			Motor vehicle in lieu tax	3,657,566	-	3,657,566	
			Other taxes	482,201	-	482,201	
			Fees and fines	233,275	-	233,275	
			Licenses and permits	179,219	-	179,219	
			Program income	316,139	-	316,139	
			Asset seizure revenue	15,165	-	15,165	
			Investment earnings	287,027	6,828	293,855	
			Miscellaneous	118,764	62,600	181,364	
			Transfers in (out)	(2,384,580)	2,157,767	(226,813)	
			Gain (loss) on sale of property	(21,266)	(93,010)	(114,276)	
			Total general revenues and transfers	<u>17,123,437</u>	<u>2,134,185</u>	<u>19,257,622</u>	
			Change in net assets	(5,761,602)	(789,992)	(6,551,594)	
			Net assets - beginning	175,619,529	30,746,567	206,366,096	
			Prior period adjustments	645,286	(8,744,439)	(8,099,153)	
			Net assets - ending	<u>170,503,213</u>	<u>21,212,136</u>	<u>191,715,349</u>	

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

## **FUND FINANCIAL STATEMENTS**

**CITY OF DELANO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010**

	General Fund	CCF Fund	Developer Impact Fees Fund
<b>ASSETS</b>			
Cash and investments	1,714,514	-	10,221,519
Cash with fiscal agents	-	-	-
Receivables:			
Accounts	392,370	-	16,703
Taxes	1,137,360	-	-
Intergovernmental	171,307	2,023,487	-
Other	47,387	-	-
Due from other funds	5,245,108	-	-
Inventories	25,124	30,406	-
Prepays and other assets	63,864	-	-
Land held for resale	-	-	-
Loans receivable	-	-	-
Advances to other funds	80,656	-	-
<b>Total assets</b>	<u>8,877,690</u>	<u>2,053,893</u>	<u>10,238,222</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	845,436	118,225	-
Other accrued expenses	271,188	130,601	-
Due to other funds	-	1,923,166	-
Advances from other funds	-	-	-
Deferred revenue	47,732	2,023,487	-
Deposits payable	115,178	-	-
<b>Total liabilities</b>	<u>1,279,534</u>	<u>4,195,479</u>	<u>-</u>
<b>Fund Balances:</b>			
Reserved	169,644	30,406	-
Unreserved, reported in:			
General Fund	7,428,512	-	-
Special Revenue Fund	-	(2,171,992)	10,238,222
Capital Project Fund	-	-	-
Debt Service Fund	-	-	-
<b>Total fund balances</b>	<u>7,598,156</u>	<u>(2,141,586)</u>	<u>10,238,222</u>
<b>Total liabilities and fund balances</b>	<u>8,877,690</u>	<u>2,053,893</u>	<u>10,238,222</u>

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

**CITY OF DELANO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010**

	CDBG Fund	First Time Home Buyers Program Fund	CRA Capital Projects Fund
<b>ASSETS</b>			
Cash and investments	249,807	-	1,201,920
Cash with fiscal agents	-	-	-
Receivables:			
Accounts	-	56,908	40,000
Taxes	-	-	-
Intergovernmental	-	-	-
Other	-	-	-
Due from other funds	-	-	-
Inventories	-	-	-
Prepays and other assets	-	-	-
Land held for resale	-	-	5,749,360
Loans receivable	2,199,097	3,321,820	579,664
Advances to other funds	-	-	-
<b>Total assets</b>	<b>2,448,904</b>	<b>3,378,728</b>	<b>7,570,944</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	3,740	60,297	50,136
Other accrued expenses	467	-	4,483
Due to other funds	-	243,207	-
Advances from other funds	-	-	-
Deferred revenue	2,199,097	3,321,820	-
Deposits payable	-	-	-
<b>Total liabilities</b>	<b>2,203,304</b>	<b>3,625,324</b>	<b>54,619</b>
<b>Fund Balances:</b>			
Reserved	-	-	6,329,024
Unreserved, reported in:			
General Fund	-	-	-
Special Revenue Fund	245,600	(246,596)	-
Capital Project Fund	-	-	1,187,301
Debt Service Fund	-	-	-
<b>Total fund balances</b>	<b>245,600</b>	<b>(246,596)</b>	<b>7,516,325</b>
<b>Total liabilities and fund balances</b>	<b>2,448,904</b>	<b>3,378,728</b>	<b>7,570,944</b>

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

**CITY OF DELANO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010**

	City Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	1,638,630	5,079,922	20,106,312
Cash with fiscal agents	-	1,239,382	1,239,382
Receivables:			
Accounts	-	712,774	1,218,755
Taxes	-	232,197	1,369,557
Intergovernmental	1,459,888	1,673,213	5,327,895
Other	-	-	47,387
Due from other funds	-	100,000	5,345,108
Inventories	-	30,841	86,371
Prepays and other assets	-	-	63,864
Land held for resale	-	-	5,749,360
Loans receivable	-	935,645	7,036,226
Advances to other funds	-	534,766	615,422
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>	<u>3,098,518</u>	<u>10,538,740</u>	<u>48,205,639</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	2,122,997	534,372	3,735,203
Other accrued expenses	-	36,603	443,342
Due to other funds	-	188,415	2,354,788
Advances from other funds	-	1,593,793	1,593,793
Deferred revenue	826,378	1,702,451	10,120,965
Deposits payable	-	10,368	125,546
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<u>2,949,375</u>	<u>4,066,002</u>	<u>18,373,637</u>
<b>Fund Balances:</b>			
Reserved	-	1,413,607	7,942,681
Unreserved, reported in:			
General Fund	-	-	7,428,512
Special Revenue Fund	-	4,020,306	12,085,540
Capital Project Fund	149,143	-	1,336,444
Debt Service Fund	-	1,038,825	1,038,825
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total fund balances</b>	<u>149,143</u>	<u>6,472,738</u>	<u>29,832,002</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities and fund balances</b>	<u>3,098,518</u>	<u>10,538,740</u>	<u>48,205,639</u>

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

**CITY OF DELANO**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2010**

Fund balances of governmental funds \$ 29,832,002

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

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Governmental capital assets	148,840,597	
Capital assets of internal service funds	<u>784,344</u>	149,624,941

Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal service funds were included in governmental activities in the Government-Wide Statement of Net Assets.

Net assets included in governmental activities	4,106,846	
Capital assets reflected above	(784,344)	
Long-term debt	<u>30,751</u>	3,353,253

Long-term debt, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Governmental long-term debt	(16,502,348)	
Internal Service Fund debt	<u>(30,751)</u>	(16,533,099)

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (260,200)

Unamortized issuance costs on bonds payable has not been reported in the governmental funds 2,415,097

Deferred revenues in governmental funds that are eliminated in the Government-Wide Statement of Net Assets 2,071,219

Net assets of governmental activities \$ 170,503,213

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

**CITY OF DELANO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	General Fund	CCF Fund	Developer Impact Fees Fund
<b>REVENUES:</b>			
Property taxes	\$ 2,376,217	\$ -	\$ -
Sales taxes	6,336,412	-	-
Franchise taxes	536,915	-	-
Motor fuel tax	-	-	-
Motor vehicle in lieu tax	3,657,566	-	-
Other taxes	455,811	-	-
Fees and fines	79,222	-	-
Licenses and permits	179,219	-	-
Intergovernmental	1,980,949	5,634,542	-
Program income	-	-	-
Charges for services	1,102,024	-	1,372,893
Asset seizure revenue	-	-	-
Investment earnings	51,879	4,248	64,756
Miscellaneous	82,072	4,128	-
Total revenue	<u>16,838,286</u>	<u>5,642,918</u>	<u>1,437,649</u>
<b>EXPENDITURES:</b>			
Current			
General government	3,605,713	-	174
Public safety	10,148,016	8,080,518	-
Public works	-	-	-
Engineering services	294,868	-	-
Culture and recreation	1,706,770	-	-
Community and economic development	-	-	-
Pass thru payments	-	-	-
Debt service			
Principal	241,879	-	-
Interest	14,321	-	-
Capital outlay	241,966	-	-
Total expenditures	<u>16,253,533</u>	<u>8,080,518</u>	<u>174</u>
Excess (deficiency) of revenues over expenditures	<u>584,753</u>	<u>(2,437,600)</u>	<u>1,437,475</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	110,000	-	-
Transfers out	<u>(801,907)</u>	<u>(9,045)</u>	<u>(2,366,280)</u>
Total other financing sources and uses	<u>(691,907)</u>	<u>(9,045)</u>	<u>(2,366,280)</u>
Net change in fund balances	(107,154)	(2,446,645)	(928,805)
Total fund balances (deficit), beginning	7,705,310	305,059	11,167,027
Prior period adjustments	-	-	-
Total fund balances (deficit), ending	<u>\$ 7,598,156</u>	<u>\$ (2,141,586)</u>	<u>\$ 10,238,222</u>

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

**CITY OF DELANO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	CDBG Fund	First Time Home Buyers Program Fund	CRA Capital Projects Fund
<b>REVENUES:</b>			
Property taxes	\$ -	\$ -	\$ -
Sales taxes	-	-	-
Franchise taxes	-	-	-
Motor fuel tax	-	-	-
Motor vehicle in lieu tax	-	-	-
Other taxes	-	-	-
Fees and fines	-	-	-
Licenses and permits	-	-	-
Intergovernmental	558,394	360,442	-
Program income	-	-	-
Charges for services	-	-	-
Asset seizure revenue	-	-	-
Investment earnings	1,411	-	779
Miscellaneous	-	-	-
Total revenue	<u>559,805</u>	<u>360,442</u>	<u>779</u>
<b>EXPENDITURES:</b>			
Current			
General government	4,649	-	3,592
Public safety	-	-	-
Public works	-	-	-
Engineering services	-	-	-
Culture and recreation	-	-	-
Community and economic development	297,517	273,612	382,914
Pass thru payments	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Capital outlay	265,119	-	-
Total expenditures	<u>567,285</u>	<u>273,612</u>	<u>386,506</u>
Excess (deficiency) of revenues over expenditures	<u>(7,480)</u>	<u>86,830</u>	<u>(385,727)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	352,119
Transfers out	-	-	(873,938)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(521,819)</u>
Net change in fund balances	(7,480)	86,830	(907,546)
Total fund balances (deficit), beginning	253,080	(333,426)	7,778,585
Prior period adjustments	-	-	645,286
Total fund balances (deficit), ending	<u>\$ 245,600</u>	<u>\$ (246,596)</u>	<u>\$ 7,516,325</u>

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

**CITY OF DELANO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	City Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Property taxes	\$ -	\$ 3,448,146	\$ 5,824,363
Sales taxes	-	1,295,616	7,632,028
Franchise taxes	-	-	536,915
Motor fuel tax	-	246,621	246,621
Motor vehicle in lieu tax	-	-	3,657,566
Other taxes	-	26,390	482,201
Fees and fines	-	154,053	233,275
Licenses and permits	-	-	179,219
Intergovernmental	1,537,636	1,864,857	11,936,820
Program income	-	316,139	316,139
Charges for services	-	116,170	2,591,087
Asset seizure revenue	-	15,165	15,165
Investment earnings	-	147,168	270,241
Miscellaneous	-	37,564	123,764
Total revenue	<u>1,537,636</u>	<u>7,667,889</u>	<u>34,045,404</u>
<b>EXPENDITURES:</b>			
Current			
General government	333	734,265	4,348,726
Public safety	-	511,372	18,739,906
Public works	-	1,370,023	1,370,023
Engineering services	-	-	294,868
Culture and recreation	-	567,064	2,273,834
Community and economic development	-	1,235,535	2,189,578
Pass thru payments	-	518,287	518,287
Debt service			
Principal	-	1,480,228	1,722,107
Interest	-	936,909	951,230
Capital outlay	<u>3,100,301</u>	<u>1,652,206</u>	<u>5,259,592</u>
Total expenditures	<u>3,100,634</u>	<u>9,005,889</u>	<u>37,668,151</u>
Excess (deficiency) of revenues over expenditures	<u>(1,562,998)</u>	<u>(1,338,000)</u>	<u>(3,622,747)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	693,918	1,814,330	2,970,367
Transfers out	-	(1,288,833)	(5,340,003)
Total other financing sources and uses	<u>693,918</u>	<u>525,497</u>	<u>(2,369,636)</u>
Net change in fund balances	(869,080)	(812,503)	(5,992,383)
Total fund balances (deficit), beginning	1,018,223	7,285,241	35,179,099
Prior period adjustments	-	-	645,286
Total fund balances (deficit), ending	<u>\$ 149,143</u>	<u>\$ 6,472,738</u>	<u>29,832,002</u>

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

**CITY OF DELANO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2010**

Net changes in fund balances - total governmental funds \$ (5,992,383)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Governmental capital outlay	5,308,647	
Internal service fund increase in capital assets	<u>54,193</u>	5,254,454

Depreciation expense on capital assets is reported in the government-wide statement and changes in net assets, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure on the fund statements.

Governmental capital assets	(8,372,951)	
Capital assets of internal service funds	<u>(145,464)</u>	(8,518,415)

The net effect of various sales transactions involving capital assets is to decrease net assets.

Governmental loss	(20,685)	
Internal service fund loss	<u>(581)</u>	(21,266)

Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net expenditure of the internal service funds was reported with governmental activities.

292,106

Compensated absences reported in the statement of activities that do not require the use of current financial resources are not reported on the fund statements, but are reported as an expense in the government-wide statements.

Total governmental long-term debt	(172,353)	
Less: internal service fund debt	<u>(30,751)</u>	(141,602)

OPEB obligations reported in the statement of activities that do not require the use of current financial resources are not reported on the fund statements, but are reported as an expense in the government-wide statements.

(257,707)

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

1,555,450

Accrued interest payable is not reported in the governmental funds.

82,801

Amortization expense on bond issuance costs is reported in the government-wide statement and changes in net assets, but it does not require the use of current financial resources. Therefore, amortization expense is not reported as an expenditure on the fund statements.

(86,259)

Revenues not available recorded as deferred revenues in governmental funds but are revenues in the government-wide statement of activities.

2,071,219

Change in net assets of governmental activities

\$ (5,761,602)

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

**PROPRIETARY FUNDS**

**CITY OF DELANO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Refuse Fund	Water & Sewer Fund	Non-Major Enterprise Funds	Totals	Internal Service Fund
<b>ASSETS</b>					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 3,369,730
Receivables:					
Accounts	597,375	742,919	63,278	1,403,572	7,186
Other	6,910	49,818	554	57,282	-
Due from other funds	-	-	1,218,991	1,218,991	-
Inventories	-	79,509	2,543	82,052	59,618
Advances to other funds	230,284	748,087	-	978,371	-
Restricted assets:					
Deposits with insurance company	-	-	-	-	102,076
Capital assets:					
Non-depreciable	-	35,106,668	1,141,216	36,247,884	-
Depreciable, net of accumulated depreciation	1,298,266	10,906,466	2,703,536	14,908,268	784,344
<b>Total assets</b>	<b>2,132,835</b>	<b>47,633,467</b>	<b>5,130,118</b>	<b>54,896,420</b>	<b>4,322,954</b>
<b>LIABILITIES</b>					
Accounts payable	170,270	260,153	29,870	460,293	65,170
Other accrued expenses	24,273	52,592	20,021	96,886	24,991
Due to other funds	25,075	4,055,114	79,491	4,159,680	-
Deferred revenue	6,684	-	-	6,684	-
Deposits payable	12,894	38,147	-	51,041	-
Long-term liabilities:					
Compensated absences	85,904	177,257	99,967	363,128	30,751
Due within one year	45,329	401,666	-	446,995	-
Due in more than one year	-	27,829,108	-	27,829,108	-
<b>Total liabilities</b>	<b>370,429</b>	<b>33,179,702</b>	<b>229,349</b>	<b>33,779,480</b>	<b>120,912</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	1,252,937	17,782,360	3,844,752	22,880,049	784,344
Unrestricted					
Refuse	509,469	-	-	509,469	-
Water & Sewer	-	(3,328,595)	-	(3,328,595)	-
Airport	-	-	(33,072)	(33,072)	-
Transit	-	-	1,089,089	1,089,089	-
Internal Service Fund	-	-	-	-	3,417,698
<b>Total net assets</b>	<b>\$ 1,762,406</b>	<b>\$ 14,453,765</b>	<b>\$ 4,900,769</b>	<b>\$ 21,116,940</b>	<b>\$ 4,202,042</b>
	-	-	-	-	-
				95,196	(95,196)
				<b>\$ 21,212,136</b>	<b>\$ 4,106,846</b>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds included in governmental activities.

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

**CITY OF DELANO**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Refuse Fund	Water & Sewer Fund	Non-Major Enterprise Funds	Totals	Internal Service Fund
Operating Revenues:					
Charges for services	\$ 2,249,200	\$ 5,946,477	\$ 389,167	\$ 8,584,844	\$ 3,065,075
Miscellaneous	15,623	18,804	28,173	62,600	-
Total operating revenue	<u>2,264,823</u>	<u>5,965,281</u>	<u>417,340</u>	<u>8,647,444</u>	<u>3,065,075</u>
Operating Expenses:					
Personnel	1,183,619	2,351,065	856,205	4,390,889	730,735
Maintenance and operations	1,360,042	3,838,347	977,856	6,176,245	2,035,108
Depreciation expense	286,883	1,623,005	295,972	2,205,860	145,464
Miscellaneous	-	2,844	166,193	169,037	1,662
Total operating expenses	<u>2,830,544</u>	<u>7,815,261</u>	<u>2,296,226</u>	<u>12,942,031</u>	<u>2,912,969</u>
Operating income (loss)	<u>(565,721)</u>	<u>(1,849,980)</u>	<u>(1,878,886)</u>	<u>(4,294,587)</u>	<u>152,106</u>
Nonoperating revenues (expenses):					
Intergovernmental	-	-	1,479,825	1,479,825	-
Interest income	-	-	6,828	6,828	11,786
Interest expense	(9,695)	(25,363)	(11,757)	(46,815)	(1,725)
Gain (loss) on sale of property	-	(48,487)	(44,523)	(93,010)	(581)
Total nonoperating revenues (expenses)	<u>(9,695)</u>	<u>(73,850)</u>	<u>1,430,373</u>	<u>1,346,828</u>	<u>9,480</u>
Transfers in	-	2,170,351	-	2,170,351	-
Transfers out	-	(9,438)	(3,146)	(12,584)	(14,944)
Total transfers	<u>-</u>	<u>2,160,913</u>	<u>(3,146)</u>	<u>2,157,767</u>	<u>(14,944)</u>
Change in net assets	(575,416)	237,083	(451,659)	(789,992)	146,642
Total net assets (deficit), beginning	2,337,822	22,961,121	5,352,428	30,651,371	4,055,400
Prior period adjustment	-	(8,744,439)	-	(8,744,439)	-
Total net assets (deficit), ending	<u>\$ 1,762,406</u>	<u>\$ 14,453,765</u>	<u>\$ 4,900,769</u>	<u>\$ 21,116,940</u>	<u>\$ 4,202,042</u>

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

**CITY OF DELANO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	Business-type Activities - Enterprise Funds				Governmental
	Refuse Fund	Water & Sewer Fund	Non-Major Proprietary Funds	Total Proprietary Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Total operating revenues	\$ 2,312,889	\$ 10,503,372	\$ 793,418	\$ 13,609,679	\$ 3,066,071
Intergovernmental revenues	50,740	236,484	1,479,825	1,767,049	-
Payments to employees	(1,192,765)	(2,301,525)	(836,070)	(4,330,360)	(720,391)
Maintenance and operations	(1,310,602)	(9,598,300)	(2,347,242)	(13,256,144)	(1,954,625)
Net cash provided by operating activities	<u>(139,738)</u>	<u>(1,159,969)</u>	<u>(910,069)</u>	<u>(2,209,776)</u>	<u>391,055</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Operating transfers in	-	2,170,351	-	2,170,351	-
Operating transfers out	-	(9,438)	(3,146)	(12,584)	(14,944)
Net cash provided by noncapital and related financing activities	<u>-</u>	<u>2,160,913</u>	<u>(3,146)</u>	<u>2,157,767</u>	<u>(14,944)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(43,035)	(21,704,787)	(35,460)	(21,783,282)	(54,697)
Interest expense	(9,695)	(25,363)	(11,757)	(46,815)	(1,725)
Payments on long-term debt	(162,455)	15,419,627	-	15,257,172	-
Disposition of capital assets	-	(48,487)	82,237	33,750	-
Net cash used in capital and related financing activities	<u>(215,185)</u>	<u>(6,359,010)</u>	<u>35,020</u>	<u>(6,539,175)</u>	<u>(56,422)</u>
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>					
Interest income	-	-	6,828	6,828	11,786
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>6,828</u>	<u>6,828</u>	<u>11,786</u>
Net increase in cash	(354,923)	(5,358,066)	(871,367)	(6,584,356)	331,475
Cash, beginning of year	354,923	5,358,066	871,367	6,584,356	3,038,255
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,369,730</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (565,721)	\$ (1,849,980)	\$ (1,878,886)	\$ (4,294,587)	\$ 152,106
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	286,883	1,623,005	295,972	2,205,860	145,464
Intergovernmental expenditures	-	-	1,479,825	1,479,825	-
(Increase) decrease in:					
Receivables	52,579	4,542,735	376,163	4,971,477	(2,078)
Due from other funds	-	190,928	(1,218,991)	(1,028,063)	-
Intergovernmental receivables	50,740	236,484	-	287,224	-
Inventory	-	(4,664)	-	(4,664)	(4,426)
Prepaid expenses	-	-	5,561	5,561	199,172
Unallocable premiums	-	-	-	-	26,153
Increase (decrease) in:					
Accounts payable	24,365	(351,397)	12,984	(314,048)	(138,754)
Compensated absences	(11,584)	30,270	17,274	35,960	(381)
Due to other funds	25,075	(5,957,641)	(2,747)	(5,935,313)	-
Other current liabilities	2,438	384,935	2,888	390,261	13,799
Deposits	(11,197)	(4,644)	(12)	(15,853)	-
Refunds payable	-	-	-	-	-
Deferred revenues	6,684	-	(100)	6,584	-
Net cash provided by operating activities	<u>\$ (139,738)</u>	<u>\$ (1,159,969)</u>	<u>\$ (910,069)</u>	<u>\$ (2,209,776)</u>	<u>\$ 391,055</u>
<b>NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>					
Prior period adjustment to reclass debt previously classified as revenues	<u>\$ -</u>	<u>\$ 8,744,439</u>	<u>\$ -</u>	<u>\$ 8,744,439</u>	<u>\$ -</u>

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

## **FIDUCIARY FUNDS**

**CITY OF DELANO**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2010**

	Pension Trust	Agency Funds	Total
<b>ASSETS</b>			
Cash and investments	\$ 17,225,962	\$ 1,296,841	\$ 18,522,803
Contributions receivable and other receivables	1,342	12,324	13,666
Prepaid assets	89,074	-	89,074
<b>Total assets</b>	<u>17,316,378</u>	<u>\$ 1,309,165</u>	<u>\$ 18,625,543</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 200	\$ 16,562	\$ 16,762
Due to other funds	49,631	-	49,631
Deposits payable	-	38,564	38,564
CRA pass thru liability	-	1,097,434	1,097,434
Other liabilities	3,616	156,605	160,221
<b>Total liabilities</b>	<u>53,447</u>	<u>1,309,165</u>	<u>1,362,612</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>\$ 17,262,931</u>	<u>\$ -</u>	<u>\$ 17,262,931</u>

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

**CITY OF DELANO**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Pension Trust</u>
<b>Additions:</b>	
Employer contributions	\$ 1,823,123
Employee contributions	192,623
Income from use of money & property	136,572
Net appreciation in fair value of investments	1,051,487
Miscellaneous revenues	<u>450</u>
 Total additions	 <u>3,204,255</u>
<b>Deductions:</b>	
Benefits	996,409
Refunds of contributions	160,562
Administrative expenses	<u>96,658</u>
 Total deductions	 <u>1,253,629</u>
 Change in net assets	 1,950,626
 Net assets - beginning of year	 <u>15,312,305</u>
 Net assets - ending of year	 <u>\$ 17,262,931</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(1) Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City of Delano (the City) is a municipal corporation operating under a Council/Manager form of government with an elected five member council, the mayor being elected by the members among themselves for a two year term. The accompanying financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

Blended Component Units. The following component units are included in the accompanying financial statements using the blended method since the governing bodies are substantially the same as the governing body of the City. These component units provide services entirely to the City.

*Delano Redevelopment Agency* - The Delano Redevelopment Agency was established pursuant to the State of California Non-Profit Benefit Public Law. The agency is responsible for rehabilitation and economic revitalization of certain areas within the City.

*Delano Financing Authority Agency* - The Delano Financing Authority Agency was established pursuant to the State of California Non-Profit Benefit Public Law. The Delano Financing Authority Agency's purpose is to issue certificates of participation to provide funding for the construction of a community correctional facility and tax allocation bonds for the Delano Redevelopment Agency.

Detailed financial statements are available for the above component units from the City's Finance Department.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the government is financially accountable.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(1) Summary of Significant Accounting Policies (Continued)**

**B. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to consumers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as a receivable in the year for which they are levied. Grants and similar items are recognized as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(1) Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The City reports the following major governmental funds:

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

*The Community Correctional Facility Fund (CCF) Special Revenue Fund* accounts for the operations of the Delano Community Correctional Facility. The principal source of funding is from the State of California Department of Corrections.

*The Developer Impact Fees Special Revenue Fund* accounts for fees collected from individuals and developers building in the City, as required by AB 1600. Fees collected include streets, fire, police, traffic control, and street lights impact fees.

*The CRA Capital Projects Fund* accounts for administrative costs for the start-up of the Delano Redevelopment Agency and costs of redevelopment. The principal source of revenue is proceeds from issuance of long-term debt and excess tax increment.

*The City Capital Projects Fund* accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

*The Community Development Block Grant Fund (CDBG) Special Revenue Fund* accounts for operations in expanding the community's economic opportunities, and providing decent and affordable housing and a suitable living environment for persons and families of low and moderate income. The principal source of funding is from the Community Development Block Grant passed through the State of California.

*The First Time Homebuyers Housing Fund Special Revenue Fund* accounts for operations in providing and expanding safe and affordable housing opportunities for persons and families of low and moderate income. The principal source of funding is from the Federal HOME program.

The City reports the following major proprietary funds:

*The Refuse Fund* accounts for the collection and disposal of green-waste, recyclable waste, and garbage within the City, including street sweeping.

*The Water and Sewer/Wastewater Treatment Fund* accounts for the operation of the sewage treatment plant, sewage pumping stations and collection systems, and the water pumping and distribution systems.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

*The Airport Fund* accounts for the operation and maintenance of the Delano Municipal Airport.

*The Transit Fund* accounts for the public transportation operations, which includes a dial-a-ride system, and a fixed route system for the general transportation of all citizens.

Additionally, the City reports the following fund types:

*Internal Service Funds* account for the City's information system, liability insurance and workers compensation, and fleet management services (garage) provided to other departments and agencies of the City on a cost reimbursement basis.

*Fiduciary Fund Financial Statements* - Fiduciary fund financial statements include a Statement of Net Assets and Statement of Change in Net Assets. The City's fiduciary fund is accounted for according to the nature of the fund. The City has one such fund which is accounted for using "economic resources" measurement focus and the accrual basis of accounting. The Pension Trust Fund accounts for the activities of the City of Delano Employees' Retirement Plan, which accumulates resources for pension benefit payments to qualified City employees.

*Agency Funds* are used to account for assets of others for which the City acts as an agent. The one Agency Fund of the City does not use or have a measurement focus.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent those standards do not conflict with, or contradict, guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the City's water and sewer function and other functions of the City. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(1) Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the internal service funds are charges to customers for sales and services. The water and sewer enterprise funds also recognize as operating revenue the portion of the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Fund Balance**

**Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition. Under the provisions of the City's investment policy and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

Certificates of Deposits	Federally Sponsored Agency Securities
Local Agency Investment Fund (state pool)	Repurchase Agreements not to Exceed 90 Days
Bankers' Acceptances	Medium Term Corporate Notes and Mutual Funds
U.S. Treasury Bills and Notes	

The City, as well as its component units, applies Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. This statement generally requires that investments be reported at their fair value and that all changes in fair value be reflected in income of the period in which they occur. The reported value of the state pool is the same as the fair value of the pool shares.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(1) Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Assets or Fund Balance (Continued)**

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (that is, the current portion of the inter-fund loans), or "advances to and from other funds" (that is, the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All trade receivables are shown as net of allowance for uncollectibles. Property tax receivables are equivalent to the total levy, as the County of Kern, in which the City is located, makes the City whole for any tax delinquency. The delinquency rate for utility accounts receivable such as water, sewer and refuse is minimal. Property taxes are levied as of January 1 of each year. The tax levy is billed twice by the County, on November 1 and February 1 of each year, and is delinquent on December 10 at 5 pm and April 10 at 5 pm.

**Inter-fund Transactions**

Inter-fund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are 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 inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

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

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(1) Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Assets or Fund Balance (Continued)**

**Inventories and Prepaid Items**

All inventories are valued at cost using the average cost method. Inventories of governmental funds are first charged to expenditures then the value of the inventory is offset against the expenditure at the end of the fiscal year.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Certain proceeds of the Delano Redevelopment Agency tax allocation bonds and the Delano Financing Authority Agency certificates of participation are classified as cash with fiscal agents in the balance sheet because they are maintained in separate reserve bank accounts as required by the bond covenants. The tax allocation bonds debt service requirements for the Delano Redevelopment Agency are financed by pledged tax increment revenues, while the debt service requirements for the Delano Financing Authority Agency are financed by pledged lease payments from the California Department of Corrections.

**Land Held for Resale**

Land held for resale is stated at the lower of historical cost or net realizable value, if estimable.

**Capital Assets**

Capital assets, which include property, plant, equipment, and improvements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets include assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of 3 years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(1) Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Assets or Fund Balance (Continued)**

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings	25-29 years
Improvements	5-30 years
Infrastructure	25-29 years
Machinery & equipment	5-30 years

**Compensated Absences**

Employees earn 12 days of sick leave per year and can carry forward a maximum of 150 days of earned but unused days in total. Upon separation of employment, employees can be reimbursed for at least 50% of normal pay rate for days greater than 90 days balance. Employees earn 10 to 22 vacations days per year and can carry forward a maximum of 192 to 384 hours, depending on the level of employment. Upon separation of employment, the City is obligated to compensate all employees for all earned but unused vacation time.

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. 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 premium and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(1) Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Assets or Fund Balance (Continued)**

**Net Assets/Fund Balance**

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

*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 the balance in this category.

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

*Unrestricted Net Assets* - This category represents net assets of the City not restricted for any project or other purpose.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change. The reserve for inventories, debt service, advances, program income, and long-term notes and deferred loans receivable reflect the portions of fund balance represented by inventory, debt service, advances to other funds, program income, and receivables, respectively. Other reservations are for prison mitigation, building security, and reserve for land held for resale. These amounts are not available for appropriation and expenditure at the balance sheet date.

**Cash Flow Statements**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, short-term investments and certain cash and investments with fiscal agents. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less from the date of acquisition meet this definition.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(1) Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Assets or Fund Balance (Continued)**

**Deficit Fund Balances**

The following funds had a deficit fund balance:

Governmental activities:	
First Time Home Buyer Special Revenue Fund	(246,596)
CCF Fund	(2,141,586)

The deficit in the First-Time Homebuyer Special Revenue Fund is expected to be dealt with after the City performs an in-depth analysis to determine if additional draw downs will need to be requested.

The City expects to transfer additional funds from the General Fund to the CCF Fund, as needed.

**Reserved Fund Balances**

Reserved fund balances consist of the following:

	General Fund	CCF Fund	CRA Capital Projects Fund	Other Governmental Fund	Total
Reserved:					
Inventories	\$ 25,124	\$ 30,406	\$ -	\$ 30,841	\$ 86,371
Prepays	63,864	-	-	-	63,864
Long-term receivables	-	-	579,664	848,000	1,427,664
Land held for development	-	-	5,749,360	-	5,749,360
Advances	80,656	-	-	534,766	615,422
	<u>\$ 169,644</u>	<u>\$ 30,406</u>	<u>\$ 6,329,024</u>	<u>\$ 1,413,607</u>	<u>\$ 7,942,681</u>
Total					

**Use of Estimate**

The preparation of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount or revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Certain amounts in the financial statements have been reclassified to be consistent and comparable from year to year.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(2) Stewardship, Compliance and Accountability**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

On or before June 1st of each year, the City Manager shall submit to the City Council an annual budget for the ensuing fiscal year. The City Council holds public hearings, and a final budget must be adopted as originally proposed or as amended prior to July 1st.

The appropriated budget is prepared by fund, function, and department. The department heads may make transfers of appropriations by line item on the division level. Transfers relating to capital outlays involving \$5,000 or more require the approval City Council. Likewise, any new appropriations from the fund balance have to be approved by the City Council. The legal level of budgetary control (that is, the level at which expenditures may not legally exceed appropriations) is by line item. The City Council made several supplementary appropriations throughout the year which were not material.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent fiscal year. Departments are encouraged to liquidate their outstanding purchase orders at year-end, so encumbrances are minimal, if any.

**(3) Deposits and Investments**

The City's cash and investments consist of the following at June 30, 2010:

Deposits	\$ 8,474,126
Cash on hand	1,760
Investments	<u>33,522,959</u>
Cash and investments	41,998,845
Cash and Investments with Fiscal Agents	<u>1,239,382</u>
Total	<u><u>\$43,238,227</u></u>

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(3) Deposits and Investments (Continued)**

The City's deposits and investments are reflected in the accompanying basic financial statements as follows:

	<u>Governmental</u>	<u>Business</u>	<u>Internal</u>	<u>Fiduciary</u>	<u>Total</u>
	<u>Activities</u>	<u>Type</u>	<u>Service Funds</u>	<u>Funds</u>	
		<u>Activities</u>			
Cash and Investments	\$ 20,106,312	\$ -	\$ 3,369,730	\$ 18,522,803	\$ 41,998,845
Cash with Fiscal Agents	1,239,382	-	-	-	1,239,382
	<u>\$ 21,345,694</u>	<u>\$ -</u>	<u>\$ 3,369,730</u>	<u>\$ 18,522,803</u>	<u>\$ 43,238,227</u>

**Authorized Investments**

The investments listed above are managed by the City Treasurer and Fiscal agents (bond trustees) acting in accordance with bond covenants. Investments managed by the City Treasurer are invested in accordance with investment policy. Investments managed by bond trustees are invested in accordance with the provisions of the respective bond agreements, rather than the general provisions of the California Government Code or the City's investment policy.

The City's investments by investment manager are as follows:

City Treasurer	\$ 18,592,059
Fiscal Agents (Bond trustees for the City and its component units)	1,018,952
Pension fund investment committee	<u>14,930,901</u>
Total	<u>\$ 34,541,912</u>

The City is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in the pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(3) Deposits and Investments (Continued)**

The City Treasurer has direct oversight over the City's pooled investment fund which covers cash and cash equivalents of the City's governmental funds, proprietary funds, and trust and agency funds which are invested in accordance with the City's investment policy. The investment policy generally complies with California Government Code Section 53601 and its primary detail is as follows:

<u>Investment Types</u> <u>Authorized by Section</u> 53601	<u>Authorized by</u> <u>Investment</u> <u>Policy</u>	<u>Maximum</u> <u>Maturity</u> <u>(years)</u>	<u>Maximum</u> <u>Percentage of</u> <u>Portfolio</u>	<u>Maximum</u> <u>Investment in</u> <u>One Issuer</u>	<u>Minimum</u> <u>Ratings</u>
U.S. Treasury and Agencies	Yes	5	None	None	None
Commercial paper	Yes	5	None	None	PI/AI
Certificates of deposits (CD's)	Yes	5	None	100K	A
Medium term notes	Yes	5	None	None	A
Local Agency Investment Fund	Yes	N/A	None	None	None

The Pension Fund's investment practices and related disclosures regarding its investments at June 30, 2010, are more fully disclosed in its separate financial statements. Financial statements for the Pension Fund may be obtained from the City's Finance Department.

Investments with fiscal agents are investments held by the bond trustee on behalf of the City or its component units. The City and its investment advisor select the investment under the terms of the applicable trust agreement, direct the bond trustee to acquire the investment, and the bond trustee holds the investment on behalf of the City and/or its component units. Proceeds of bonds administered by bond trustees are also generally covered under the City Treasurer's investment policy; however, specific provisions of each issuance are usually used in managing such investments. Such differences relate to investment of required reserves to be maintained in guaranteed investment contracts that extend over five years.

**Interest Rate Risk**

Interest rate risk is that 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. Information about the sensitivity of the fair values of the City and its component units' investments to market rate fluctuations is provided in the table below that shows the distribution by maturity.

The City's investment policy generally complies with the State Government Code with respect to allowable investment instruments as a means of managing its fair value losses arising from changing interest rates. Guaranteed investment contracts are investments held by fiscal agents (bond trustees) and are restricted for debt service.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(3) Deposits and Investments (Continued)**

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

	Investment Maturities (in Years)			Total
	Less than 1	1-5	More than 5	
Mutual Funds	\$ 182,688	\$ -	\$ -	\$ 182,688
Fixed Income	163,899	-	-	163,899
U.S. Treasury Bills	109,934	-	-	109,934
Corporate Bonds	-	45,997	-	45,997
Guaranteed Investment Contracts	3,727,109	-	1,018,952	4,746,061
California Local Agency Investment Fund	18,592,059	-	-	18,592,059
Certificate of Deposit	-	3,383,952	-	3,383,952
	<u>\$ 22,775,689</u>	<u>\$ 3,429,949</u>	<u>\$ 1,018,952</u>	<u>\$ 27,224,590</u>

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The City's investment policy generally complies with the State Government Code with respect to allowable investment instruments as a means of managing its risk of loss related to credit risk and concentration of credit risk. The City's investments subject to credit risk are as follows:

Investment Type	Rating as of Year End			Total
	A+	A	A-1+	
Fixed Income	\$ -	\$ -	\$ 163,899	\$ 163,899
Corporate Bonds	15,693	30,304	-	45,997
	<u>\$ 15,693</u>	<u>\$ 30,304</u>	<u>\$ 163,899</u>	<u>209,896</u>
<i>Not rated:</i>				
California Local Agency Investment Fund				18,592,059
Guaranteed Investment Contracts				4,746,061
US Treasury Bill				109,934
Mutual Funds				182,688
				<u>\$ 23,840,638</u>

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(3) Deposits and Investments (Continued)**

**Deposits Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's deposit policy requires deposits to be covered by federal deposit insurance and collateral having a market value of 110% of the uninsured deposit. As of June 30, 2010, the City's bank balance was \$8,966,745 (carrying amount of \$8,693,408); of the bank balance, \$4,668,880 was insured and \$2,615,461 was secured by collateral held by the City's agent in the agent's name, and the balance are money market funds totaling \$1,927,404 of which \$1,682,404 was exposed to custodial risk.

**Investments Custodial Credit Risk**

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

To minimize custodial credit risk with respect to investments with fiscal agents, the City and its component units require that they meet certain credit ratings from either Standard & Poor's or Moody's Investors Service. Of the City's investments \$9,278,942 are securities and subject to custodial credit risk. These securities are held by the City's agents or brokers and they are not held in the City's name.

**Concentration of Credit Risk**

The City is required, under GASB 40, to provide information about the concentration of credit risk associated with their investments in any one issuer that represent 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(3) Deposits and Investments (Continued)**

The City's investment policy places no limit on the amount that may be invested in any one issuer. The following investment represents more than 5% of the City's total investments at June 30, 2010:

Issuer	Type of Investment	Amount
Great West Life and Annuity Insurance Company	Guaranteed Investment Contract	\$ 3,727,109

**(4) Receivables**

Receivables as of year-end for the City's individual major funds and non-major, internal service, and fiduciary funds in the aggregate, net of applicable allowances for uncollectible accounts are as follows:

	Taxes	Accounts	Intergovernmental	Other
Governmental funds:				
General Fund	\$ 1,137,360	\$ 392,370	\$ 171,307	\$ 47,387
CCF Fund	-	-	2,023,487	-
Developers Impact Fees Fund	-	16,703	-	-
CDBG Fund	-	-	-	-
CRA First Time Home Buyers Fund	-	56,908	-	-
CRA Capital Project Fund	-	40,000	-	-
City Capital Project Fund	-	-	1,459,888	-
Other Governmental Funds	232,197	712,774	1,673,213	-
Total governmental funds	<u>1,369,557</u>	<u>1,218,755</u>	<u>5,327,895</u>	<u>47,387</u>
Governmental Activities				
Internal Service Fund	-	7,186	-	-
Enterprise Funds	-	1,403,572	-	57,282
Fiduciary Funds	-	13,666	-	-
Total	<u>\$ 1,369,557</u>	<u>\$ 2,643,179</u>	<u>\$ 5,327,895</u>	<u>\$ 104,669</u>

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(5) Notes/Loans Receivable**

Notes and loans receivable consist of the following at June 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Notes Receivable				
Low-Moderate Housing Fund				
Limited Partnership	\$ 630,000	\$ -	\$ -	\$ 630,000
Casitas-80 L.P.	218,000	-	-	218,000
	<u>848,000</u>	<u>-</u>	<u>-</u>	<u>848,000</u>
Loans Receivable				
CDBG Fund	2,194,285	4,812		2,199,097
First Time Homebuyers Housing Fund	2,718,146	603,674		3,321,820
Other Miscellaneous Fund	77,000	10,645		87,645
Automobile dealership	645,287		65,623	579,664
	<u>5,634,718</u>	<u>619,131</u>	<u>65,623</u>	<u>6,188,226</u>
Total Notes/Loans Receivable	<u>\$ 6,482,718</u>	<u>\$ 619,131</u>	<u>\$ 65,623</u>	<u>\$ 7,036,226</u>

**A. Notes Receivable**

**CRA Low-Moderate Housing Fund**

A note receivable in the amount of \$630,000 represents advances to a limited partnership under an agreement dated February 12, 1996 between the limited partnership and the Agency. Under the agreement, the note, which matures on February 12, 2026, will bear an annual rate of interest of 7%, will be secured by a subordinated deed of trust on low and moderate residential rental property, and will be repaid solely from the residual receipts of such property.

A note receivable in the amount of \$218,000 represents advances to Casitas-80 L.P., for a senior citizen residential housing project. The note was dated May 27, 1998 and will mature on May 27, 2028, will bear zero interest, will be secured by a second deed of trust on the site of the project, and will be repaid solely from the residual receipts of the project.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(5) Notes/Loans Receivable (Continued)**

**B. Loans Receivable**

**CDBG Fund**

Loans receivable in the amount of \$2,199,097 represents various housing rehabilitation program loans. Under most agreements, loans are free of interest and that principal payments are deferred for 30 years from the date of each agreements so long as the borrower or an approved member of the borrower's immediate family maintains continuous residence on the property. Deferred payment of principal shall become immediately due and payable at such time as either (1) the borrower, or upon the death of the borrower, an approved family member who would then be considered the borrower, ceases to maintain continuous residence on the property or (2) title to the property is transferred. Loans are secured by lien over property and a legally binding documentation approved by the City requiring borrowers to maintain the property in a good state of repair, to insure the property, and to pay all taxes levied on the property. A deferred amount has been recorded in the governmental fund financial statements as the loans do not represent current financial resources.

**First Time Homebuyer's Housing Fund**

Loans receivable in the amount of \$3,321,820 represents various home buyer assistance program loans. Under most agreements, loans are free of interest and that principal payments are deferred for 30 years from the date of each agreements so long as the borrower or an approved member of the borrower's immediate family maintains continuous residence on the property. Deferred payment of principal shall become immediately due and payable at such time as either (1) the borrower, or upon the death of the borrower, an approved family member who would then be considered the borrower, ceases to maintain continuous residence on the property or (2) title to the property is transferred. Loans are secured by lien over property and a legally binding documentation approved by the City requiring borrowers to maintain the property in a good state of repair, to insure the property, and to pay all taxes levied on the property. A deferred amount has been recorded in the governmental fund financial statements as the loans do not represent current financial resources.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(5) Notes/Loans Receivable (Continued)**

**Other Miscellaneous Fund**

Loans receivable in the amount of \$87,645 represents various home buyer assistance and rehabilitation loans under the CALHOME program. Under most agreements, loans are free of interest and principal payments are deferred for 30 years from the date of each agreement so long as the borrower or an approved member of the borrower's immediate family maintains continuous residence on the property. Deferred payment of principal shall become immediately due and payable at such time as either (1) the borrower, or upon the death of the borrower, an approved family member who would then be considered the borrower, ceases to maintain continuous residence on the property or (2) title to the property is transferred. Loans are secured by lien over property and a legally binding documentation approved by the City requiring borrowers to maintain the property in a good state of repair, to insure the property, and to pay all taxes levied on the property. A deferred amount has been recorded in the governmental fund financial statements as the loans do not represent current financial resources.

**CRA Capital Project Fund**

The agency had a loan receivable from a local automobile dealership in the amount of \$800,000, which was payable monthly beginning June 1, 2004 with interest at 5% per annum, and was expected to mature ten-years after the date of the note. On April 20, 2009, the Agency executed another agreement with the dealership which consolidated the old debt with the new debt. As a result of the new agreement; the Agency was required to pay the automobile dealership \$200,000 for the purpose of obtaining working capital to retain the dealership in the City. In addition, the Agency was obligated to loan the automobile dealership up to \$656,223, which includes the existing loan balance already provided. The terms of the loan require the entire balance to be repaid no later than 10 years from the date of final disbursement of new funds to the automobile dealership together with interest at the rate of 5% per year. Principal payments are due commencing on May 1, 2010 in 120 monthly installments of \$5,468.

The loan is subject to the condition that if the automobile dealership generates sales tax in excess of \$192,000 in a 12 month period, the principal will be reduced dollar-for-dollar for the excess amount. The outstanding balance of the loan as of June 30, 2010 was \$579,664.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(5) Notes/Loans Receivable (Continued)**

**Deferred Revenue**

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2010, the various components of deferred revenue are as follows:

Deferred Revenues:	
General Fund	\$ 47,732
CCF Fund	2,023,487
CDBG Fund	2,199,097
CRA First Time Home Buyers Program Fund	3,321,820
City Capital Project Fund	826,378
Other Governmental Funds	<u>1,702,451</u>
Total governmental funds	10,120,965
Less: deferred revenues recognized in the statement of net assets	<u>(2,071,219)</u>
Total statement of net assets	<u><u>\$ 8,049,746</u></u>

**(6) Inter-fund Transactions**

Inter-fund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(6) Inter-fund Transactions (Continued)**

**Due To / Due From**

Inter-fund due from/to other funds at June 30, 2010, were as follows:

	<u>Due From</u>	<u>Due To</u>
<b>Governmental Funds</b>		
General Fund	\$5,245,108	\$ -
First Time Home Buyer Special Revenue Fund	-	243,207
CCF Fund	-	1,923,166
SLESF Fund	-	20,000
Inmate Welfare Fund	100,000	168,415
<b>Business-type Funds</b>		
Refuse Fund	-	25,075
Water & Sewer Fund	-	4,055,114
Airport Fund	-	79,491
Transit Fund	1,218,991	-
<b>Fiduciary Funds</b>		
Pension Trust	-	49,631
	<u>\$6,564,099</u>	<u>\$6,564,099</u>

**Transfers In / Out**

Transfers in/out consist of the following at June 30, 2010

	<u>Transfer In</u>	<u>Transfer Out</u>
<b>Governmental Funds</b>		
General Fund	\$ 110,000	\$ 801,907
City Capital Projects Funds	693,918	-
CCF Fund	-	9,045
CRA Capital Project Fund	352,119	873,938
Developer Impact Fees Fund	-	2,366,280
Gas Tax Fund	171,996	-
CRA Debt Service Fund	521,819	753,059
SLESF Fund	-	110,000
CRA Low and Moderate Housing Fund	526,246	-
Senior Citizen's Nutrition Fund	51,765	-
Landscape Maintenance District Fund	-	32,000
Golf Course Fund	160,445	11,715
Inmate Welfare Fund	149,867	149,867
Delano Financing Authority - Debt Service Fund	232,192	-
RTC Capital Project Fund	-	232,192
	<u>2,970,367</u>	<u>5,340,003</u>

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(6) Inter-fund Transactions (Continued)**

	<u>Transfer In</u>	<u>Transfer Out</u>
<b>Business-type Funds</b>		
Water & Sewer Fund	2,170,351	9,438
Airport Fund	-	3,146
	2,170,351	12,584
<b>Governmental Activities Internal</b>		
<b>Service Funds:</b>		
Central Garage Fund	-	14,944
	-	14,944
<b>Fiduciary Funds</b>		
CRA Pass-thru Fund	283,516	56,703
	283,516	56,703
	\$ 5,424,234	\$ 5,424,234

**Advances To / From Other Funds**

Advances to/from other funds include the amounts of long-term advances from City funds to the Redevelopment Agency for project financing. Interest accrues on these advances at a variable rate based on current earnings for the City as a whole. At the end of the fiscal year, unpaid interest is added to the principal of the advances. These advances are represented by notes which are secured by Redevelopment Agency revenues, and are payable on demand.

	<u>Advances From</u>	<u>Advances To</u>
<b>Governmental Activities</b>		
General Fund	\$ -	\$ 80,656
CRA Debt Service Fund	1,593,793	-
Low-Moderate Housing Fund	-	534,766
Asset Seizure Fund	-	-
<b>Business Type Activites</b>		
Refuse Fund	-	230,284
Water & Sewer Fund	-	748,087
	\$ 1,593,793	\$ 1,593,793

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(7) Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, No Depreciation				
Land	\$ 4,582,178	\$ 475,663	\$ -	\$ 5,057,841
Construction in Progress	1,056,311	2,703,903	(393,348)	3,366,866
Total Capital Assets, Not Depreciated	<u>5,638,489</u>	<u>3,179,566</u>	<u>(393,348)</u>	<u>8,424,707</u>
Capital Assets, Being Depreciated				
Buildings	14,206,379	625,371	(36,068)	14,795,682
Improvements	17,523,875	1,568,470	(2,087)	19,090,258
Equipment and Machinery	7,520,255	328,512	(589,375)	7,259,392
Infrastructure	149,264,000	-	-	149,264,000
Total Capital Assets, Being Depreciated	<u>188,514,509</u>	<u>2,522,353</u>	<u>(627,530)</u>	<u>190,409,332</u>
Less Accumulated Depreciation for:				
Buildings	(10,404,206)	(564,852)	26,251	(10,942,807)
Improvements	(8,258,348)	(1,399,639)	1,953	(9,656,034)
Equipment and Machinery	(4,722,712)	(583,363)	578,058	(4,728,017)
Infrastructure	(17,911,680)	(5,970,560)	-	(23,882,240)
Total Accumulated Depreciation	<u>(41,296,946)</u>	<u>(8,518,414)</u>	<u>606,262</u>	<u>(49,209,098)</u>
Total Capital Assets, Being Depreciated, Net	<u>147,217,563</u>	<u>(5,996,061)</u>	<u>(21,268)</u>	<u>141,200,234</u>
Governmental Activities Capital Assets, Net	<u>\$ 152,856,052</u>	<u>\$ (2,816,495)</u>	<u>\$ (414,616)</u>	<u>\$ 149,624,941</u>
<b>Business-Type Activities</b>				
Capital Assets, No Depreciation				
Land	\$ 3,183,749	\$ -	\$ -	\$ 3,183,749
Construction in Progress	12,042,032	21,028,017	(5,914)	33,064,135
Total Capital Assets, Not Depreciated	<u>15,225,781</u>	<u>21,028,017</u>	<u>(5,914)</u>	<u>36,247,884</u>
Capital Assets, Being Depreciated				
Buildings	6,109,051	-	(18,892)	6,090,159
Improvements	21,263,263	548,934	(292,895)	21,519,302
Equipment and Machinery	15,391,222	207,092	(428,341)	15,169,973
Total Capital Assets, Being Depreciated	<u>42,763,536</u>	<u>756,026</u>	<u>(740,128)</u>	<u>42,779,434</u>
Less Accumulated Depreciation for:				
Buildings	(4,367,710)	(125,162)	18,892	(4,473,980)
Improvements	(10,735,765)	(1,306,491)	188,957	(11,853,299)
Equipment and Machinery	(11,180,352)	(772,357)	408,822	(11,543,887)
Infrastructure	-	-	-	-
Total Accumulated Depreciation	<u>(26,283,827)</u>	<u>(2,204,010)</u>	<u>616,671</u>	<u>(27,871,166)</u>
Total Capital Assets, Being Depreciated, Net	<u>16,479,709</u>	<u>(1,447,984)</u>	<u>(123,457)</u>	<u>14,908,268</u>
Business-Type Activities Capital Assets, Net	<u>\$ 31,705,490</u>	<u>\$ 19,580,033</u>	<u>\$ (129,371)</u>	<u>\$ 51,156,152</u>

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(7) Capital Assets (Continued)**

Depreciation was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 265,993
Public safety	663,217
Public works	6,990,912
Engineering services	245,744
Culture, recreation and social services	339,111
Community and economic development	13,437
Total	\$ 8,518,414
<b>Business-type activities:</b>	
Refuse	\$ 286,883
Water & Sewer	1,621,156
Airport	111,342
Transit	184,629
Total	\$ 2,204,010

**(8) Long-term Debt**

A recap of the long-term debt and their outstanding balances by activity as of June 30, 2010, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Within More Than One Year
<b>Governmental activities:</b>						
Bonds payable:						
Tax allocation refunding bonds series A	\$ 12,485,000	\$ -	\$ -	\$ 12,485,000	\$ -	\$ 12,485,000
Tax allocation refunding bonds series B	2,870,000	-	225,000	2,645,000	240,000	2,405,000
Total bonds payable	15,355,000	-	225,000	15,130,000	240,000	14,890,000
Certificates of participation	1,195,000	-	1,195,000	-	-	-
Notes payable						
Bank of America - Police - GF	39,671	-	19,450	20,221	20,221	-
Bank of America - Parks - GF	40,365	-	19,790	20,575	20,575	-
Bank of America - Gas Tax	27,526	-	13,495	14,031	14,031	-
Total notes payable	107,562	-	52,735	54,827	54,827	-
Loans payable						
LaSalle Bank - Gas Tax	35,694	-	35,694	-	-	-
LaSalle Bank - IT	47,021	-	47,021	-	-	-
Total loans payable	82,715	-	82,715	-	-	-
Net OPEB obligation	139,623	298,607	40,900	397,330	-	397,330
Compensated absences payable	778,589	186,800	14,447	950,942	59,360	891,582
Governmental activities Long-term liability	\$ 17,658,489	\$ 485,407	\$ 1,610,797	\$ 16,533,099	\$ 354,187	\$ 16,178,912

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(8) Long-term Debt (Continued)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Within More Than One Year
<b>Business-type activities:</b>						
Notes payable						
LaSalle Bank - Water	\$ 595,443	\$ -	\$ 123,841	\$ 471,602	\$ 128,536	\$ 343,066
LaSalle Bank - Water	15,432	-	15,432	-	-	-
LaSalle Bank - Refuse	82,365	-	82,365	-	-	-
LaSalle Bank - Refuse	36,491	-	36,491	-	-	-
Bank of America - Refuse	88,928	-	43,600	45,328	45,328	-
Chevron Energy Solutions - Water	3,455,833	-	250,306	3,205,527	273,131	2,932,396
SKF Loan - Sewer	8,744,438	15,809,207	-	24,553,645	-	24,553,645
Total notes payable	13,018,930	15,809,207	552,035	28,276,102	446,995	3,275,462
Compensated absences payable	327,169	55,996	20,036	363,129	-	363,129
Business-type activities						
Long-term liability	<u>\$ 13,346,099</u>	<u>\$ 15,865,203</u>	<u>\$ 572,071</u>	<u>\$ 28,639,231</u>	<u>\$ 446,995</u>	<u>\$ 3,638,591</u>

**Tax Allocation Refunding Bonds**

Tax Allocation Refunding Bond Series A (Issue 2003) - On June 1, 2003, the Agency issued \$12,485,000 in tax allocation refunding bonds. All bonds are term bonds. The principal and interest are payable from tax increment revenue received by the Agency and by amounts in certain funds and accounts established under indenture. Interest is 5.5% for \$2,065,000, 5.00% for \$10,420,000, and payable semi-annually on March 1 and September 1 each year, commencing September 1, 2003. Principal payment is due on September 1 each year beginning September 1, 2016. \$2,065,000 of the bonds mature on September 1, 2023, and \$10,420,000 of the bonds mature on September 1, 2038. The outstanding balance as of June 30, 2010, was \$12,485,000.

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ -	\$ 634,575	\$ 634,575
2012	-	634,575	634,575
2013	-	634,575	634,575
2014	-	634,575	634,575
2015	-	634,575	634,575
2016-2020	370,000	3,172,875	3,542,875
2021-2025	2,180,000	2,844,525	5,024,525
2026-2030	2,800,000	2,217,250	5,017,250
2031-2035	3,575,000	1,443,750	5,018,750
2036-2039	3,560,000	455,750	4,015,750
	<u>\$ 12,485,000</u>	<u>\$ 13,307,025</u>	<u>\$ 25,792,025</u>

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(8) Long-term Debt (Continued)**

Tax Allocation Refunding Bonds Series B (Issue 2003) - On June 1, 2003, the Delano Redevelopment Agency issued \$3,880,000 in tax allocation refunding bonds. All the bonds are term bonds. The principal and interest are payable from tax increment revenue received by the Delano Redevelopment Agency and by amounts in certain funds and accounts established under the indenture. Interest is 5.14% for \$1,250,000, 5.66% for \$1,620,000, and payable semi-annually on March 1 and September 1 each year, commencing September 1, 2003. Principal payment is due on September 1 each year. \$1,250,000 of the bonds mature on September 1, 2013, and \$1,620,000 of the bonds mature on September 1, 2018. The outstanding balance as of June 30, 2010, was \$2,645,000.

Debt service payments to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 240,000	\$ 144,377	\$ 384,377
2012	250,000	132,041	382,041
2013	260,000	119,191	379,191
2014	275,000	105,827	380,827
2015	290,000	91,692	381,692
2016-2019	1,330,000	193,289	1,523,289
	<u>\$ 2,645,000</u>	<u>\$ 786,417</u>	<u>\$ 3,431,417</u>

**Notes Payable**

LaSalle Bank – Water

The Water Utility fund owes the LaSalle Bank for a note due to mature on July 25, 2013, at 3.756% per annum for the purchase and installation of a booster pump on Water Plant No. 5. The debt is paid out of operating revenue and the outstanding obligation as of June 30, 2010, was \$471,602.

Debt service amounts to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 128,536	\$ 16,518	\$ 145,054
2012	133,409	11,645	145,054
2013	138,497	6,587	145,084
2014	71,160	1,337	72,497
	<u>\$ 471,602</u>	<u>\$ 36,087</u>	<u>\$ 507,689</u>

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(8) Long-term Debt (Continued)**

Bank of America – Various Funds

The City obtained a 5-year loan from Bank of America to finance the purchase of various equipment for the police, parks and roads department, due to mature on November 30, 2010. The outstanding balance of the loan as of June 30, 2010, was \$100,155. The loan is payable out of general fund and gas tax revenues with a yearly debt service in the amount \$100,155.

Debt service amounts to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 100,155	\$ 3,972	\$ 104,127
	<u>\$ 100,155</u>	<u>\$ 3,972</u>	<u>\$ 104,127</u>

LaSalle Bank

The City borrowed funds from LaSalle Bank to purchase various heavy duty equipment and computers. In connection with this purchase, the City signed various notes/loans that are due to mature through 2010 at 3.18% per annum. The debt was paid with operating revenues. As of June 30, 2010, the entire balance was paid off.

Chevron Energy Solutions

On December 17, 2007, the City signed a lease-purchase agreement with Chevron Energy Solutions to install energy saving facilities within the City. In connection with this project, the City signed a 20-year lease/purchase agreement with the City Capital Municipal Finance, whereby the payments to the lessor are based on a 10 year term with an interest rate of 4.25%. Principal payments began May 2009. As of June 30, 2010 the outstanding obligation was \$3,205,527.

Debt service amounts to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 273,131	\$ 134,968	\$ 408,099
2012	297,302	119,979	417,281
2013	322,889	106,941	429,830
2014	349,963	92,792	442,755
2015	-	-	-
2016-2019	1,962,242	211,290	2,173,532
	<u>\$ 3,205,527</u>	<u>\$ 665,970</u>	<u>\$ 3,871,497</u>

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(8) Long-term Debt (Continued)**

California State Water Resource Control Board

On October 01, 2008, The City entered a project finance agreement with the State Water Resources Control Board for the construction of the Wastewater Treatment Plant Expansion. In connection with this project, the City agreed to pay all project funds at an interest rate of 1% per annum, and amortized over 20 years. Construction project is expected to be completed by January, 2011. At the completion of project, the City would accumulate \$31,418,792 of notes payable to the State Water Board. Principal payments start in January 01, 2012. As of June 30, 2010, the outstanding obligation was \$24,553,645.

Debt service amounts to maturity for the final amount of the obligation are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$1,426,894	\$314,188	\$1,741,082
2013	1,441,163	299,919	1,741,082
2014	1,455,575	285,507	1,741,082
2015	1,470,131	270,952	1,741,083
2016	1,484,832	256,250	1,741,082
2017-2021	7,649,877	1,055,535	8,705,412
2022-2026	8,040,097	665,314	8,705,411
2027-2031	8,450,223	255,188	8,705,411
	<u>\$31,418,792</u>	<u>\$3,402,853</u>	<u>\$34,821,645</u>

**Compensated Absences**

The provision for liability for compensated absences is accrued in each individual fund. Provision for liability in governmental funds is reported in the statement of net assets. Liquidation of each liability is charged directly to salaries.

**(9) Risk Management**

The City participates with other public entities in 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 the CSJVRMA is not a component unit of the City for financial reporting purposes. The City carries a self-insured retention of \$50,000 for general liability claims and \$100,000 for workers' compensation claims. The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers' 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 workers' compensation losses under \$100,000. The CSJVRMA participates in two excess pools which provide general liability coverage from \$1,000,001 to \$15,000,000 and

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(9) Risk Management (Continued)**

workers' compensation coverage from \$500,001 to \$50,000,000. The CCF maintains a \$25,000 self-insured retention for general liability.

The CSJVRMA is a consortium of fifty-five (55) cities in the San Joaquin Valley, California. It was established under the provisions of California Government Code Section 8500 et seq. A Board of Directors governs the CSJVRMA, which meets 3 times per year, consisting of one member appointed by each member City. A management group employed by the CSJVRMA handles day-to-day business. The financial position and results of operations for the CSJVRMA (unaudited) as of June 30, 2009 (most recent information available), are presented below:

Total Assets	\$	63,349,322
Total Liabilities		54,045,869
Net Assets	\$	9,303,453
Total Revenues	\$	28,146,623
Total Expenses		28,543,025
Change in Net Assets	\$	(396,402)

The City's share of year-end assets, liabilities, or equities has not been calculated by CSJVRMA. Detailed financial information may be obtained from the CSJVRMA. At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with its governing documents.

The following summarizes the changes in the funds held by the CSJVRMA for claims or liabilities for the City of Delano for the last three fiscal years:

Fiscal Year Ended June 30,	Contributed by the City	Assessed (Refunded) to the City	Current Year Provision for Claims	Claim Payments	City's Fund Balance
Workers compensation:					
2008	\$ 416,165	\$ (106,542)	\$ (190,564)	\$ (537,308)	\$ (495,764)
2009	\$ 487,352	\$ 179,034	\$ 150,772	\$ (551,373)	\$ (229,979)
2010	\$ 566,439	\$ 49,859	\$ (250,631)	\$ (522,342)	\$ (386,654)
Liability and property damage:					
2008	\$ 361,236	\$ (92,358)	\$ (154,328)	\$ (10,735)	\$ 310,244
2009	\$ 368,431	\$ (78,030)	\$ (251,516)	\$ (17,074)	\$ 332,055
2010	\$ 378,954	\$ (29,182)	\$ (209,494)	\$ (39,427)	\$ 432,906

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(10) Employees Retirement System**

**A. City of Delano Employees Pension Plan**

The following description of the City of Delano Employees Pension Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

The Plan was established on June 1, 1967, and is governed by City Ordinance 941 of the City's Municipal Code. The ordinance assigns authority to establish and amend the benefits provision of the Plan to the City Council. It is administered by the Pension Committee and the Trustees. The Plan is a single employer public employee retirement defined benefit plan. All full-time management, safety, and general employees of the City under 60 are eligible to participate in the Plan.

The Plan membership as of June 30, 2010, was comprised as follows:

	2010
Active Members	
Vested (active members 100% vested)	105
Non-vested (active members less than 100% vested)	124
Total Active Members	229
Terminated Members Entitled to but Not Yet	
Receiving Benefits	71
Retirees and Beneficiaries of Deceased	15
Retirees Currently Receiving Benefits	37
Total	352

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(10) Employees Retirement System (Continued)**

**Pension Benefits**

Employees are entitled to monthly retirement benefits beginning at normal retirement age (60). City employees who retire at the normal retirement age receive benefits that are partially integrated with social security and are computed by multiplying the first \$833.33 average monthly compensation by 2% plus the average monthly compensation times 2.4% for amounts in excess of \$833.33 by the number of years of credit service.

The Plan permits early retirement with reduced retirement benefits at any time within five years preceding the participant's normal retirement date of age 55 for safety employees including management of safety employees and age 60 (age 62 before July 1, 2007) for general employees. An early retiree would have less contributions to the Plan and would be drawing a monthly check for a longer period of time, so that the retiree would receive less benefits per month than an employee who retires at normal retirement age.

Due to disability or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's interest in his/her account after termination of active service. On termination due to death, benefits to the surviving spouse, lump-sum or otherwise, will depend upon whether the retiree has reached the early retirement age at the time of death which is 55 for general members.

For termination of service due to other reasons, a participant may receive the value of the vested interest in his/her account as a lump-sum distribution.

**Funding Policy**

The Plan's funding policy under the City Ordinance 941 provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. For the year ended June 30, 2010, the annual required contribution to the Plan by the City was determined at 23.612% of covered payroll. Contributions aggregating \$2,015,746 were made in fiscal year 2010, which were over the recommended rate as adopted by the City Council, which is the recommended contribution rate set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27. Such amounts are determined using the modified entry age normal cost method. Any variance between contributions needed and contributions made is adjusted in the following fiscal year. These minimum contributions are recognized currently in the statement of changes in net assets available for benefits. Any additional contributions by employees are funded and recognized currently through payroll deductions in amounts specified by the employee. Costs of administering the Plan are charged against Plan assets.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(10) Employees Retirement System (Continued)**

**Funding Status and Progress**

As of June 30, 2010, the most recent actuarial valuation date, the Plan was 63.78% funded. The actuarial accrued liability for benefits was \$32,480,826 and the actuarial value of assets was \$20,715,515, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,765,311. The covered payroll as of June 30, 2010 valuation was \$8,552,934. The ratio of UAAL to the covered payroll was 137.56%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, and investment returns. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 68 following the notes to financial statements, and also shown below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Fiscal Year Ending June 30,	( 1 ) Actuarial Value of Assets	( 2 ) Actuarial Liability (AAL) Projected Unit Credit	( 3 ) Funded Rates (%) (1)/(2)	( 4 ) Unfunded AAL (UAAL) (2)-(1)	( 5 ) Annual Covered Payroll	( 6 ) UAAL (%) (4)/(5)
2004	\$ 14,350,746	\$ 21,702,704	66.12%	\$ 7,351,958	\$ 7,483,544	98.24%
2005	\$ 15,048,284	\$ 19,633,478	76.65%	\$ 4,585,194	\$ 7,895,996	58.07%
2006	\$ 16,839,790	\$ 21,484,859	78.38%	\$ 4,645,069	\$ 6,353,463	73.11%
2007	\$ 19,454,948	\$ 24,767,406	78.55%	\$ 5,312,458	\$ 6,764,823	78.53%
2008	\$ 18,426,143	\$ 27,169,641	67.82%	\$ 8,743,498	\$ 7,296,505	119.83%
2009	\$ 18,323,795	\$ 29,881,644	61.32%	\$ 11,557,849	\$ 8,128,608	142.19%
2010	\$ 20,715,515	\$ 32,480,826	63.78%	\$ 11,765,311	\$ 8,552,939	137.56%

**Contributions**

Pension benefit contributions are based upon a combination of age, years of service, monthly salary, and the option selected by the participant. Death and disability benefits are additionally based upon whether the death occurred before or after retirement. Members' contributions, including interest, are 100 percent vested at all times. Each employee is credited with one year-vested service for each fiscal year. Employer contributions become 20% vested after 3 years of employment, 40% after 4 years of employment, 60% after 5 years of employment, 80% after 6 years of employment, and after 7 or more years of employment an employee is 100% vested, but are not payable until the member attains the age of 55 for general members.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(10) Employees Retirement System (Continued)**

**Contributions (Continued)**

Contributions are made by the members and the employer at rates recommended by the Plan's independent actuary and adopted by the City Council. Participant contributions are mandatory as long as the employee is an eligible participant of the Plan. The City makes employer contributions after the 5th year of covered employment for all participants except management employees, the employer contributions are made immediately after being admitted to the Plan. The participant's accumulated contribution cannot be withdrawn by the participant (except for active police officers, their respective account balances were transferred to CalPERS, effective June 30, 2005) while employed by the City. The participant's contribution rates, which are a percentage of the participant's base monthly salary (excluding overtime, educational, incentive and/or longevity), are as follows:

	<u>Contribution Rate</u>
Management (including police management	9.0%
Safety/Police (prior to July 1, 2005)	7.4%
General	6.2%

The City makes the above contribution on behalf of its employees based on years of service and job classification, except educational, incentive or longevity, which is not included from the participant's basic earnings. Participant accounts are credited interest earnings from the investment return of the trust fund.

In addition the City contributes a percentage of employee base monthly salary for an actuarially sound pension program based on the actuarial valuation report. Administrative costs of the Plan are financed through investment earnings.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial methods and significant assumptions used in the valuation year of June 30, 2010, are summarized in this note to conform to the disclosure requirements of GASB No. 50.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(10) Employees Retirement System (Continued)**

**Actuarial Methods and Assumptions (Continued)**

Valuation date	June 30, 2010
Actuarial cost method	Modified entry age normal cost
Amortization method	Level percent payroll, open
Remaining amortization period	20 years, smoothing method
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	7.75% per annum compounded annually
Projected salary increases	3.00%
* Includes inflation at	3.00%
Cost of living adjustments	2.00%
Mortality table	1994 Group Annuity Mortality Tables with Scale AA for mortality improvement from 1994 to 1999.
Retirement age	Assumed average retirement age is 62; normal retirement age is 60.

**B. CalPERS**

All active qualified permanent and probationary Police Officers (safety employees) are eligible to participate in a pension plan offered by the California Public Employee Retirement System (CalPERS), an agent multiple employer defined benefit pension plan, which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits provisions under the plan are established by State statute and City resolution. Benefits are based on credited service, equal to one year of full time employment. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(10) Employees Retirement System (Continued)**

CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the total normal benefit cost for each employee from date of hire to retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage method is used to amortize any unfunded actuarial benefits. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

**Funding Policy**

Active Plan members in the Safety Plan are required to contribute 9% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2009-10 was 26.697% for police officers. 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.

As of June 30, 2010, the City's Safety Police Plan membership consists of 45 active, 10 transferred, and 6 retired.

**Annual Pension Cost**

For fiscal year 2009-10, the estimated City's annual pension cost was \$763,908 and the City actually contributed \$763,908. The required contribution for fiscal year 2009-10 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 age, duration of service, and type of employment ranging from 3.55% to 14.45% for safety members, and (c) 3.25% to payroll growth. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the Safety Plan's assets was determined using a technique that smoothes the effect of short term volatility in the market value of investments over a fifteen year period. The Safety Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll over a closed 20 year period and the average remaining period is 16 years as of June 30, 2009 (valuation date).

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(10) Employees Retirement System (Continued)**

Three-Year Trend Information for the Safety Plan: (two years only available)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 763,908	100.00%	\$ -
6/30/2009	\$ 697,097	100.00%	-

Audited financial statements and trend information are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**(11) Other Post Employment Benefits (OPEB)**

**Plan Description**

On March 17, 1997, the City Council of Delano adopted to continue paying monthly premiums for any City Employee for health and medical coverage offered to other employees provided that the retired employee has been employed by the City of Delano for at least 20 years at his or her normal retirement age as established by the City.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(11) Other Post Employment Benefits (OPEB) (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For fiscal year 2009-10, the City's annual OPEB cost was \$298,607. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB, and the net OPEB obligation for the year ended June 30, 2010, were as follows:

Annual required contribution	\$	298,607
Interest on net OPEB obligation		-
Adjustments to annual required contribution		-
		-
Annual OPEB cost		298,607
Contributions made		(40,900)
Change in net OPEB obligation (asset)		257,707
Net OPEB obligation (asset) - beginning of year		139,623
Net OPEB obligation (asset) - end of year	\$	397,330

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation (Asset)
2010	\$298,607	\$ 40,900	13.7%	\$ 397,330
2009	\$165,305	\$ 25,682	15.5%	\$ 139,623

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(11) Other Post Employment Benefits (OPEB) (Continued)**

Fiscal year 2008-09 was the year of implementation of GASB Statement No. 45 and the City has elected to implement prospectively. Therefore, three year comparative data is unavailable. In future years, three-year trend information will be presented. The City's contributions in fiscal years 2008-09 and 2009-10 were based on pay-as-you-go costs.

**Funding Policy, Funded Status, Funding Progress**

The City's required contribution is based on pay-as-you-go financing requirements. For fiscal year 2009-10, the City contributed \$40,900 to the OPEB.

As of June 30, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 1,171,649, all of which was unfunded.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As 2008-09 was the year of implementation of GASB Statement No.45 and the City elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend analysis will be presented.

**Actuarial Methods and Assumptions**

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(11) Other Post Employment Benefits (OPEB) (Continued)**

The actuarial assumptions used in the valuation were an interest assumption of annually compounded 7.75% to reflect the estimated net investment return of a trust fund and an assumed 3% future increase in basic salary levels of active employees. The mortality assumption reflects the 1994 Group Annuity Mortality Tables for male and female lives with Scale AA for mortality improvement from 1994 to 1999.

Future increases in basic salary levels of active employees are assumed to be 3% per year. Among general employees, the average annual increases in fiscal years 2005, 2006, 2007, and 2008 has been 3.2%. For valuation purposes, a future medical trend rate of 6% per year was used in the valuation. In view of the current extensive review of health care by Congress, there may be an impact in the next couple of years to review the assumptions of 6.0% future annual increase in health care benefits. The actuarial report therefore provides an alternative medical trend analysis with the rate of 4.0% per year to observe the reduction in the funding requirement from the assumed rate of 6.0% per year

**(12) Contingent Liabilities and Commitments**

**State and Federal Awards and Grants**

The City participates in several federal and state grant programs. These programs are subject to further examination by grantors, and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**Other Contingent Liabilities**

The City is a defendant in a number of other lawsuits which have arisen in the normal course of business. While damages are alleged in some of these actions, their outcomes cannot be predicted with certainty. In the opinion of the City Attorney, these actions when finally adjudicated will not have a material effect on the financial position of the City.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(13) Conduit Debt Obligations**

In 1998, the City of Delano issued \$43,440,000 of Certificates of Participation to provide financial assistance to the Central California Foundation for Health, a California non-profit public benefit corporation doing business as Delano Regional Medical Center. The proceeds of the sale of the Series 1998 Certificates, together with other funds, were used (i) to advance refund the City's Certificates of Participation (Central California Foundation for Health, Delano Regional Medical Center). Series 1992A Certificates, delivered in the original principal amount of \$27,820,000, was used (ii) to advance refund the City's Certificates of Participation (Central California Foundation for Health, Delano Regional Medical Center). Series 1992B Certificates, delivered in the original principal amount of \$7,000,000, was used (iii) to purchase the Facilities pursuant to the terms of the Lease, (iv) to fund a debt service reserve fund, and (v) to pay certain costs related to the delivery of the Series 1998 Certificates. The amounts currently outstanding for these various series of issues can be obtained from the Central California Foundation for Health, Delano Regional Medical Center at 1401 Garces Highway, Delano, California 93215.

In March 8, 2006, City of Delano issued \$15,375,000 of Certificates of Participation to provide financial assistance to the Central California Foundation for Health, a California non-profit public benefit corporation doing business as Delano Regional Medical Center. The proceeds of the sale of the Series 2006 Certificates, together with other funds, were used to finance the acquisition, construction, improvement and equipping of certain health facilities owned and operated by the health facility. The Certificates are due to mature on January 1, 2020.

The amounts currently outstanding for these various series of issues can be obtained from the Central California Foundation for Health, Delano Regional Medical Center at 1401 Garces Highway, Delano, California 93215.

Neither the City, the State of California, nor any political subdivision thereof is obligated in any manner for installment payments of the Series 1998 and 2006 Certificates. Accordingly, the Certificates are not reported as liabilities in the accompanying financial statements.

**CITY OF DELANO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2010**

**(14) Prior Period Adjustments**

The fund balances (net assets) of the following funds (activities) have been adjusted at July 1, 2009 to correct errors made in prior years as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>CRA Capital Projects Fund</u>	<u>Water &amp; Sewer Fund</u>
Fund balance (net assets) as originally stated - July 1, 2009	\$ 175,619,529	\$ 30,746,567	\$ 7,778,585	\$ 22,961,121
Correction:				
Revenue deferred in error	645,286	-	645,286	-
Proceed of loan recorded as revenue in prior year	-	(8,744,439)	-	(8,744,439)
Fund balance (net assets) as adjusted - July 1, 2009	<u>\$ 176,264,815</u>	<u>\$ 22,002,128</u>	<u>\$ 8,423,871</u>	<u>\$ 14,216,682</u>

**(15) Subsequent Events**

On November 12, 2010, the Delano Financing Authority, a component unit of the City of Delano, issued the Police Station and Capital Improvements Project Lease Revenue bonds in the amount of \$26,715,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DELANO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES:</b>				
Property taxes	\$ 2,160,330	\$ 2,160,330	\$ 2,376,217	\$ 215,887
Sales taxes	6,224,377	6,224,377	6,336,412	112,035
Franchise taxes	530,500	530,500	536,915	6,415
Motor vehicle in lieu tax	3,800,000	3,800,000	3,657,566	(142,434)
Other taxes	529,310	529,310	455,811	(73,499)
Fees and fines	235,398	91,248	79,222	(12,026)
Licenses and permits	106,892	106,892	179,219	72,327
Intergovernmental	2,052,147	2,052,147	1,980,949	(71,198)
Program income	40,000	40,000	-	(40,000)
Charges for services	1,219,599	1,066,327	1,102,024	35,697
Investment earnings	187,000	187,000	51,879	(135,121)
Miscellaneous	33,400	33,400	82,072	48,672
<b>Total revenue</b>	<u>17,118,953</u>	<u>16,821,531</u>	<u>16,838,286</u>	<u>16,755</u>
<b>EXPENDITURES:</b>				
Current				
General government	4,230,172	3,810,859	3,605,713	205,146
Public safety	11,007,084	9,936,743	10,148,016	(211,273)
Engineering services	345,557	195,557	294,868	(99,311)
Culture and recreation	2,020,802	1,922,568	1,706,770	215,798
Debt service				
Principal	155,199	155,199	241,879	(86,680)
Interest	16,692	16,692	14,321	2,371
Capital outlay				
General government	53,000	29,353	29,970	(617)
Public safety	94,000	30,200	29,433	767
Public works	20,000	20,000	19,081	919
Culture and recreation	181,900	162,587	163,482	(895)
<b>Total expenditures</b>	<u>18,124,406</u>	<u>16,279,758</u>	<u>16,253,533</u>	<u>26,225</u>
Excess (deficiency) of revenues over expenditures	<u>(1,005,453)</u>	<u>541,773</u>	<u>584,753</u>	<u>42,980</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	110,000	110,000	110,000	-
Transfers out	(192,850)	(613,630)	(801,907)	(188,277)
<b>Total other financing sources and uses</b>	<u>(82,850)</u>	<u>(503,630)</u>	<u>(691,907)</u>	<u>(188,277)</u>
Net change in fund balances	(1,088,303)	38,143	(107,154)	(145,297)
Total net assets (deficit), beginning	<u>7,705,310</u>	<u>7,705,310</u>	<u>7,705,310</u>	<u>-</u>
Total net assets (deficit), ending	<u>\$ 6,617,007</u>	<u>\$ 7,743,453</u>	<u>\$ 7,598,156</u>	<u>\$ (145,297)</u>

**CITY OF DELANO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL**  
**COMMUNITY CORRECTIONAL FACILITY (CCF) FUND**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 7,891,048	\$ 7,891,048	\$ 5,634,542	\$ (2,256,506)
Investment earnings	-	-	4,248	4,248
Miscellaneous	2,500	2,500	4,128	1,628
Total revenue	<u>7,893,548</u>	<u>7,893,548</u>	<u>5,642,918</u>	<u>(2,250,630)</u>
<b>EXPENDITURES:</b>				
Current				
Public safety	8,113,321	8,113,321	8,080,518	32,803
Total expenditures	<u>8,113,321</u>	<u>8,113,321</u>	<u>8,080,518</u>	<u>32,803</u>
Excess (deficiency) of revenues over expenditures	<u>(219,773)</u>	<u>(219,773)</u>	<u>(2,437,600)</u>	<u>(2,217,827)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(9,045)</u>	<u>(9,045)</u>	<u>(9,045)</u>	<u>-</u>
Total other financing sources and uses	<u>(9,045)</u>	<u>(9,045)</u>	<u>(9,045)</u>	<u>-</u>
Net change in fund balances	(228,818)	(228,818)	(2,446,645)	(2,217,827)
Total net assets (deficit), beginning	<u>305,059</u>	<u>305,059</u>	<u>305,059</u>	<u>-</u>
Total net assets (deficit), ending	<u>\$ 76,241</u>	<u>\$ 76,241</u>	<u>\$ (2,141,586)</u>	<u>\$ (2,217,827)</u>

**CITY OF DELANO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL**  
**DEVELOPER IMPACT FEES FUND**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Charges for services	\$ 8,199,641	\$ 8,199,212	\$ 1,372,893	\$ (6,826,319)
Investment earnings	-	-	64,756	64,756
Total revenue	<u>8,199,641</u>	<u>8,199,212</u>	<u>1,437,649</u>	<u>(6,761,563)</u>
<b>EXPENDITURES:</b>				
Current				
General government	-	-	174	(174)
Total expenditures	<u>-</u>	<u>-</u>	<u>174</u>	<u>(174)</u>
Excess (deficiency) of revenues over expenditures	<u>8,199,641</u>	<u>8,199,212</u>	<u>1,437,475</u>	<u>(6,761,737)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(8,834,492)</u>	<u>(12,894,609)</u>	<u>(2,366,280)</u>	<u>10,528,329</u>
Total other financing sources and uses	<u>(8,834,492)</u>	<u>(12,894,609)</u>	<u>(2,366,280)</u>	<u>10,528,329</u>
Net change in fund balances	(634,851)	(4,695,397)	(928,805)	3,766,592
Total net assets (deficit), beginning	<u>11,167,027</u>	<u>11,167,027</u>	<u>11,167,027</u>	<u>-</u>
Total net assets (deficit), ending	<u>\$ 10,532,176</u>	<u>\$ 6,471,630</u>	<u>\$ 10,238,222</u>	<u>\$ 3,766,592</u>

**CITY OF DELANO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,400,225	\$ 1,400,225	\$ 558,394	\$ (841,831)
Investment earnings	-	-	1,411	1,411
Total revenue	<u>1,400,225</u>	<u>1,400,225</u>	<u>559,805</u>	<u>(840,420)</u>
<b>EXPENDITURES:</b>				
Current				
General government	12,410	19,317	4,649	14,668
Community and economic development	1,279,925	1,280,006	297,517	982,489
Capital outlay				
Community and economic development	-	-	265,119	(265,119)
Total expenditures	<u>1,292,335</u>	<u>1,299,323</u>	<u>567,285</u>	<u>732,038</u>
Excess (deficiency) of revenues over expenditures	<u>107,890</u>	<u>100,902</u>	<u>(7,480)</u>	<u>(108,382)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	7,547	7,547	-	(7,547)
Transfers out	<u>(477,800)</u>	<u>(552,800)</u>	<u>-</u>	<u>552,800</u>
Total other financing sources and uses	<u>(470,253)</u>	<u>(545,253)</u>	<u>-</u>	<u>545,253</u>
Net change in fund balances	(362,363)	(444,351)	(7,480)	436,871
Total net assets (deficit), beginning	<u>253,080</u>	<u>253,080</u>	<u>253,080</u>	<u>-</u>
Total net assets (deficit), ending	<u>\$ (109,283)</u>	<u>\$ (191,271)</u>	<u>\$ 245,600</u>	<u>\$ 436,871</u>

**CITY OF DELANO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL**  
**CRA FIRST TIME HOME BUYERS PROGRAM FUND**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES:</b>				
Intergovernmental	\$ 382,488	\$ 382,488	\$ 360,442	\$ (22,046)
Total revenue	<u>382,488</u>	<u>382,488</u>	<u>360,442</u>	<u>(22,046)</u>
<b>EXPENDITURES:</b>				
Current				
Community and economic development	<u>382,488</u>	<u>648,488</u>	<u>273,612</u>	<u>374,876</u>
Total expenditures	<u>382,488</u>	<u>648,488</u>	<u>273,612</u>	<u>374,876</u>
Net change in fund balances	-	(266,000)	86,830	352,830
Total net assets (deficit), beginning	<u>(333,426)</u>	<u>(333,426)</u>	<u>(333,426)</u>	-
Total net assets (deficit), ending	<u>\$ (333,426)</u>	<u>\$ (599,426)</u>	<u>\$ (246,596)</u>	<u>\$ 352,830</u>

**CITY OF DELANO**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DEFINED BENEFIT PENSION TRUST**  
**For the Fiscal Year Ended June 30, 2010**

**A. Schedule of Funding Status and Progress**

Fiscal Year Ending June 30,	( 1 ) Actuarial Value of Assets	( 2 ) Actuarial Liability (AAL) Projected Unit Credit	( 3 ) Funded Rates (%) (1)/(2)	( 4 ) Unfunded AAL (UAAL) (2)-(1)	( 5 ) Annual Covered Payroll	( 6 ) UAAL (%) (4)/(5)
2000	\$ 11,934,102	\$ 14,499,489	82.31%	\$ 2,565,387	\$6,835,377	37.53%
2001	\$ 11,547,511	\$ 15,606,939	73.99%	\$ 4,059,428	\$6,543,832	62.03%
2002	\$ 11,649,634	\$ 17,970,464	64.83%	\$ 6,320,830	\$7,337,881	86.14%
2003	\$ 12,156,501	\$ 19,736,558	61.59%	\$ 7,580,057	\$7,305,354	103.76%
2004	\$ 14,350,746	\$ 21,702,704	66.12%	\$ 7,351,958	\$7,483,544	98.24%
2005	\$ 15,048,284	\$ 19,633,478	76.65%	\$ 4,585,194	\$7,895,996	58.07%
2006	\$ 16,839,790	\$ 21,484,859	78.38%	\$ 4,645,069	\$6,353,463	73.11%
2007	\$ 19,454,948	\$ 24,767,406	78.55%	\$ 5,312,458	\$6,764,823	78.53%
2008	\$ 18,426,143	\$ 27,169,641	67.82%	\$ 8,743,498	\$7,296,505	119.83%
2009	\$ 18,323,795	\$ 29,881,644	61.32%	\$ 11,557,849	\$8,128,608	142.19%
2010	\$ 20,715,515	\$ 32,480,826	63.78%	\$ 11,765,311	\$8,552,939	137.56%

**B. Schedule of Employer Contributions**

Fiscal Year Ending June 30,	Annual Required Contribution	Percentage Contributed
2000	\$ 945,688	100%
2001	\$ 855,046	92%
2002	\$1,163,464	108%
2003	\$1,251,572	100%
2004	\$1,496,202	95%
2005	\$1,599,988	101%
2006	\$1,181,059	98%
2007	\$1,153,496	105%
2008	\$1,392,962	100%
2009	\$1,828,852	100%
2010	\$2,015,746	100%

**CITY OF DELANO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 DEFINED BENEFIT PENSION TRUST  
 For the Fiscal Year Ended June 30, 2010**

**C. Notes to Required Supplementary Information**

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2010
Actuarial cost method	Modified entry age normal cost
Amortization method	Level percent payroll, open
Remaining amortization period	20 years, smoothing method
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	7.75% per annum compounded annually
Projected salary increases	3.00%
* Includes inflation at	3.00%
Cost of living adjustmens	2.00%
Mortality table	1994 Group Annuity Mortality Tables with Scale AA for mortality improvement from 1994 to 1999.
Retirement age	Assumed average retirement age is 62; normal retirement age is 60.

**CITY OF DELANO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 OTHER POSTEMPLOYMENT BENEFITS  
 For the Fiscal Year Ended June 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$ -	\$ 1,171,649	\$1,171,649	0%	N/A	N/A

**CITY OF DELANO  
CALPERS SCHEDULE OF FUNDING PROGRESS  
For the Fiscal Year Ended June 30, 2010**

California Public Employees' Retirement System Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Accrued Liabilities (AL) (b)	Unfunded Liabilities (UL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
Safety 2.0% at 50 Risk Pool						
6/30/2005	\$ 646,358,708	\$ 742,247,338	\$ 95,888,630	87.1%	115,062,820	83.3%
6/30/2006	\$ 460,948,462	\$ 534,135,011	\$ 73,186,549	86.3%	84,179,637	86.9%
6/30/2007	\$ 403,484,775	\$ 462,354,459	\$ 58,869,684	87.3%	72,308,836	81.4%
6/30/2008	\$ 438,674,996	\$ 504,295,839	\$ 65,620,843	87.0%	77,903,428	84.2%
6/30/2009	\$ 368,645,673	\$ 440,333,381	\$ 71,687,708	83.7%	60,158,108	119.2%