

**CITY OF DELANO,
CALIFORNIA**

ANNUAL FINANCIAL REPORT

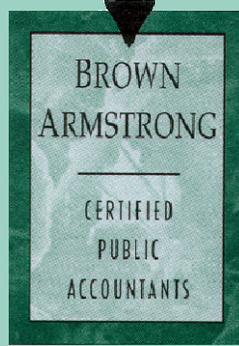
JUNE 30, 2009

**CITY OF DELANO, CALIFORNIA
ANNUAL FINANCIAL REPORT
JUNE 30, 2009**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Net Assets – Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds.....	18
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	21
Notes to the Financial Statements.....	22
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balances, Budget vs. Actual – General Fund.....	54
Statement of Revenues, Expenditures and Changes in Fund Balances, Budget vs. Actual – Community Correctional Facility – Special Revenue Major Fund.....	55
Statement of Revenues, Expenditures and Changes in Fund Balances, Budget vs. Actual – Developer Impact Fees – Special Revenue Major Fund	56
Required Supplementary Information – Defined Benefit Pension Trust.....	57
Required Supplementary Information – Other Postemployment Benefits.....	59

Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Andrew J. Paulden, CPA
Steven R. Starbuck, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, CPA, MBA
Richard L. Halle, CPA, MST
Aileen K. Keeter, CPA



■ **Main Office**
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

■ 560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

■ 8365 N. Fresno Street, Suite 440
Fresno, California 93720
Tel 559.476.3592 Fax 559.476.3593

INDEPENDENT AUDITOR'S 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 the City of Delano, California, as of and for the year ended June 30, 2009, which collectively comprise the City of Delano's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Delano's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2009, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension; Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments; and Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2010, on our consideration of the City of Delano's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison schedules, Defined Benefit Pension Trust schedule of funding progress and employer contributions, and the Other Postemployment Benefits 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. We have applied certain limited procedures, which consisted principally of inquires 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "G. A. King", is written over the company name.

Bakersfield, California
June 2, 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, 2009. 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.

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 when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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.
- *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	
	2009	2008	2009	2008	2009	2008
Current & other assets	\$ 59,660	\$ 52,974	\$ 4,625	\$ 7,987	\$ 64,285	\$ 60,961
Capital assets	152,856	151,120	31,705	21,632	184,561	172,752
Total assets	212,516	204,094	36,330	29,619	248,846	233,713
Long-term debt outstanding	17,371	18,930	4,602	5,363	21,973	24,293
Other liabilities	19,526	8,652	981	2,236	20,507	10,888
Total liabilities	36,897	27,582	5,583	7,599	42,480	35,181
Net assets:						
Invested in capital assets						
net of debt	151,471	148,421	27,431	16,269	178,902	164,690
Restricted	7,949	7,847	-	-	7,949	7,847
Unrestricted	16,199	20,244	3,316	5,751	19,515	25,995
Total net assets	\$ 175,619	\$ 176,512	\$ 30,747	\$ 22,020	\$ 206,366	\$ 198,532

Net assets of the City's governmental activities decreased by approximately \$893 thousand (from \$176.5 million in FY08 to \$175.6 million in FY09). This was due to an increase in expenditures in the areas of public safety, economic development and recreation.

The net assets for the business-type activities for FY09 increased from the prior fiscal year. This increase was due to an addition in capital assets in the water and sewer funds and due to SRF loan proceeds.

The summary of the government-wide statement of activities follows and summarizes key financial components of the City of Delano's financial statements.

Table 2
Statement of Activities
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 17,533	\$ 17,062	\$ 7,436	\$ 7,358	\$ 24,969	\$ 24,420
Capital grants and contributions	743	723	-	-	743	723
Operating grants and contributions	2,221	2,162	10,232	1,941	12,453	4,103
General revenues:						
Property taxes	5,541	9,972	-	-	5,541	9,972
Other taxes	8,595	6,149	-	-	8,595	6,149
Other general revenues	7,054	2,699	175	388	7,229	3,087
Total revenues	41,687	38,767	17,843	9,687	59,530	48,454
Program expenses						
General government	5,696	4,337	-	-	5,696	4,337
Public safety	25,397	23,510	-	-	25,397	23,510
Public works	2,125	2,503	-	-	2,125	2,503
Engineering services	393	528	-	-	393	528
Culture & recreation	2,982	2,640	-	-	2,982	2,640
Community development	2,790	2,718	-	-	2,790	2,718
Education	664	582	-	-	664	582
Long term debt interest/charges	1,139	1,282	-	-	1,139	1,282
Water/sewer	-	-	6,168	5,678	6,168	5,678
Refuse	-	-	2,311	2,200	2,311	2,200
Airport	-	-	502	516	502	516
Transit	-	-	1,407	1,628	1,407	1,628
Total expenses	41,186	38,100	10,388	10,022	51,574	48,122
Excess (deficiency) before transfers	501	667	7,455	(335)	7,956	332
Transfers	(1,242)	678	1,242	(678)	-	-
Increase (decrease) in assets	(741)	1,345	8,697	(1,013)	7,956	332
Net assets beginning of year, as previously reported	176,512	172,863	22,020	24,069	198,532	196,932
Prior period adjustments	(152)	2,304	30	(1,036)	(122)	1,268
Net assets end of year, as restated	\$ 175,619	\$ 176,512	\$ 30,747	\$ 22,020	\$ 206,366	\$ 198,532

The City is able to report a positive net asset balance as a whole. The increase from the previous fiscal year 2008 to fiscal year 2009 is \$7.9 million or 4.0%. The governmental activities had a decrease of \$0.7 million in net assets. Expenditures in many departments increased in total by \$3.1 million.

The outlook for an increase in net assets in this area is positive. The City has implemented expenditure reductions to enable it to operate according to the projected reduction in revenues due the economic condition that now exists.

Net assets for the business-type activities increased by \$8.7 million due to capitalization of the Wastewater Treatment Plant Expansion and the Water Arsenic Mitigation Project. The net assets of the business-type activities will continue to increase 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.

Governmental Activities

Expenses and revenues for the City's governmental activities both increased, with a negative difference of \$0.7 million. The unreserved (unrestricted) fund balance in the general fund balance decreased by \$588 thousand compared to a \$2.3 million increase last fiscal year.

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

Paseo Delano

Paseo Delano is a mixed-use development on 13 acres located just east of Highway 99 between 9th and 11th Streets. Covering three city blocks, Paseo Delano is strategically placed to create a vital link between Highway 99 and Downtown Delano with a lifestyle center of retail, food, office, and entertainment. Potential tenants include a hotel, a 24-lane bowling alley, and a large drugstore. A special component is a courtyard complete with water features and lush greenery.

Delano Industrial Center

The Delano Industrial Center is an extension of the Delano Marketplace, a 450,000 square foot shopping center located at the southwest corner of Woollomes Avenue and Garzoli Avenue. It is intended to be a financial resource in the City and provide job opportunities for local residents.

The cost of all governmental activities this year was \$43 million, compared to \$38.1 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 \$20.7 million because some of the cost was paid by those who directly benefited from the programs (\$17.5 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2.2 million). The City paid for the remaining "public benefit" portion of governmental activities with \$2.6 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 predicted to bring in over one million dollars annually in revenues.

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased from \$9.7 million in 2008 to \$17.8 million in 2009.

The City is experiencing rapid growth, especially in the area of commercial development as mentioned above. It is estimated that 800 new jobs will be created. In addition, it is projected that the City will receive approximately \$7 million in developer impact fees. The Wastewater Treatment 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 was \$7.6 million, as compared to last fiscal year's unrestricted fund balance of \$8.2 million, while the total fund balance reached \$7.7 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 48% of total General Fund expenditures, while total fund balance also represents 49% of that same amount.

During the current fiscal year, the City's General Fund balance decreased by \$2.1 million. This decrease is attributed to transfers to the Capital Projects Fund for the purchase of land for a new police facility and other capital projects for the soccer and skate parks, a kaboom playground, the dog pound, and the new gateway sign. In addition, included in the transfers were funds to cover deficits in the golf course, senior center, and airport funds. Although the General Fund had a decrease in the total fund balance, there was an increase from revenues received over expenditures of over \$2.8 million for the current fiscal year.

The Community Correctional Facility (CCF) unreserved fund balance decreased by approximately \$672 thousand during the fiscal year due to inmate population being down and revenues not received as projected.

The Developer Impact Fees unreserved fund balance had an increase of approximately \$503 thousand.

The Redevelopment Agency Debt Service Fund has a fund balance of \$294 thousand, which increased by approximately \$2.0 million over last fiscal year.

The Redevelopment Agency Capital Projects Fund had a decrease of \$1.6 million over last fiscal year due mainly to the payment of the loan related to Sears land, while the City Capital Projects Fund has a fund balance of \$1.0 million.

Major Enterprise Funds. Unrestricted net assets of all the enterprise funds combined increased by \$2.4 million. Below is a condensed statement of cash flows for the proprietary funds for June 30, 2009.

<u>Business-Type Activities</u>	<u>2009</u>	<u>2008</u>
Net Cash used by operating activities:	\$ (5,466,080)	\$ (210,057)
Net Cash provided by non-capital financing activities:	18,879,554	3,761,890
Net Cash used from capital and relating financing activities:	(13,289,829)	(3,204,843)
Net Cash provided by investing activities:	20,243	334,829
Net increase in cash and cash equivalents:	143,888	681,819
Cash and cash equivalents, beginning of year	6,508,708	5,826,889
Cash and cash equivalents, end of year	6,652,596	6,508,708

CAPITAL ASSETS

Capital Assets
(net of depreciation)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 4,582	\$ 974	\$ 3,184	\$ 2,707	\$ 7,766	\$ 3,681
Buildings	3,802	4,004	1,741	1,871	5,543	5,875
Improvements	9,266	5,933	10,527	6,946	19,793	12,879
Infrastructure	131,352	137,312	-	-	131,352	137,312
Equipment & machinery	2,798	2,057	4,211	3,599	7,009	5,656
Construction in progress	1,056	840	12,042	6,508	13,098	7,348
Total	<u>\$ 152,856</u>	<u>\$ 151,120</u>	<u>\$ 31,705</u>	<u>\$ 21,631</u>	<u>\$ 184,561</u>	<u>\$ 172,751</u>

A \$7.1 million increase occurred in the Governmental Activities for capital assets due to the acquisition of a police station, the construction of a soccer park, major street improvements, and acquisition of equipment for various departments.

There was an overall \$11.9 million increase in capital assets. This was mainly due to the capitalization of the Wastewater Treatment Plant Expansion and Water 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 \$16.6 million, and debt secured by pledged assets amounts to \$191 thousand. The remaining debt was compensated absences and net OPEB obligation, as shown below. The bonded debt is secured by pledged tax increment revenues and lease payments from the California Department of Corrections.

Outstanding Debt (In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Tax allocation bonds	\$ 15,355	\$ 15,570	\$ -	\$ -	\$ 15,355	\$ 15,570
Certificates of participation	1,195	2,325	-	-	1,195	2,325
Notes payable	191	375	-	-	191	375
Compensated absences	778	660	-	-	778	660
Refuse loans payable	-	-	208	364	208	364
Water loans payable	-	-	4,066	4,262	4,066	4,262
Sewer loans payable	-	-	-	736	-	736
Net OPEB obligation	139	-	-	-	139	-
Total	\$ 17,658	\$ 18,930	\$ 4,274	\$ 5,362	\$ 21,932	\$ 24,292

During the current fiscal year, the City paid off \$1.5 million in general government long-term debt and \$1.09 million in the business-type debt. These include principal payments of debt made throughout the fiscal year 2009.

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 \$437 thousand. Most of the increases are on the budget for general government and public safety, and were City Council approved throughout the fiscal year 2009.

Contacting the City's Financial Management

This 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 – 11th Ave, Delano, CA 93215.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 29,208,595	\$ 6,299,299	\$ 35,507,894
Cash with fiscal agents	2,528,988	353,297	2,882,285
Receivables (net)	9,530,460	6,432,331	15,962,791
Internal balances	8,543,274	(8,543,274)	-
Land held for resale	5,375,275	-	5,375,275
Inventories	141,882	77,388	219,270
Prepays	199,685	5,561	205,246
Deferred charges	2,721,574	-	2,721,574
Restricted assets:			
Temporarily restricted			
Deposits with insurance company	102,076	-	102,076
Intergovernmental receivable	1,307,827	-	1,307,827
Capital assets (net of accumulated depreciation)			
Land	4,582,178	3,183,749	7,765,927
Buildings	3,802,173	1,741,341	5,543,514
Equipment and machinery	2,797,543	4,210,870	7,008,413
Improvements	9,265,527	10,527,498	19,793,025
Infrastructure	131,352,320	-	131,352,320
Construction in progress	1,056,311	12,042,032	13,098,343
	<u>212,515,688</u>	<u>36,330,092</u>	<u>248,845,780</u>
Total assets			
LIABILITIES			
Accounts payable and other current liabilities	13,399,604	1,308,933	14,708,537
Matured bonds, notes and interest payable	64,707	-	64,707
Unearned revenue	5,773,359	100	5,773,459
Long-term liabilities:			
Due within one year	1,555,450	552,034	2,107,484
Due in more than one year	16,103,039	3,722,458	19,825,497
	<u>36,896,159</u>	<u>5,583,525</u>	<u>42,479,684</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	151,470,775	27,430,998	178,901,773
Restricted for:			
Highways and streets	717,836	-	717,836
Culture and recreation	296,176	-	296,176
Community and economic development	6,048,271	-	6,048,271
Debt service	49,148	-	49,148
Other Purposes	837,345	-	837,345
Unrestricted	<u>16,199,978</u>	<u>3,315,569</u>	<u>19,515,547</u>
	<u>\$ 175,619,529</u>	<u>\$ 30,746,567</u>	<u>\$ 206,366,096</u>
Total net assets			

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Functions/Programs	Program Revenues				Net (Expense) / Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities:							
General government	\$ 5,696,345	\$ 1,647,145	\$ -	\$ -	\$ (4,049,200)	\$ -	\$ (4,049,200)
Public safety	25,397,307	11,273,023	1,667,154	557,452	(11,899,678)	-	(11,899,678)
Public works	2,125,191	3,860,453	489,071	163,532	2,387,865	-	2,387,865
Engineering services	392,877	228,807	28,987	9,692	(125,391)	-	(125,391)
Culture, recreation and social services	2,981,785	284,287	36,016	12,043	(2,649,439)	-	(2,649,439)
Community and economic development	2,789,933	-	-	-	(2,789,933)	-	(2,789,933)
Education (payment to school district)	663,823	-	-	-	(663,823)	-	(663,823)
Interest on long-term debt and fiscal charges	1,138,991	239,418	-	-	(899,573)	-	(899,573)
Total government activities	41,186,252	17,533,133	2,221,228	742,719	(20,689,172)	-	(20,689,172)
Business-type activities:							
Water and sewer	6,168,922	4,870,197	8,744,438	-	-	7,445,713	7,445,713
Refuse	2,310,885	2,290,196	-	-	-	(20,689)	(20,689)
Transit	1,407,954	65,332	1,487,727	-	-	145,105	145,105
Airport	501,619	209,782	-	-	-	(291,837)	(291,837)
Total business-type activities	10,389,380	7,435,507	10,232,165	-	-	7,278,292	7,278,292
Total primary government	\$ 51,575,632	\$ 24,968,640	\$ 12,453,393	\$ 742,719	(20,689,172)	7,278,292	(13,410,880)
General revenues:							
Taxes:							
Property taxes					5,541,228	-	5,541,228
Sales taxes					8,594,782	-	8,594,782
Motor fuel taxes					4,234,729	-	4,234,729
Franchise taxes					609,654	-	609,654
Public service taxes					1,054,987	-	1,054,987
Unrestricted investment earnings					737,848	20,243	758,091
Miscellaneous revenue					417,755	155,738	573,493
Transfers					(1,242,430)	1,242,430	-
Total general revenues and transfers					19,948,553	1,418,411	21,366,964
Change in net assets					(740,619)	8,696,703	7,956,084
Net assets - beginning, as previously reported					176,512,366	22,019,710	198,532,076
Prior period adjustments					(152,218)	30,154	(122,064)
Net assets - beginning, as restated					176,360,148	22,049,864	198,410,012
Net assets - ending					\$ 175,619,529	\$ 30,746,567	\$ 206,366,096

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	CCF Fund	Developer Impact Fees Fund	CRA Debt Service Fund	CRA Capital Projects Fund	City Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and investments	\$ 6,913,322	\$ -	\$ 11,390,268	\$ -	\$ 2,401,997	\$ -	\$ 5,431,244	\$ 26,136,831
Cash with fiscal agents	-	-	-	1,718,191	-	-	810,797	2,528,988
Receivables, net of allowance for uncollectibles	1,510,281	1,218,895	20,187	160,258	45,000	-	936,014	3,890,635
Advances to other funds	105,023	-	-	-	-	-	110	105,133
Loans receivable	-	-	-	-	645,286	-	-	645,286
Deferred loans receivable	-	-	-	-	-	-	4,989,431	4,989,431
Due from other funds	94,844	-	-	-	-	10,094,993	100,000	10,289,837
Prepaid items	-	-	-	-	-	-	513	513
Deferred charges	194,065	-	-	-	-	-	-	194,065
Inventories	25,642	28,877	-	-	-	-	32,171	86,690
Land held for resale	-	-	-	-	5,375,275	-	-	5,375,275
Intergovernmental receivable - restricted	-	-	-	-	-	459,827	848,000	1,307,827
Total assets	\$ 8,843,177	\$ 1,247,772	\$ 11,410,455	\$ 1,878,449	\$ 8,467,558	\$ 10,554,820	\$ 13,148,280	\$ 55,550,511
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 854,005	\$ 49,782	\$ 52,500	\$ -	\$ 39,282	\$ 4,202,367	\$ 390,015	\$ 5,587,951
Accrued taxes payable	14,137	7,641	-	-	278	-	2,027	24,083
Accrued wages payable	196,824	102,818	-	-	4,127	-	27,578	331,347
Compensated absences payable	-	-	-	-	-	-	17,618	17,618
Advances from other funds	-	-	-	1,370,728	-	-	-	1,370,728
Due to other funds	-	-	190,928	-	-	-	194,844	385,772
Deposits payable	25,169	-	-	-	-	-	10,854	36,023
Premium on bonds	-	-	-	-	-	-	64,707	64,707
Deferred revenue	47,732	-	-	-	645,287	-	5,080,340	5,773,359
Cash overdraft	-	782,472	-	213,830	-	5,334,230	449,292	6,779,824
Total liabilities	1,137,867	942,713	243,428	1,584,558	688,974	9,536,597	6,237,275	20,371,412
Fund balances:								
Reserve for:								
Inventories	25,642	28,877	-	-	-	-	32,171	86,690
Prepays	-	-	-	-	-	-	513	513
Program income	-	-	-	-	-	-	210,840	210,840
Reserved for long-term notes receivable	105,023	-	-	-	699,161	-	-	804,184
Reserved for deferred loans receivable	-	-	-	-	-	-	848,000	848,000
Debt service	-	-	-	-	-	-	-	-
Other purposes	-	225,000	-	-	5,375,275	-	-	5,600,275
Unreserved, reported in:								
General fund	7,574,645	-	-	-	-	-	-	7,574,645
Special revenue funds	-	51,182	11,167,027	-	-	-	3,805,923	15,024,132
Debt service funds	-	-	-	293,891	-	-	1,513,443	1,807,334
Capital projects funds	-	-	-	-	1,704,148	1,018,223	500,115	3,222,486
Total fund balances	7,705,310	305,059	11,167,027	293,891	7,778,584	1,018,223	6,911,005	35,179,099
Total liabilities and fund balances	\$ 8,843,177	\$ 1,247,772	\$ 11,410,455	\$ 1,878,449	\$ 8,467,558	\$ 10,554,820	\$ 13,148,280	\$ 55,550,511
Total fund balances								\$ 35,179,099
Amount reported for governmental activities in the statement of net assets are different because:								
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.								
								151,980,360
Unamortized balance of deferred charges.								
								2,501,356
The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.								
								3,960,204
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.								
								(18,001,490)
Net assets of governmental activities								
								<u>\$ 175,619,529</u>

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General Fund	CCF Fund	Developer Impact Fees Fund	CRA Debt Service Fund	CRA Capital Projects Fund	City Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES								
Property taxes	\$ 2,372,616	\$ -	\$ -	\$ 2,716,491	\$ -	\$ -	\$ 452,121	\$ 5,541,228
Sales taxes	7,322,296	-	-	-	-	-	1,272,486	8,594,782
Franchise taxes	609,654	-	-	-	-	-	-	609,654
Motor fuel tax	-	-	-	-	-	-	244,981	244,981
Motor vehicle in lieu tax	3,989,748	-	-	-	-	-	-	3,989,748
Other taxes	680,169	-	-	-	-	-	-	680,169
Fees and fines	250,377	-	-	-	-	-	-	250,377
Licenses and permits	103,442	-	-	-	-	-	-	103,442
Intergovernmental	1,148,083	7,476,606	-	-	-	1,936,353	2,794,559	13,355,601
Program income	-	-	-	-	-	-	448,068	448,068
Charges for services	1,111,047	-	1,678,792	-	-	-	82,532	2,872,371
Asset seizure revenue	-	-	-	-	-	-	20,999	20,999
Investment earnings	203,227	-	213,517	63,346	70,652	-	138,480	689,222
Amortization of premium	-	-	-	-	75,296	-	1,325,210	1,400,506
Miscellaneous	7,932	4,730	80	-	45,000	-	16,177	73,919
Total revenues	17,798,591	7,481,336	1,892,389	2,779,837	190,948	1,936,353	6,795,613	38,875,067
EXPENDITURES								
Current:								
General government	3,659,166	-	11,636	-	-	-	455,734	4,126,536
Public safety	9,866,074	8,148,229	-	-	-	-	383,964	18,398,267
Public works	-	-	-	-	-	-	1,539,526	1,539,526
Engineering services	284,608	-	-	-	-	-	-	284,608
Culture and recreation	1,595,909	-	-	-	-	-	564,150	2,160,059
Community and economic development	-	-	-	89,421	625,536	12,682	1,170,261	1,897,900
Pass thru payments	-	-	-	663,823	-	-	-	663,823
Debt service:								
Principal	-	-	-	569,161	-	-	1,130,000	1,699,161
Interest and other charges	55,801	-	-	892,253	57,235	-	133,702	1,138,991
Capital outlay	294,519	-	-	-	-	5,147,132	1,484,205	6,925,856
Total expenditures	15,756,077	8,148,229	11,636	2,214,658	682,771	5,159,814	6,861,542	38,834,727
Excess (deficiency) of revenues over expenditures	2,042,514	(666,893)	1,880,753	565,179	(491,823)	(3,223,461)	(65,929)	40,340
OTHER FINANCING SOURCES (USES)								
Sale of property	-	-	-	-	(3,590)	-	-	(3,590)
(Increase)/decrease in advances from other funds	-	-	-	-	354,050	-	-	354,050
Transfers in	100,000	-	-	1,465,000	20,571	4,487,872	1,027,907	7,101,350
Transfers out	(4,222,799)	(2,244)	(1,377,692)	-	(1,465,000)	-	(1,272,337)	(8,340,072)
Total other financing sources and uses	(4,122,799)	(2,244)	(1,377,692)	1,465,000	(1,093,969)	4,487,872	(244,430)	(888,262)
Net change in fund balances	(2,080,285)	(669,137)	503,061	2,030,179	(1,585,792)	1,264,411	(310,359)	(847,922)
Fund balances - beginning	9,779,387	977,026	10,663,966	(1,736,288)	9,364,376	(246,188)	10,211,637	39,013,916
Prior period adjustments	6,208	(2,830)	-	-	-	-	(2,990,273)	(2,986,895)
Fund balances - ending	\$ 7,705,310	\$ 305,059	\$ 11,167,027	\$ 293,891	\$ 7,778,584	\$ 1,018,223	\$ 6,911,005	\$ 35,179,099

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

Net change in fund balances - total governmental funds \$ (847,922)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded or are less than depreciation in the current period, modified by deletions and corrections and acquisitions through long-term payment arrangements, and funds provided by fiduciary agency funds. Funds provided by fiduciary funds are reported as program income in the statement of activities. (1,315,649)

The issuance of long-term debt (bonds, notes) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,184,934

Internal service funds are used by management to charge the costs of certain activities, such as insurance and information systems to individual funds. The net revenue of certain internal service funds is reported with governmental activities. 238,018

Change in net assets of governmental activities \$ (740,619)

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds	
	Refuse	Water and Sewer	Airport	Transit	Total		
Assets							
Current Assets							
Cash and investments	\$ 354,923	\$ 5,004,769	\$ -	\$ 939,607	\$ 6,299,299	\$ 3,071,764	
Cash with fiscal agent	-	353,297	-	-	353,297	-	
Receivables							
Accounts	650,589	624,764	164,659	274,569	1,714,581	5,108	
Other	6,275	4,710,708	767	-	4,717,750	-	
Due from other funds	-	190,928	-	-	190,928	-	
Advances to other funds	32,567	236,484	-	-	269,051	-	
Deposits with CSJVRMA	-	-	-	-	-	102,076	
Inventories	-	74,845	2,543	-	77,388	55,192	
Unallocated premium	-	-	-	-	-	26,153	
Prepaid items	-	-	5,561	-	5,561	199,172	
Total Current Assets	1,044,354	11,195,795	173,530	1,214,176	13,627,855	3,459,465	
Non-current Assets							
Land	-	2,042,533	1,047,971	93,245	3,183,749	-	
Buildings	-	4,293,169	252,676	1,563,206	6,109,051	315,334	
Equipment and machinery	3,644,892	9,726,455	145,068	1,874,811	15,391,226	737,983	
Improvements	-	18,215,637	3,042,891	4,735	21,263,263	1,188,999	
Construction in progress	-	11,959,792	82,238	-	12,042,030	-	
Accumulated depreciation	(2,102,778)	(20,306,234)	(2,313,382)	(1,561,435)	(26,283,829)	(1,366,624)	
Total Capital Assets Net of Accumulated Depreciation	1,542,114	25,931,352	2,257,462	1,974,562	31,705,490	875,692	
Advances to Other Funds	248,457	748,087	-	-	996,544	-	
Total Assets	\$ 2,834,925	\$ 37,875,234	\$ 2,430,992	\$ 3,188,738	\$ 46,329,889	\$ 4,335,157	
Liabilities and Net Assets							
Liabilities							
Current Liabilities							
Accounts payable	\$ 145,905	\$ 611,550	\$ 5,587	\$ 11,299	\$ 774,341	\$ 199,987	
Accrued taxes payable	1,540	2,287	-	1,177	5,004	973	
Accrued wages payable	20,295	31,035	359	15,597	67,286	12,864	
Deferred revenue	-	-	-	100	100	-	
Cash overdraft	-	-	68,240	-	68,240	33,509	
Due to other funds	-	10,012,755	82,238	-	10,094,993	-	
Notes payable - current portion	162,455	389,579	-	-	552,034	429	
Customer deposits	26,214	36,909	12	-	63,135	-	
Insurance claims payable	-	-	-	-	-	863	
Customer refunds payable	(2,123)	5,882	-	-	3,759	-	
Compensated absences payable	97,488	146,987	7,712	74,981	327,168	31,132	
Total Current Liabilities	451,774	11,236,984	164,148	103,154	11,956,060	279,757	
Non-Current Liabilities							
Loans Payable - Long-term Portion	45,329	3,677,129	-	-	3,722,458	-	
Total Liabilities	497,103	14,914,113	164,148	103,154	15,678,518	279,757	
Net Assets							
Invested in Capital Assets, Net of Related Debt	1,334,330	21,864,644	2,257,462	1,974,562	27,430,998	952,020	
Unrestricted							
Refuse	1,003,492	-	-	-	1,003,492	-	
Water	-	458,501	-	-	458,501	-	
Sewer	-	637,976	-	-	637,976	-	
Airport	-	-	9,382	-	9,382	-	
Transit	-	-	-	1,111,022	1,111,022	-	
Internal Service Fund	-	-	-	-	-	3,103,380	
Total Net Assets	\$ 2,337,822	\$ 22,961,121	\$ 2,266,844	\$ 3,085,584	\$ 30,651,371	\$ 4,055,400	
					Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds included in governmental activities.	\$ 95,196	\$ (95,196)
					Net assets of business-type activities	\$ 30,746,567	\$ 3,960,204

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Refuse	Water and Sewer	Airport	Transit	Total	
Operating Revenues						
Charges for current services	\$ 2,290,196	\$ 4,870,197	\$ 209,782	\$ 65,332	\$ 7,435,507	\$ 2,429,166
Miscellaneous revenue	45,545	9,243	90,473	10,477	155,738	(8,632)
Total Operating Revenues	2,335,741	4,879,440	300,255	75,809	7,591,245	2,420,534
Operating Expenses						
Personnel	1,147,859	1,733,510	22,238	728,215	3,631,822	683,165
Maintenance and operations	882,522	2,884,997	319,240	498,918	4,585,677	1,391,951
Depreciation	266,661	1,495,642	119,485	179,630	2,061,418	142,042
Miscellaneous	-	7,599	34,840	1,191	43,630	3,656
Total Operating Expenses	2,297,042	6,121,748	495,803	1,407,954	10,322,547	2,220,814
Operating Income (Loss)	38,699	(1,242,308)	(195,548)	(1,332,145)	(2,731,302)	199,720
Non Operating Revenues (Expenses)						
Interest revenue	-	-	-	20,243	20,243	42,006
Intergovernmental revenues	-	8,744,438	-	1,487,727	10,232,165	-
Interest expense	(13,843)	(47,174)	(5,816)	-	(66,833)	-
Total Non-Operating Revenues (Expenses)	(13,843)	8,697,264	(5,816)	1,507,970	10,185,575	42,006
Income (Loss) Before Operating Transfers	24,856	7,454,956	(201,364)	175,825	7,454,273	241,726
Transfers in	-	801,276	444,277	-	1,245,553	-
Transfers out	-	(2,342)	(781)	-	(3,123)	(3,708)
Change in Net Assets	24,856	8,253,890	242,132	175,825	8,696,703	238,018
Total Net Assets, Beginning	2,375,181	14,735,424	2,035,014	2,778,895	21,924,514	3,872,081
Prior Period Adjustments	(62,215)	(28,193)	(10,302)	130,864	30,154	(149,895)
Total Net Assets, Ending	\$ 2,337,822	\$ 22,961,121	\$ 2,266,844	\$ 3,085,584	\$ 30,651,371	\$ 3,960,204

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Refuse	Water and Sewer	Airport	Transit	Total	
Cash Flows from Operating Activities						
Received from customers	\$ 2,255,446	\$ 216,904	\$ 185,542	\$ 671,639	\$ 3,329,531	\$ 2,454,247
Received from users	48,271	221,819	-	100	270,190	-
Miscellaneous receipts (payments)	-	9,243	90,473	10,477	110,193	113,095
Payments to employees for services	(1,128,774)	(1,716,582)	(17,600)	(655,634)	(3,518,590)	(675,735)
Payments to suppliers for goods and services	(921,219)	(3,595,734)	(621,904)	(505,071)	(5,643,928)	(1,531,128)
Payments for other expenses	-	(7,599)	(34,840)	(1,191)	(43,630)	(3,656)
Prior period adjustment	(62,215)	(28,193)	(10,302)	130,864	30,154	(149,895)
Net cash provided (used) by operating activities	<u>191,509</u>	<u>(4,900,142)</u>	<u>(408,631)</u>	<u>(348,816)</u>	<u>(5,466,080)</u>	<u>206,928</u>
Cash Flows From Non-Capital Financing Activities						
Intergovernmental grants	-	8,744,438	-	1,487,727	10,232,165	-
Interfund receipts (payments)	-	7,333,675	71,284	-	7,404,959	(99,264)
Transfers in	-	801,276	444,277	-	1,245,553	-
Transfers out	-	(2,342)	(781)	-	(3,123)	(3,708)
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>16,877,047</u>	<u>514,780</u>	<u>1,487,727</u>	<u>18,879,554</u>	<u>(102,972)</u>
Cash Flows From Capital and Related Financing Activities						
Principal paid on debt	(156,548)	(931,467)	-	-	(1,088,015)	429
Interest paid	(13,843)	(47,174)	(5,816)	-	(66,833)	-
Loss on disposal of capital asset	7,294	(38,472)	-	-	(31,178)	-
Acquisition of capital assets	(535,181)	(10,835,056)	(100,333)	(633,233)	(12,103,803)	(208,752)
Net cash provided (used) by capital and related financing activities	<u>(698,278)</u>	<u>(11,852,169)</u>	<u>(106,149)</u>	<u>(633,233)</u>	<u>(13,289,829)</u>	<u>(208,323)</u>
Cash Flows From Investing Activities						
Interest earned on investments	-	-	-	20,243	20,243	42,006
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,243</u>	<u>20,243</u>	<u>42,006</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(506,769)	124,736	-	525,921	143,888	(62,361)
Cash and Cash Equivalents, Beginning of Year	861,692	5,233,330	-	413,686	6,508,708	3,134,125
Cash and Cash Equivalents, End of Year	<u>\$ 354,923</u>	<u>\$ 5,358,066</u>	<u>\$ -</u>	<u>\$ 939,607</u>	<u>\$ 6,652,596</u>	<u>\$ 3,071,764</u>

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Refuse	Water and Sewer	Airport	Transit	Total	
Operating Income (Loss)	\$ 38,699	\$ (1,242,308)	\$ (195,548)	\$ (1,332,145)	\$ (2,731,302)	\$ 199,720
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	266,661	1,495,642	119,485	179,630	2,061,418	142,042
Prior period adjustment	(62,215)	(28,193)	(10,302)	130,864	30,154	(149,895)
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(80,295)	(4,653,293)	(24,240)	606,307	(4,151,521)	25,081
(Increase) decrease in inventories	-	(11,622)	-	-	(11,622)	(1,927)
(Increase) decrease in deposit at CSJVRMA	-	-	-	-	-	-
(Increase) decrease in prepaid items	-	-	(5,561)	-	(5,561)	(157,115)
Increase (decrease) in accounts payable	28,748	(695,700)	(9,916)	(6,153)	(683,021)	77,186
Increase (decrease) in accrued wages/taxes payable	19,085	16,928	4,638	72,581	113,232	7,430
Increase (decrease) in deferred revenue	-	-	-	100	100	-
Increase (decrease) in customer deposits	(67,445)	(3,415)	-	-	(70,860)	-
Increase (decrease) in advances from others	48,271	221,819	-	-	270,090	-
Increase (decrease) in other liabilities	-	-	(287,187)	-	(287,187)	64,406
Total adjustments	152,810	(3,657,834)	(213,083)	983,329	(2,734,778)	7,208
Net cash provided (used) by operating activities	\$ 191,509	\$ (4,900,142)	\$ (408,631)	\$ (348,816)	\$ (5,466,080)	\$ 206,928

The accompanying notes are an integral part of these statements.

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

	Pension Trust	Agency Funds
Assets		
General cash	\$ 333,940	\$ 1,808,894
Demand deposits	111,503	-
Contributions receivable and other receivables	307,065	18,013
Prepaid assets	115,713	-
Investments, at fair value		
Guaranteed fixed income	3,600,163	-
U.S. treasury bill	109,918	-
Stocks	10,075,496	-
Mutual funds	966,709	-
	\$ 15,620,507	\$ 1,826,907
Total Assets	\$ 15,620,507	\$ 1,826,907
Liabilities		
Accounts payable	\$ 78	\$ 47,164
Due to other governments	-	2,730
Customer deposits	-	136,633
Deposits payable	-	44,418
CRA pass through liability	-	1,582,452
Other liabilities	308,124	13,510
	308,202	\$ 1,826,907
Total Liabilities	308,202	\$ 1,826,907
Net Assets		
Held in trust for pension benefits and other purposes	\$ 15,312,305	

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Pension Trust
Additions:	
Contributions	
Employer contributions	\$ 1,662,165
Employee contributions	166,687
Total Contributions	1,828,852
Investment Income (Loss)	
Income from use of money and property	155,305
Net appreciation (depreciation) in fair value of investments	(3,827,028)
Sub-Total	(3,671,723)
Less: Investment Management Expenses	157,355
Net Investment Income (Loss)	(3,829,078)
Total Additions	(2,000,226)
Deductions:	
Benefits	902,880
Refunds of contributions	159,376
Administrative expenses	51,255
Total Deductions	1,113,511
Change in Net Assets	(3,113,737)
Net Assets - Beginning of Year	18,426,042
Net Assets - End of Year	\$ 15,312,305

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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 revenues 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.

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 Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term tax allocation bonds of the Delano Redevelopment Agency.

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 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

1. 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
- Local Agency Investment Fund (state pool)
- Bankers' acceptances
- U.S. Treasury bills and notes
- Federally sponsored agency securities
- Repurchase agreements not to exceed 90 days
- Medium term corporate notes and mutual funds

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.

2. 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.

3. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

3. Inter-fund Transactions (Continued)

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.

4. 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.

5. Restricted Assets

Certain proceeds of the Delano Redevelopment Agency tax allocation bonds and the Delano Financing Authority Agency certificates of participation are classified as restricted assets 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.

6. Land Held for Resale

Land held for resale is stated at the lower of historical cost or net realizable value, if estimable. During the year ended June 30, 2009, the City estimated the value of its land held for resale at \$5,375,275.

7. 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 \$1,000 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.

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	5-20 years
Infrastructure	25-29 years
Machinery and equipment	5-30 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

8. 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.

9. 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.

10. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

11. 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.

12. Deficit Fund Balances

The following fund had a deficit fund balance:

Non-Major Fund - First-Time Homebuyer Special Revenue	\$ 333,426
---	------------

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.

13. Use of Estimates

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.

14. Reclassifications

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

E. New Accounting Pronouncements

During the year ended June 30, 2009, the City implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*; No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*; No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

NOTE 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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.

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Explanation of certain differences	
Tax allocation bonds payable	\$ 15,355,000
Certificates of participation	1,195,000
Notes payable - LaSalle	82,715
Notes payable - Bank of America	107,562
Add: Accrued interest payable	343,001
Net OPEB obligation	139,623
Compensated absences payable	<u>778,589</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 18,001,490</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures.” However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$1,315,649 difference are as follows:

Explanation of certain differences	
Capital outlay capitalized in governmental funds	\$ 7,629,125
Total depreciation expense	<u>(8,944,774)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,315,649)</u>

The governmental funds capital assets reflect a net decrease of \$1,248,940. Consider the net decrease of \$66,709 (subtracted) relating to the internal service funds capital assets to agree with the \$1,315,649 above.

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(Continued)

C. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

Another element of that reconciliation states that “the issuance of long-term debt (bonds, notes) provide current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$1,184,933 difference are as follows:

Explanation of certain differences	
Tax allocation bonds principal	\$ 215,000
Certificates of Participation principal	1,130,000
Principal payments for notes payable	184,123
Change in compensated absences	(118,308)
Change in OPEB obligation	(139,623)
Amortization of deferred costs	<u>(86,259)</u>
Net adjustments to decrease net changes in fund balances	
- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,184,933</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” These consist of newly incurred debt and accrued interest of bonds and notes that span from the last interest date to the end of the fiscal year. The detail of the \$0 difference is as follows:

Explanation of certain differences	
Accrued interest beginning	\$ 343,001
Accrued interest ending	<u>(343,001)</u>
Net adjustments to decrease net changes in fund balances	
- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ -</u>

Another element of that reconciliation states that “internal service funds are used by management to charge the costs of certain activities, such as insurance and information systems to individual funds” and that since they are to operate at break even, the gains realized over cost should be returned to the individual funds. The details of such gains are as follows:

Explanation of certain differences	
Gains realized by the liability insurance fund	\$ 77,519
Gains realized by the garage fund	(57,749)
Gains realized by the workers' compensation fund	(213,622)
Gain realized by the City information systems fund	<u>144,275</u>
Total net internal service funds gain	(49,577)
Decrease in allocation of proprietary funds	<u>-</u>
Net adjustments to increase net changes in fund balances	
- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (49,577)</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's cash and cash equivalents and investments consist of the following at June 30, 2009:

Deposits	\$ 5,131,371
Cash on hand	1,552
Cash equivalents and investments	<u>47,381,594</u>
Cash and investments	52,514,517
Cash and investments with fiscal agents	<u>2,882,285</u>
Total	<u>\$ 55,396,802</u>

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

	<u>Cash Equivalents and Investments</u>	<u>Cash With Fiscal Agents</u>	<u>Investments</u>	<u>Total</u>
Governmental activities	\$ 29,208,595	\$ 2,528,988	\$ -	\$ 31,737,583
Business-type activities	6,299,299	353,297	-	6,652,596
Fiduciary funds	<u>2,254,337</u>	<u>-</u>	<u>14,752,286</u>	<u>17,006,623</u>
Total	<u>\$ 37,762,231</u>	<u>\$ 2,882,285</u>	<u>\$ 14,752,286</u>	<u>\$ 55,396,802</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	\$ 23,729,772
Guaranteed investment contracts (bond trustees for the City and its components)	1,829,451
Pension fund investment committee	<u>14,752,286</u>
Total	<u>\$ 40,311,509</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.

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:

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Authorized investments (Continued)

Investment Types Authorized By Section 53601	Investment Policy	Maximum Maturity In Years	Maximum Percentage of Portfolio	Maximum Investment In One Issuer	Maximum Ratings
U.S. Treasury and Agencies	Yes	5	None	None	None
Commercial paper	Yes	5	None	None	PI/AI
Certificates of deposit (CD's)	Yes	5	None	100K	A
Medium term notes	Yes	5	None	None	A
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None	None

The Pension Fund's investment practices and related disclosures regarding its investments at June 30, 2009, 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.

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 Types	Book Value	Maturities in Years		
		Less than 1	1 to 5	Over 5
U.S. Treasury Notes	\$ 265,041	\$ 265,041	\$ -	\$ -
Certificates of Deposit (CD's)	5,044,033	4,846,033	198,000	-
Local Agency Investment Fund (LAIF)	20,173,819	20,173,819	-	-
Money Market Funds	1,213,374	1,213,374	-	-
Guaranteed Investment Contracts	1,829,451	810,499	-	1,018,952
Annuities	599,663	599,663	-	-
Fixed Income	77,512	15,343	62,169	-
Domestic Stock	5,926,988	5,926,988	-	-
International Stock	1,581,465	1,581,465	-	-
Guaranteed Funds	3,600,163	3,600,163	-	-
	<u>\$ 40,311,509</u>	<u>\$ 39,032,388</u>	<u>\$ 260,169</u>	<u>\$ 1,018,952</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Credit risk

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

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	Amount	Exempt from Disclosure	Rating as of Year End			
			A	AAA	BBB	Not Rated
Money Market Funds	\$ 1,213,374	\$ -	\$ -	\$ -	\$ -	\$ 1,213,374
Fixed Income	77,512	-	46,333	-	31,179	-
U.S. Treasury Bills	265,041	-	-	-	-	265,041
Guaranteed Funds	3,600,163	-	-	-	-	3,600,163
LAIF	20,173,819	20,173,819	-	-	-	-
	<u>\$ 25,329,909</u>	<u>\$ 20,173,819</u>	<u>\$ 46,333</u>	<u>\$ -</u>	<u>\$ 31,179</u>	<u>\$ 5,078,578</u>

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, 2009, the City's bank balance of \$6,875,574 (carrying amount of \$7,375,574) was exposed to 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. Of the City's cash equivalents and investments, certain money market funds and guaranteed investments contracts in the amount of \$1,829,445 held as guaranteed funds are subject to custodial risk as they are uninsured or unregistered investments, acquired by the broker or dealer or by its trust department or agent and are held in the City's name. 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. Custodial credit risk for LAIF is not determinable. Additionally, the guaranteed investment contract and funds are backed by the general assets of the insurance company, which is regulated by the state insurance department. The mutual funds and stocks are protected under the Securities Investor Protection Act.

Investments with fair values highly sensitive to interest rate fluctuations

Investments in stocks and mutual funds in the Pension Fund in the amount of \$14,752,286 are subject to the risk that market values of stocks and mutual funds may decrease as a result of the volatility of the stock market.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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.

The City's investment policy places no limit on the amount that may be invested in any one issuer. The City had no investment in excess of 5% of the City's total investments.

B. 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:

	Governmental Funds							Total Governmental Funds
	General	CCF Fund	Developer Impact Fees Fund	CRA Debt Service Fund	CRA Capital Projects Fund	City Capital Projects Fund	Other Non-Major Governmental Funds	
Receivables:								
Taxes	\$ 1,286,979	\$ -	\$ -	\$ 160,258	\$ -	\$ -	\$ -	\$ 1,447,237
Accounts	215,837	1,218,895	20,187	-	45,000	-	936,014	2,435,933
Other	7,465	-	-	-	-	-	-	7,465
Loans receivables	-	-	-	-	645,286	-	-	645,286
Loans receivables - deferred	-	-	-	-	-	-	4,989,431	4,989,431
Intergovernmental - restricted	-	-	-	-	-	459,827	848,000	1,307,827
Total	\$ 1,510,281	\$ 1,218,895	\$ 20,187	\$ 160,258	\$ 690,286	\$ 459,827	\$ 6,773,445	\$ 10,833,179

	Governmental			Total
	Activities Internal Service Funds	Enterprise Funds	Fiduciary Funds	
Receivables:				
Taxes	\$ -	\$ -	\$ -	\$ 1,447,237
Accounts	5,108	1,714,581	-	4,155,622
Other	-	4,717,750	325,078	5,050,293
Loans receivables	-	-	-	645,286
Loans receivables - deferred	-	-	-	4,989,431
Intergovernmental - restricted	-	-	-	1,307,827
Total	\$ 5,108	\$ 6,432,331	\$ 325,078	\$ 17,595,696

C. 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, 2009, the various components of deferred revenue are as follows:

Deferred Revenue:

Major Funds	
General Fund	\$ 47,732
CRA Capital Projects	645,287
Nonmajor Funds	<u>5,080,340</u>
Total	<u>\$ 5,773,359</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

Primary Government	Beginning Balance	Reclass	Adjustments/ Restatements	Adjusted Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental Activities								
Capital Assets, No Depreciation								
Land	\$ 974,959	\$ -	\$ -	\$ 974,959	\$ -	\$ 3,607,219	\$ -	\$ 4,582,178
Construction in Progress	840,117	99,264	-	939,381	-	824,434	707,504	1,056,311
Total Capital Assets, Not Depreciated	1,815,076	99,264	-	1,914,340	-	4,431,653	707,504	5,638,489
Capital Assets, Being Depreciated								
Buildings	13,984,566	-	18,910	14,003,476	-	202,903	-	14,206,379
Improvements	12,521,315	(99,264)	3,255,444	15,677,495	-	1,846,380	-	17,523,875
Equipment and Machinery	6,598,057	-	68,773	6,666,830	61,495	1,370,595	578,665	7,520,255
Infrastructure	149,264,000	-	-	149,264,000	-	-	-	149,264,000
Total Capital Assets, Being Depreciated	182,367,938	(99,264)	3,343,127	185,611,801	61,495	3,419,878	578,665	188,514,509
Less accumulated depreciation for:								
Buildings	(9,980,768)	-	112,831	(9,867,937)	-	(536,269)	-	(10,404,206)
Improvements	(6,588,535)	-	(8,443)	(6,596,978)	-	(1,661,370)	-	(8,258,348)
Equipment and Machinery	(4,541,292)	-	57,513	(4,483,779)	(61,495)	(756,103)	578,665	(4,722,712)
Infrastructure	(11,952,001)	-	10,881	(11,941,120)	-	(5,970,560)	-	(17,911,680)
Total Accumulated Depreciation	(33,062,596)	-	172,782	(32,889,814)	(61,495)	(8,924,302)	578,665	(41,296,946)
Total Capital Assets, Being Depreciated, Net	149,305,342	(99,264)	3,515,909	152,721,987	-	(5,504,424)	-	147,217,563
Governmental Activities Capital Assets, Net	<u>\$ 151,120,418</u>	<u>\$ -</u>	<u>\$ 3,515,909</u>	<u>\$ 154,636,327</u>	<u>\$ -</u>	<u>\$ (1,072,771)</u>	<u>\$ 707,504</u>	<u>\$ 152,856,052</u>

	Beginning Balance	Adjustments/ Restatements	Adjusted Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Business-type Activities							
Capital Assets, No Depreciation							
Land	\$ 2,707,453	\$ -	\$ 2,707,453	\$ -	\$ 476,296	\$ -	\$ 3,183,749
Construction in Progress	6,508,281	-	6,508,281	-	9,828,816	4,295,065	12,042,032
Total Capital Assets, Not Depreciated	9,215,734	-	9,215,734	-	10,305,112	4,295,065	15,225,781
Capital Assets, Being Depreciated							
Buildings	6,109,051	-	6,109,051	-	-	-	6,109,051
Improvements	17,054,878	-	17,054,878	-	4,775,366	566,981	21,263,263
Equipment and Machinery	15,031,548	201,545	15,233,093	(61,495)	1,193,855	974,231	15,391,222
Total Capital Assets, Being Depreciated	34,127,202	201,545	38,397,022	(61,495)	5,969,221	1,541,212	42,763,536
Less Accumulated Depreciation for:							
Buildings	(4,237,952)	-	(4,237,952)	-	(129,758)	-	(4,367,710)
Improvements	(10,108,931)	-	(10,108,931)	-	(1,176,507)	(549,673)	(10,735,765)
Equipment and Machinery	(11,432,401)	-	(11,432,401)	61,495	(755,153)	(945,707)	(11,180,352)
Total Accumulated Depreciation	(25,779,284)	-	(25,779,284)	61,495	(2,061,418)	(1,495,380)	(26,283,827)
Total Capital Assets, Being Depreciated, Net	12,416,193	201,545	12,617,738	-	3,907,803	45,832	16,479,709
Business-type Activities Capital Assets, Net	<u>\$ 21,631,927</u>	<u>\$ 201,545</u>	<u>\$ 21,833,472</u>	<u>\$ -</u>	<u>\$ 14,212,915</u>	<u>\$ 4,340,897</u>	<u>\$ 31,705,490</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 1,296,391
Public safety	5,779,994
Public works	483,657
Engineering services	89,412
Culture, recreation and social services	678,604
Community and economic development	596,244
	<hr/>
Total	<u><u>\$ 8,924,302</u></u>
Business-type activities:	
Refuse	\$ 266,661
Water and sewer	1,495,642
Airport	119,485
Transit	179,630
	<hr/>
Total	<u><u>\$ 2,061,418</u></u>

E. 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.

Inter-fund due from/to other funds at June 30, 2009, were as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Governmental Major Funds:		
General Fund	SLESF Special Revenue Fund	\$ 28,000
General Fund	DFA Debt Service Fund	66,844
Inmate Welfare Special Revenue Fund	Inmate Telephone Revenue Special Revenue Fund	100,000
City Capital Projects Fund	Sewer Fund	8,812,421
City Capital Projects Fund	Water Fund	1,200,334
City Capital Projects Fund	Airport Fund	82,238
		<hr/>
Total Governmental Funds		<u>10,289,837</u>
Business-type Major Funds:		
Water Fund	Development Impact Fees Fund	48,404
Water Fund	Development Impact Fees Fund	84,735
Sewer Fund	Development Impact Fees Fund	57,789
		<hr/>
Total Business-type Funds		<u>190,928</u>
Grand Total		<u><u>\$ 10,480,765</u></u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Inter-fund Transactions (Continued)

Transfers out consist of the following at June 30, 2009:

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfer</u>	<u>Purpose</u>	<u>Amount Transferred</u>
Governmental Major Funds:			
General Fund	Gas Tax Fund	For operations	\$ 150,747
General Fund	City Capital Projects Fund	For various capital projects	3,116,285
General Fund	Water Fund	For operations	9,076
General Fund	Golf Course Special Revenue Fund	To eliminate fund deficit	346,407
General Fund	Senior Citizens Nutrition Special Revenue Fund	To eliminate fund deficit	156,007
General Fund	Airport Fund	To eliminate fund deficit	444,277
Developer Impact Fees Fund	Sewer Fund	For operations	560,197
Developer Impact Fees Fund	Sewer Fund	For various capital projects	57,789
Developer Impact Fees Fund	Water Fund	For various capital projects	84,735
Developer Impact Fees Fund	Water Fund	For various capital projects	48,404
Developer Impact Fees Fund	City Capital Projects Fund	For various capital projects	379,085
Developer Impact Fees Fund	City Capital Projects Fund	For various capital projects	247,482
CRA Capital Projects Fund	CRA Debt Service Fund	To transfer principal payments to appropriate fund	1,465,000
Community Correctional Facility Fund	Water Fund	For operations	<u>2,244</u>
Total Major Funds			<u>7,067,735</u>
Non-Major Funds:			
CDBG Special Revenue Fund	CalHome Special Revenue Fund	Miscellaneous	854
CDBG Special Revenue Fund	City Capital Projects Fund	For various capital projects	12,682
SLESF Special Revenue Fund	General Fund	For operations	100,000
Landscape Maintenance Special Revenue Fund	Sewer Fund	For operations	32,000
CRA Housing Special Revenue Fund	CRA Capital Projects Fund	For operations	20,571
First-Time Homebuyer Special Revenue Fund	CalHome Special Revenue Fund	For operations	75,000
Special Revenue Funds TDA Streets	City Capital Projects Fund	For streets and roads	732,338
Inmate Welfare Special Revenue Fund	Inmate Telephone Revenue Special Revenue Fund	For operations	<u>298,892</u>
Total Non-Major Funds			<u>1,272,337</u>
Total Governmental Funds			<u>8,340,072</u>
Business-type Major Funds:			
Sewer Fund	Water Fund	Miscellaneous	2,342
Airport Fund	Water Fund	Miscellaneous	<u>781</u>
Total Business-type Major Funds			<u>3,123</u>
Governmental Activities Internal Service Funds:			
Central Garage Fund	Water Fund	Miscellaneous	<u>3,708</u>
Total Internal Service Funds			<u>3,708</u>
Grand Total			<u>\$ 8,346,903</u>

F. 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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Advances To/From Other Funds (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u> <u>CRA Debt</u> <u>Service</u>
Refuse	\$ 281,024
Sewer	984,571
General	105,023
Asset Seizure - Special Revenue	110
	<hr/>
Total advances payable	<u>\$ 1,370,728</u>

G. Long-term Debt

A recap of the long-term debt and their outstanding balances by activity as of June 30, 2009, follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Tax allocation bonds payable-Series A	\$ 12,485,000	\$ -	\$ -	\$ 12,485,000	\$ -
Tax allocation bonds payable-Series B	3,085,000	-	215,000	2,870,000	225,000
Certificates of participation	2,325,000	-	1,130,000	1,195,000	1,195,000
Notes payable-Bank of America-Police-GF	58,379	-	18,708	39,671	19,450
Notes payable-Bank of America-Parks-GF	59,400	-	19,035	40,365	19,790
Notes payable-Bank of America-Gas tax	40,506	-	12,980	27,526	13,495
Notes payable-LaSalle Bank	53,235	-	53,235	-	-
Loans payable-LaSalle Bank-Gas Tax	70,287	-	34,593	35,694	35,694
Loans payable-LaSalle Bank-IT	92,593	-	45,572	47,021	47,021
Net OPEB obligation	-	139,623	-	139,623	-
Compensated absences payable	660,281	118,308	-	778,589	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total external debt	18,929,681	257,931	1,529,123	17,658,489	1,555,450
Business-type activities:					
Notes payable-LaSalle Bank-Water	714,760	-	119,317	595,443	123,841
Notes payable-LaSalle Bank-Water	30,389	-	14,957	15,432	15,432
Notes payable-LaSalle Bank-Refuse	161,609	-	79,244	82,365	82,365
Notes payable-LaSalle Bank-Refuse	71,858	-	35,367	36,491	36,490
Notes payable-Bank of America-Refuse	130,865	-	41,937	88,928	43,600
Notes payable-LaSalle Bank-Sewer	21,798	-	21,798	-	-
Notes payable-M. Mettler-Sewer	99,299	-	99,299	-	-
Notes payable-Mettler Trust-Sewer	577,730	-	577,730	-	-
Notes Payable-Chevron Energy Solutions - Water	3,516,059	-	60,226	3,455,833	250,306
Notes payable-G. Holland-Sewer	38,140	-	38,140	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total notes payable	5,362,507	-	1,088,015	4,274,492	552,034
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Grand total	<u>\$ 24,292,188</u>	<u>\$ 257,931</u>	<u>\$ 2,617,138</u>	<u>\$ 21,932,981</u>	<u>\$ 2,107,484</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Debt (Continued)

1. 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. \$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, 2009, was \$12,485,000. Debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ -	\$ 634,575
2011	-	634,575
2012	-	634,575
2013	-	634,575
2014	-	634,575
2015-2019	-	3,172,875
2020-2024	2,065,000	2,958,100
2025-2029	2,670,000	2,350,750
2030-2034	3,405,000	1,614,000
2035-2039	4,345,000	673,000
	<u>\$ 12,485,000</u>	<u>\$ 13,941,600</u>

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, 2009, was \$2,870,000. Debt service payments to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 225,000	\$ 155,942
2011	240,000	144,377
2012	250,000	132,041
2013	260,000	119,191
2014	275,000	105,827
2015-2019	1,620,000	284,981
	<u>\$ 2,870,000</u>	<u>\$ 942,359</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Debt (Continued)

2. Certifications of participation

The City, under its blended component unit, the Delano Financing Authority, has outstanding Certificates of Participation obligations in the amount of \$5,410,000 due to mature on April 1, 2010, issued January 30, 2002, originally in the amount of \$8,075,000. The debt service is paid out from a portion of base rental payments receivable from the State of California under an RTC (Return to Custody) contract entered into between the City and the State of California Department of Corrections. The outstanding balance as of June 30, 2009, was \$1,195,000. Debt service payments to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,195,000	\$ 68,713
	<u>\$ 1,195,000</u>	<u>\$ 68,713</u>

3. Notes payable

- a. The Sewer Utility Fund has purchased land for the expansion of its wastewater treatment plant, issuing promissory notes in the amount of \$1,505,182, which were due to mature on April 13, 2012. The debt was being paid out of operating revenue. As of June 30, 2009, the entire balance was paid off.
- b. The Water Utility fund also 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, 2009, was \$595,443. Debt service amounts to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 123,841	\$ 21,213
2011	128,536	16,518
2012	133,409	11,645
2013	138,467	6,587
2014	71,190	1,337
	<u>\$ 595,443</u>	<u>\$ 57,300</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)**G. Long-term Debt** (Continued)**3. Notes payable** (Continued)

The City also 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, 2009, was \$196,490. The loan is payable out of general fund and gas tax revenues with a yearly debt service in the amount \$104,128. Debt service amounts to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 96,335	\$ 7,793
2011	100,155	3,972
	<u>\$ 196,490</u>	<u>\$ 11,765</u>

4. Notes/loans payable – LaSalle Bank

- a. The City also obtained a 7-year loan from LaSalle Bank in Chicago, to finance the repair of its HVAC system at City Hall, in the amount of \$325,000, which was due to mature on September 24, 2008. As of June 30, 2009, the entire balance was paid off. The loan was being paid out of general fund revenues with a yearly debt service in the amount of \$55,800.
- b. 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 is being paid with operating revenues. As of June 30, 2009, the outstanding obligation was \$217,003. Debt service amounts to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 217,003	\$ 8,017
	<u>\$ 217,003</u>	<u>\$ 8,017</u>

5. Note payable – 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 start in May 2009. Future payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 250,305	\$ 142,965
2011	273,130	134,968
2012	297,302	119,979
2013	322,889	106,941
2014	349,963	92,792
2015-2019	1,962,244	211,290
	<u>\$ 3,455,833</u>	<u>\$ 808,935</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Debt (Continued)

6. 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.

H. 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 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	\$ 95,032,826
Total Liabilities	<u>85,729,373</u>
Net Assets	<u>\$ 9,303,453</u>
Total Revenues	\$ 27,355,514
Total Expenses	<u>27,751,916</u>
Net Income	<u>\$ (396,402)</u>

The City's share of year-end assets, liabilities, or equities has not been calculated by CSJVRMA. Detailed financial information maybe 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:					
2007	\$ 398,055	\$ (236,534)	\$ (68,985)	\$ (386,043)	\$ (77,515)
2008	\$ 416,165	\$ (106,542)	\$ (190,564)	\$ (537,308)	\$ (495,764)
2009	\$ 487,352	\$ 179,034	\$ 150,772	\$ (551,373)	\$ (229,979)
Liability and property damage:					
2007	\$ 330,576	\$ (159,655)	\$ 72,632	\$ (211,278)	\$ 206,429
2008	\$ 361,236	\$ (92,358)	\$ (154,328)	\$ (10,735)	\$ 310,244
2009	\$ 368,431	\$ (78,030)	\$ (251,516)	\$ (17,074)	\$ 332,055

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Employees Retirement System

Plan Description

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, 2009, was comprised as follows:

	<u>2009</u>
Active Members	
Vested (active members 100% vested)	77
Non-vested (active members less than 100% vested)	<u>145</u>
Total Active Members	222
Terminated Members Entitled to but Not Yet Receiving Benefits	60
Retirees and Beneficiaries of Deceased	12
Retirees Currently Receiving Benefits	<u>38</u>
Total	<u><u>332</u></u>

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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Employees Retirement System (Continued)

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, 2009, the annual required contribution to the Plan by the City was determined at 23.239% of covered payroll. Contributions aggregating \$1,828,852 were made in fiscal year 2009, 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.

Funded Status and Progress

As of June 30, 2009, the most recent actuarial valuation date, the Plan was 61.32% funded. The actuarial accrued liability for benefits was \$29,881,644 and the actuarial value of assets was \$18,323,795, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,557,849. The covered payroll as of June 30, 2009 valuation was \$8,128,608. The ratio of UAAL to the covered payroll was 142.19%.

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 57 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.

Schedule of Funding Status and Progress

Fiscal Year	(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)
6/30/2004	\$ 14,350,746	\$ 21,702,704	66.12%	\$ 7,351,958	\$ 7,483,544	98.24%
6/30/2005	\$ 15,048,284	\$ 19,633,478	76.65%	\$ 4,585,194	\$ 7,895,996	58.07%
6/30/2006	\$ 16,839,790	\$ 21,484,859	78.38%	\$ 4,645,069	\$ 6,353,463	73.11%
6/30/2007	\$ 19,454,948	\$ 24,767,406	78.55%	\$ 5,312,458	\$ 6,764,823	78.53%
6/30/2008	\$ 18,426,143	\$ 27,169,641	67.82%	\$ 8,743,498	\$ 7,296,505	119.83%
6/30/2009	\$ 18,323,795	\$ 29,881,644	61.32%	\$ 11,557,849	\$ 8,128,608	142.19%

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Employees Retirement System (Continued)

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.

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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Employees Retirement System (Continued)

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, 2009, are summarized in this note to conform to the disclosure requirements of GASB No. 50.

Valuation date	June 30, 2009
Actuarial cost method	Modified entry age normal cost
Amortization method	Level percent payroll, open
Remaining amortization period	10 years **
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%
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.

** Note: Effective July 1, 2009, the actuarial assumptions were changed, the remaining amortization period from 10 years to 20 using the smoothing method.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Employees Retirement System (Continued)

CalPERS

Effective June 30, 2008 (most recent information available), 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; CalPERS' provisions and benefits in effect at June 30, 2008 (date of the most recent information available), are summarized as follows:

	<u>Safety</u>
Benefits vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50
Monthly benefits, as a % of annual salary	2%
Required employee contribution rate, active as of June 25, 2005	4.00%
Required employee contribution rate, active as of June 25, 2005, provided by employer	2.77%
Required employee contribution rate hired after June 25, 2005	7.00%
Required employer contribution rates	28.83%

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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Employees Retirement System (Continued)

CalPERS (Continued)

CalPERS' actuarial valuation is as follows:

Actuarial Valuation

Valuation date	6/30/2008
Actuarial cost method	Entry age actuarial cost method
Amortization method	level percent of payroll
Average remaining period	14 years as of the valuation date
Asset valuation method	15 year smoothed market
Actuarial assumptions	
Investment rate of return	7.75% (net of administrative expenses)
Projected salary increases	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale, varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.
Members included in the valuation	45
Annual covered payroll*	\$77,903,428
Total assets at market value*	\$447,923,730
Entry age normal accrued liability*	\$504,295,839
Actuarial value of assets*	\$438,674,996
Unfunded liability*	\$65,620,843
Funded ratio*	88.80%
Unfunded liability as % of covered payroll*	84.20%
Required contributions:	
Risk pool's net employer normal cost	\$281,050
Amortization of side fund	\$385,657
Total employer contributions	\$697,097
Member contributions	\$235,002

* Plans having less than 100 active members in at least one valuation since June 30, 2003, are required to participate in a risk pool. These amounts are derived from the actuary report for the risk pool, as information for the plan is not provided.

The current contributions reflected this fiscal year, are as follows:

Employer contributions	\$767,850
Employee contribution which included employer paid contributions	\$235,062
Total	\$2,662,792
Annual covered payroll	\$77,903,428

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

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

J. Postemployment Benefits Other than Pension Benefits

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.

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 2008-09, the City's annual OPEB cost was \$139,623. 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, 2009, were as follows:

Annual required contribution	\$ 139,623
Interest on net OPEB obligation	-
Adjustments to annual required contribution	-
	<hr/>
Annual OPEB cost	139,623
Contributions made	-
	<hr/>
Change in net OPEB obligation (asset)	139,623
Net OPEB obligation (asset) - beginning of year	-
	<hr/>
Net OPEB obligation (asset) - end of year	<u>\$ 139,623</u>

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation (Asset)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2009	\$ 139,623	\$ -	0.00%	\$ 139,623

Fiscal year 2008-09 was the year of implementation of GASB Statement No. 45 and the City has elected to implement prospectively. Therefore, prior year comparative data is unavailable. In future years, three-year trend information will be presented. The City's contributions in fiscal year 2008-09 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 2008-09, the City contributed \$0 to the OPEB.

As of June 30, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 1,171,649, all of which was unfunded.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

J. Postemployment Benefits Other than Pension Benefits (Continued)

Funding Policy, Funded Status, Funding Progress (Continued)

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.

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.

K. 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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

L. 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.

M. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2009, on a fund level, the following governmental funds exceeded their appropriations in the following categories:

These over expenditures were funded by greater than anticipated revenues and other budgeted line items that were under-expended.

Appropriations Category

Major Funds

General Fund		
General Government	\$	116,814
Engineering Services		39,860
Interest and Other Charges		55,801
Developer Impact Fees Fund		
General Government		11,636

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

N. Prior Period Adjustments

The fund balances (net assets) of the following funds (activities) were adjusted as of June 30, 2009, as follows:

	Statement of Activities	General Fund	CCF Fund	Non-Major Governmental Funds	
				Gas Tax Fund	CDBG Fund
Net Assets (Fund Balance), as Previously Reported	\$ 176,512,366	\$ 9,779,387	\$ 977,026	\$ 741,817	\$ 1,679,503
Prior Period Adjustments					
To correct an error in the distribution of negative Garage Fund balances	155,367	(70,698)	(2,830)	(18,633)	-
To correctly account for deferred loans	(2,959,741)	-	-	-	(1,523,085)
To recognize deferred revenue as earned in previous years	76,906	76,906	-	-	-
To adjust prior year deposit with CSJVRMA to actual	(409,322)	-	-	-	-
To adjust capital assets not capitalized in prior years	2,984,572	-	-	-	-
Total Prior Period Adjustments	(152,218)	6,208	(2,830)	(18,633)	(1,523,085)
Net Assets (Fund Balance) Beginning of Year, as Restated	\$ 176,360,148	\$ 9,785,595	\$ 974,196	\$ 723,184	\$ 156,418
				Non-Major Governmental Funds	
	First Time Home-buyer Housing Fund	Senior Citizen Nutrition Fund	Maintenance District Fund	Golf Course	Internal Service Fund Cent. Garage
Net Assets (Fund Balance), as Previously Reported	\$ 1,299,692	\$ 9,787	\$ 134,535	\$ (190,315)	\$ 495,208
Prior Period Adjustments					
To correct an error in the distribution of negative Garage Fund balances	-	(3,861)	(3,647)	(4,391)	259,427
To correctly account for deferred loans	(1,436,656)	-	-	-	-
To recognize deferred revenue as earned in previous years	-	-	-	-	-
To adjust prior year deposit with CSJVRMA to actual	-	-	-	-	(409,322)
To adjust capital assets not capitalized in prior years	-	-	-	-	-
Total Prior Period Adjustments	(1,436,656)	(3,861)	(3,647)	(4,391)	(149,895)
Net Assets (Fund Balance) Beginning of Year, as Restated	\$ (136,964)	\$ 5,926	\$ 130,888	\$ (194,706)	\$ 345,313
				Proprietary Funds	
	Statement of Activities	Water and Sewer Fund	Refuse Fund	Airport Fund	Transit Fund
Net Assets (Fund Balance), as Previously Reported	\$ 22,019,710	\$ 14,735,424	\$ 2,375,181	\$ 2,035,014	\$ 2,778,895
Prior Period Adjustments					
To correct an error in the distribution of negative Garage Fund balances	(155,367)	(21,126)	(62,215)	(1,346)	(70,680)
Prior year fuel cost, not reported in previous year	(10,233)	-	-	(10,233)	-
To correct accounts receivable related to prior years	(5,790)	(7,067)	-	1,277	-
To record capital asset addition not reflected in the prior year	201,544	-	-	-	201,544
Total Prior Period Adjustments Proprietary Funds	30,154	(28,193)	(62,215)	(10,302)	130,864
Net Assets (Fund Balance) Beginning of Year, as Restated	\$ 22,049,864	\$ 14,707,231	\$ 2,312,966	\$ 2,024,712	\$ 2,909,759

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

O. Subsequent Events

Events or transactions that occur subsequent to the balance sheet date, but prior to the issuance of the financial statements that have a potential material effect on the financial statements require adjustments or disclosure in the statements. The following is a disclosure of an event, which influenced the City that did not exist as of June 30, 2009, but arose subsequent to that date.

On April 19, 2010, the Board approved a resolution authorizing the City Manager to execute a funding agreement with the California Department of Public Health. The purpose of this agreement is to finance the City's construction of the Arsenic Mitigation Project, which requires the City to remediate the water wells to enable the City to meet safe drinking water standards under the provisions of the California Safe Drinking Water State Revolving Fund Law of 1997. The construction loan and grant agreement will provide the City with the necessary funding in the form of a loan at an approved amount not to exceed \$20,709,156 at 0% interest. The term of the loan is 20 years.

The City will retain the services of a fiscal agent to administer the collection and holding of repayment funds until all amounts due have been paid in full. The loan will be distributed to the City on a reimbursement basis contingent on the submission of claims which are subject to review and approval of the State. The City agrees to fund any portion of the project cost which is in excess of the loan amount.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF DELANO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET VS. ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 6,488,497	\$ 6,488,497	\$ 2,372,616	\$ (4,115,881)
Sales taxes	2,705,224	2,705,224	7,322,296	4,617,072
Franchise taxes	471,000	471,000	609,654	138,654
Motor vehicle in lieu tax	385,000	385,000	3,989,748	3,604,748
Other taxes	361,215	361,215	680,169	318,954
Fees and fines	168,400	168,400	250,377	81,977
Licenses and permits	278,600	278,600	103,442	(175,158)
Intergovernmental revenues	882,500	1,274,413	1,148,083	(126,330)
Charges for current services	1,041,924	1,215,478	1,111,047	(104,431)
Investment earnings	117,000	117,000	203,227	86,227
Miscellaneous revenue	88,500	88,500	7,932	(80,568)
Total Revenues	12,987,860	13,553,327	17,798,591	4,245,264
Expenditures				
Current				
General government	3,081,730	3,542,352	3,659,166	(116,814)
Public safety	9,678,089	9,905,846	9,866,074	39,772
Engineering services	1,002,823	244,748	284,608	(39,860)
Culture and recreation	1,580,549	1,795,764	1,595,909	199,855
Debt service				
Interest and other charges	-	-	55,801	(55,801)
Capital outlay	214,900	506,829	294,519	212,310
Total Current Expenditures	15,558,091	15,995,539	15,756,077	239,462
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,570,231)	(2,442,212)	2,042,514	4,484,726
Other Financing Sources (Uses)				
Transfers in	-	36,955	100,000	63,045
Transfers out	(199,065)	(296,597)	(4,222,799)	(3,926,202)
Total Other Financing Sources and (Uses)	(199,065)	(259,642)	(4,122,799)	(3,863,157)
Net Change in Fund Balances	(2,769,296)	(2,701,854)	(2,080,285)	621,569
Fund Balances, Beginning of Year	9,779,387	9,779,387	9,779,387	-
Prior Period Adjustments	6,208	6,208	6,208	-
Fund Balances, End of Year	\$ 7,016,299	\$ 7,083,741	\$ 7,705,310	\$ 621,569

CITY OF DELANO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET VS. ACTUAL
COMMUNITY CORRECTIONAL FACILITY – SPECIAL REVENUE MAJOR FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 8,162,090	\$ 8,162,090	\$ 7,476,606	\$ (685,484)
Miscellaneous revenue	3,615	3,615	4,730	1,115
Total Revenues	8,165,705	8,165,705	7,481,336	(684,369)
Expenditures				
Current				
Public safety	8,755,166	8,755,166	8,148,229	606,937
Total Current Expenditures	8,755,166	8,755,166	8,148,229	606,937
Excess (Deficiency) of Revenues Over (Under) Expenditures	(589,461)	(589,461)	(666,893)	(77,432)
Other Financing Sources (Uses)				
Transfers in	61,280	-	-	-
Transfers out	-	-	(2,244)	(2,244)
Total Other Financing Sources (Uses)	61,280	-	(2,244)	(2,244)
Net Change in Fund Balances	(528,181)	(589,461)	(669,137)	(79,676)
Fund Balances, Beginning of Year	977,026	977,026	977,026	-
Prior Period Adjustment	(2,830)	(2,830)	(2,830)	-
Fund Balances, End of Year	\$ 446,015	\$ 384,735	\$ 305,059	\$ (79,676)

**CITY OF DELANO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET VS. ACTUAL
DEVELOPER IMPACT FEES – SPECIAL REVENUE MAJOR FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 977,500	\$ 977,500	\$ 1,678,792	\$ 701,292
Investment earnings	82,800	82,800	213,517	130,717
Miscellaneous		-	80	80
Total Revenues	<u>1,060,300</u>	<u>1,060,300</u>	<u>1,892,389</u>	<u>832,089</u>
Current Expenditures				
General government	-	-	11,636	(11,636)
Capital outlay	429	-	-	-
Total Current Expenditures	<u>429</u>	<u>-</u>	<u>11,636</u>	<u>(11,636)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,059,871	1,060,300	1,880,753	820,453
Other Financing Sources (Uses)				
Transfers out	<u>(3,470,000)</u>	<u>(6,298,810)</u>	<u>(1,377,692)</u>	<u>4,921,118</u>
Net Change in Fund Balances	(2,410,129)	(5,238,510)	503,061	5,741,571
Fund Balances, Beginning of Year	<u>7,590,300</u>	<u>10,663,966</u>	<u>10,663,966</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 5,180,171</u>	<u>\$ 5,425,456</u>	<u>\$ 11,167,027</u>	<u>\$ 5,741,571</u>

**CITY OF DELANO, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION TRUST**

I. Schedule of Funding Status and Progress

Fiscal Year	(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)
6/30/00	\$ 11,934,102	\$ 14,499,489	82.31%	\$ 2,565,387	\$ 6,835,377	37.53%
6/30/01	\$ 11,547,511	\$ 15,606,939	73.99%	\$ 4,059,428	\$ 6,543,832	62.03%
6/30/02	\$ 11,649,634	\$ 17,970,464	64.83%	\$ 6,320,830	\$ 7,337,881	86.14%
6/30/03	\$ 12,156,501	\$ 19,736,558	61.59%	\$ 7,580,057	\$ 7,305,354	103.76%
6/30/04	\$ 14,350,746	\$ 21,702,704	66.12%	\$ 7,351,958	\$ 7,483,544	98.24%
6/30/05	\$ 15,048,284	\$ 19,633,478	76.65%	\$ 4,585,194	\$ 7,895,996	58.07%
6/30/06	\$ 16,839,790	\$ 21,484,859	78.38%	\$ 4,645,069	\$ 6,353,463	73.11%
6/30/07	\$ 19,454,948	\$ 24,767,406	78.55%	\$ 5,312,458	\$ 6,764,823	78.53%
6/30/08	\$ 18,426,143	\$ 27,169,641	67.82%	\$ 8,743,498	\$ 7,296,505	119.83%
6/30/09	\$ 18,323,795	\$ 29,881,644	61.32%	\$ 11,557,849	\$ 8,128,608	142.19%

II. Schedule of Employer Contributions

Fiscal Year	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	\$ 1,337,025	105%
2009	\$ 1,774,940	103%

III. 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, 2009
Actuarial cost method	Modified entry age normal cost
Amortization method	Level percent payroll, open
Remaining amortization period	10 years **
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% annual rate
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.

** Note: Effective July 1, 2009, the actuarial assumptions were changed, the remaining amortization period from 10 years to 20 using the smoothing method.

**CITY OF DELANO, CALIFORNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POSTEMPLOYMENT BENEFITS**

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