

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

CITY OF PORTERVILLE, CALIFORNIA

PREPARED BY THE DEPARTMENT OF FINANCE

MARIA C. BEMIS

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Introductory Section



Maria Bemis
Finance Director
(559) 782-7435



291 North Main Street
Porterville, CA 93257

January 20, 2010

Honorable Mayor and City Council
John Lollis, City Manager
City of Porterville, California

The comprehensive annual financial report of the City of Porterville for the year ended June 30, 2010, is hereby submitted in accordance with Sections 24 and 59 of the City Charter. These ordinances require that the City issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report.

Management assumes full responsibility for the completeness and reliability of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Pressley and Associates, Inc., a firm of licensed certified public accountants, have issued an unqualified ("clean") opinion on the City of Porterville's financial statements for the fiscal year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of the City of Porterville was part of the broader, federally-mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Porterville's separately issued Single Audit Report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Porterville, incorporated on May 7, 1902, is located in the southeastern portion of California's San Joaquin Valley, the most diverse agricultural area in the world. The City currently occupies a land area of 16 square miles and serves a population of 52,960. Porterville is empowered to levy property taxes within its boundaries in accordance with Article XIII A of the California Constitution (Proposition 13), which limits ad valorem taxes on real property to 1.0 percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The County of Tulare is responsible for the assessment, collection and apportionment of property taxes. Porterville is also empowered to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Porterville has operated under the council-manager form of government since 1927. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and four other members. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three members elected during one election and two during the next. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both Porterville's manager and attorney. The city manager is responsible for carrying out the policies and ordinances of the Council, overseeing the day-to-day operations of the city, and for appointing the heads of the various departments.

The City of Porterville provides a full range of services through its general fund, including general administration and finance; police and fire protection; public works (engineering, building inspection, streets, roads and other infrastructure construction and maintenance); planning, zoning, and economic development; and parks maintenance and community services, library, and adult and youth recreational activities. Transit, water, sewer, and solid waste disposal services are provided through enterprise funds, as are airport, golf course, and the Pearl Zalud Estate museum operations.

The annual budget serves as the foundation for the City of Porterville's financial planning and control. All departments of the City are required to submit requests for appropriations to the City Manager who uses these requests as the starting point for developing a proposed budget. The City Manager presents this proposed budget to the council for review prior to June 1. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, by department (e.g., public works) and by function (e.g., streets maintenance). The City Manager is authorized to transfer budgeted amounts between departments within the general fund. Department heads may make transfers of appropriations within a department.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes. If appropriations from proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. These statements for major funds can be found in the Required Supplementary Information section. Nonmajor funds budgetary information is located in the Supplemental Statements category.

Local economy

The City of Porterville's economy is a thriving mixture of agri-business, light industry and commercial enterprise. Local factories produce products such as electronic medical instruments, printed forms and specialty documents, food products, carpet yarn, machine products, aircraft parts, and lumber. Several public facilities are also located here including the Porterville Developmental Center, Sequoia National Forest Headquarters, the Army Corps of Engineers Lake Success Facility, and the Porterville College campus of the Kern Community College District.

In June 2010, the City's unemployment rate was 14.4 percent, the highest it has been in 10 years. The elevated unemployment is a key factor in the lower level of spending. Over the last year, a new approach to purchases has emerged with consumers spending on current needs rather than wants and avoiding unnecessary purchases. This new lower level of consumer spending is not expected to change in the near future.

During the year, the City experienced a 6 percent decline in sales tax revenues, from \$6,147,526 in fiscal year 2008-2009 to \$5,784,887 in fiscal year 2009-2010. It is the same decline that every geographic region of California continues to experience. Continued high unemployment, consumer uncertainty and housing problems factor into the sales decline statewide.

For fiscal year 2010-2011, we are looking at a slight growth in sales tax with the opening of Kohl's Department Store which employs approximately 130 persons, providing an estimated payroll of \$1 million. The construction of a new Walgreens is currently underway. Anticipated to open by late spring, it would create more job opportunities for skilled and semi-skilled workers in the community.

The City's Community Development Block Grant provided "gap" funding for 7 small businesses that are either just starting a business in Porterville or are trying to expand their business. These loans represent the creation or retention of 57 full-time equivalent jobs.

On August 30, 2010, the City of Porterville entered into an agreement with Southern California Edison (SCE) to lease approximately 33 acres of unimproved real property owned by the City for the development, construction and operation of solar photovoltaic facilities (solar farm). When completed, the solar farm is expected to produce enough energy to power 4,300 homes each year. Construction began in October 2010 with SCE temporarily employing 125 workers. SCE anticipates the project to be complete by early February 2011.

Long-term financial planning

In July 2009, the City entered into an Enterprise Fund Installment Sale Agreement with the California Infrastructure and Economic Development Bank (CIEDB) in the amount of \$6,757,500 with a term of 30 years. The proceeds of the loan will finance the eastside water system capital improvement projects including the construction of a 3 million gallon reservoir at Martin Hill, Well #31 at Matthew Street, the Morton Avenue and Matthew Street water trunk lines, and the Veterans Park booster pump. An additional loan of \$1,500,000 was provided by CIEDB on April 1, 2010 to finance the construction of a 550,000 gallon storage reservoir at Rocky Hill. These infrastructure improvements are necessary to keep pace with the population growth.

In November 2010, the City Council voted to refinance its 1997 Sewer System Certificates of Participation which currently has an outstanding balance of \$9,470,000. The City determined that there is a need for the extension of sewer services to approximately 1,200 residents that had been annexed to the City in 2006 and estimates that the construction cost of the new sewer infrastructure to be approximately \$7,000,000. The City is seeking to finance this project with proceeds from the refunding and is anticipating construction to begin by late summer 2011.

Cash management policies and practices

Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Government agencies, the State Treasurer's local agency investment pool (LAIF) and other investment pools. The maturities of the investments range from 1 day to 5 years. At June 30, 2010, the City's investment pool had a weighted average maturity of 672 days and an average yield of 2.212 percent. Investment income includes depreciation in the fair value of investments. Decreases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

Major initiatives

The new Superior Court to be located at the old Fairgrounds site is on track to start construction in the fall of 2011. This new courthouse project will become the South Justice Center of the county and will serve both limited and unlimited jurisdiction cases. The project includes the construction of a 95,000 square foot building and surface parking on approximately 7.41 acres with the estimated construction cost of \$90 million. The development of the South County Justice Center will serve as a community centerpiece and economic force for years to come. It is estimated that the new facility will be staffed by over 100 employees to support the additional courtrooms, new judgeships, drug court, growth in family court services, and a greater number of cases. Construction is expected to be completed late in 2012.

One of the City's capital projects scheduled to begin in 2011 is the Plano Street Bridge widening which involves the widening of the existing bridge from two to four lanes, construction of sidewalks and addition of specialized treatments and lighting. The estimated cost of the project is over \$7.6 million, a majority of which will be funded by a federal grant from the Highway Bridge Replacement and Rehabilitation program. This project will provide access from Highway 190 to Olive Avenue for the new courthouse.

Construction on the Jaye Street extension is another project set to begin in 2011. At an estimated cost of \$3 million, the project includes the construction of a roundabout at Jaye Street and Montgomery and the extension of Jaye Street from Montgomery Avenue to Gibbons Avenue. This project will connect Highway 190 to Gibbons, improve traffic conditions in the immediate area by addressing mobility and safety issues, and provide sufficient capacity for future traffic growth. Funding for this project includes Prop 1B, Measure R, local transportation funds, and traffic impact fees.

Also in progress is the circulation of a new Super Walmart Environmental Impact Report which will pave the way for the construction of the 43,000 square foot retail giant at the Riverwalk Marketplace and greatly impact downtown revitalization.

The City is actively pursuing the acquisition of the Porterville Hotel. With available funds of over \$2 million from the proceeds of the 2008 refinancing of tax allocation bonds, the City continues to negotiate the terms of acquisition with the owner of the hotel and with the Department of Housing and Community development for the City to assume the loan and the affordability covenants. The City plans to demolish the hotel which was formerly an affordable housing complex, replace the affordable housing units and then market the site to a developer for a possible mixed used development consisting of both retail and office space.

The Scranton Avenue and Indiana Street widening project is due to commence in 2011. This project which involves adding new lanes will connect Highway 65 with Porterville's industrial area and ease the pressure along the highway. The City estimates the project to cost \$3 million with funding from Tulare County's Regional Measure R funds, a one-half cent sales tax approved by the voters of Tulare County in 2006 to support road improvements and repair, transit and other transportation projects.

The rehabilitation of Runway 12-30 has started. The Federal Aviation Administration has awarded the City grant funds amounting to \$2,158,000 for the project. The runway improvements will assure support for the heavy aircraft tankers that utilize the runways during fire season.

Also slated in 2011 is the development of the Chase Avenue Park to be built on a 2.3-acre site. The City was awarded a \$2.5 million grant by the California State Parks under the Sustainable Communities and Climate Change Reduction Account of Proposition 84 for this project which will include a walking trail, a multi-purpose playing field, playgrounds, and picnic pavilions.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Porterville for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the twentieth consecutive year that the city has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of the report. Credit also must be given to the Mayor and governing Council, and the City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Porterville finances.

Respectfully submitted,

A handwritten signature in cursive script, reading "Matia Bemis".

Matia Bemis
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Porterville
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

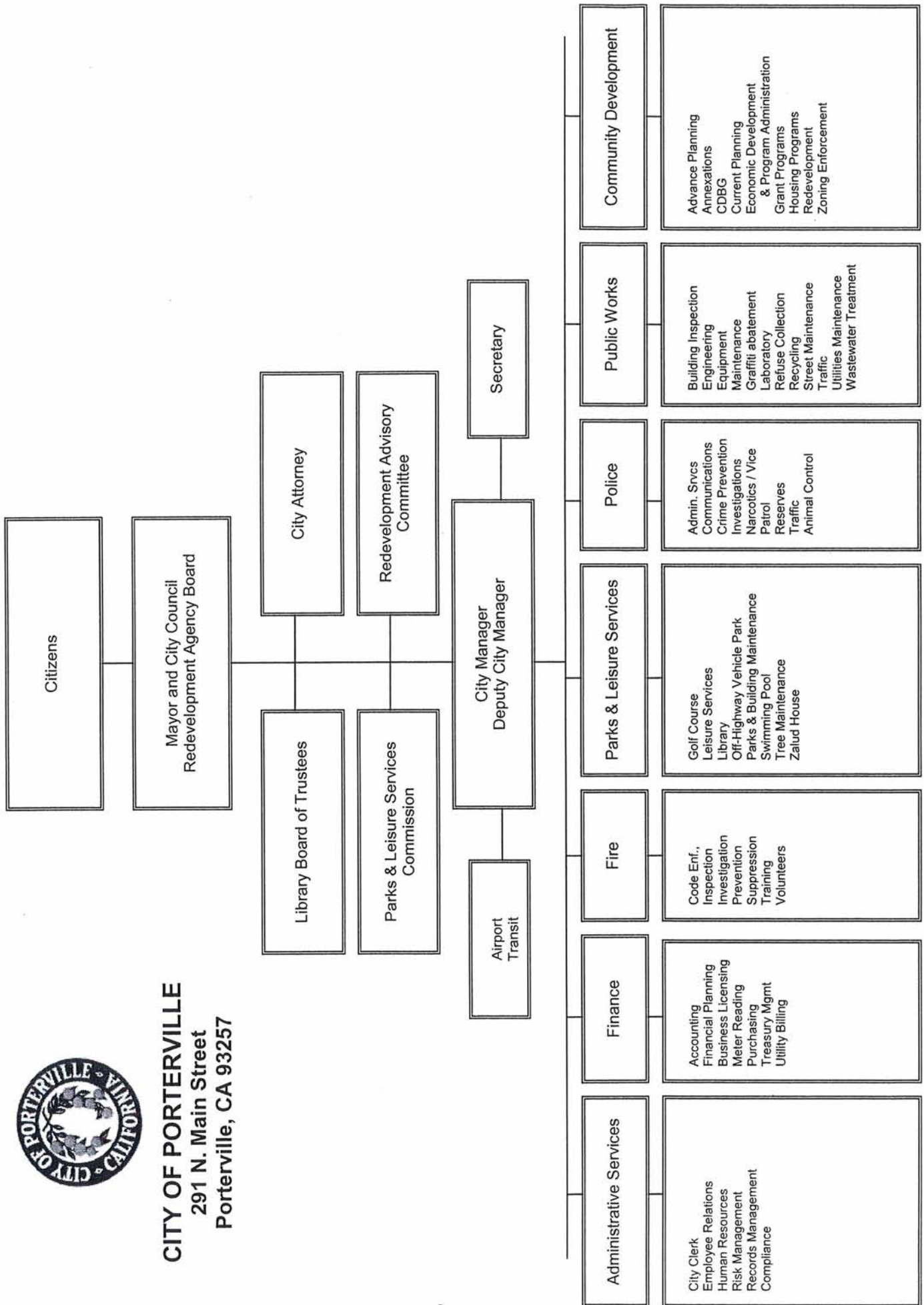


President

Executive Director



CITY OF PORTERVILLE
291 N. Main Street
Porterville, CA 93257



CITY OF PORTERVILLE

CITY OFFICIALS - COMMISSIONS, BOARDS, AND COMMITTEES

As of June 30, 2010

City Council and Redevelopment Agency Board

Term Expires

Pete V. McCracken	Mayor and Chairperson	June 2014**
Brian Ward	Vice-Mayor and Vice-Chairperson	June 2012
Cameron Hamilton	Council Member and Agency Member	June 2012
Felipe Martinez	Council Member and Agency Member	June 2010**
Ronald L. Irish	Council Member and Agency Member	June 2012
Greg Shelton	Council Member <u>Elect</u> and Agency Member	June 2014**

City Manager and Department Directors

John D. Lollis	City Manager/City Clerk
Bradley Dunlap	Community Development Director
Mario Garcia	Fire Chief
Charles McMillan	Police Chief
Donnie Moore	Interim Parks and Leisure Services Director
Baldo Rodriguez	Public Works Director
Maria Bemis	Finance Director
Patrice Hildreth	Administrative Services Manager

Library Board of Trustees

Ellen Nichols, Chairperson
Obdulia Guzman Alvarado, Vice-Chairperson
Catherine May, Member
Joseph Carter, Member
Joe Moreno, Member

Parks and Leisure Services Commission

Charles Webber, Chairperson
<Vacant, Vice-Chairperson>
Case Lok, Member
Rick Vafeades, Member
Rocco Calantone, Member
Donald W. Beardsley, Member
Leticia Lupio, Member
Monte Moore, Member

***Please note, an election was held on June 8th for two Council seats. Council Member McCracken was re-elected, and Mr. Greg Shelton was also elected. Council Member Felipe Martinez was not re-elected. The new City Council Members were not sworn in and seated until July 6, 2010. The City Council also reorganized at the meeting of July 6, 2010.*

Financial Section



INDEPENDENT AUDITOR'S REPORT

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

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

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

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 14, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the accompanying table of contents, are not a required part 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the City Council
Porterville, California
Page 2 of 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pressley & Associates, Inc.

Accountancy Corporation

Bakersfield, California
January 14, 2011

Management's Discussion and Analysis

As management of the City of Porterville, we offer readers of the City of Porterville's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 5 of this report. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the City of Porterville exceeded its liabilities at the close of the most recent fiscal year by \$445,027,902. Of this amount, \$35,127,386 (*unrestricted net assets*) is available to be used to meet Porterville's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$ 1,988,060.
- As of June 30, 2010, the City's governmental funds reported combined ending fund balances of \$35,764,218, a decrease of \$1,077,800 in comparison with the prior year. Of this total, 65 percent is *available for spending* at the City's discretion (*unreserved fund balance*).
- At June 30, 2010, unreserved fund balance for the general fund was \$13,816,167, or 65 percent of total general fund expenditures.
- Long-term debt of the City of Porterville shows an increase of \$6,886,686 (11%) in the current fiscal year. The City had entered into 2 Enterprise Fund Installment Sale agreements with the California Infrastructure and Economic Development Bank in the total amount of \$8,257,500 to finance the Eastside Water Improvement projects and the Rocky Hill Reservoir project.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Porterville's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Porterville's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Porterville is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Porterville that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, planning and economic development, public works, and parks and recreation. The business-type activities of the City include the Zalud Estate, Public Transit, Sewer, Solid Waste, Airport, Golf, and Water operations.

The government-wide financial statements can be found on pages 26 - 27 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Porterville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Porterville maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Safety Sales Tax Fund, Community Development Block Grant Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining and individual statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 29 - 32 of this report.

Proprietary funds. The City of Porterville maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the Zalud Estate, Public Transit, Sewer, Solid Waste, Airport, Golf and Water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for equipment maintenance and risk management. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Water and Solid Waste operations, all of which are considered to be major funds of the City. The remaining enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements, as well as both internal service funds. Individual fund data for each of these nonmajor enterprise funds and the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 34 - 36 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Porterville's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 38 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40 - 66 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Porterville's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees.

The City adopts an annual appropriated budget for all governmental funds. Budgetary comparison schedules for the General Fund and the major special revenue funds have been provided to demonstrate compliance with these budgets.

Required supplementary information can be found on pages 68 - 72 of this report.

The combining and individual statements referred to earlier in connection with nonmajor governmental funds, nonmajor proprietary funds, internal service funds, and fiduciary fund are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 77 - 103 of this report.

Government-wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Porterville, assets exceeded liabilities by \$445,027,902 at June 30, 2010.

By far, the largest portion of the City's net assets, \$386,585,771 (87 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Porterville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Porterville's Net Assets						
	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 58,280,248	\$ 57,610,015	\$ 30,278,190	\$ 21,662,201	\$ 88,558,438	\$ 79,272,216
Capital assets	375,025,220	373,663,898	66,625,995	66,043,665	441,651,215	439,707,563
Total assets	433,305,468	431,273,913	96,904,185	87,705,866	530,209,653	518,979,779
Long-term liabilities outstanding	36,475,001	36,334,784	31,462,034	24,715,565	67,937,035	61,050,349
Other liabilities	15,117,149	13,487,645	2,127,567	1,401,943	17,244,716	14,889,588
Total liabilities	51,592,150	49,822,429	33,589,601	26,117,508	85,181,751	75,939,937
Net assets:						
Invested in capital assets, net of related debt	351,421,810	349,278,341	35,163,961	41,328,100	386,585,771	390,606,441
Restricted	14,383,239	15,181,102	8,931,506	1,453,501	23,314,745	16,634,603
Unrestricted	15,908,269	16,992,041	19,219,117	18,806,757	35,127,386	35,798,798
Total net assets	\$ 381,713,318	\$ 381,451,484	\$ 63,314,584	\$ 61,588,358	\$ 445,027,902	\$ 443,039,842

An additional portion of the City of Porterville's net assets, \$23,314,745 (5 percent) represents resources that are subject to external restrictions on how they may be used. \$12,976,013 is restricted for capital projects. This is an increase of \$8,068,716 from prior

year as a result of the issuance of new debt in the water fund. Net assets of \$3,600,025 are also restricted for debt service.

The remaining balance of *unrestricted net assets*, \$35,127,386 (8 percent) may be used to meet the City's ongoing obligation to citizens and creditors.

At June 30, 2010, the City of Porterville is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Statement of Activities

As stated earlier, the statement of activities shows how the City's net assets changed from year to year. For the year ended June 30, 2010, the City's net assets increased by \$1,988,060.

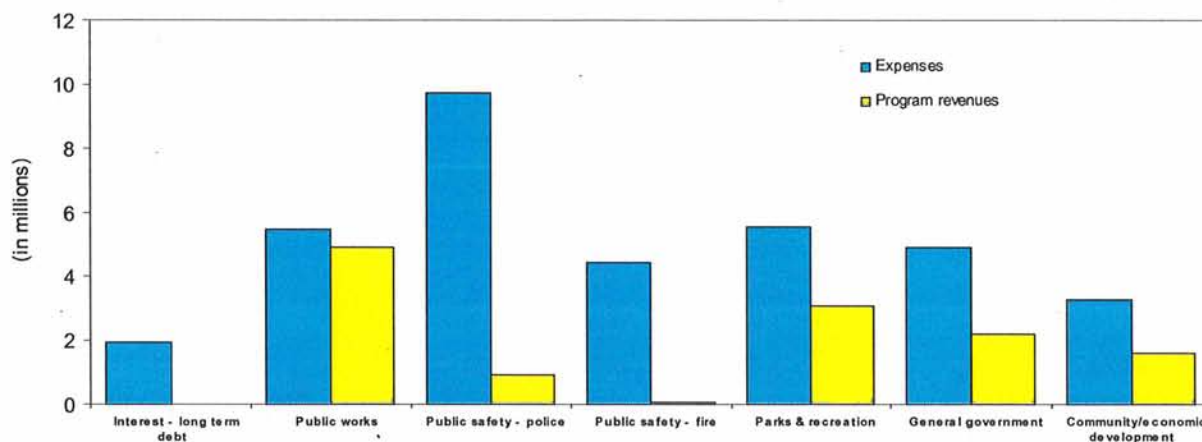
City of Porterville's Changes in Net Assets

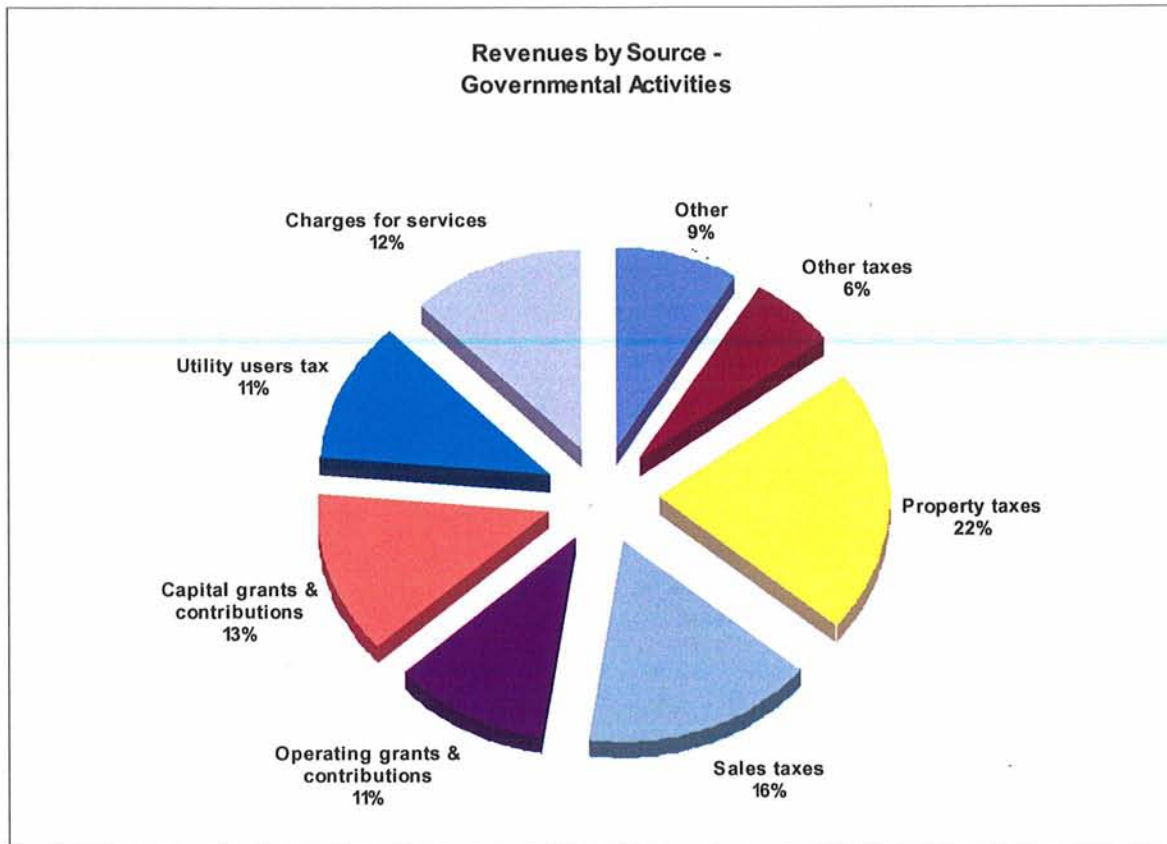
	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 4,337,312	\$ 4,121,263	\$ 18,377,977	\$ 18,194,290	\$ 22,715,289	\$ 22,315,553
Operating grants and contributions	3,831,693	3,860,567	1,327,162	1,960,094	5,158,855	5,820,661
Capital grants and contributions	4,602,881	5,678,939	1,403,707	732,272	6,006,588	6,411,211
General revenues:						
Property taxes	7,644,246	8,407,701	—	—	7,644,246	8,407,701
Other taxes	11,958,923	12,353,636	—	—	11,958,923	12,353,636
Other	3,066,675	1,605,726	569,205	666,490	3,635,880	2,272,216
Total revenues	35,441,730	36,027,832	21,678,051	21,553,146	57,119,781	57,580,978
Expenses:						
Community/economic development	3,283,858	2,690,074	—	—	3,283,858	2,690,074
General government	4,924,487	2,846,863	—	—	4,924,487	2,846,863
Parks and recreation	5,528,384	5,164,959	—	—	5,528,384	5,164,959
Public safety - fire	4,409,729	3,979,319	—	—	4,409,729	3,979,319
Public safety - police	9,746,482	9,022,945	—	—	9,746,482	9,022,945
Public works	5,447,841	4,654,609	—	—	5,447,841	4,654,609
Interest on long-term debt	1,942,367	1,908,767	1,709,235	1,549,773	3,651,602	3,458,540
Airport	—	—	963,340	1,622,485	963,340	1,622,485
Golf course	—	—	386,090	419,558	386,090	419,558
Sewer	—	—	4,934,213	5,337,466	4,934,213	5,337,466
Solid waste	—	—	5,310,156	5,181,318	5,310,156	5,181,318
Transit	—	—	2,017,040	2,036,726	2,017,040	2,036,726
Water	—	—	4,504,521	4,392,608	4,504,521	4,392,608
Zalud estate	—	—	23,978	30,775	23,978	30,775
Total expenses	35,283,148	30,267,536	19,848,573	20,570,709	55,131,721	50,838,245
Increase in net assets before transfers	158,582	5,760,296	1,829,478	982,437	1,988,060	6,742,733
Transfers	103,252	(454,528)	(103,252)	454,528	—	—
Increase in net assets	261,834	5,305,768	1,726,226	1,436,965	1,988,060	6,742,733
Net assets - July 1	381,451,484	376,145,716	61,588,358	60,151,393	443,039,842	436,297,109
Net assets - June 30	\$ 381,713,318	\$ 381,451,484	\$ 63,314,584	\$ 61,588,358	\$ 445,027,902	\$ 443,039,842

Governmental activities. Revenue in governmental activities decreased by \$586,102 or 2 percent. Property taxes declined by \$763,455, a 9 percent decrease from the prior year, primarily due to the reduction in the assessed valuation. Sales tax is also down from \$6,147,526 in fiscal year 2008/2009 to \$5,784,887 in the current fiscal year, a decrease of \$362,639 or 6 percent. The economic downturn including the high unemployment, housing problems and consumer uncertainty is the cause of this decrease. Other revenue increased by \$1,460,949 mainly from the sale of capital assets.

Total expenses in governmental activities increased by \$5,015,612, which represents a 17 percent increase from the prior year. General government shows the largest increase in expenses with \$2,077,624. This increase resulted from the License and Development Agreement entered into by the City with the Tulare County Junior Livestock Show and Community Fair whereby the City provided financial assistance for the purpose of relocating the fairgrounds. Expenses in the community and economic development department and the public works department also show increases of \$593,784 (22 percent) and \$793,232 (17 percent), respectively. These increases reflect the additional cost of on-going projects including the cost of consultant services for the redevelopment project area amendment.

**Expenses and Program Revenues -
Governmental Activities**

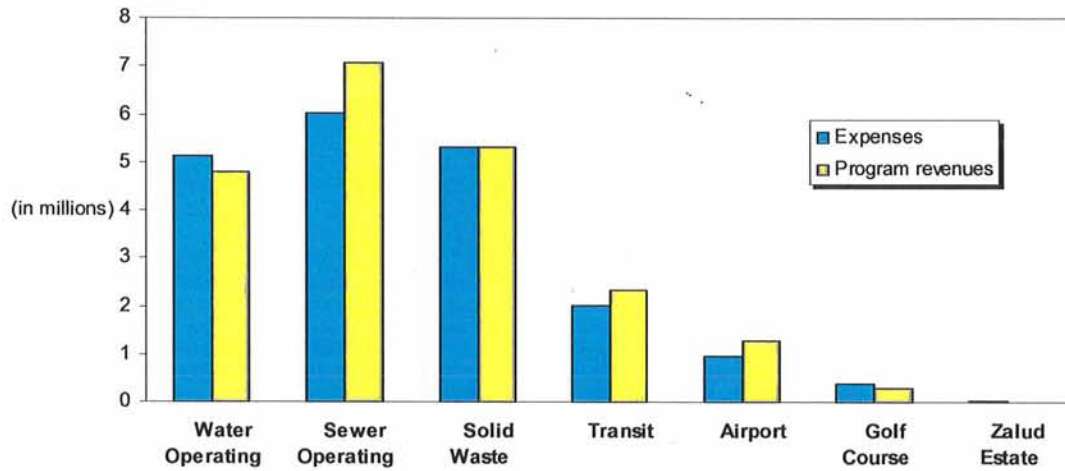




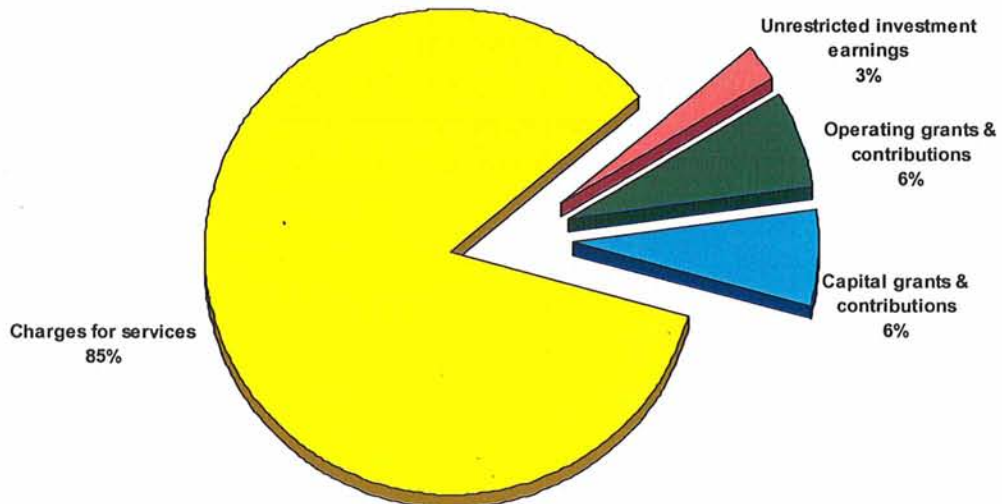
Business-type activities. Business-type activities increased the City of Porterville's net assets by \$1,829,478, accounting for 92 percent of the total growth in the net assets of the City of Porterville.

Overall revenues for business-type activities show a slight increase of \$124,905 from prior year, while total expenses decreased by \$722,136. Sewer fund expenses decreased by \$403,253 mainly due to the new direction that the City has taken with regards to how it manages effluent, crop and non-crop activities. Expenses in the airport fund also show a reduction of \$659,145, a 41 % decrease from prior year. This is primarily the result of the change in fuel prices.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Fund

As noted earlier, the City of Porterville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Porterville's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2010, the City of Porterville's governmental funds reported combined ending fund balances of \$35,764,218, a decrease of \$1,077,800 in comparison with the prior year. Of this total amount, \$23,254,198 (65 percent) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed (1) to pay debt service, \$2,150,412, (2) for use on capital projects by bond covenants, \$5,494,120, or (3) for a variety of other restricted purposes, \$4,865,488.

The general fund is the chief operating fund of the City of Porterville. At the end of June 30, 2010, unreserved fund balance of the general fund was \$13,816,167, while total fund balance reached \$18,705,899. 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 65 percent of total general fund expenditures, while total fund balance represents 88 percent of that same amount.

The fund balance of the City of Porterville's general fund decreased by \$68,883 during the current fiscal year primarily due to ongoing revenues outstripping increases in expenditures.

As of June 30, 2010, the public safety sales tax fund has a total fund balance of \$3,283,623 which is restricted for police and fire protection and related capital projects and for literacy programs.

The community development block grant fund has a total fund balance of \$753,693, all of which is reserved for capital projects and for housing projects for low and moderate income families. This is an increase of \$479,983 from prior year generally due to the timing of funding.

The capital projects fund has a total fund balance of \$2,744,000 that is all reserved to finance various capital improvement projects. This balance represents the funds available from the issue of the 2005 Infrastructure Financing Project Certificates of Participation.

Proprietary funds. The City of Porterville's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Operations fund at June 30, 2010, amounted to \$11,960,748, an increase of \$743,997 in comparison with the prior year. In the Water Operations fund, unrestricted net assets totaled \$4,591,117, while \$7,481,893 is restricted for capital projects which is the result of the new debt the City has incurred in the current year to finance new water improvement projects. In the Solid Waste fund, the amount of unrestricted net assets at June 30, 2010 is \$2,311,563.

General Fund Budgetary Highlights

During the year, there was an increase of \$353,307 in appropriations between the original budget and the final amended budget. The main components of these changes are as follows:

- \$37,204 re-appropriation of funds as approved by the City Council in support of the Tulare County Workforce Investment Board 'Youth@Work' Community Improvement Projects Program.
- \$69,422 supplemental appropriation in the Parks and Leisure Services Department to increase staffing for the YES program due to the increase in the number of students being served.
- \$115,756 re-appropriation of funds for ongoing projects in the, Community and Economic Development Department.
- \$26,115 supplemental appropriation for legal fees for services requiring outside counsel and other litigation matters.
- \$39,606 appropriation for a portion of California ReLeaf – ARRA grant funds awarded to the Parks and Leisure Department for tree planting project.

Variances between the final amended budget and actual expenditures are mainly due to several vacant positions in the Police and Fire departments and also in the Public Works and Parks and Leisure departments.

During the year, the City experienced a positive variance of \$352,278 in revenues compared to budgetary estimates. Property taxes and sales taxes fell short of the City's estimates by \$763,339 and \$576,947, respectively. This is due to the reduction in assessed valuation and the economic slowdown experienced throughout the State. But the shortfall in taxes was contained by the amount of grant funds, \$1,311,255 and investment interest, \$305,197 earned during the year over the budgetary estimates.

Capital Asset and Debt Administration

Capital assets. The City of Porterville's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$441,651,215 (net of accumulated depreciation). This investment in capital assets includes land, distribution and collection systems, buildings, improvements, machinery and equipment, works of art and historical collections, park facilities, roads, highways and bridges. The total increase in Porterville's investment in capital assets for the current fiscal year was \$1,943,652.

Major capital asset events during the current fiscal year included the following:

- Purchase of a 13-acre parcel of land in the amount of \$515,343 for use in a various projects including a new public safety building, right-of-way for Jaye Street widening, construction of a round-about at the intersection of Jaye Street and Montgomery Avenue, and provision of vacant land for light industrial development.
- Completion of the bus maintenance facility at a total cost of \$1,235,742.
- Purchase of a new transit bus fueled by compressed natural gas (CNG) for \$395,262.
- Purchase of a new roll-off truck with CNG fuel installation for \$204,739.
- Construction of the CNG fueling facility was completed during the year at a total cost of \$1,789,969.
- Installation of a new 137 feet water slide at the municipal pool at a cost of \$205,465.
- Completion of several street projects including the reconstruction of 'G' Street and Prospect Street, and the full depth reclamation of Henderson Avenue. The total cost of the street projects was \$1,513,778.
- Construction of Hockett Street parking lot was completed at a cost of \$496,251.
- Various vehicles and equipments were purchased during the year. The total cost to the City was \$1,233,478.

City of Porterville's Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 268,366,492	\$ 267,821,839	\$ 4,938,508	\$ 4,938,508	\$ 273,305,000	\$ 272,760,347
Works of art and collections	183,938	183,938	--	--	183,938	183,938
Buildings	9,286,987	7,745,349	3,684,189	2,541,469	12,971,176	10,286,818
Improvements other than buildings	5,784,205	5,196,548	50,202,322	51,770,068	55,986,527	56,966,616
Machinery and equipment	4,147,358	3,818,027	4,683,948	4,564,788	8,831,306	8,382,815
Infrastructure	83,982,507	84,555,511	--	--	83,982,507	84,555,511
Construction in progress	3,273,733	4,342,686	3,117,028	2,228,832	6,390,761	6,571,518
Total	<u>\$ 375,025,220</u>	<u>\$ 373,663,898</u>	<u>\$ 66,625,995</u>	<u>\$ 66,043,665</u>	<u>\$ 441,651,215</u>	<u>\$ 439,707,563</u>

Additional information on the City's capital assets can be found in Note 1-D-5 and Note 4-E on page 43 and pages 53 - 54 this report.

Long-term debt. At the end of the current fiscal year, the City of Porterville had total debt outstanding of \$67,298,150.

City of Porterville's Outstanding Debt

	Governmental activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds	\$ 8,105,000	\$ 8,210,000	--	--	\$ 8,105,000	\$ 8,210,000
Certificates of participation	22,725,000	23,395,000	19,675,000	20,935,000	42,400,000	44,330,000
Notes payable	3,611,489	3,778,950	13,181,661	5,068,667	16,793,150	8,847,617
Capital lease payable	--	--	--	233,276	--	233,276
Total	<u>\$ 34,441,489</u>	<u>\$ 35,383,950</u>	<u>\$ 32,856,661</u>	<u>\$ 26,236,943</u>	<u>\$ 67,298,150</u>	<u>\$ 61,620,893</u>

The City's total debt increased by \$5,677,257 during the current fiscal year. The key factor in this increase was the enterprise fund installment and sale agreement entered into by the City with the California Infrastructure and Economic Development Bank for a total amount of \$8,257,500 to finance certain water improvement projects.

Standard & Poor's Ratings Services ("S&P") has assigned the rating of BBB+ to the 2008 tax allocation refunding bonds.

Additional information on the City's long-term debt can be found in Note 4-G and Note 4-H on pages 55 - 59 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the City of Porterville at the end of the current fiscal year is 14.4 percent which is an increase from a rate of 13.5 percent a year ago. This compares favorably to the county's rate of 15.7 percent.
- Because of the uncertainty in the economy, property tax revenues for the upcoming year are projected at the same level as the 2009-2010 revenues. A slight growth in sales tax revenues is estimated for the year 2010-2011 with the opening of the new Kohl's store in September 2010.
- For fiscal year 2010-2011, the City Council has given direction to limit departmental expenditures to 94 percent of the approved general fund appropriations to offset \$1,300,000 in the projected deficit.
- Construction has started on the Eastside Water Improvement Projects and the Rocky Hill Reservoir Project. The budget for the Water Operations includes \$7,000,000 for these projects which are funded by loans from the California Infrastructure and Economic Development Bank.

- In the Airport Fund, the budget includes \$2,250,000 for the rehabilitation of Runway 12-30 over 90 percent of which is funded by a grant from the Federal Aviation Administration.
- The City is expecting \$1,200,000 million from the Federal Transit Administration for the purchase of four additional CNG transit buses.
- Various street projects have been budgeted including \$1,600,000 for the Jaye Street extension, \$1,200,000 for the Montgomery Street roundabout, \$3,000,000 for the Scranton Avenue and Indiana Street widening, and \$7,600,000 for the Plano Street Bridge widening. Funding for these projects is a combination of Special Gas Tax and Local Transportation Funds, Prop 1B funds, Measure R sales tax, Highway Bridge Replacement and Rehabilitation Program grant funds, and transportation impact fees.

At the end of the 2009-10 fiscal year, the unreserved fund balance in the general fund has a balance of \$13,816,167. The City of Porterville has appropriated \$798,000 of this amount for spending in the 2010-11 fiscal year for operating and capital assistance.

Requests for Information

This financial report is designed to provide a general overview of the City of Porterville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Division, City of Porterville, 291 North Main Street, Porterville, CA 93257-3737.

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**Basic
Financial Statements**



City of Porterville
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 496,081	\$ 254,531	\$ 750,612
Investments	32,158,336	17,573,758	49,732,094
Receivables - utility (net of allowance for uncollectibles)	-	2,134,532	2,134,532
Receivables - misc (net of allowance for uncollectibles)	1,709,861	448,807	2,158,668
Receivables - housing (net of allowance for uncollectibles)	10,710,317	-	10,710,317
Inventories	-	119,401	119,401
Prepays	14,705	-	14,705
Internal balances	(270,776)	270,776	-
Restricted assets - intergovernmental	1,849,323	168,657	2,017,980
Restricted assets - cash and cash equivalents	-	23	23
Restricted assets - investments	6,687,134	8,931,506	15,618,640
Restricted assets - assets held for resale	421,750	-	421,750
Notes receivable	3,650,592	-	3,650,592
Certs of Participation issue costs (net of accumulated amortization)	852,925	376,199	1,229,124
Capital assets - land, construction in progress, works of art and collections	271,824,163	8,055,536	279,879,699
Capital assets- other, net of accumulated depreciation	103,201,057	58,570,459	161,771,516
Total assets	433,305,468	96,904,185	530,209,653
LIABILITIES			
Accounts payable and other current liabilities	2,743,852	908,069	3,651,921
Accrued interest payable	628,850	449,260	1,078,110
Unearned revenue	11,744,447	770,238	12,514,685
Non-current liabilities - due in 1 year	2,147,712	1,484,399	3,632,111
Non-current liabilities - due in more than 1 year	34,327,289	29,977,635	64,304,924
Total liabilities	51,592,150	33,589,601	85,181,751
NET ASSETS			
Invested in capital assets, net of related debt	351,421,810	35,163,961	386,585,771
Restricted for capital projects	5,494,120	7,481,893	12,976,013
Restricted for community development	753,693	-	753,693
Restricted for debt service	2,150,412	1,449,613	3,600,025
Restricted for self-insurance	5,914,026	-	5,914,026
Restricted for grant programs	70,988	-	70,988
Unrestricted	15,908,269	19,219,117	35,127,386
Total net assets	\$ 381,713,318	\$ 63,314,584	\$ 445,027,902

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

City of Porterville
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Community and economic developmen	\$ 3,283,858	\$ 211,309	\$ 1,388,052	\$ -	\$ (1,684,497)	\$ -	\$ (1,684,497)
General government	4,924,487	1,584,359	598,411	-	(2,741,717)	-	(2,741,717)
Parks and recreation	5,528,384	1,731,356	206,083	1,159,084	(2,431,861)	-	(2,431,861)
Public safety - fire	4,409,729	45,359	29,967	-	(4,334,403)	-	(4,334,403)
Public safety - police	9,746,482	598,148	333,855	-	(8,814,479)	-	(8,814,479)
Public works	5,447,841	166,781	1,275,325	3,443,797	(561,938)	-	(561,938)
Interest on long-term debt	1,942,367	-	-	-	(1,942,367)	-	(1,942,367)
Total governmental activities	35,283,148	4,337,312	3,831,693	4,602,881	(22,511,262)	-	(22,511,262)
Business-type Activities:							
Airport	973,737	804,640	-	477,544	-	308,447	308,447
Golf course	386,090	280,765	-	-	-	(105,325)	(105,325)
Sewer operating	6,031,727	7,042,587	-	31,772	-	1,042,632	1,042,632
Solid waste	5,310,156	5,289,821	12,001	-	-	(8,334)	(8,334)
Transit	2,017,040	332,016	1,315,161	703,561	-	333,698	333,698
Water operating	5,105,845	4,621,535	-	190,830	-	(293,480)	(293,480)
Zalud estate	23,978	6,613	-	-	-	(17,365)	(17,365)
	19,848,573	18,377,977	1,327,162	1,403,707	-	1,260,273	1,260,273
Total primary government	\$ 55,131,721	\$ 22,715,289	\$ 5,158,855	\$ 6,006,588	(22,511,262)	1,260,273	(21,250,989)
General revenues:							
					7,644,246	-	7,644,246
					5,784,887	-	5,784,887
					4,045,732	-	4,045,732
					1,469,489	-	1,469,489
					382,477	-	382,477
					276,338	-	276,338
					1,059,640	569,205	1,628,845
					1,943,106	-	1,943,106
					63,929	-	63,929
					103,252	(103,252)	-
					22,773,096	465,953	23,239,049
					261,834	1,726,226	1,988,060
					381,451,484	61,588,358	443,039,842
					\$ 381,713,318	\$ 63,314,584	\$ 445,027,902

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

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The original Charter of the City established the General Fund. Activities financed from this fund include general government, financial services, police protection, street and storm drain maintenance, planning, engineering, building regulation, community promotion, fire, parks and recreation, and library services. The sales and use tax, property tax, utility users tax, motor vehicle in-lieu tax, and traffic fines are the major revenue sources for this fund.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. These funds are required by statute, charter provisions, or local ordinance to finance particular activities of the City of Porterville.

Public Safety Sales Tax Fund

This fund was established as a result of the voters approval of a one-half cent increase in sales tax on the November 8, 2005 Special Consolidated Election ballot. This fund is used to account for revenues received from this district tax, which are restricted for police and fire protection services and for literacy programs.

Community Development Block Grant Fund

This fund was created to account for all financial transactions having to do with the Community Development Block Grant Program and First-time Homebuyers Program of the Federal Department of Housing and Urban Development. The programs are used for low-interest housing rehabilitation and mortgage assistance loans.

CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital projects not being financed by proprietary funds.

General Government Fund

This fund was created to account for all resources used in the acquisition or construction of capital facilities and operating capital outlays by the City of Porterville.

City of Porterville
Balance Sheet
Governmental Funds
June 30, 2010

	General	Public Safety Sales Tax	Community Development Block Grant	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 218,736	\$ 45,675	\$ -	\$ 21,640	\$ 118,030	\$ 404,081
Investments	14,918,397	3,152,320	-	1,493,451	6,244,713	25,808,881
Receivables - misc (net):						
Interest	118,724	-	-	452	10,597	129,773
Taxes	1,003,451	163,300	-	-	137,584	1,304,335
Other	215,735	-	-	-	9,317	225,052
Receivables - housing (net):	-	-	10,383,345	-	326,972	10,710,317
Intergovernmental receivables	77,971	-	733,451	4,031	1,033,870	1,849,323
Interfund receivable	-	-	-	-	721,813	721,813
Prepaid items	14,705	-	-	-	-	14,705
Assets held for resale	-	-	421,750	-	-	421,750
Advances receivable	1,320,215	-	-	-	-	1,320,215
Restricted - cash/fiscal agent	-	-	-	2,733,079	3,954,055	6,687,134
Notes receivable	2,720,592	-	-	-	930,000	3,650,592
Total assets	<u>\$ 20,608,526</u>	<u>\$ 3,361,295</u>	<u>\$ 11,538,546</u>	<u>\$ 4,252,653</u>	<u>\$ 13,486,951</u>	<u>\$ 53,247,971</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 283,848	\$ 6,089	\$ 7	\$ 1,461,728	\$ 52,187	\$ 1,803,859
Payroll payable	545,175	71,583	4,927	46,925	15,715	684,325
Interfund payable	31,430	-	396,574	-	-	428,004
Deferred revenue	104,130	-	10,383,345	-	1,256,972	11,744,447
Advances payable	938,044	-	-	-	1,885,074	2,823,118
Total liabilities	<u>1,902,627</u>	<u>77,672</u>	<u>10,784,853</u>	<u>1,508,653</u>	<u>3,209,948</u>	<u>17,483,753</u>
Fund balances:						
Reserved for:						
Advances / notes	4,040,807	-	-	-	-	4,040,807
Capital projects	848,925	-	-	2,744,000	1,901,195	5,494,120
Community development	-	-	753,693	-	-	753,693
Debt service	-	-	-	-	2,150,412	2,150,412
Grant programs	-	-	-	-	70,988	70,988
Unreserved, reported in						
General fund	13,816,167	-	-	-	-	13,816,167
Special revenue funds	-	3,283,623	-	-	7,944,833	11,228,456
Capital projects funds	-	-	-	-	(1,790,425)	(1,790,425)
Total fund balances	<u>18,705,899</u>	<u>3,283,623</u>	<u>753,693</u>	<u>2,744,000</u>	<u>10,277,003</u>	<u>35,764,218</u>
Total liabilities and fund balances	<u>\$ 20,608,526</u>	<u>\$ 3,361,295</u>	<u>\$ 11,538,546</u>	<u>\$ 4,252,653</u>	<u>\$ 13,486,951</u>	<u>\$ 53,247,971</u>

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

City of Porterville
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

Fund balances of governmental funds	\$ 35,764,218
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(35,058,475)
Internal service funds are used by management to charge the costs of risk management and equipment management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	6,168,555
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	374,839,020
Net assets of governmental activities	\$ <u><u>381,713,318</u></u>

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

City of Porterville
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Public Safety Sales Tax	Community Development Block Grant	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 6,674,609	\$ -	\$ -	\$ -	\$ 969,637	\$ 7,644,246
Sales taxes	3,376,898	2,407,989	-	-	-	5,784,887
Utility users tax	4,045,732	-	-	-	-	4,045,732
Franchise tax	1,469,489	-	-	-	-	1,469,489
Motor vehicle in-lieu tax	382,477	-	-	-	-	382,477
Transient occupancy tax	276,338	-	-	-	-	276,338
Licenses and permits	836,180	-	-	-	-	836,180
Intergovernmental	1,543,434	-	1,388,052	11,446	4,347,980	7,290,912
Charges for services	3,568,334	-	134,427	-	-	3,702,761
Special assessments and fees	-	-	-	-	515,437	515,437
Fines and forfeitures	82,717	-	-	-	271,956	354,673
Investment earnings	476,798	91,554	21,090	2,561	298,930	890,933
Miscellaneous	93,606	-	-	-	20,645	114,251
Total revenues	<u>22,826,612</u>	<u>2,499,543</u>	<u>1,543,569</u>	<u>14,007</u>	<u>6,424,585</u>	<u>33,308,316</u>
EXPENDITURES						
Current:						
Community and economic development	836,239	-	400,710	333,263	613,423	2,183,635
General government	2,585,191	-	-	2,051,373	2,000	4,638,564
Parks and recreation	4,404,077	347,946	-	94,075	179,623	5,025,721
Public safety - fire	3,226,212	774,294	-	-	32,298	4,032,804
Public safety - police	7,361,336	1,168,799	-	-	356,524	8,886,659
Public works	2,039,749	-	-	932,243	-	2,971,992
Debt service:						
Principal	-	-	145,000	-	836,461	981,461
Interest and administrative charges	6,696	-	182,136	-	1,683,318	1,872,150
Capital outlay	726,026	-	-	3,844,597	30,383	4,601,006
Total expenditures	<u>21,185,526</u>	<u>2,291,039</u>	<u>727,846</u>	<u>7,255,551</u>	<u>3,734,030</u>	<u>35,193,992</u>
Excess (deficiency) of revenues over expenditures	<u>1,641,086</u>	<u>208,504</u>	<u>815,723</u>	<u>(7,241,544)</u>	<u>2,690,555</u>	<u>(1,885,676)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,571,354	28,990	-	7,231,817	2,258,012	11,090,173
Transfers out	(5,311,143)	(199,835)	(335,740)	(42,985)	(5,492,414)	(11,382,117)
Loan to developer	-	-	-	-	(930,000)	(930,000)
Sale of capital assets	2,029,820	-	-	-	-	2,029,820
Total other financing sources and uses	<u>(1,709,969)</u>	<u>(170,845)</u>	<u>(335,740)</u>	<u>7,188,832</u>	<u>(4,164,402)</u>	<u>807,876</u>
Net change in fund balances	(68,883)	37,659	479,983	(52,712)	(1,473,847)	(1,077,800)
Fund balances - beginning	18,774,782	3,245,964	273,710	2,796,712	11,750,850	36,842,018
Fund balances - ending	<u>\$ 18,705,899</u>	<u>\$ 3,283,623</u>	<u>\$ 753,693</u>	<u>\$ 2,744,000</u>	<u>\$ 10,277,003</u>	<u>\$ 35,764,218</u>

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

City of Porterville
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Net change in fund balances --total governmental funds	\$ (1,077,800)
--	----------------

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

Capital outlays are reported as expenditures in governmental funds. However in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,465,645
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The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.	(86,714)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	942,461
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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.	(872,304)
---	-----------

Internal service funds are used by management to charge the costs of risk management and equipment management to individual funds. The net revenue of the internal service funds is reported with governmental activities.	(109,454)
--	-----------

Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 0 10px;">\$ 261,834</div>
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The notes to the financial statements are an integral part of this statement.

MAJOR PROPRIETARY FUNDS

Proprietary Funds are used to account for operations that provide goods or services to the general public on a continuing basis and are financed primarily through user charges.

Sewer Operating Fund

Three funds have been established to account for sewer-related endeavors and are combined for reporting purposes. The Sewer Operating Fund is used to account for the activities associated with operating the sewer collection system. The Sewer Revolving Fund is used to account for the collection system acreage fees and the use of those resources. The Wastewater Treatment Plant Capital Reserve Fund is used to account for the treatment plant acreage fees and the use of those resources.

Solid Waste Fund

This fund was established to account for the activities associated with refuse collections and recycling.

Water Operating Fund

Two funds have been established to account for water-related endeavors and are combined for reporting purposes. The Water Operating Fund was established to account for the activities associated with the City's water pumping and distribution system. The principal source of revenue is water sales. The Water Replacement Fund is used to account for the water acreage fees and the use of those resources.

City of Porterville
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-Type Activities - Enterprise Funds					Governmental
	Sewer Operations	Water Operations	Solid Waste	Other Proprietary Funds	Total Proprietary Funds	Activities - Internal Service funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 153,827	\$ 58,891	\$ 25,170	\$ 16,643	\$ 254,531	\$ 92,000
Investments	10,615,102	4,120,479	1,737,143	1,101,034	17,573,758	6,349,455
Receivables - utility (net of allowance for uncollectibles)	805,220	645,868	683,444	-	2,134,532	-
Receivables - misc (net of allowance for uncollectibles)	134,419	19,113	111,798	183,477	448,807	50,701
Intergovernmental receivables	-	-	-	168,657	168,657	-
Interfund receivable	-	-	-	-	-	31,430
Inventories	-	-	-	119,401	119,401	-
Temporarily restricted assets, cash with fiscal agent	23	-	-	-	23	-
Total current assets:	11,708,591	4,844,351	2,557,555	1,589,212	20,699,709	6,523,586
Noncurrent assets:						
Advances receivable	283,823	264,624	-	-	548,447	1,051,246
Capital assets:						
Land	3,142,404	318,092	-	1,478,012	4,938,508	-
Construction in progress	412,177	1,938,455	-	766,396	3,117,028	-
Distribution and collection systems	43,024,975	31,702,003	-	-	74,726,978	-
Buildings and equipment	4,221,949	1,728,948	5,627,622	7,643,700	19,222,219	736,796
Improvements other than buildings	-	-	-	7,103,471	7,103,471	6,639
Less accumulated depreciation	(18,434,309)	(13,908,476)	(4,165,506)	(5,973,918)	(42,482,209)	(557,235)
Restricted assets, cash with fiscal agent	748,413	8,183,093	-	-	8,931,506	-
COP issuance costs (net of accumulated amortization)	376,199	-	-	-	376,199	-
Total noncurrent assets:	33,775,631	30,226,739	1,462,116	11,017,661	76,482,147	1,237,446
Total assets	45,484,222	35,071,090	4,019,671	12,606,873	97,181,856	7,761,032
LIABILITIES AND FUND BALANCES						
Current liabilities:						
Accounts and other payables	83,261	250,925	129,912	144,910	609,008	228,567
Payroll payable	40,780	38,556	56,229	15,855	151,420	27,101
Interfund payable	-	-	-	325,239	325,239	-
Accrued claims	-	-	-	-	-	1,162,855
Compensated absences payable	32,018	34,056	59,851	21,716	147,641	29,596
Accrued interest payable	251,806	194,321	-	3,133	449,260	-
Loans, bonds, leases and certificates of participation payable	1,070,728	405,000	-	8,671	1,484,399	-
Unearned revenue	-	-	-	770,238	770,238	-
Total current liabilities:	1,478,593	922,858	245,992	1,289,762	3,937,205	1,448,119
Noncurrent liabilities:						
Advances payable	-	-	-	96,790	96,790	-
Loans, bonds, leases and certificates of participation payable	18,751,922	12,537,500	-	82,840	31,372,262	-
Unamortized premium on bonds	76,435	71,380	-	-	147,815	-
Deferred charge on refunding	(1,237,668)	(304,774)	-	-	(1,542,442)	-
Total noncurrent liabilities:	17,590,689	12,304,106	-	179,630	30,074,425	-
Total liabilities	19,069,282	13,226,964	245,992	1,469,392	34,011,630	1,448,119
NET ASSETS						
Invested in capital assets, net of related debt	13,705,779	9,069,916	1,462,116	10,926,150	35,163,961	186,200
Restricted for capital projects	-	7,481,893	-	-	7,481,893	-
Restricted for debt service	748,413	701,200	-	-	1,449,613	-
Restricted for self-insurance	-	-	-	-	-	5,914,026
Unrestricted	11,960,748	4,591,117	2,311,563	211,331	19,074,759	212,687
Total net assets	\$ 26,414,940	\$ 21,844,126	\$ 3,773,679	\$ 11,137,481	63,170,226	\$ 6,312,913
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					144,358	
Net assets of business-type activities					\$ 63,314,584	

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

City of Porterville
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer Operations	Water Operations	Solid Waste	Other Proprietary Funds	Total Proprietary Funds	
Operating revenues:						
Charges for services	\$ 6,528,813	\$ 4,591,391	\$ 5,289,821	\$ 1,257,575	\$ 17,667,600	\$ 6,292,515
Connection fees	455,457	14,303	-	-	469,760	-
Other revenues	58,317	15,841	-	166,459	240,617	558,090
Total operating revenues	<u>7,042,587</u>	<u>4,621,535</u>	<u>5,289,821</u>	<u>1,424,034</u>	<u>18,377,977</u>	<u>6,850,605</u>
Operating expenses:						
Cost of sales and services	2,583,684	1,860,571	4,350,738	2,363,793	11,158,786	7,465,312
General and administrative	1,165,491	1,809,844	654,167	517,260	4,146,762	221,818
Depreciation/amortization	1,138,791	797,971	238,215	500,846	2,675,823	26,252
Total operating expenses	<u>4,887,966</u>	<u>4,468,386</u>	<u>5,243,120</u>	<u>3,381,899</u>	<u>17,981,371</u>	<u>7,713,382</u>
Operating income (loss)	<u>2,154,621</u>	<u>153,149</u>	<u>46,701</u>	<u>(1,957,865)</u>	<u>396,606</u>	<u>(862,777)</u>
Nonoperating revenues (expenses):						
Intergovernmental revenues	-	-	-	1,015,161	1,015,161	-
Federal grants	-	-	-	1,239,162	1,239,162	-
State grants and reimbursements	-	-	12,001	241,943	253,944	-
Investment earnings	318,857	161,923	54,762	33,663	569,205	200,160
Interest expense	(1,097,514)	(601,324)	-	(10,397)	(1,709,235)	-
Total nonoperating revenue (expenses)	<u>(778,657)</u>	<u>(439,401)</u>	<u>66,763</u>	<u>2,519,532</u>	<u>1,368,237</u>	<u>200,160</u>
Income before contributions and transfers	1,375,964	(286,252)	113,464	561,667	1,764,843	(662,617)
Capital contributions, developer fees	31,772	190,830	-	-	222,602	-
Transfers in	52,998	49,355	-	117,286	219,639	496,251
Transfers out	-	-	(100,731)	(222,160)	(322,891)	(101,055)
Change in net assets	1,460,734	(46,067)	12,733	456,793	1,884,193	(267,421)
Total net assets - beginning	<u>24,954,206</u>	<u>21,890,193</u>	<u>3,760,946</u>	<u>10,680,688</u>		<u>6,580,334</u>
Total net assets - ending	<u>\$ 26,414,940</u>	<u>\$ 21,844,126</u>	<u>\$ 3,773,679</u>	<u>\$ 11,137,481</u>		<u>\$ 6,312,913</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(157,967)	
Change in net assets of business-type activities					<u>\$ 1,726,226</u>	

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

**City of Porterville
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service funds
	Sewer Operations	Water Operations	Solid Waste	Other Proprietary Funds	Total Proprietary Funds	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash from interfund	\$ -	\$ -	\$ -	\$ 7,650	\$ 7,650	\$ -
Cash receipts from customer	7,079,693	4,712,018	5,264,067	1,381,908	18,437,686	6,837,038
Payments to employees	(1,098,274)	(1,134,250)	(1,584,375)	(396,887)	(4,213,786)	(684,807)
Payments to suppliers and others	(2,658,434)	(2,467,251)	(3,430,939)	(2,525,350)	(11,081,974)	(6,660,735)
Net cash provided by operating activities	<u>3,322,985</u>	<u>1,110,517</u>	<u>248,753</u>	<u>(1,532,679)</u>	<u>3,149,576</u>	<u>(508,504)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental - operating assistance	-	-	-	1,616,511	1,616,511	-
Subsidy from federal and state grants	-	-	12,001	300,000	312,001	-
Transfers in from other funds	-	-	-	117,286	117,286	496,251
Transfers to other funds	-	-	(100,731)	(222,160)	(322,891)	(101,055)
Net cash (used) by noncapital financing	<u>-</u>	<u>-</u>	<u>(88,730)</u>	<u>1,811,637</u>	<u>1,722,907</u>	<u>395,196</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Advances for capital projects	-	-	-	-	-	(498,752)
Construction and other capital projects	(588,504)	(1,079,759)	-	(711,596)	(2,379,859)	-
Contributed capital, developer's fees	31,772	190,830	-	-	222,602	-
Interest paid on long-term debt and advances	(1,019,549)	(458,494)	-	(10,666)	(1,488,709)	-
Principal payments on long-term debt	(1,249,932)	(380,000)	-	(11,061)	(1,640,993)	37,661
Purchase of capital assets	(90,010)	(141,795)	(204,380)	(413,604)	(849,789)	(8,643)
Proceeds from financing	-	8,257,500	-	100,000	8,357,500	-
Subsidy from federal and state grants	-	-	-	1,202,945	1,202,945	-
Net cash (used) by capital and related financing activities	<u>(2,916,223)</u>	<u>6,388,282</u>	<u>(204,380)</u>	<u>156,018</u>	<u>3,423,697</u>	<u>(469,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	318,857	161,923	54,762	33,664	569,206	200,160
Net cash provided by investing activities	<u>318,857</u>	<u>161,923</u>	<u>54,762</u>	<u>33,664</u>	<u>569,206</u>	<u>200,160</u>
Net Increase (decrease) in cash and cash equivalents	725,619	7,660,722	10,405	468,640	8,865,386	(382,882)
Balances - beginning of year	10,791,746	4,701,741	1,751,908	649,037	17,894,432	6,824,337
Balances - end of the year	<u>\$ 11,517,365</u>	<u>\$ 12,362,463</u>	<u>\$ 1,762,313</u>	<u>\$ 1,117,677</u>	<u>\$ 26,759,818</u>	<u>\$ 6,441,455</u>
As shown on the proprietary statement of net assets:						
Cash and cash equivalents	\$ 153,827	\$ 58,891	\$ 25,170	\$ 16,643	\$ 254,531	\$ 92,000
Investments	10,615,102	4,120,479	1,737,143	1,101,034	17,573,758	6,349,455
Temporarily restricted cash with fiscal agent	23	-	-	-	23	-
Restricted assets, cash with fiscal agent	748,413	8,183,093	-	-	8,931,506	-
Balances - end of year	<u>\$ 11,517,365</u>	<u>\$ 12,362,463</u>	<u>\$ 1,762,313</u>	<u>\$ 1,117,677</u>	<u>\$ 26,759,818</u>	<u>\$ 6,441,455</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 2,154,621	\$ 153,149	\$ 46,701	\$ (1,957,865)	\$ 396,606	\$ (862,777)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	1,138,791	797,971	238,215	500,846	2,675,823	26,252
Changes in assets and liabilities:						
Accounts payable	(6,212)	79,453	456	(31,912)	41,785	78,797
Accrued claims payable	-	-	-	-	-	222,538
Compensated absences	(1,272)	(9,779)	(6,377)	2,190	(15,238)	5,176
Customer receivables	37,106	90,483	(25,753)	(42,126)	59,710	(13,567)
Inventory	-	-	-	(12,491)	(12,491)	-
Other operating receivables	-	-	-	7,650	7,650	-
Prepaid items	-	-	-	-	-	34,335
Salaries and benefits payable	(49)	(760)	(4,489)	1,029	(4,269)	742
Net cash provided by operating activities	<u>\$ 3,322,985</u>	<u>\$ 1,110,517</u>	<u>\$ 248,753</u>	<u>\$ (1,532,679)</u>	<u>\$ 3,149,576</u>	<u>\$ (508,504)</u>

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

AGENCY FUNDS

Agency funds are purely custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds.

Special Deposits Fund

This fund was established to account for monies received by the City acting as an agent. Examples of these transactions are construction bonds, utility service deposits and asset seizure.

City of Porterville
Statement of Assets and Liabilities
Agency Fund
June 30, 2010

		<u>Special Deposits</u>
ASSETS		
Cash and cash equivalents	\$	22,215
Investments at fair value		<u>1,533,163</u>
Total assets	\$	<u><u>1,555,378</u></u>
LIABILITIES		
Accounts and other payables	\$	69,542
Refundable deposits, utilities		312,488
Refundable deposits, miscellaneous		531,812
Other deposits, safety		<u>641,536</u>
Total liabilities	\$	<u><u>1,555,378</u></u>

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

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**Notes To
Financial Statements**



CITY OF PORTERVILLE
Notes to the Financial Statements
June 30, 2010

NOTE 1 - Summary of significant accounting policies

A. Reporting entity

The City of Porterville is a municipal corporation governed by a five-member council, one of which is appointed mayor. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units, although legally separate entities, are, in substance, part of the government's operation. As such, their operations are "blended" with the City's.

Blended component units. The Porterville Redevelopment Agency was established in March of 1981 pursuant to the California Community Redevelopment Laws contained in Section 33000 Et. Seq. of Division 24 of the Health and Safety Code. The primary purpose of the Agency is to revitalize targeted areas of blight and deterioration within the city limits so as to eliminate or mitigate existing and potential physical, social, and economic liabilities in the interest of the health, safety, and welfare of all its citizens. A board consisting of the City's elected council governs the Agency.

The Porterville Public Improvement Corporation is a nonprofit public benefit company incorporated on September 1, 1988, and is organized under the Nonprofit Public Benefit Corporation Law for the purpose of financing certain public building, sewer and water capital projects. The Corporation's board is comprised of the City's council members.

Complete financial statements for each of the individual component units may be obtained from the City of Porterville Finance Department, 291 North Main Street, Porterville, CA 93257-3737.

B. Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund 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.

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 customers 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 the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as well as the proprietary fund financial statements. The agency funds financial

statements report only assets and liabilities and have no measurement focus but use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all 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 fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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 period. All other revenue items are considered to be measurable and available only when the government receives cash.

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 *public safety sales tax fund* was established as a result of the voters approval of a one-half cent increase in sales tax on the November 8, 2005 Special Consolidated Election ballot. This fund is used to account for revenues received from this district tax, which are restricted for police and fire services and for literacy programs.

The *community development block grant fund* accounts for all financial transactions having to do with the Community Development Block Grant Program and First-time Homebuyers Program of the Federal Department of Housing and Urban Development for low-interest housing rehabilitation and mortgage assistance loans.

The *general government capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital projects not being financed by proprietary funds.

The City reports the following major proprietary funds:

The *sewer operations fund* accounts for the activities of the sewage pumping stations, treatment plant, and laboratory.

The *water operations fund* accounts for the activities of the water distribution system.

The *solid waste fund* accounts for the activities of the refuse collection, recycling, and graffiti abatement programs.

Additionally, the government reports the following fund types:

Internal service funds account for fleet management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis, and risk management services related to self-insurance.

The *agency fund* is used to account for refundable deposits collected for public works projects, utilities, asset forfeiture and school impact fees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The exceptions to this general rule are the fleet management and the risk management charges to

the enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include:

- 1) charges to customers or applicants for goods, 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 and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of 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 of Porterville's policy to use restricted resources first, and then unrestricted resources, as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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 California Government Code Section 53601, the City Treasurer is authorized to invest in negotiable certificates of deposit, obligations of the U.S. Treasury, banker's acceptances, certain federal agency obligations, commercial paper, guaranteed investment contracts (GIC), and the California Local Agency Investment Fund (LAIF). The policy does not permit investment in Repurchase Agreements, or borrow funds through the use of Reverse-Repurchase Agreements. The collateral underlying investments must be "delivered" to the city. If U.S. Treasury Bills are used as the underlying collateral, delivery may be made by book entry only. For all other collateral, the security must be physically delivered either to the city or to a third-party custodial agent. All investments are reported at fair value.

California banks and savings and loan associations are required to secure a city's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal at least 110 percent of a city's deposits. The City Treasurer, at his or her discretion, may waive the 110 percent collateral requirement for deposits that are insured up to the \$250,000 by the FDIC. It is the City's policy to waive the collateral requirement in order to receive a higher interest yield on its deposits.

California law allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150 percent of a city's total deposits. It is the City of Porterville's policy not to accept this form of collateral.

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 "interfund receivables/payables" (e.g., the current portion of interfund loans) or "advances receivable/payable" (e.g., the non-current portion of interfund loans). Any residual balances outstanding between the 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 net of an allowance for uncollectible accounts. The allowance is equal to 3 percent of outstanding amounts due at June 30, 2010.

3. Inventories and prepaid items

Governmental funds inventories are valued at average cost using the first-in/first-out (FIFO) method and are recorded as expenditures when consumed rather than when purchased. Business-type inventories are stated at cost using the FIFO method, and consist of expendable materials and supplies.

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

Fund balance is reserved for inventories and prepaids, if any, to indicate that a portion of fund balance is not available for appropriation and not expendable, available financial resources.

4. Restricted assets

Certain proceeds of debt issued are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spend in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 to 50
Improvements other than buildings	20 to 50
Infrastructure	30 to 50
Machinery and equipment	5 to 20

6. Compensated absences

It is the City of Porterville's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. No liability for unpaid accumulated sick leave is reported.

7. 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 governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or 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 premiums and discounts, as well as bond issuance cost, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

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

9. Property taxes

Tulare County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. The property tax calendar for the City is as follows:

Lien date	January 1
Levy dates	July 1 through June 30
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31.

The City is permitted to levy property taxes in accordance with Article XIII A of the California Constitution (Proposition 13), which limits ad valorem taxes on real property to 1.0 percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the basis and limits annual increases to the cost of living, not to exceed 2.0 percent, for each year thereafter. Property may also be reassessed to full fair value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of 66.67 percent of the qualified electors.

10. Utility Users Tax

The City is permitted by Chapter 22, Article V, of the Porterville Municipal Code to collect a utility users tax on certain types of utility services. The tax imposed is set by City Council resolution and was established at a 6.0 percent tax rate beginning July 1, 1970.

11. Transactions and Use Tax for Public Safety, Police and Fire Protection (Measure H)

On December 6, 2005, the City adopted Ordinance No. 1684 adding Article IIA to Chapter 22 of the Porterville Municipal Code to provide for an additional one-half of one percent transactions and use tax to fund public safety, police and fire protection services and related capital projects. The ordinance was approved by a two-thirds majority of eligible voters at the November 8, 2005 election and became effective on April 1, 2006.

NOTE 2 - 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 funds." The details of this \$35,058,475 difference are as follows:

Bonds payable	\$ 30,830,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(908,508)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(852,925)
Less: Issuance discount (to be amortized as interest expense)	(124,483)
Plus: Issuance premium (to be amortized over life of debt)	178,135
Notes payable	3,611,489
Accrued interest payable	628,850
Net postemployment benefits obligation	774,686
Compensated absences	<u>921,231</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>35,058,475</u>

Another element of that reconciliation explains that "Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of assets." The details of this \$6,168,555 difference are as follows:

Net assets of the internal service funds	\$ 6,312,913
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(302,325)
Add: Internal receivable representing costs in excess of charges to business-type activities - current year	<u>157,967</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>6,168,555</u>

B. Explanation of certain differences between the governmental funds 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 government-wide statement of activities. One element of that reconciliation explains that "Capital outlays are reported as expenditures in governmental funds. 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 \$1,465,645 difference are as follows:

Capital outlay	\$ 4,601,006
Depreciation expense	(3,135,361)
	<hr/>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>1,465,645</u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets is to decrease net assets." The details of this \$86,714 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ (44,060)
The statement of activities reports losses arising from disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposal of capital assets.	(42,654)
	<hr/>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(86,714)</u>

Another element of that reconciliation states that "The issuance of long-term debt provided current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$942,461 difference are as follows:

Principal repayments:	
Certificates of participation	\$ 670,000
Tax allocation refunding bonds	105,000
Notes payable	167,461
	<hr/>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>942,461</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." The details of this \$872,304 difference are as follows:

Other postemployment benefits	\$ 774,686
Compensated absences	17,549
Accrued interest	(13,698)
Amortization of deferred charge on refunding	69,892
Amortization of issuance costs	31,037
Amortization of bond discounts	4,256
Amortization of bond premiums	(11,418)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 872,304</u>

Another element of that reconciliation states that "Internal service funds are used by management to charge the costs of certain activities to individual funds. The net loss of the internal service funds is reported with governmental activities." The details of this \$109,454 difference are as follows:

Change in net assets of the internal service funds	\$ 267,421
Loss from charges to business-type activities	(157,967)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 109,454</u>

C. Explanation of certain differences between the proprietary fund statement of net assets and the government-wide statement of net assets

The proprietary fund statement of net assets includes a reconciliation between *net assets – total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statement of net assets. The description of the sole element of that reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$144,358 difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior year	\$ 302,325
Internal payable representing costs in excess of charges to business-type activities – current year	<u>(157,967)</u>
Net adjustment to increase <i>net assets – total enterprise funds</i> to arrive at <i>net assets – business-type activities</i>	<u>\$ 144,358</u>

NOTE 3 - Stewardship, compliance, and accountability

A. Budgetary information

The procedures established by the City Council in adopting the budgetary data reflected in the financial statements are as follows:

On or before June 1 of each year, the City Manager submits a proposed budget to the city council for review. The council holds public hearings, and the final budget is adopted by resolution prior to July 1. Annual budgets are adopted and prepared on a basis consistent with generally accepted accounting principles.

The appropriated budget is prepared by fund, function, and department. The department heads may make transfers of appropriations within their respective departments. Transfers of appropriations between departments require the approval of the city manager. The legal level of budgetary control (i.e., the level at which expenditures

may not legally exceed appropriations) is the fund level. The council made several supplemental budgetary 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 not reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. All annual appropriations lapse at fiscal year end.

B. Excess of expenditures over appropriations

For the year ended June 30, 2010, expenditures exceeded appropriations in the Community Development Block Grant Fund by \$245,873. These expenditures are funded by available fund balance.

C. Changes in reporting of beginning fund balances

Due to changes in fund activity, major fund classifications will change from year to year. Beginning fund balances are affected when a prior year-classified major fund does not meet the requirements of a major fund in the current reporting year. For the fiscal year ended June 30, 2010, the Public Safety Sales Tax fund is classified as a major fund particularly due to its importance to financial statement users primarily the City Council and the citizens of the City of Porterville.

NOTE 4 - Detailed notes on all funds

A. Cash and investments (GASB 40 – Segmented Time Distribution)

The City of Porterville follows the practice of pooling cash and investments of all funds except for those required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on the pooled cash and investments is allocated monthly to the various funds based on monthly cash balances. At year-end, the City's cash bank balance was \$769,543 and cash on hand was \$3,285.

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash and investments	\$	50,482,706
Cash and investments with fiscal agent		15,618,663
Fiduciary funds:		
Cash and investments		<u>1,555,378</u>
Total cash and investments	\$	<u>67,656,747</u>

Cash and investments as of June 30, 2010, consist of the following:

Cash on hand	\$	3,285
Deposits with financial institution		769,543
Investments		<u>66,883,919</u>
Total cash and investments	\$	<u>67,656,747</u>

Investments authorized by the California Government Code and the City of Porterville's Investment Policy

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

Authorized investment type	Maximum maturity	Maximum percentage of portfolio ¹	Maximum investment in one issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements ²	N/A	None	None
Reverse Repurchase Agreements ²	N/A	None	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA or other Investment Pools	N/A	None	None

¹ Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

² The City's investment policy does not permit investments in repurchase or reverse repurchase agreements.

Investments authorized by debt agreements

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

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
U.S. Treasury Obligations	None	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value will to changes in market interest rates. One of the ways that Porterville manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Porterville's investment policy states that investment decisions are made with the intention of retaining the investment until maturity, thereby negating the ill effects of market interest rate fluctuations.

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

Investment type		Remaining maturity (in months)			
		12 months or less	13-24 months	25-60 months	More than 60 months
Federal agency securities	\$ 11,071,120	\$ --	\$ --	\$ 11,071,120	\$ --
Certificates of Deposit	7,661,685	824,581	1,492,000	5,345,104	--
Corporate notes	110,885	--	110,885	--	--
Money market funds	1,291	1,291	--	--	--
Local Agency Investment Fund	20,016,107	20,016,107	--	--	--
Tulare County Investment Pool	8,203,339	8,203,339	--	--	--
CSJVRMA JPA Investment Pool	6,134,606	6,134,606	--	--	--
Held by bond trustees:					
Money market funds	11,837,468	11,837,468	--	--	--
Federal agency securities	1,847,418	624,542	--	1,222,876	--
Total	\$ 66,883,919	\$ 47,641,934	\$ 1,602,885	\$ 17,639,100	\$ --

Investments with fair values highly sensitive to interest rate fluctuations

Porterville's investment policy does not permit investments in instruments that are highly sensitive to interest rate fluctuations such as variable rate securities; therefore, the portfolio does not contain any such investments.

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, Porterville's investment policy, or debt agreements, and the actual rating as of June 30, 2010, for each investment type:

Investment type		Minimum legal rating	Exempt from disclosure	AAA	Aa	Not rated
Federal agency securities	\$ 11,071,120	N/A	\$ --	\$ 11,071,120	\$ --	\$ --
Certificates of Deposit	7,661,685	N/A	--	--	--	7,661,685
Corporate notes	110,885	A	--	--	110,885	--
Money market funds	1,291	A	--	--	1,291	--
Local Agency Investment Fund	20,016,107	N/A	--	--	--	20,016,107
Tulare County Investment Pool	8,203,339	N/A	--	--	--	8,203,339
CSJVRMA JPA Investment Pool	6,134,606	N/A	--	--	--	6,134,606
Held by bond trustees:						
Money market funds	11,837,468	A	--	--	11,837,468	--
Federal agency securities	1,847,418	N/A	--	1,847,418	--	--
Total	\$ 66,883,919		\$ --	\$ 12,918,538	\$ 11,949,644	\$ 42,015,737

Concentration of credit risk

The investment policy of the City of Porterville contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than mutual funds and external investment pools) that represent 5 percent or more of the total City investments are as follows:

Issuer	Investment type	Reported amount
Federal Home Loan Mortgage Corp	Federal agency securities	3,013,600
Federal National Mortgage Association	Federal agency securities	6,050,950

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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City of Porterville's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by 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 having a value of 150% of the secured public deposits.

As of June 30, 2010, \$519,543 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts. As of June 30, 2010, Porterville's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

Investment type	Reported amount
Federal agency securities	\$ 8,037,050

Investment in the State Investment Pool

The City of Porterville is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Central San Joaquin Valley Risk Management Authority (CSJVRMA) investment pool

As a member city of the CSJVRMA, the City accepted the opportunity to participate in its sponsored investment pool. Four cities, Livingston, Atwater, Ripon and Porterville, participate with the RMA in this pool. The pool is managed by Chandler Asset Management who typically invests in agencies (e.g., FHLB debentures, FNMA and FHLMC notes), treasuries and high-grade corporate stock. Approved investment instruments are asset-backed securities, banker's acceptance, commercial paper and medium term notes, money market accounts, mutual funds, and negotiable certificates of deposit with mixed maturity dates not to exceed 5 years. Investment in repurchase agreements is authorized, but maturity is limited to 1 year maximum. The fair value of the City's investment in this pool is reported at amounts based upon the City's pro-rata share of the fair value provided by Chandler Asset Management for the entire CSJVRMA portfolio.

Tulare County Investment Pool

The City is a voluntary participant in the Tulare County Investment Pool that is managed by the County Treasurer. The pooled investments, which are governed by the California Government Code, include U.S. Treasuries, Federal agencies, medium term/corporate notes, municipals, repurchase agreements, commercial paper, money market funds and LAIF. The fair value of the City's investment in this pool is reported at amounts based upon the City's pro-rata share of the fair value provided by Tulare County for the entire investment portfolio.

B. Receivables

Receivables as of June 30, 2010, for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Public Safety Sales Tax	Community Development Block Grant	Capital Projects	Sewer Operating
Receivables:					
Interest	\$ 118,724	\$ --	\$ --	\$ 452	\$ 6,539
Taxes	1,003,451	163,300	--	--	--
Other accounts receivable	215,735	--	10,383,345	--	958,004
Intergovernmental – restricted	77,971	--	733,451	4,031	--
Gross receivables	1,415,881	--	11,116,796	4,483	964,543
Less: allowance for uncollectibles	--	--	--	--	(24,904)
Net total receivables	<u>\$ 1,415,881</u>	<u>\$ 163,300</u>	<u>\$ 11,116,796</u>	<u>\$ 4,483</u>	<u>\$ 939,639</u>

	Water Operating	Solid Waste	Nonmajor and Other Funds	Total
Receivables:				
Interest	\$ --	\$ --	\$ 10,597	\$ 136,312
Taxes	--	--	137,584	1,304,335
Other accounts receivable	684,956	816,379	570,467	13,628,886
Intergovernmental - restricted	--	--	1,202,527	2,017,980
Gross receivables	684,956	816,379	1,921,175	17,087,513
Less: allowance for uncollectibles	(19,975)	(21,137)	--	(66,016)
Net total receivables	<u>\$ 664,981</u>	<u>\$ 795,242</u>	<u>\$ 1,921,175</u>	<u>\$ 17,021,497</u>

C. Assets held for resale

On February 3, 2009, the City entered into a Joint Powers Agreement with Tulare County in order to access funds from the state allocated to the City under the Neighborhood Stabilization Program (NSP). This program was created by the Housing and Economic Recovery Act of 2008 under which states, cities and counties were eligible to receive a total of \$3.92 billion to rejuvenate neighborhoods and communities that are hardest hit by the foreclosure crisis. The total NSP funds allocated to the City of Porterville was \$700,699. As of June 30, 2010, the City had acquired 4 foreclosed properties at a total cost of \$421,750. These properties will be rehabilitated and sold to eligible household with 120% of median income or less.

D. Notes receivable

On December 29, 2009, the City of Porterville entered into a loan agreement with Prospect-Henderson Partners, L.P., whereby the City provided funds in the amount of \$2,700,000 to Prospect-Henderson Partners, L.P. to assist in the revitalization effort and mitigate the loss of retail services within the City by enabling the developer to lease to Kohl's Department Stores, Inc, a 76,367 square foot building left vacant by the closing of the Mervyn's store, for the operation of a Kohl's store at the site. The loan is secured with a Promissory Note and Deed of Trust. The loan has a compound interest rate of 1.5 percent amortized over an initial 70 month term, and a compound interest rate of 3 percent over the second 60 month term. Monthly interest-only payments start in November 15, 2010 with the repayment of the principal and any remaining unpaid interest to be made in full no later than October 27, 2020. As of June 30, 2010, \$2,720,592 is owed in principal and accrued interest.

On April 7, 2009, the Porterville Redevelopment Agency entered into an Affordable Housing Agreement with Porterville Housing Partners, L.P. (PHP), to carry out and implement the Redevelopment Plan. Pursuant to the agreement, the Agency conveyed 2.7 acres of real property to PHP on February 3, 2010 for a purchase price of \$930,000 which constitutes a loan to be repaid from the residual receipts of ownership and operating of residential and commercial buildings to be constructed on the property. The term of the loan is 55 years after the date of the

City's issuance of a certificate of occupancy with interest at the rate of 3 percent per annum, compounded annually, commencing upon the date of the promissory note dated February 1, 2010.

E. Capital assets

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

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental activities:					
<u>Capital assets, not being depreciated:</u>					
Land	\$ 267,821,839	\$ 588,713	\$ (44,060)	--\$	\$ 268,366,492
Construction in progress	4,342,686	3,863,214	(4,890,083)	(42,084)	3,273,733
Works of art and collections	183,938	--	--	--	183,938
Total capital assets, not being depreciated	<u>272,348,463</u>	<u>4,451,927</u>	<u>(4,934,143)</u>	<u>(42,084)</u>	<u>271,824,163</u>
<u>Capital assets, being depreciated:</u>					
Buildings	12,299,241	1,789,969	(16,001)	--	14,073,209
Improvements other than buildings	6,888,563	759,234	--	--	7,647,797
Machinery and equipment	8,648,969	984,823	(110,381)	8,909	9,532,320
Infrastructure	100,168,211	1,513,778	--	--	101,681,989
Total capital assets, being depreciated	<u>128,004,984</u>	<u>5,047,804</u>	<u>(126,382)</u>	<u>8,909</u>	<u>132,935,315</u>
Less accumulated depreciation for:					
Buildings	(4,553,892)	(247,760)	15,430	--	(4,786,222)
Improvements other than buildings	(1,692,015)	(157,765)	--	(13,812)	(1,863,592)
Machinery and equipment	(4,830,942)	(655,492)	110,381	(8,909)	(5,384,962)
Infrastructure	(15,612,700)	(2,100,594)	--	13,812	(17,699,482)
Total accumulated depreciation	<u>(26,689,549)</u>	<u>(3,161,611)</u>	<u>125,811</u>	<u>(8,909)</u>	<u>(29,734,258)</u>
Total capital assets, being depreciated, net	<u>101,315,435</u>	<u>1,886,193</u>	<u>(571)</u>	<u>--</u>	<u>103,201,057</u>
Governmental activities capital assets, net	<u>\$ 373,663,898</u>	<u>\$ 6,338,120</u>	<u>\$ (4,934,714)</u>	<u>\$ (42,084)</u>	<u>\$ 375,025,220</u>
Business-type activities:					
<u>Capital assets, not being depreciated:</u>					
Land	\$ 4,938,508	--\$	--\$	--\$	\$ 4,938,508
Construction in progress	2,228,832	2,758,452	(1,870,256)	--	3,117,028
Total capital assets, not being depreciated	<u>7,167,340</u>	<u>2,758,452</u>	<u>(1,870,256)</u>	<u>--</u>	<u>8,055,536</u>
<u>Capital assets, being depreciated:</u>					
Buildings	4,066,421	1,235,742	--	--	5,302,163
Improvements other than buildings	81,574,529	255,921	--	--	81,830,450
Machinery and equipment	13,079,176	849,788	(8,909)	--	13,920,055
Total capital assets, being depreciated	<u>98,720,126</u>	<u>2,341,451</u>	<u>(8,909)</u>	<u>--</u>	<u>101,052,668</u>
Less accumulated depreciation for:					
Buildings	(1,524,952)	(93,022)	--	--	(1,617,974)
Improvements other than buildings	(29,804,461)	(1,823,667)	--	--	(31,628,128)
Machinery and equipment	(8,514,388)	(730,628)	8,909	--	(9,236,107)
Total accumulated depreciation	<u>(39,843,801)</u>	<u>(2,647,317)</u>	<u>8,909</u>	<u>--</u>	<u>(42,482,209)</u>
Total capital assets, being depreciated, net	<u>58,876,325</u>	<u>(305,866)</u>	<u>--</u>	<u>--</u>	<u>58,570,459</u>
Business-type activities capital assets, net	<u>\$ 66,043,665</u>	<u>\$ 2,452,586</u>	<u>\$ (1,870,256)</u>	<u>--\$</u>	<u>\$ 66,625,995</u>

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

Governmental activities:		
Community and economic development	\$	54,992
General government		112,839
Parks and recreation		307,927
Public safety – fire		142,496
Public safety – police		332,579
Public works		2,184,528
Total depreciation expense - governmental activities	\$	<u>3,135,361</u>
Business-type activities:		
Zalud house	\$	3,792
Transit		279,232
Sewer operating		1,110,286
Solid waste		238,215
Airport operations		188,919
Golf course		28,903
Water operating		797,971
Total depreciation expense - business-type activities	\$	<u>2,647,318</u>

F. Interfund and advances receivable/payable, and transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Interfund receivable/payable

Receivable Fund	Payable Fund	Amount	Purpose
Building construction	Golf course	\$ 325,239	Operating loan
Building construction	Community Development Block Grant	396,574	Operating loan
Risk management	General	31,430	Current portion of advance for underground storage tank upgrade
Total		<u>\$ 753,243</u>	

Advances receivable/payable

Receivable Fund	Payable Fund	Amount	Purpose
Sewer operating	General	\$ 283,823	Certificate forward purchase proceeds dedicated for sports park
Water operating	General	264,624	Certificate forward purchase proceeds dedicated for sports park
General	Capital projects	1,145,425	Start up advance for Redevelopment Agency
General	Capital projects	78,000	Advance to Redevelopment Agency to payoff note payable to Tulare County
General	Airport	96,790	Advance for the purchase of kit fox mitigation credits to release the designated preserve
Risk management	General	389,597	Advance for underground storage tank upgrade
Risk management	Capital projects	165,398	Advance to Redevelopment Agency for storm drain repairs
Risk management	Capital projects	496,251	Advance to Redevelopment Agency for the construction of a parking lot
Total		<u>\$ 2,919,908</u>	

Interfund transfers

	Transfers In						
	General Fund	Public Safety Sales Tax Fund	Capital Projects Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	Total
Transfer out							
General fund	\$ -	\$ 28,990	\$ 3,210,480	\$ 1,859,494	\$ 212,179	\$ --	\$ 5,311,143
Public safety sales tax fund	--	--	199,835	--	--	--	199,835
Community development block grant fund	112,625	--	223,115	--	--	--	335,740
Capital projects fund	42,985	--	--	--	--	--	42,985
Nonmajor governmental funds	1,288,244	--	3,301,941	398,518	7,460	496,251	5,492,414
Enterprise funds	127,500	--	195,391	--	--	--	322,891
Internal service funds	--	--	101,055	--	--	--	101,055
Total	\$ 1,571,354	\$ 28,990	\$ 7,231,817	\$ 2,258,012	\$ 219,639	\$ 496,251	\$ 11,806,063

Transfers are used to move revenues from the funds with collection authorization to the capital projects fund to finance various capital outlays including several construction projects. General fund revenues were moved to the debt service fund as debt service principal and interest payments become due while funds from non-major funds were moved to the general fund to help pay for debt service. Transfers are also used to move grant revenue from the Community Development Block Grant Fund to the General Fund to reimburse expenditures for the operation of the Youth Center. The Airport, the Golf Course and the Zalud Enterprise Funds received funds from the General Fund to aid in the operations of the funds.

G. Capital leases

The City has entered into a lease purchase agreement as lessee for financing the acquisition of property to be used for effluent ponding and monitoring wells. The purchase price of the land was \$794,300 and the City paid \$507,363, leaving a lease balance of \$286,937 to be paid over a 20-year period at 6 percent annual interest cost. In July 2009, the City paid the total outstanding balance of the lease plus accrued interest in the amount of \$241,604.

H. Long-term debt

Certificates of Participation

The City has issued \$60,695,000 in Certificates of Participation, \$27,845,000 to support governmental activities and \$32,850,000 to support business-type activities. The governmental issues are entitled 2002 Public Buildings Refunding (formerly 1992 Public Buildings Project) and 2005 Infrastructure Financing Project (formerly 1998 Infrastructure Financing Project). Interest rates vary from 5.8 percent to 6.3 percent and 3.0 percent to 5.0 percent, respectively. The business-type issues are entitled 2002 Sewer System Refunding Project and 2002 Water System Refunding Project (both formerly 1992 Improvement Projects), and 1997 Sewer System Refinancing Project (formerly 1993 Sewer System Improvement Project). Interest rates range from 5.8 percent to 6.3 percent on the 2002 issues and 3.8 percent to 5.4 percent on the 1997 issue.

On December 1, 2005, the City advance refunded its 1998 Infrastructure Financing Project Certificates for \$20,850,000 to provide funds to finance and refinance various public infrastructure improvements, fund a reserve fund through the purchase of a reserve fund surety bond and fund the costs of the transaction. \$14,563,018 of the proceeds plus additional funds of \$3,709,957 was deposited into an escrow bank for the payment of the principal and interest with respect to the 1998 Certificates. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$266,110. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

In 1998, underwriters Lehman Brothers Special Financing, Inc., made an offer to advance refund the 1992 Public Buildings, Water System and Sewer System certificates in order to take advantage of current market conditions. The City accepted and on March 26, 1999, entered into a certificate forward purchase agreement, receiving \$169,471 for the Public Building issue, \$230,887 for the Sewer System issue, and \$215,503 for the Water System issue. The City elected to receive an amount net of estimated transaction costs associated with a refunding; in the event that the underwriters chose to complete the refunding process in 2002, the costs to the City would be greatly minimized. On August 1, 2002, the City was notified that Lehman Brothers wished to exercise the option to refund and generate new certificates.

On September 10, 1997, the City advance refunded its 1993 Sewer System Improvement Project Certificates and defeased the 10-year debt obligation by depositing the proceeds of the new certificates (\$13,663,894) plus additional funds (\$847,114) in an irrevocable trust with an escrow agent to provide for future debt service payments until the certificates are fully redeemed on October 1, 2003. Accordingly, these defeased certificates are not included in the City's financial statements.

Debt service requirements on Certificates of Participation are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 690,000	\$ 1,121,909	\$ 1,335,000	\$ 1,095,312
2012	735,000	1,087,864	1,410,000	1,014,995
2013	770,000	1,051,016	1,500,000	929,532
2014	805,000	1,011,784	1,580,000	838,610
2015	845,000	970,022	1,680,000	742,194
2016 – 2020	4,360,000	4,143,330	8,555,000	2,090,508
2021 – 2025	3,110,000	3,254,838	3,615,000	391,781
2026 – 2030	3,960,000	2,376,750	--	--
2031 – 2035	5,055,000	1,255,125	--	--
2036 – 2037	2,395,000	121,125	--	--
Total	\$ 22,725,000	\$ 16,393,763	\$ 19,675,000	\$ 7,102,932

Revenue bonds

In September 2008, the City advance refunded its 2002 Tax Allocation Refunding Bonds. The refunding resulted in the issue of \$5,725,000 in non-taxable bonds with interest rates ranging from 2.6 percent to 5.7 percent, and \$2,750,000 in taxable bonds with interest rates ranging from 6.4 percent to 8.5 percent. The 2008 Tax Allocation Refunding Bonds are secured by tax increment revenues. The advance refunding was undertaken to finance redevelopment activities and low and moderate housing activities within or of benefit to the Redevelopment Project Area, refund \$4,905,000 of the 2002 Revenue Bonds, fund a portion of the reserve account for the bonds, and provide for the costs of issuing the bonds. \$5,093,350 of the proceeds was deposited into an escrow account for all future debt service payments with respect to the 2002 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$728,052. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

Debt service requirements on revenue bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2011	\$ 105,000	\$ 516,955
2012	115,000	512,555
2013	115,000	507,580
2014	125,000	502,380
2015	130,000	496,252
2016 – 2020	760,000	2,370,509
2021 – 2025	1,005,000	2,165,245
2026 – 2030	1,345,000	1,766,270
2031 – 2035	1,850,000	1,261,645
2036 – 2040	2,555,000	546,755
Total	\$ 8,105,000	\$ 10,646,146

Notes payable

The City of Porterville Redevelopment Agency (Agency) entered into loan agreements for various redevelopment projects. In April 1991, a promissory note in the amount of \$300,000 was issued to the California Department of Commerce, Rural Economic Development Infrastructure Loan Program to partially finance street and storm drainage system infrastructure improvements. Repayment will be made over a 25-year term with an interest rate of 3.0 percent. Interest payments were deferred for the first five years, interest-only payments for the next five years, and principal and interest payments for the remaining 15 years. As of June 30, 2010, \$163,489 is owed in principal and deferred interest.

On October 1, 2003, the City of Porterville was awarded \$3,885,000 under HUD's Section 108 Loan Guarantee Program to fund the construction of a new neighborhood community center. Funds were deposited in a trust account with Union Bank of California in May 2004. Annual debt service payments begin August 1, 2005. Repayment will be made over a 20-year term with variable interest rates of 2.42 percent to 6.13 percent. As of June 30, 2010, the outstanding balance of the note is \$3,248,000.

In September 2004, the City entered into an Enterprise Fund Installment Sale Agreement with the California Infrastructure and Economic Development Bank (I-Bank) in the amount of \$5,356,000 to fund the various capital projects needed to comply with Regional Water Quality Control Board's Cease and Desist Order and Water Discharge Requirements. The term of the agreement is 30 years with an interest rate of 2.98 percent per annum. The remaining balance of the note at June 30, 2010 is \$4,832,650.

On May 24, 2005, the City of Porterville executed a loan agreement with the State of California Department of Transportation for the sum of \$118,000 to purchase hangars at the Porterville Municipal Airport. The loan will extend for a period of 12 years at an annual interest of 4.4477 percent. As of June 30, 2010, \$91,511 is outstanding.

In April of 2008, a note secured by deed of trust was signed by the Porterville Redevelopment Agency promising to pay to the Porterville Civic Development Foundation the sum of \$200,000 used for the preparation of the Redevelopment Area Amendment and Master Plan. There is no interest on the loan until May 1, 2011. Thereafter, the unpaid principal balance shall accrue interest at the rate of 7 percent per annum. The entire balance of principal, interest or other charges on the note is due and payable on May 1, 2011.

On July 1, 2009, the City entered into an Enterprise Fund Installment Sale Agreement with the California Infrastructure and Economic Development Bank (CIEDB) in the amount of \$6,757,500 to finance the Eastside Water Improvement Projects including the construction and installation of pipelines, booster pumps, and storage reservoir and well pump equipment and accessories. The term of the agreement is 30 years with an interest rate

of 3.84 percent per annum. Interest only payments are in effect through July 31, 2011. The first principal payment will be due on August 1, 2011.

In addition, the City entered into a second Enterprise Fund Installment Sale Agreement with CIEDB for \$1,500,000. Proceeds from this loan will be used to finance the Rocky Hill Reservoir Project which involves the construction of a 550,000 gallon storage reservoir. The term of this agreement is 30 years with interest only payments through July 31, 2011 and principal payments beginning on August 1, 2011. The interest rate on the loan is 3.31 percent per annum.

Debt requirements on notes payable is as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 379,139	\$ 180,172	\$ 149,399	\$ 448,946
2012	190,839	171,908	324,615	449,457
2013	202,559	162,773	336,122	438,229
2014	216,302	152,765	347,996	426,592
2015	230,066	141,855	360,251	414,533
2016 – 2020	1,297,584	511,181	1,967,275	1,876,803
2021 – 2025	1,095,000	130,043	2,278,491	1,518,007
2026 – 2030	--	--	2,694,712	1,096,942
2031 - 2035	--	--	2,903,474	597,612
2031 – 2039	--	--	1,819,326	145,336
Total	\$ 3,611,489	\$ 1,450,697	\$ 13,181,661	\$ 7,412,457

Advances payable

On April 7, 1981, the City entered into Fund Advance Agreement No. 1 (Agreement) with the Porterville Redevelopment Agency. The agreement states that the City's General Fund will advance funds to the Agency for payment of expenses incurred by the Agency associated with the planning, formation, adoption and execution of one or more redevelopment plans and project areas in the City. The agreement was modified on June 30, 1999, with respect to the interest rate applied to outstanding advance balances. The previous interest rate of 10.0 percent per annum was reduced to zero percent per annum, and became effective as of July 1, 1998.

According to the agreement, the City will advance, with prior Council approval, all funds deemed necessary by the Agency to facilitate the approval, adoption and implementation of the redevelopment program. The Agency will reimburse all advances made by the City from whatever revenue sources it possesses, including future tax increment funds when these revenues become available. As of June 30, 2010 the Agency owes the City \$1,145,425 in principal and interest under this agreement.

On November 12, 1997, the Redevelopment Agency entered into Fund Advance Agreement No. 2 with the City of Porterville. This agreement states that the City's Risk Management Fund will advance funds to the Agency for payment of expenses incurred by the Agency associated with the improvement of certain storm drain facilities located within Project Area #1. The Agency will reimburse all advances made by the City from tax increment revenue as it becomes lawfully available. As of June 30, 2010, the Agency owes the City \$165,398 in principal and interest under this agreement.

On May 1, 2007, the Porterville City Council passed Resolution #31-2007, approving the request by the Porterville Redevelopment Agency to provide funds to the Agency for the repayment of its existing debt to the County of Tulare, in the amount of \$195,000. The loan agreement between the City and the Agency has a term of 5 years and an interest rate equivalent to the Local Agency Investment Fund rate as reported for the quarter ending March 31 each year. Annual payments of the principal and accrued interest are due and payable commencing on May 1, 2008. As of June 30, 2010, the outstanding balance on this agreement is \$78,000.

On June 19, 2007, the City Council approved Resolution #56-2007, authorizing a loan agreement between the City and the Porterville and the Redevelopment Agency for the reconstruction of a parking lot located within the Redevelopment Project Area. The amount of the loan is the actual cost of construction with an interest rate of 1.51 percent per annum for a term of 10 years. Annual payments of principal and accrued interest are due and payable commencing on July 1, 2010. As of June 30, 2010, the Agency owes the City \$496,251.

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Adjustments</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Certificates payable	\$ 23,395,000	--	\$ (670,000)	\$ 22,725,000	\$ 690,000
Revenue bonds	8,210,000	--	(105,000)	8,105,000	105,000
Plus deferred amounts:					
For issuance premiums	189,553	--	(11,418)	178,135	--
Less deferred amounts:					
For issuance discounts	(128,739)	--	4,256	(124,483)	--
On refunding	<u>(978,399)</u>	<u>--</u>	<u>69,891</u>	<u>(908,508)</u>	<u>--</u>
Total bonds payable	30,687,415	--	(712,271)	29,975,144	795,000
Notes payable	3,778,950	--	(167,461)	3,611,489	179,139
Claims	940,317	222,538	--	1,162,855	524,283
Net postemployment benefits obligation	--	1,439,441	(664,755)	774,686	--
Compensated absences*	<u>928,102</u>	<u>943,742</u>	<u>(921,017)</u>	<u>950,827</u>	<u>649,290</u>
Governmental activity Long-term liabilities	<u>\$ 36,334,784</u>	<u>\$ 2,605,721</u>	<u>\$ (2,465,504)</u>	<u>\$ 36,475,001</u>	<u>\$ 2,147,712</u>
Business-type activities:					
Bonds payable:					
Certificates payable	\$ 20,935,000	--	\$ (1,260,000)	\$ 19,675,000	\$ 1,335,000
Plus deferred amounts:					
For issuance premiums	165,727	--	(17,912)	147,815	--
Less deferred amounts:					
On refunding	<u>(1,687,105)</u>	<u>--</u>	<u>144,664</u>	<u>(1,542,441)</u>	<u>--</u>
Total bonds payable	19,413,622	--	(1,133,248)	18,280,374	1,335,000
Notes payable	5,068,667	8,257,500	(144,507)	13,181,660	149,399
Capital lease	<u>233,276</u>	<u>--</u>	<u>(233,276)</u>	<u>--</u>	<u>--</u>
Business-type activity Long-term liabilities	<u>\$ 24,715,565</u>	<u>\$ 8,257,000</u>	<u>\$ (1,511,031)</u>	<u>\$ 31,462,034</u>	<u>\$ 1,484,399</u>

* Governmental compensated absences are primarily liquidated in the General Fund.

NOTE 5 - Other information

A. Joint venture

The City is a member of the Central San Joaquin Valley Risk Management Authority (the Authority). The Authority is comprised of 55 Central California member cities and is organized under the provisions of Sections 6500 - 6515 of the California Government Code. It was established for the purpose of operating and maintaining a cooperative program of self-insurance and risk management which benefits its member agencies through cost reductions, insurance coverage stability and loss control techniques. Each member city has a representative on the Board of Directors. The Board members elect officers of the Authority. The Authority establishes claim liabilities based on actuarial estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred, but not reported.

The following is the condensed audited statement of net assets and the changes in net assets of the Authority for the year ended June 30, 2010.

<u>Net Assets</u>	Workers'	
	<u>Compensation Programs</u>	<u>Liability Programs</u>
Assets	\$ 35,023,278	\$ 23,784,994
Liabilities to member cities	(32,256,997)	(19,045,269)
Net assets, reserved for insurance claims and losses	<u>\$ 2,766,281</u>	<u>\$ 4,739,725</u>
<u>Changes in Net Assets</u>		
Revenues	\$ 16,554,658	\$ 8,642,308
Expenses	(15,079,608)	(10,447,714)
Operating income (loss)	1,475,050	(1,805,406)
Non-operating revenues	1,482,388	1,436,183
Change in net assets	2,957,438	(369,223)
Net assets, July 1	(191,157)	5,108,948
Net assets, June 30	<u>\$ 2,766,281</u>	<u>\$ 4,739,725</u>

This information is not included in the accompanying financial statements. Separate financial statements of the Authority may be obtained at Bickmore Risk Services, 1020 19th Street, Suite 200, Sacramento, CA 95814.

B. Risk management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Effective January 1979, the City Council approved a program of self-insurance for workers' compensation, medical and dental, unemployment and, effective July 1985, general liability. The self-insurance program was established as an Internal Service Fund and is supported by charges to various City departments that are reported as quasi-external transactions. There have neither been significant reductions in insurance coverage from the prior year nor any settlements exceeding insurance coverage for each of the past three years.

The City will pay all claims up to \$500,000 per claim for workers' compensation. Amounts in excess of \$500,000 are covered by the Local Agency Workers' Comp. Excess Joint Powers Authority (LAWCX) to a limit of \$4,500,000.

An outside agent administers the medical program. Charges per employee are based on total outstanding claims and past history. The City will pay all medical claims up to \$80,000 per claim. An outside insuring agent covers any additional losses up to \$1,000,000. The maximum payment for dental claims is \$2,000 per employee per

year. The unemployment liability program is administered through the State of California wherein the City is charged for the actual cost of claims paid by the State.

The City is self-insured for the first \$100,000 per claim for general liability, to a limit of \$1,000,000. The California Affiliated Risk Management Authority (CARMA) covers losses in excess of \$1,000,000 to a limit of \$29,000,000 through its participation with Everest Reinsurance Company and Colony National Insurance Company.

At June 30, 2010, \$1,162,855 has been accrued for claims representing estimates of amounts to be paid for actual claims and incurred but not reported claims based on past actuarial experience.

Changes in the balances of claims liabilities during the past two years are as follows:

		Fiscal year ended	
		June 30, 2010	June 30, 2009
Unpaid claims, beginning of year	\$	940,317	\$ 873,227
Incurred claims		5,019,043	2,925,084
Claim payments		(4,796,505)	(2,857,994)
Unpaid claims, end of year	\$	<u>1,162,855</u>	<u>\$ 940,317</u>

C. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Various other claims and suits have been filed against the City in the normal course of business. Based upon information received from the City Attorney and the self-insurance administrator, the estimated liability under such claims would be adequately covered by self-insurance and other insurance coverage.

D. Unearned revenue - Governmental activities

On July 1, 1998, the interest rate on the fund advance agreement between the City and Redevelopment Agency was reduced from 10 percent to zero percent. Interest due at June 30, 1998, was recorded as deferred revenue in the General Fund as it was due, but not paid and therefore unavailable to finance expenditures of the current fiscal year.

Housing and Community Development Block Grant funds are used to provide housing rehabilitation and first-time homebuyer assistance loans to eligible applicants. Such loans are made to low and moderate-income persons to help purchase, improve, rehabilitate, or replace residences. This program is accounted for in the Community Development Block Grant (CDBG) Special Revenue Fund. CDBG's primary assets consist of notes receivable from participants that originated from Department of Housing and Urban Development (HUD) funds. Since HUD has a claim to any funds remaining if and when this program is terminated, a contingent liability exists. As the loans are collected, the receipts are recognized as program income, and must be recycled to new program participants. Therefore, 100 percent of the loan receivable balance represents deferred revenue and has been presented accordingly.

The Low and Moderate Income Housing Special Revenue Fund had participated in lending forgivable funds to first-time homebuyers based on income qualifications. The maximum amount of assistance is \$17,000 that is forgivable over a 45-year span. The amount of money recognized as deferred revenue is based on the number of loans issued less the annual forgivable portion. In addition, the Porterville Redevelopment Agency conveyed 2.7

acres of real property to Porterville Housing Partners, L.P. on February 3, 2010 for a purchase price of \$930,000 which constitutes a loan to be repaid from the residual receipts of ownership and operating of residential and commercial buildings to be constructed on the property. The principal balance of the loan is recognized as deferred revenue in the Low and Moderate Income Housing Fund.

Details on unearned revenue at June 30, 2010, are as follows:

Fund	Amount
Governmental activities:	
General fund	\$ 104,130
Special revenue fund -	
Low and Moderate Income Housing	1,256,972
Community Development Block Grant	10,383,345
Total unearned revenue – governmental activities	<u>\$ 11,744,447</u>

E. Deferred compensation plans

The City offers several deferred compensation plans created in accordance with Internal Revenue Service Code Section 457 and 401(a). The original 457 plan has two provisions to accommodate regular and part-time, temporary and seasonal employees (PTS). For regular employees, the plan permits them to defer a portion of their salary until future years. Participation in the plan is optional. For PTS employees, participation is not optional. In lieu of participation in PERS, PTS employees must contribute 7.5 percent of their gross earnings in accordance with IRS regulations. In regards to both classifications of employees, the deferred compensation is not available until termination, retirement, death or unforeseeable emergency.

The City Council has adopted amendments to the 457 plan to accommodate certain tax law changes established by the Internal Revenue Service. The ICMA Retirement Corporation administers the plans and offers several investment options. The choice of the investment option(s) is available only to regular employees and is made solely by the participants. The City has no liability for investment losses under the plan and in accordance with GASB 32, the assets of each of the aforementioned plans have been excluded from the financial statements.

F. Defined benefit pension plan

Plan Description

The City has two defined benefit pension plans, a Miscellaneous Plan and a Safety Plan, each providing retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Both plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions, as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. As of June 30, 2010, the contracted plan for Miscellaneous was 2.7 percent at age 55 and 3 percent at age 55 for Safety. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California, 95814.

Funding Policy

Active plan members are required to contribute a percentage of their annual covered salary, 8.0 percent for participation in the Miscellaneous Plan and 9.0 percent for Safety Plan. The City is currently making these contributions on behalf of the police series employees only, in accordance with a Memorandum of Understanding, and the City is required to contribute the actuarially determined remaining amounts necessary to fund the

benefits. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year June 30, 2010, was 19.514 percent for miscellaneous employees and 26.806 percent for firefighters and police officers. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For the fiscal year 2009-2010, the City's annual pension cost of \$3,358,898 for CalPERS was equal to the City's required and actual contributions.

Miscellaneous Plan

The required contribution for fiscal year June 30, 2010 for the Miscellaneous Plan was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25 percent to 14.45 percent depending on age, service, and type of employment, (c) an inflation component of 3.0 percent, (d) 3.25 percent overall payroll growth, and (e) individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0 percent and an annual production growth of 0.25 percent. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in fair value of investments over a fifteen year period. The plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period for the Miscellaneous Plan was 25 years as of the valuation date.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/08	\$ 1,595,306	100%	--
06/30/09	1,696,008	100%	--
06/30/10	1,797,081	100%	--

The funded status of the plan as of June 30, 2010, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 58,238,588
Actuarial value of plan assets	<u>39,937,228</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>18,301,360</u>
Funded ratio (actuarial value of plan assets/AAL)	68.6%
Covered payroll	9,300,892
UAAL as a percentage of covered payroll	196.8%

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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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, included in the required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Safety Plan

The Safety Plan is part of the Safety 3.0% at 55 Risk Pool, a cost-sharing multiple-employer defined benefit plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The contractually required contribution for the period July 1, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2007. The actuarial assumptions used to determine the contractually required contributions for the cost-sharing multiple-employer defined benefit plan included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25 percent to 14.45 percent depending on age, service and type of employment, (c) inflation rate of 3.0 percent, (d) payroll growth of 3.25 percent, and (e) individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0 percent and an annual production growth of 0.25 percent. The plan's assets are valued using a 15 year smoothed market and the actuarial liability is amortized as a level percentage of payroll. The average remaining amortization period for the cost-sharing multiple-employer defined benefit plan was 16 years as of the valuation date.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/08	\$ 1,368,248	100%	--
06/30/09	1,405,899	100%	--
06/30/10	1,561,818	100%	--

G. Other postemployment benefits

Plan Description

In addition to the pension benefits described above in Note 5F, the City provides other postemployment benefits (OPEB) for its employees, a single-employer retiree health program. Retired employees are eligible to purchase the City's Medical, Dental, and/or Vision Plan benefits for themselves and their spouse, provided the spouse was covered under each of the Benefit Plans proposed to be purchased for not less than 30 days immediately prior to the employee's retirement date. Employees who retire on or after January 1, 2005 will pay 70 percent of the monthly contribution rate for medical coverage for themselves and for their eligible spouse; and the City will contribute 30 percent of said costs, for so long as timely and continuous monthly premium payments are made by or on behalf of the eligible retiree and/or by their eligible spouse. Medical plan benefit coverage for retirees and eligible spouses will be effective until they reach the age of 65. The monthly cost shall be 102% of the actuarially established contribution rate, and such rates are subject to change from time-to-time.

Funding Policy and Actuarial Assumptions

At this time, the City manages its own postemployment benefit plan. The City's funding policy is to finance benefit payments as they come due, on a pay-as-you-go basis.

The calculation method used to determine the annual accrual amount was the entry age normal actuarial cost method. The allocation of OPEB cost was based on years of service and the level percentage of payroll method was used to allocate OPEB cost over years of service. The amortization method used to allocate amortization cost by year is the level percentage of payroll method. The amortization period used is 30 years. At this time, the City has not made an election with respect to whether to use an "open" or "closed" amortization period. Projections of benefits are based on the substantive plan, the formulation of which was based on a review of written plan documents as well as historical information regarding practices with respect to employer and employee contributions and other relevant factors. Economic assumptions included (a) 3 percent per year inflation rate, (b) an investment return/discount rate of 5 percent per year, (c) a long-term trend assumption of 4 percent per year, and (d) a payroll increase of 3 percent per year.

Annual OPEB Cost

As required by GASB 45, an actuary will determine the City's annual required contribution (ARC) at least once every two years. The ARC is calculated in accordance with certain parameters, and includes the normal cost for one year and a component of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years. This is the basis of the annual OPEB cost and the net OPEB obligation. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and the City's net OPEB obligation at June 30, 2010:

Annual required contribution	\$ 1,439,441
Interest on net OPEB obligation / (asset)	--
Adjustment to annual required contribution	--
Annual OPEB cost (expense)	1,439,441
Contributions made	664,755
Increase in net OPEB obligation / (asset)	774,686
Net OPEB obligation / (asset) – beginning of year	--
Net OPEB obligation / (asset) – end of year	\$ 774,686

The funded status of the plan as of March 1, 2009, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 9,983,546
Actuarial value of plan assets	--
Unfunded actuarial accrued liability (UAAL)	\$ 9,983,546
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll	14,650,620
UAAL as a percentage of covered payroll	40.3%

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, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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, included in the required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 6 – Prior year's debt defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in this trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2010, the amount of the defeased debt outstanding amounted to \$23,980,000.

NOTE 7 - Subsequent events

On August 17, 2010, the City Council approved the restructuring of the Porterville Redevelopment Agency debt to the City. The restructuring includes the waiving of interest on the original loan from the period of 1981 through 1990 in the amount of \$406,975 which would bring the balance of this loan from \$1,145,425 to \$738,450. The restructuring also involves the consolidation of all Agency debt to the City into a one 30-year loan in the amount of \$1,679,645 at an interest rate of 3% per annum with annual payments beginning in fiscal year 2014/2015. In addition, the Agency will sell property the proceeds thereof will be applied as a lump sum payment on the Agency debt. This restructuring of the Agency debt will allow the Agency to begin working on projects included in the RDA Five Year Implementation Plan.

On November 16, 2010, the City Council authorized the commencement of proceedings in connection with the issuance by the Porterville Public Financing Authority of revenue bonds to refund the outstanding 1997 Certificates of Participation relating to the City's sewer system and finance new improvements to the City's municipal sewer system. The City determined that there is a need for the extension of sewer services to approximately 1,200 residents that had been annexed to the City in April 2006. It is estimated that the construction cost of the new sewer infrastructure is approximately \$7,000,000.

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Required Supplementary Information



City of Porterville
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget Positive(Negative)
REVENUES				
Property taxes ,	\$ 7,437,948	\$ 7,437,948	\$ 6,674,609	\$ (763,339)
Sales taxes	3,953,845	3,953,845	3,376,898	(576,947)
Utility users tax	3,854,381	3,854,381	4,045,732	191,351
Transient occupancy tax	325,000	325,000	276,338	(48,662)
Franchise tax	1,551,137	1,551,137	1,469,489	(81,648)
Business licenses	418,000	418,000	387,984	(30,016)
Building permits	320,000	320,000	255,176	(64,824)
Plumbing permits	130,000	130,000	135,490	5,490
Electrical permits	40,000	40,000	39,050	(950)
Other licenses and permits	650	650	18,480	17,830
Motor vehicle in-lieu tax	480,000	480,000	382,477	(97,523)
Federal grants	-	100,000	509,425	409,425
State grants/reimbursements	132,179	132,179	1,034,009	901,830
Planning and zoning	30,000	30,000	56,576	26,576
Engineering and inspection	100,000	100,000	51,976	(48,024)
Police services	232,000	232,000	243,135	11,135
Fire services	19,000	19,000	23,760	4,760
Library services	35,000	35,000	41,750	6,750
Recreational activities	1,304,000	1,373,422	1,479,018	105,596
Other service charges	20,500	20,500	2,250	(18,250)
Interdepartmental service charge	1,587,170	1,587,170	1,666,348	79,178
Parking fines	15,000	15,000	23,843	8,843
Vehicle code fines	4,000	4,000	3,654	(346)
Other fines	50,000	50,000	55,220	5,220
Impact fees	12,500	12,500	3,521	(8,979)
Interest	150,000	150,000	455,197	305,197
Rent	21,601	21,601	21,601	-
Contributions	1,000	1,000	1,908	908
Other revenues	80,000	80,000	91,697	11,697
Total revenues	22,304,911	22,474,333	22,826,611	352,278
EXPENDITURES				
Current:				
Community Development	801,646	917,402	836,239	81,163
General government	2,672,304	2,735,623	2,585,191	150,432
Parks and recreation	4,532,372	4,692,476	4,404,077	288,399
Public safety - fire	3,660,695	3,660,716	3,226,212	434,504
Public safety - police	7,923,828	7,930,116	7,375,939	554,177
Public works	2,260,275	2,268,094	2,039,749	228,345
Debt service:				
Interest and administrative charges	6,696	6,696	6,696	-
Capital outlay	747,521	747,521	711,423	36,098
Total expenditures	22,605,337	22,958,644	21,185,526	1,773,118
Excess (deficiency) of revenues over (under) expenditures	(300,426)	(484,311)	1,641,085	2,125,396
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	2,029,820	2,029,820
Transfers in	1,319,209	1,319,209	1,571,354	252,145
Transfers out	(5,032,001)	(5,032,001)	(5,311,142)	(279,141)
Total other financing sources (uses) and special items	(3,712,792)	(3,712,792)	(1,709,968)	2,002,824
Net change in fund balances	(4,013,218)	(4,197,103)	(68,883)	4,128,220
Fund balance - beginning	18,774,782	18,774,782	18,774,782	-
Fund balance - ending	\$ 14,761,564	\$ 14,577,679	\$ 18,705,899	\$ 4,128,220

City of Porterville
Public Safety Sales Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with
			Actual	Final Budget
	Original	Final	Amounts	Positive(Negative)
REVENUES				
Sales tax	\$ 2,800,000	\$ 2,800,000	\$ 2,407,989	\$ (392,011)
Interest	50,000	50,000	91,554	41,554
Total revenues	2,850,000	2,850,000	2,499,543	(350,457)
EXPENDITURES				
Current:				
Parks and leisure services	382,500	382,500	347,946	34,554
Public safety - fire	872,186	872,186	774,294	97,892
Public safety - police	1,262,880	1,262,880	1,168,799	94,081
Total expenditures	2,517,566	2,517,566	2,291,039	226,527
Excess(deficiency) of revenues over(under) expenditures	332,434	332,434	208,504	(123,930)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	28,989	28,989
Transfers out	(665,000)	(665,000)	(199,834)	465,166
Total other financing sources (uses)	(665,000)	(665,000)	(170,845)	494,155
Net change in fund balances	(332,566)	(332,566)	37,659	370,225
Fund balance - beginning	3,245,964	3,245,964	3,245,964	-
Fund balance - ending	\$ 2,913,398	\$ 2,913,398	\$ 3,283,623	\$ 370,225

City of Porterville
Community Development Block Grant
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance with
			Actual	Final Budget
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive(Negative)</u>
REVENUES				
Federal grants	\$ 1,694,416	\$ 1,694,416	\$ 1,243,754	\$ (450,662)
State grants/reimbursements	500,000	500,000	144,298	(355,702)
Other service charges	201,000	201,000	134,427	(66,573)
Interest	<u>20,000</u>	<u>20,000</u>	<u>21,090</u>	<u>1,090</u>
Total revenues	<u>2,415,416</u>	<u>2,415,416</u>	<u>1,543,569</u>	<u>(871,847)</u>
EXPENDITURES				
Current:				
Community Development	154,837	154,837	400,710	(245,873)
Debt Service:				
Principal	145,000	145,000	145,000	-
Interest and administrative charges	<u>182,136</u>	<u>182,136</u>	<u>182,136</u>	<u>-</u>
Total expenditures	<u>481,973</u>	<u>481,973</u>	<u>727,846</u>	<u>(245,873)</u>
Excess(deficiency) of revenues over(under) expenditures	<u>1,933,443</u>	<u>1,933,443</u>	<u>815,723</u>	<u>(1,117,720)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,915,615)	(1,915,615)	(335,740)	1,579,875
Sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,915,615)</u>	<u>(1,915,615)</u>	<u>(335,740)</u>	<u>1,579,875</u>
Net change in fund balances	17,828	17,828	479,983	462,155
Fund balance - beginning	<u>273,710</u>	<u>273,710</u>	<u>273,710</u>	<u>-</u>
Fund balance - ending	<u>\$ 291,538</u>	<u>\$ 291,538</u>	<u>\$ 753,693</u>	<u>\$ 462,155</u>

REQUIRED SUPPLEMENTARY INFORMATION

Public Employees Retirement System Schedule of Funding Progress

Miscellaneous Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
06/30/05	\$ 37,584,350	\$ 27,137,434	\$ 10,446,916	72.2%	\$ 6,973,391	149.8%
06/30/06	39,891,390	29,852,991	10,038,399	74.8%	7,424,053	135.2%
06/30/07	44,065,666	33,713,837	10,351,829	76.5%	7,128,765	145.2%
06/30/08	50,264,752	37,274,664	12,990,088	74.2%	8,782,071	147.9%
06/30/09	58,238,588	39,937,228	18,301,360	68.6%	9,300,892	196.8%

REQUIRED SUPPLEMENTARY INFORMATION

Other Postemployment Benefits Plan Schedule of Funding Progress

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
03/01/09	\$ --	\$ 9,983,546	\$ 9,983,546	0.0%	\$ 14,650,620	68.1%

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**Supplemental
Statements**



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. These funds are required by statute, charter provisions, or local ordinance to finance particular activities of the City of Porterville.

Redevelopment Agency Low and Moderate Income Housing Fund - This fund was established in the 1991-92 fiscal year, as required by Health and Safety Code Section 33334.2, for the purpose of setting aside 20 percent of all Redevelopment Agency tax increment revenues for improving establishing, and otherwise caring for the low- and moderate-income housing needs within the project area.

Special Gas Tax Fund - This fund was established by Resolution No. 229 in 1935, as required by the State, to account for monies received from gasoline taxes that must be expended mainly for constructing or improving major city streets.

Local Transportation Funds Fund - This fund is used to account for monies received from the County of Tulare for public transportation purposes. Revenues to each county's local transportation fund are derived from one-quarter cent of the sales tax collected in that county.

Traffic Safety Fund - This fund was established based on Section 1463 of the Penal Code. All fines and forfeitures collected from any person charged with a misdemeanor under this code must be deposited into a special fund known as the "Traffic Safety Fund." These funds are to be used exclusively for official traffic control devices and the maintenance thereof, equipment and supplies for traffic law enforcement and traffic accident prevention, and for the maintenance, improvement, or construction of public streets, bridges, and culverts within the city, but not for the compensation of traffic or other police officers.

Public Safety Grant Fund - This fund was established as a result of Assembly Bill 3229, Chapter 134, Statutes of 1996, which formulated the Citizen's Option for Public Safety Program. The plan allows proportionate shares of the State's appropriated funds to be allocated to qualifying local agencies for the purpose of financing front-line police services. This fund is also used to account for other public safety activities that have restricted funding requirements.

Landscape Maintenance District Fund - This fund is used to account for activities related to the landscape maintenance districts. The City maintains certain landscaping and is reimbursed by way of special assessments levied against the property owners within each district.

Transportation Development Fund - This fund was established by Council action on May 5, 1998 to account for the collection/distribution of the newly-adopted Traffic Impact Fee assessed to new development.

Park Development Fund - This fund was established to account for receipts of federal and state grants for the improvement, maintenance, and acquisition of parks within the City.

Storm Drain Development Fund - This fund was established to account for storm drain acreage fees from subdivisions and developers. The funds will be used to finance storm drainage facilities in the future.

Building Construction Fund - This fund was created to accumulate and account for monies derived through the sale of City-owned assets.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources and the payments of general long-term debt principal and interest of the General Government and Redevelopment Agency. These funds do not include debt being financed by proprietary funds.

General Government Fund - This fund is used to account for the payment of principal and interest on the 1992 Public Buildings Certificates of Participation obligation.

Redevelopment Agency Fund - This fund is used to account for the accumulation of tax increment and other revenues for the payment of principal and interest on the Redevelopment Agency's bonded debt and other long-term obligations.

CAPITAL PROJECTS FUND

Redevelopment Agency Fund - This fund was established to account for all administrative and project expenditures related to Project Area No. 1 of the Porterville Redevelopment Agency.

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CITY OF PORTERVILLE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue					
	Redevelopment Agency Low & Moderate Housing	Special Gas Tax	Local Transportation Funds (LTF)	Traffic Safety	Public Safety Grant	Landscape Maintenance District
ASSETS						
Assets:						
Cash and cash equivalents	\$ 2,852	\$ 16,184	\$ 24,130	\$ -	\$ 260	\$ 5,734
Investments	196,805	1,116,968	1,665,344	-	17,947	395,776
Receivables - misc (net):						
Interest	-	-	-	-	-	-
Taxes	-	81,114	-	-	-	4,128
Other	-	-	-	-	-	-
Receivables - housing (net):	326,972	-	-	-	-	-
Intergovernmental receivables	-	132,628	772,137	41,344	87,761	-
Interfund receivables	-	-	-	-	-	-
Restricted - cash with fiscal agent	-	-	-	-	-	-
Note receivable	930,000	-	-	-	-	-
Total assets	<u>\$ 1,456,629</u>	<u>\$ 1,346,894</u>	<u>\$ 2,461,611</u>	<u>\$ 41,344</u>	<u>\$ 105,968</u>	<u>\$ 405,638</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 50	\$ -	\$ -	\$ -	\$ 21,517	\$ 7,240
Payroll payable	1,040	-	-	-	13,463	-
Deferred revenue	1,256,972	-	-	-	-	-
Advances payable	-	-	-	-	-	-
Total liabilities	<u>1,258,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,980</u>	<u>7,240</u>
Fund balances:						
Reserved for debt service	-	-	-	-	-	-
Reserved for capital projects	-	-	-	-	-	-
Reserved for grant programs	-	-	-	-	70,988	-
Unreserved, undesignated:						
Special revenue funds	198,567	1,346,894	2,461,611	41,344	-	398,398
Capital projects fund	-	-	-	-	-	-
Total fund balances	<u>198,567</u>	<u>1,346,894</u>	<u>2,461,611</u>	<u>41,344</u>	<u>70,988</u>	<u>398,398</u>
Total liabilities and fund balances	<u>\$ 1,456,629</u>	<u>\$ 1,346,894</u>	<u>\$ 2,461,611</u>	<u>\$ 41,344</u>	<u>\$ 105,968</u>	<u>\$ 405,638</u>

Special Revenue				Debt Service		Capital Projects	Total Nonmajor Governmental Funds
Transportation Development	Park Development	Storm Drain Development	Building Construction	General Government	Redevelopment Agency	Redevelopment Agency	
\$ 9,249	\$ -	\$ 21,172	\$ 9,120	\$ -	\$ 693	\$ 28,636	\$ 118,030
638,294	-	1,461,174	629,405	-	47,856	75,144	6,244,713
-	-	-	-	4,875	5,722	-	10,597
-	-	-	-	-	52,342	-	137,584
-	-	7,792	-	-	-	1,525	9,317
-	-	-	-	-	-	-	326,972
-	-	-	-	-	-	-	1,033,870
-	-	-	721,813	-	-	-	721,813
-	-	-	-	1,386,140	666,720	1,901,195	3,954,055
-	-	-	-	-	-	-	930,000
<u>\$ 647,543</u>	<u>\$ -</u>	<u>\$ 1,490,138</u>	<u>\$ 1,360,338</u>	<u>\$ 1,391,015</u>	<u>\$ 773,333</u>	<u>\$ 2,006,500</u>	<u>\$ 13,486,951</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,936	\$ 9,444	\$ 52,187
-	-	-	-	-	-	1,212	15,715
-	-	-	-	-	-	-	1,256,972
-	-	-	-	-	-	1,885,074	1,885,074
-	-	-	-	-	13,936	1,895,730	3,209,948
-	-	-	-	1,391,015	759,397	-	2,150,412
-	-	-	-	-	-	1,901,195	1,901,195
-	-	-	-	-	-	-	70,988
647,543	-	1,490,138	1,360,338	-	-	-	7,944,833
-	-	-	-	-	-	(1,790,425)	(1,790,425)
<u>647,543</u>	<u>-</u>	<u>1,490,138</u>	<u>1,360,338</u>	<u>1,391,015</u>	<u>759,397</u>	<u>110,770</u>	<u>10,277,003</u>
<u>\$ 647,543</u>	<u>\$ -</u>	<u>\$ 1,490,138</u>	<u>\$ 1,360,338</u>	<u>\$ 1,391,015</u>	<u>\$ 773,333</u>	<u>\$ 2,006,500</u>	<u>\$ 13,486,951</u>

CITY OF PORTERVILLE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2010

	Special Revenue					
	Redevelopment Agency Low & Mod. Housing	Special Gas Tax	Local Transportation Funds (LTF)	Traffic Safety	Public Safety Grant	Landscape Maintenance District
Revenues:						
Taxes:						
Property	\$ 205,553	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-	-	-
Intergovernmental	-	1,684,790	2,355,680	-	307,510	-
Special assessments and fees	-	-	-	-	-	209,863
Fines and forfeitures	-	-	-	271,956	-	-
Investment earnings	4,535	28,144	64,139	748	576	-
Miscellaneous	4,030	-	-	-	340	-
Total revenues	<u>214,118</u>	<u>1,712,934</u>	<u>2,419,819</u>	<u>272,704</u>	<u>308,426</u>	<u>209,863</u>
Expenditures:						
Community development	68,302	-	-	-	-	-
General government	-	-	-	-	-	-
Parks and leisure services	-	-	-	-	-	179,623
Public safety - fire	-	-	-	-	32,298	-
Public safety - police	-	-	-	-	356,524	-
Debt redemption, principal	20,000	-	-	-	-	-
Debt redemption, interest & charges	112,259	-	-	-	-	-
Capital outlay	-	-	-	-	30,383	-
Total expenditures	<u>200,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,205</u>	<u>179,623</u>
Excess (deficiency) of revenues over (under) expenditures	13,557	1,712,934	2,419,819	272,704	(110,779)	30,240
Other financing sources (uses):						
Transfers in	-	-	-	-	30,811	-
Transfers out	-	(1,366,019)	(1,886,326)	(246,483)	-	-
Loan to developer	(930,000)	-	-	-	-	-
Total other financing sources (uses)	<u>(930,000)</u>	<u>(1,366,019)</u>	<u>(1,886,326)</u>	<u>(246,483)</u>	<u>30,811</u>	<u>-</u>
Net change in fund balances	(916,443)	346,915	533,493	26,221	(79,968)	30,240
Fund balances - July 1	<u>1,115,010</u>	<u>999,979</u>	<u>1,928,118</u>	<u>15,123</u>	<u>150,956</u>	<u>368,158</u>
Fund balances (deficits) - June 30	<u>\$ 198,567</u>	<u>\$ 1,346,894</u>	<u>\$ 2,461,611</u>	<u>\$ 41,344</u>	<u>\$ 70,988</u>	<u>\$ 398,398</u>

Special Revenue				Debt Service		Capital Projects	Total Nonmajor Governmental Funds
Transportation Development	Park Development	Storm Drain Development	Building Construction	General Government	Redevelopment Agency	Redevelopment Agency	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 764,084	\$ -	\$ 969,637
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,347,980
185,668	68,084	51,822	-	-	-	-	515,437
-	-	-	-	-	-	-	271,956
19,288	-	42,434	53,370	3,480	22,639	59,577	298,930
-	-	-	-	-	-	16,275	20,645
<u>204,956</u>	<u>68,084</u>	<u>94,256</u>	<u>53,370</u>	<u>3,480</u>	<u>786,723</u>	<u>75,852</u>	<u>6,424,585</u>
-	-	-	-	-	403,229	141,892	613,423
-	-	-	-	2,000	-	-	2,000
-	-	-	-	-	-	-	179,623
-	-	-	-	-	-	-	32,298
-	-	-	-	-	-	-	356,524
-	-	-	-	670,000	146,461	-	836,461
-	-	-	-	1,153,596	416,542	921	1,683,318
-	-	-	-	-	-	-	30,383
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,825,596</u>	<u>966,232</u>	<u>142,813</u>	<u>3,734,030</u>
204,956	68,084	94,256	53,370	(1,822,116)	(179,509)	(66,961)	2,690,555
-	-	-	-	1,828,683	-	398,518	2,258,012
(150,000)	(68,190)	(29,790)	(615,744)	-	(398,518)	(731,344)	(5,492,414)
-	-	-	-	-	-	-	(930,000)
<u>(150,000)</u>	<u>(68,190)</u>	<u>(29,790)</u>	<u>(615,744)</u>	<u>1,828,683</u>	<u>(398,518)</u>	<u>(332,826)</u>	<u>(4,164,402)</u>
54,956	(106)	64,466	(562,374)	6,567	(578,027)	(399,787)	(1,473,847)
<u>592,587</u>	<u>106</u>	<u>1,425,672</u>	<u>1,922,712</u>	<u>1,384,448</u>	<u>1,337,424</u>	<u>510,557</u>	<u>11,750,850</u>
<u>\$ 647,543</u>	<u>\$ -</u>	<u>\$ 1,490,138</u>	<u>\$ 1,360,338</u>	<u>\$ 1,391,015</u>	<u>\$ 759,397</u>	<u>\$ 110,770</u>	<u>\$ 10,277,003</u>

CITY OF PORTERVILLE

**REDEVELOPMENT AGENCY LOW AND MODERATE
INCOME HOUSING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010**

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 250,258	\$ 205,553	\$ (44,705)
Interest	-	4,535	4,535
Other	3,480	4,030	550
Total revenues	<u>253,738</u>	<u>214,118</u>	<u>(39,620)</u>
Expenditures:			
Community development :			
Administration	85,914	68,302	17,612
Debt redemption, principal	20,000	20,000	-
Debt redemption, interest & charges	112,329	112,259	70
Capital outlay	<u>235,000</u>	<u>-</u>	<u>235,000</u>
Total expenditures	<u>453,243</u>	<u>200,561</u>	<u>252,682</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(199,505)</u>	<u>13,557</u>	<u>213,062</u>
Other financing sources (uses):			
Transfers out	(35,495)	-	35,495
Loan financing	<u>-</u>	<u>(930,000)</u>	<u>(930,000)</u>
Total other financing sources (uses)	<u>(35,495)</u>	<u>(930,000)</u>	<u>(894,505)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (235,000)</u>	<u>(916,443)</u>	<u>\$ (681,443)</u>
Fund balance - July 1		1,115,010	
Fund balance - June 30		<u>\$ 198,567</u>	

CITY OF PORTERVILLE

GAS TAX SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2010

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Other taxes:			
State gasoline tax section 2105	\$ 280,000	\$ 284,273	\$ 4,273
State gasoline tax section 2106	167,000	174,956	7,956
State gasoline tax section 2107	366,000	378,880	12,880
State gasoline tax section 2107.5	7,500	7,500	-
Total other taxes	<u>820,500</u>	<u>845,609</u>	<u>25,109</u>
Intergovernmental:			
State grants	-	473,011	473,011
Federal grants	<u>1,041,200</u>	<u>366,170</u>	<u>(675,030)</u>
Total intergovernmental	<u>1,041,200</u>	<u>839,181</u>	<u>(202,019)</u>
Interest	<u>20,000</u>	<u>28,143</u>	<u>8,143</u>
Total revenues	1,881,700	1,712,933	(168,767)
Other financing sources (uses):			
Transfers out	<u>(2,975,500)</u>	<u>(1,366,018)</u>	<u>1,609,482</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>(1,093,800)</u>	346,915	\$ <u>1,440,715</u>
Fund balance - July 1		<u>999,979</u>	
Fund balance - June 30		<u>\$ 1,346,894</u>	

CITY OF PORTERVILLE

**LOCAL TRANSPORTATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010**

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Other taxes:			
State gasoline tax - LTF	\$ 700,000	\$ 742,678	\$ 42,678
Sales tax - County Measure R	4,100,000	927,624	(3,172,376)
Total other taxes	<u>4,800,000</u>	<u>1,670,302</u>	<u>(3,129,698)</u>
Intergovernmental:			
State grants	295,000	295,000	-
Federal grants	<u>1,300,000</u>	<u>390,378</u>	<u>(909,622)</u>
Total intergovernmental	<u>1,595,000</u>	<u>685,378</u>	<u>(909,622)</u>
Interest	<u>25,000</u>	<u>64,139</u>	<u>39,139</u>
Total revenues	6,420,000	2,419,819	(4,000,181)
Other financing sources (uses):			
Transfers out	<u>(9,681,935)</u>	<u>(1,886,326)</u>	<u>7,795,609</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>(3,261,935)</u>	533,493	\$ <u>3,795,428</u>
Fund balance - July 1		<u>1,928,118</u>	
Fund balance - June 30		<u>\$ 2,461,611</u>	

CITY OF PORTERVILLE

TRAFFIC SAFETY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Fines and forfeitures:			
Penal code fines	\$ 160,000	\$ 271,956	\$ 111,956
Interest	200	748	548
Total revenues	160,200	272,704	112,504
Other financing sources (uses):			
Transfers out	(160,200)	(246,483)	(86,283)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	26,221	\$ 26,221
Fund balance - July 1		15,123	
Fund balance - June 30		\$ 41,344	

CITY OF PORTERVILLE

PUBLIC SAFETY GRANT SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Fiscal Year Ended June 30, 2010

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental:			
State grants	\$ 130,000	\$ 138,993	\$ 8,993
Federal grants	138,550	168,517	29,967
Total intergovernmental	<u>268,550</u>	<u>307,510</u>	<u>38,960</u>
Interest	900	576	(324)
Other	<u>100</u>	<u>340</u>	<u>240</u>
Total revenues	<u>269,550</u>	<u>308,426</u>	<u>38,876</u>
Expenditures:			
Public safety - fire	922	32,298	(31,376)
Public safety - police	416,536	356,524	60,012
Capital outlay	<u>34,249</u>	<u>30,383</u>	<u>3,866</u>
Total expenditures	<u>451,707</u>	<u>419,205</u>	<u>32,502</u>
Excess (deficiency) of revenues over (under) expenditures	(182,157)	(110,779)	6,374
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>30,811</u>	<u>30,811</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (182,157)</u>	<u>(79,968)</u>	<u>\$ 37,185</u>
Fund balance - July 1		<u>150,956</u>	
Fund balance - June 30		<u>\$ 70,988</u>	

CITY OF PORTERVILLE

LANDSCAPE MAINTENANCE DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Special assessments	\$ 216,000	\$ 209,863	\$ (6,137)
Expenditures:			
Parks and leisure services:			
Cost of service	215,764	179,623	36,141
Excess (deficiency) of revenues over (under) expenditures	\$ <u>236</u>	30,240	\$ <u>30,004</u>
Fund balance - July 1		<u>368,158</u>	
Fund balance - June 30		\$ <u>398,398</u>	

CITY OF PORTERVILLE

TRANSPORTATION DEVELOPMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2010

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Transportation impact fees	\$ 200,000	\$ 185,668	\$ (14,332)
Interest	10,000	19,288	9,288
Total revenues	210,000	204,956	(5,044)
Other financing uses:			
Transfers out	(400,000)	(150,000)	250,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (190,000)	54,956	\$ 244,956
Fund balance - July 1		592,587	
Fund balance - June 30		\$ 647,543	

CITY OF PORTERVILLE

PARK DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Park impact fees	\$ 50,000	\$ 68,084	\$ 18,084
Other financing uses:			
Transfers out	<u>(50,000)</u>	<u>(68,190)</u>	<u>(18,190)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>-</u>	(106)	\$ <u>(106)</u>
Fund balance - July 1		<u>106</u>	
Fund balance - June 30		\$ <u>-</u>	

CITY OF PORTERVILLE

STORM DRAIN DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Storm drain fees	\$ 130,000	\$ 51,822	\$ (78,178)
Interest	30,000	42,434	12,434
Total revenues	160,000	94,256	(65,744)
Other financing sources (uses):			
Transfers out	(1,126,400)	(29,790)	1,096,610
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (966,400)	64,466	\$ 1,030,866
Fund balance - July 1		1,425,672	
Fund balance - June 30		\$ 1,490,138	

CITY OF PORTERVILLE
BUILDING CONSTRUCTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Interest	\$ 50,000	\$ 53,370	\$ 3,370
Other financing sources (uses):			
Transfers out	<u>(715,000)</u>	<u>(615,744)</u>	<u>99,256</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ <u><u>(665,000)</u></u>	(562,374)	\$ <u><u>102,626</u></u>
Fund balance - July 1		<u>1,922,712</u>	
Fund balance - June 30		\$ <u><u>1,360,338</u></u>	

CITY OF PORTERVILLE

GENERAL GOVERNMENT DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2010

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Interest	\$ 6,000	\$ 3,480	\$ (2,520)
Expenditures:			
General government:			
Administration	2,500	2,000	500
Debt redemption, principal	670,000	670,000	-
Debt redemption, interest & charges	1,153,596	1,153,596	-
Total expenditures	1,826,096	1,825,596	500
Excess (deficiency) of revenues over (under) expenditures	(1,820,096)	(1,822,116)	(2,020)
Other financing sources (uses):			
Transfers in	1,817,596	1,828,683	11,087
Transfers out	(600)	-	600
Total other financing sources (uses)	1,816,996	1,828,683	11,687
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (3,100)	6,567	\$ 9,667
Fund balance - July 1		1,384,448	
Fund balance - June 30		\$ 1,391,015	

CITY OF PORTERVILLE

**REDEVELOPMENT AGENCY DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010**

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 919,555	\$ 764,084	\$ (155,471)
Interest	2,523	22,639	20,116
Total revenues	<u>922,078</u>	<u>786,723</u>	<u>(135,355)</u>
Expenditures:			
Community development :			
Administration	105,000	403,229	(298,229)
Debt redemption, principal	144,461	144,461	-
Debt redemption, interest & charges	<u>422,606</u>	<u>418,542</u>	<u>4,064</u>
Total expenditures	<u>672,067</u>	<u>966,232</u>	<u>(294,165)</u>
Excess (deficiency) of revenues over (under) expenditures	250,011	(179,509)	(429,520)
Other financing sources (uses):			
Transfers out	<u>(49,965)</u>	<u>(398,518)</u>	<u>(348,553)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 200,046</u>	<u>(578,027)</u>	<u>\$ (778,073)</u>
Fund balance - July 1		<u>1,337,424</u>	
Fund balance - June 30		<u>\$ 759,397</u>	

CITY OF PORTERVILLE

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Totals		
	Original and Final Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues:			
Interest	\$ -	\$ 59,577	\$ 59,577
Other	17,193	16,275	(918)
Total revenues	17,193	75,852	58,659
Expenditures:			
Community development	217,239	141,892	75,347
Debt redemption, interest	-	921	(921)
Capital outlay	13,500	-	13,500
Total expenses	230,739	142,813	87,926
Excess (deficiency) of revenues over (under) expenditures	(213,546)	(66,961)	146,585
Other financing sources (uses):			
Transfers in	49,965	398,518	348,553
Transfers out	-	(731,344)	(731,344)
Total other financing sources (uses)	49,965	(332,826)	(382,791)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (163,581)	(399,787)	\$ (236,206)
Fund balance - July 1		510,557	
Fund balance - June 30		\$ 110,770	

NONMAJOR PROPRIETARY FUNDS

Proprietary funds are used to account for operations that provide goods or services to the general public on a continuing basis and are financed primarily through user charges.

Zalud House Fund

This fund was established to account for the original gift of money and assets from the Zalud Estate and the operations of the Zalud House.

Transit Fund

This fund was established to account for the operations of the City-operated local transit system. The City has an agreement with Tulare County to provide transportation service to the unincorporated areas around Porterville. The transit system is funded by ticket sales, the City of Porterville (Gas Tax Transportation funds), and the County of Tulare.

Airport Fund

This fund was established to account for all revenues and expenses associated with the operation of the Porterville Municipal Airport. The principal sources of revenue for this fund are fuel sales, hangar rentals, land leases, and concession fees.

Golf Course Fund

This fund was established to account for all revenues and expenses incurred in the operation of the Porterville Municipal Golf Course. The principal source of revenue for this fund is green fees.

City of Porterville
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2010

	Zalud House	Transit Operations	Airport Operations	Golf Course	Total Nonmajor Proprietary Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,565	\$ 9,501	\$ 5,077	\$ 500	\$ 16,643
Investments	107,287	655,705	338,042	-	1,101,034
Accounts receivable, net of allowance for uncollectibles	-	27,308	152,772	3,397	183,477
Intergovernmental receivables	-	168,657	-	-	168,657
Inventories	-	-	119,401	-	119,401
Total current assets	<u>108,852</u>	<u>861,171</u>	<u>615,292</u>	<u>3,897</u>	<u>1,589,212</u>
Noncurrent assets:					
Capital assets:					
Land	23,240	352,599	1,000,125	102,048	1,478,012
Construction in progress	-	114,513	643,018	8,865	766,396
Buildings and equipment	138,867	6,114,474	1,075,531	314,828	7,643,700
Improvements other than buildings	3,547	570,939	6,143,067	385,918	7,103,471
Less accumulated depreciation	(93,535)	(2,020,846)	(3,408,946)	(450,591)	(5,973,918)
Total noncurrent assets	<u>72,119</u>	<u>5,131,679</u>	<u>5,452,795</u>	<u>361,068</u>	<u>11,017,661</u>
Total assets	<u>180,971</u>	<u>5,992,850</u>	<u>6,068,087</u>	<u>364,965</u>	<u>12,606,873</u>
LIABILITIES AND FUND BALANCES					
Current liabilities:					
Accounts and other payables	314	79,410	51,184	14,002	144,910
Payroll payable	274	4,102	5,713	5,766	15,855
Interfund payable	-	-	-	325,239	325,239
Compensated absences payable	-	8,786	9,825	3,105	21,716
Accrued interest payable	-	-	3,133	-	3,133
Loans payable - current	-	-	8,671	-	8,671
Unearned revenue	-	770,238	-	-	770,238
Total current liabilities	<u>588</u>	<u>862,536</u>	<u>78,526</u>	<u>348,112</u>	<u>1,289,762</u>
Noncurrent liabilities:					
Advances payable	-	-	96,790	-	96,790
Loans payable	-	-	82,840	-	82,840
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>179,630</u>	<u>-</u>	<u>179,630</u>
Total liabilities	<u>588</u>	<u>862,536</u>	<u>258,156</u>	<u>348,112</u>	<u>1,469,392</u>
NET ASSETS					
Invested in capital assets, net of related debt	72,119	5,131,679	5,361,284	361,068	10,926,150
Unrestricted	108,264	(1,365)	448,647	(344,215)	211,331
Total net assets	<u>\$ 180,383</u>	<u>\$ 5,130,314</u>	<u>\$ 5,809,931</u>	<u>\$ 16,853</u>	<u>\$ 11,137,481</u>

City of Porterville
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2010

	<u>Zalud House</u>	<u>Transit Operations</u>	<u>Airport Operations</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating revenues:					
Charges for services	\$ 4,194	\$ 322,208	\$ 650,498	\$ 280,675	\$ 1,257,575
Other revenues	<u>2,419</u>	<u>9,808</u>	<u>154,142</u>	<u>90</u>	<u>166,459</u>
Total operating revenues	<u>6,613</u>	<u>332,016</u>	<u>804,640</u>	<u>280,765</u>	<u>1,424,034</u>
Operating expenses:					
Cost of sales and services	16,289	1,403,640	680,207	263,657	2,363,793
General and administrative	3,897	335,525	90,916	86,922	517,260
Depreciation/amortization	<u>3,792</u>	<u>279,232</u>	<u>188,919</u>	<u>28,903</u>	<u>500,846</u>
Total operating expenses	<u>23,978</u>	<u>2,018,397</u>	<u>960,042</u>	<u>379,482</u>	<u>3,381,899</u>
Operating income (loss)	<u>(17,365)</u>	<u>(1,686,381)</u>	<u>(155,402)</u>	<u>(98,717)</u>	<u>(1,957,865)</u>
Nonoperating revenues (expenses):					
Intergovernmental revenues	-	1,257,104	-	-	1,257,104
Federal grants	-	761,618	477,544	-	1,239,162
Investment earnings	3,064	10,278	14,695	5,626	33,663
Interest expense	<u>-</u>	<u>-</u>	<u>(10,397)</u>	<u>-</u>	<u>(10,397)</u>
Total nonoperating revenue (expenses)	<u>3,064</u>	<u>2,029,000</u>	<u>481,842</u>	<u>5,626</u>	<u>2,519,532</u>
Income before contributions and transfers	(14,301)	342,619	326,440	(93,091)	561,667
Transfers in	10,000	-	38,286	69,000	117,286
Transfers out	<u>-</u>	<u>(94,660)</u>	<u>(127,500)</u>	<u>-</u>	<u>(222,160)</u>
Change in net assets	<u>(4,301)</u>	<u>247,959</u>	<u>237,226</u>	<u>(24,091)</u>	<u>456,793</u>
Total net assets - beginning	<u>184,684</u>	<u>4,882,355</u>	<u>5,572,705</u>	<u>40,944</u>	<u>10,680,688</u>
Total net assets - ending	<u>\$ 180,383</u>	<u>\$ 5,130,314</u>	<u>\$ 5,809,931</u>	<u>\$ 16,853</u>	<u>\$ 11,137,481</u>

**City of Porterville
Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2010**

	Zalud House	Transit Operations	Airport Operations	Golf Course	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash from interfund	\$ -	\$ -	\$ -	\$ 7,650	\$ 7,650
Cash receipts from customer	6,613	335,548	758,086	281,661	1,381,908
Payments to employees	(12,064)	(98,109)	(130,950)	(155,764)	(396,887)
Payments to suppliers and others	(8,294)	(1,654,932)	(665,214)	(196,910)	(2,525,350)
Net cash provided by operating activities	(13,745)	(1,417,493)	(38,078)	(63,363)	(1,532,679)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental - operating assistance	-	1,858,454	-	-	1,858,454
Subsidy from federal grant	-	300,000	-	-	300,000
Transfers in from other funds	10,000	-	38,286	69,000	117,286
Transfers to other funds	-	(94,660)	(127,500)	-	(222,160)
Net cash (used) by noncapital financing	10,000	2,063,794	(89,214)	69,000	2,053,580
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Construction and other capital projects	-	(131,530)	(580,066)	-	(711,596)
Interest paid on long-term debt and advances	-	-	(10,666)	-	(10,666)
Principal payments on long-term debt	-	-	(11,061)	-	(11,061)
Proceeds from financing	-	-	100,000	-	100,000
Purchase of capital assets	-	(395,662)	(6,679)	(11,263)	(413,604)
Subsidy from federal and state grants	-	461,618	499,384	-	961,002
Net cash (used) by capital and related financing activities	-	(65,574)	(9,088)	(11,263)	(85,925)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	3,065	10,278	14,695	5,626	33,664
Net cash provided by investing activities	3,065	10,278	14,695	5,626	33,664
Net Increase (decrease) in cash and cash equivalents	(680)	591,005	(121,685)	-	468,640
Balances - beginning of year	109,532	74,201	464,804	500	649,037
Balances - end of the year	\$ 108,852	\$ 665,206	\$ 343,119	\$ 500	\$ 1,117,677
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (17,365)	\$ (1,686,381)	\$ (155,402)	\$ (98,717)	\$ (1,957,865)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	3,792	279,232	188,919	28,903	500,846
Changes in assets and liabilities:					
Accounts payable	90	(16,729)	(12,897)	(2,376)	(31,912)
Compensated absences	-	2,367	(231)	54	2,190
Customer receivables	-	3,532	(46,554)	896	(42,126)
Inventory	-	-	(12,491)	-	(12,491)
Interfund temporary loans	-	-	-	7,650	7,650
Salaries and benefits payable	(262)	486	578	227	1,029
Net cash provided by operating activities	\$ (13,745)	\$ (1,417,493)	\$ (38,078)	\$ (63,363)	\$ (1,532,679)

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department of the City to other departments on a cost-reimbursement basis.

Risk Management Fund

This fund was established to account for various types of insurance including liability, worker's compensation, unemployment, property, and employee health. The City is self-insured for liability claims below the amount covered by the City's insurance carriers. This fund accounts for these self-insured claims as well as the payments of the premiums for the excess liability insurance coverage.

Equipment Management Fund

This fund was established to account for the activities pertaining to the acquisition, maintenance, and repair of City vehicles and equipment. The cost of labor, replacement parts, and fuel are tabulated on a monthly basis and charged to the user departments. The funds derived from such charges are used to maintain operations of this fund.

City of Porterville
Combining Statement of Net Assets
Internal Service Funds
June 30, 2010

	Risk Management	Equipment Management	Total Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 88,069	\$ 3,931	\$ 92,000
Investments	6,078,160	271,295	6,349,455
Accounts receivable, net of allowance for uncollectibles	18,491	32,210	50,701
Interfund receivable	31,430	-	31,430
Total current assets:	<u>6,216,150</u>	<u>307,436</u>	<u>6,523,586</u>
Noncurrent assets:			
Advances receivable	1,051,246	-	1,051,246
Capital assets:			
Buildings and equipment	-	736,796	736,796
Improvements other than buildings	-	6,639	6,639
Less accumulated depreciation	-	(557,235)	(557,235)
Total noncurrent assets:	<u>1,051,246</u>	<u>186,200</u>	<u>1,237,446</u>
Total assets	<u>7,267,396</u>	<u>493,636</u>	<u>7,761,032</u>
LIABILITIES AND FUND BALANCES			
Accounts and other payables	173,314	55,253	228,567
Payroll payable	7,172	19,929	27,101
Accrued claims	1,162,855	-	1,162,855
Compensated absences payable	10,029	19,567	29,596
Total current liabilities	<u>1,353,370</u>	<u>94,749</u>	<u>1,448,119</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	186,200	186,200
Restricted for self-insurance	5,914,026	-	5,914,026
Unrestricted	-	212,687	212,687
Total net assets	<u>\$ 5,914,026</u>	<u>\$ 398,887</u>	<u>\$ 6,312,913</u>

City of Porterville
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2010

	<u>Risk Management</u>	<u>Equipment Management</u>	<u>Total Internal Service Funds</u>
Operating revenues:			
Charges for services	\$ 3,933,520	\$ 2,358,995	\$ 6,292,515
Other revenues	<u>521,050</u>	<u>37,040</u>	<u>558,090</u>
Total operating revenues	<u>4,454,570</u>	<u>2,396,035</u>	<u>6,850,605</u>
Operating expenses:			
Cost of sales and services	5,149,287	2,316,025	7,465,312
General and administrative	174,737	47,081	221,818
Depreciation/amortization	<u>-</u>	<u>26,252</u>	<u>26,252</u>
Total operating expenses	<u>5,324,024</u>	<u>2,389,358</u>	<u>7,713,382</u>
Operating income (loss)	(869,454)	6,677	(862,777)
Nonoperating revenues (expenses):			
Investment earnings	<u>191,017</u>	<u>9,143</u>	<u>200,160</u>
Income before transfers	(678,437)	15,820	(662,617)
Transfers in	496,251	-	496,251
Transfers out	<u>(101,055)</u>	<u>-</u>	<u>(101,055)</u>
Change in net assets	<u>(283,241)</u>	<u>15,820</u>	<u>(267,421)</u>
Net assets - beginning	<u>6,197,267</u>	<u>383,067</u>	<u>6,580,334</u>
Total net assets - ending	<u>\$ 5,914,026</u>	<u>\$ 398,887</u>	<u>\$ 6,312,913</u>

City of Porterville
Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2010

	Risk Management	Equipment Management	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customer	\$ 4,455,683	\$ 2,381,355	\$ 6,837,038
Payments to employees	(166,826)	(517,981)	(684,807)
Payments to suppliers and others	<u>(4,811,009)</u>	<u>(1,849,726)</u>	<u>(6,660,735)</u>
Net cash provided by operating activities	<u>(522,152)</u>	<u>13,648</u>	<u>(508,504)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in from other funds	496,251	-	496,251
Transfers out to other funds	<u>(101,055)</u>	<u>-</u>	<u>(101,055)</u>
Net cash (used) by noncapital financing	<u>395,196</u>	<u>-</u>	<u>395,196</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Advances for capital projects	(498,752)	-	(498,752)
Principal payments on long-term debt	37,661	-	37,661
Purchase of capital assets	<u>-</u>	<u>(8,643)</u>	<u>(8,643)</u>
Net cash (used) by capital and related financing activities	<u>(461,091)</u>	<u>(8,643)</u>	<u>(469,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>191,017</u>	<u>9,143</u>	<u>200,160</u>
Net cash provided by investing activities	<u>191,017</u>	<u>9,143</u>	<u>200,160</u>
Net Increase (decrease) in cash and cash equivalents	<u>(397,030)</u>	<u>14,148</u>	<u>(382,882)</u>
Balances - beginning of year	<u>6,563,259</u>	<u>261,078</u>	<u>6,824,337</u>
Balances - end of the year	<u>\$ 6,166,229</u>	<u>\$ 275,226</u>	<u>\$ 6,441,455</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (869,454)	\$ 6,677	\$ (862,777)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	-	26,252	26,252
Changes in assets and liabilities:			
Accounts payable	84,347	(5,550)	78,797
Accrued claims	222,538	-	222,538
Compensated absences	4,214	962	5,176
Customer receivables	1,113	(14,680)	(13,567)
Prepaid items	34,335	-	34,335
Salaries and benefits payable	<u>755</u>	<u>(13)</u>	<u>742</u>
Net cash provided by operating activities	<u>\$ (522,152)</u>	<u>\$ 13,648</u>	<u>\$ (508,504)</u>

AGENCY FUNDS

Agency funds are purely custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds.

Special Deposits Fund

This fund was established to account for monies received by the City acting as an agent. Examples of these transactions are construction bonds, utility service deposits and asset seizure.

City of Porterville
Schedule of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2010

<u>Special Deposits</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>
Assets				
Cash and investments	\$ 1,518,416	\$ 2,210,066	\$ 2,173,104	\$ 1,555,378
Total assets	<u>\$ 1,518,416</u>	<u>\$ 2,210,066</u>	<u>\$ 2,173,104</u>	<u>\$ 1,555,378</u>
Liabilities				
Accounts and other payables	\$ 21,237	\$ 1,028,991	\$ 980,686	\$ 69,542
Refundable deposits, utilities	302,458	103,300	93,270	312,488
Refundable deposits, miscellaneous	462,707	1,005,764	936,659	531,812
Other deposits, safety	<u>732,014</u>	<u>72,011</u>	<u>162,489</u>	<u>641,536</u>
Total liabilities	<u>\$ 1,518,416</u>	<u>\$ 2,210,066</u>	<u>\$ 2,173,104</u>	<u>\$ 1,555,378</u>

Statistical Section



STATISTICAL SECTION

This part of the City of Porterville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	106
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	112
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	117
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	122
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	124
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF PORTERVILLE
NET ASSETS BY COMPONENT (in thousands)
LAST TEN FISCAL YEARS (1)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Governmental activities:										
Invested in capital assets, net of related debt	\$ --	\$ --	\$ 12,807	\$ 9,506	\$ 10,074	\$ 17,122	\$ 314,402	\$ 337,298	\$ 349,278	\$ 351,422
Restricted	--	--	8,196	11,016	8,317	10,326	14,739	12,732	15,181	14,383
Unrestricted	--	--	(2,497)	321	1,314	(96)	21,232	26,116	16,992	15,908
Total governmental activities net assets	\$ --	\$ --	\$ 18,506	\$ 20,843	\$ 19,705	\$ 27,352	\$ 350,373	\$ 376,146	\$ 381,451	\$ 381,713
Business-type activities:										
Invested in capital assets, net of related debt	\$ --	\$ --	\$ 31,868	\$ 30,769	\$ 26,133	\$ 26,690	\$ 32,940	\$ 39,016	\$ 41,328	\$ 35,164
Restricted	--	--	3,881	4,226	4,114	4,061	3,960	2,494	1,453	1,450
Unrestricted	--	--	5,995	8,679	19,269	21,323	18,172	18,641	18,807	26,701
Total business-type activities net assets	\$ --	\$ --	\$ 41,744	\$ 43,674	\$ 49,516	\$ 52,074	\$ 55,072	\$ 60,151	\$ 61,588	\$ 63,315
Primary government:										
Invested in capital assets, net of related debt	\$ --	\$ --	\$ 44,675	\$ 40,275	\$ 36,207	\$ 43,812	\$ 346,623	\$ 376,314	\$ 390,606	\$ 386,586
Restricted	--	--	12,077	15,242	12,431	14,387	18,699	15,226	16,634	15,833
Unrestricted	--	--	3,498	9,000	20,583	21,227	40,123	44,757	35,799	42,609
Total primary government net assets	\$ --	\$ --	\$ 60,250	\$ 64,517	\$ 69,221	\$ 79,426	\$ 405,445	\$ 436,297	\$ 443,039	\$ 445,028

(1) 2002-03 marks the year of GASB Statement #34 implementation for the City of Porterville.
Data for fiscal years ended prior to June 30, 2003, is not available in this format.

CITY OF PORTERVILLE
CHANGES IN NET ASSETS (in thousands)
LAST TEN FISCAL YEARS (1)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
EXPENSES										
Governmental activities:										
Community and economic development	\$ --	\$ --	1,047 \$	3,094 \$	3,484 \$	2,355 \$	2,401 \$	3,595 \$	2,690 \$	3,284
General government	--	--	6,090	6,786	7,498	2,614	2,619	2,726	2,847	4,925
Parks and recreation	--	--	3,325	3,148	3,211	4,088	4,140	5,018	5,165	5,528
Public safety - fire	--	--	1,872	2,128	2,142	3,015	3,306	3,721	3,979	4,410
Public safety - police	--	--	4,344	4,688	4,973	6,632	7,285	8,335	9,023	9,746
Public works	--	--	1,899	1,090	1,209	2,461	3,776	4,106	4,654	5,448
Interest on long-term debt	--	--	1,920	1,558	2,478	2,587	1,796	1,746	1,909	1,942
Total governmental activities expenses	--	--	20,497	22,492	24,995	23,752	25,323	29,247	30,267	35,283
Business-type activities:										
Airport	--	--	817	894	764	972	1,290	1,562	1,656	974
Golf course	--	--	318	331	352	398	382	388	419	386
Sewer operating	--	--	5,430	5,701	5,778	5,888	6,464	6,378	6,501	6,032
Solid waste	--	--	3,811	4,178	4,121	5,087	4,857	5,159	5,181	5,310
Transit	--	--	1,504	1,665	1,845	1,939	1,843	2,056	2,037	2,017
Water operating	--	--	4,161	4,236	4,039	4,278	4,554	4,619	4,746	5,106
Zalud estate	--	--	28	29	31	27	29	29	31	24
Total business-type activities expenses	--	--	16,069	17,034	16,930	18,589	19,419	20,191	20,571	19,849
Total primary government expenses	\$ --	\$ --	36,566	39,526	41,925	42,341	44,742	49,438	50,838	55,132
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
Community and economic development	\$ --	\$ --	22 \$	20 \$	231 \$	795 \$	783 \$	528 \$	236 \$	211
General government	--	--	4,681	4,380	3,771	1,864	1,658	1,786	1,494	1,585
Parks and recreation	--	--	1,027	968	949	1,014	1,324	1,307	1,603	1,731
Public safety - fire	--	--	20	19	13	27	30	22	36	45
Public safety - police	--	--	141	137	183	208	380	510	520	598
Public works	--	--	988	706	1,131	750	244	256	233	167
Operating grants and contributions:										
Community and economic development	--	--	--	--	--	--	1,019	2,626	1,600	1,388
General government	--	--	--	--	16	30	394	427	486	599
Parks and recreation	--	--	1,429	78	195	139	250	123	163	206
Public safety - fire	--	--	--	11	17	261	76	5	--	30
Public safety - police	--	--	328	475	367	350	638	185	263	334
Public works	--	--	2,608	1,361	2,253	1,718	2,865	1,611	1,348	1,275
Capital grants and contributions:										
Community and economic development	--	--	983	2,583	1,019	2,019	40	66	--	--
Parks and recreation	--	--	571	489	157	236	696	177	42	1,159
Public safety - fire	--	--	27	11	1	17	36	--	--	--
Public safety - police	--	--	--	--	--	--	--	45	--	--
Public works	--	--	979	1,212	347	1,966	1,089	5,876	5,637	3,444
Total governmental activities program revenues	--	--	13,804	12,450	10,650	11,394	11,522	15,550	13,661	12,772

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Business-type activities:										
Charges for services:										
Airport	--	--	682	747	683	829	1,138	1,488	1,597	805
Golf course	--	--	262	254	272	313	308	299	323	281
Sewer operating	--	--	5,459	6,010	6,701	7,268	7,166	7,584	6,554	7,042
Solid waste	--	--	3,612	3,998	4,221	4,928	5,131	5,468	4,971	5,290
Transit	--	--	272	303	274	307	323	345	375	332
Water operating	--	--	4,437	4,864	4,569	4,717	4,869	5,169	4,371	4,621
Zalud estate	--	--	4	3	3	3	3	2	3	7
Operating grants and contributions:										
Airport	--	--	20	10	85	31	10	10	10	--
Sewer operating	--	--	--	4	--	--	--	--	--	--
Solid waste	--	--	--	747	--	--	--	3	7	12
Transit	--	--	1,035	--	918	1,158	1,218	1,305	1,943	1,315
Capital grants and contributions:										
Airport	--	--	--	--	--	--	--	310	68	477
Sewer operating	--	--	149	74	173	122	255	47	49	32
Solid waste	--	--	--	24	--	--	405	--	--	--
Transit	--	--	1,057	572	415	529	88	2,039	528	704
Water operating	--	--	309	154	331	184	--	92	99	191
Total business-type activities program revenues	--	--	17,298	17,764	18,645	20,389	21,224	23,919	20,887	21,109
Total primary government program revenues	--	--	31,102	30,214	29,295	31,783	32,746	39,469	34,548	33,881
Net (expense)/revenue	--	--	(6,693)	(10,042)	(14,345)	(12,358)	(13,801)	(13,697)	(16,606)	(22,511)
Governmental activities:										
Business-type activities	--	--	1,229	730	1,715	1,800	1,805	3,728	316	1,260
Total Primary government net expense	--	--	(5,464)	(9,312)	(12,630)	(10,558)	(11,996)	(9,969)	(16,290)	(21,251)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ --	\$ --	2,012	2,200	5,606	6,520	7,557	8,301	8,408	7,644
Sales taxes	--	--	4,434	4,548	3,669	4,339	7,319	6,882	6,147	5,785
Utility users tax	--	--	2,857	2,813	3,001	3,384	3,665	3,854	3,894	4,046
Other taxes	--	--	3,933	3,504	3,011	2,218	2,803	2,598	2,312	2,128
Unrestricted investment earnings	--	--	468	431	714	822	1,623	1,790	1,428	1,060
Miscellaneous	--	--	290	131	216	387	215	933	178	2,007
Transfers	--	--	(119)	(488)	(202)	(158)	(95)	(309)	(455)	103
Total governmental activities	--	--	13,875	13,139	16,015	17,512	23,087	24,049	21,912	22,773
Business-type activities:										
Unrestricted investment earnings	--	--	366	159	543	598	980	965	661	569
Miscellaneous	--	--	53	4	4	--	118	78	5	--
Transfers	--	--	119	488	202	158	95	309	455	(103)
Total business-type activities	--	--	538	651	749	756	1,193	1,352	1,121	466
Total primary government	--	--	14,413	13,790	16,764	18,268	24,280	25,401	23,033	23,239
Change in Net Assets										
Governmental activities	\$ --	\$ --	7,182	3,097	1,670	5,154	9,286	10,352	5,306	262
Business-type activities	--	--	1,767	1,381	2,464	2,556	2,998	5,080	1,437	1,726
Total primary government	--	--	8,949	4,478	4,134	7,710	12,284	15,432	6,743	1,988

(1) 2002-03 marks the year of GASB Statement #34 implementation for the City of Porterville.
Data for fiscal years ended prior to June 30, 2003, is not available in this format.

CITY OF PORTERVILLE
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year	Property Tax	Franchise Tax	Utility Users Tax	Transient Occupancy Tax	Motor Vehicle		Total
					Sales Tax	In-Lieu Tax	
2000-01	\$ 1,901,966	\$ 1,200,533	\$ 2,531,609	\$ 187,892	\$ 4,051,534	\$ 2,002,519	\$ 11,876,053
2001-02	1,991,695	1,262,080	2,599,794	186,003	4,094,883	2,241,434	12,375,889
2002-03	2,011,591	1,219,256	2,857,415	194,130	4,434,317	2,448,799	13,165,508
2003-04	2,039,256	1,325,387	2,813,354	224,648	4,548,448	1,858,888	12,809,981
2004-05	5,291,741	1,456,558	3,000,783	253,294	3,808,831	1,177,781	14,988,988
2005-06	6,520,333	1,473,974	3,383,843	273,584	4,338,578	301,100	16,291,412
2006-07	7,556,569	1,542,033	3,664,966	268,672	7,318,460	870,673	21,221,373
2007-08	8,301,092	1,695,368	3,854,176	319,431	6,881,840	498,926	21,550,833
2008-09	8,407,702	1,576,019	3,894,372	310,832	6,147,526	424,887	20,761,338
2009-10	7,644,246	1,469,489	4,045,732	276,338	5,784,887	382,477	19,603,169

CITY OF PORTERVILLE
FUND BALANCES OF GOVERNMENTAL FUNDS (in thousands)
LAST TEN FISCAL YEARS (1)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
General fund:										
Reserved for:										
Advances	\$ --	\$ --	\$ 1,145	\$ 1,145	\$ 1,145	\$ 1,160	\$ 1,355	\$ 1,316	\$ 1,262	\$ 4,041
Capital projects	--	--	128	175	254	254	254	254	254	849
Grant programs	--	--	86	--	--	--	--	--	--	--
Inventories and prepaids	--	--	363	379	348	315	--	--	--	--
Unreserved	--	--	3,161	4,321	8,470	8,962	13,286	16,415	17,259	13,816
Total general fund	\$ --	\$ --	\$ 4,883	\$ 6,020	\$ 10,217	\$ 10,691	\$ 14,895	\$ 17,985	\$ 18,775	\$ 18,706
All other governmental funds:										
Reserved for:										
Capital projects	\$ --	\$ --	\$ 6,267	\$ 5,233	\$ 2,827	\$ 4,620	\$ 5,605	\$ 3,400	\$ 4,653	\$ 4,645
Community development	--	--	237	3,451	1,091	1,607	283	16	274	754
Debt service	--	--	2,052	2,838	2,784	1,994	1,733	1,907	2,722	2,150
Grant programs	--	--	179	260	242	108	203	33	151	71
Land held for resale	--	--	717	648	280	--	--	--	930	--
Unreserved, reported in:										
Special revenue funds	--	--	6,208	7,149	7,432	8,598	8,904	10,790	10,683	11,228
Capital projects funds	--	--	(1,249)	(1,214)	(1,257)	(1,257)	(1,443)	(1,390)	(1,346)	(1,790)
Total all other governmental funds	\$ --	\$ --	\$ 14,411	\$ 18,365	\$ 13,399	\$ 15,670	\$ 15,285	\$ 14,756	\$ 18,067	\$ 17,058

(1) 2002-03 marks the year of GASB Statement #34 implementation for the City of Porterville.
 Data for fiscal years ended prior to June 30, 2003, is not available in this format.

CITY OF PORTERVILLE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (in thousands)
LAST TEN FISCAL YEARS (1)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Revenues:										
Taxes	\$ --	\$ --	\$ 10,788	\$ 11,057	\$ 13,935	\$ 16,289	\$ 21,343	\$ 21,636	\$ 20,761	\$ 19,603
Licenses and permits	--	--	707	698	668	802	1,368	1,141	957	836
Intergovernmental	--	--	8,167	7,671	5,049	5,828	4,407	7,221	7,979	7,291
Charges for services	--	--	2,436	2,483	2,844	3,808	3,877	3,903	3,520	3,703
Special assessments and fees	--	--	1,695	669	1,160	965	1,442	2,206	705	515
Fines and forfeitures	--	--	129	119	195	169	214	269	268	355
Investment earnings	--	--	483	333	715	697	1,309	1,436	1,183	891
Miscellaneous	--	--	187	193	521	600	263	993	373	114
Total revenues	--	--	<u>24,592</u>	<u>23,223</u>	<u>25,087</u>	<u>29,158</u>	<u>34,223</u>	<u>38,805</u>	<u>35,746</u>	<u>33,308</u>
Expenditures:										
Community/Economic development	--	--	896	1,190	1,870	2,469	2,314	3,545	2,582	2,184
General government	--	--	2,062	1,997	2,711	2,286	2,536	2,600	2,733	4,638
Parks and recreation	--	--	3,539	3,396	3,500	3,934	4,044	4,687	4,861	5,026
Public safety:										
Fire	--	--	2,154	2,448	2,569	2,960	3,306	3,592	3,817	4,033
Police	--	--	4,826	5,431	5,930	6,587	7,118	7,990	8,584	8,887
Public works	--	--	1,582	1,446	1,559	1,678	1,903	2,205	2,483	2,972
Capital outlay	--	--	4,392	4,160	7,687	5,913	4,216	9,298	7,288	4,601
Debt service:										
Principal	--	--	838	804	839	980	3,019	1,012	1,117	981
Interest and other charges	--	--	1,664	1,567	1,639	2,279	2,023	1,732	2,207	1,872
Total expenditures	--	--	<u>21,953</u>	<u>22,439</u>	<u>28,304</u>	<u>29,086</u>	<u>30,479</u>	<u>36,661</u>	<u>35,672</u>	<u>35,194</u>
Excess of revenues over (under) expenditures	--	--	<u>2,639</u>	<u>784</u>	<u>(3,217)</u>	<u>72</u>	<u>3,744</u>	<u>2,144</u>	<u>74</u>	<u>(1,886)</u>
Other financing sources (uses)										
Transfers in	--	--	7,650	6,507	8,567	6,931	7,297	11,788	13,845	11,090
Transfers out	--	--	(5,377)	(6,582)	(8,769)	(7,090)	(7,386)	(12,070)	(13,373)	(11,382)
Other debt issued	--	--	2	4,377	--	6,024	--	--	8,543	--
Payments to refunded bond escrow	--	--	--	--	--	(3,282)	--	--	(5,003)	--
Loan to developer	--	--	--	--	--	--	--	--	--	(930)
Sale of capital assets	--	--	--	--	--	92	162	697	15	2,030
Total other financing sources (uses)	--	--	<u>2,275</u>	<u>4,302</u>	<u>(202)</u>	<u>2,675</u>	<u>73</u>	<u>415</u>	<u>4,027</u>	<u>808</u>
Net change in fund balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,914</u>	<u>\$ 5,086</u>	<u>\$ (3,419)</u>	<u>\$ 2,747</u>	<u>\$ 3,817</u>	<u>\$ 2,559</u>	<u>\$ 4,101</u>	<u>\$ (1,078)</u>
Debt service as a percentage of noncapital expenditures	--	--	14.247%	12.971%	12.019%	14.064%	19.078%	10.028%	11.711%	9.326%

(1) 2002-03 marks the year of GASB Statement #34 implementation for the City of Porterville.

Data for fiscal years ended prior to June 30, 2003, is not available in this format.

CITY OF PORTERVILLE
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Secured Locally Assessed		State Assessed		Unsecured	Total Taxable Assessed Value (1)		Total Direct Tax Rate	Estimated Actual Value		Ratio of Assessed to Estimated Actual Value
2000-01	\$	1,168,148,877	\$	1,754,711	\$	63,651,364	\$	1.072	\$	1,233,554,952	100.00%
2001-02		1,222,729,414		1,876,245		64,220,507		1.072		1,288,826,166	100.00%
2002-03		1,278,443,170		1,869,401		66,444,992		1.075		1,346,757,563	100.00%
2003-04		1,338,072,816		1,770,228		79,605,533		1.101		1,419,448,577	100.00%
2004-05		1,443,259,854		1,921,645		62,909,363		1.183		1,508,090,862	100.00%
2005-06		1,542,388,260		1,921,062		82,681,159		1.093		1,626,990,481	100.00%
2006-07		1,782,433,687		1,903,653		69,840,265		1.078		1,854,177,605	100.00%
2007-08		2,131,492,708		1,792,900		73,976,789		1.081		2,207,262,397	100.00%
2008-09		2,253,447,140		1,792,900		80,861,819		1.078		2,336,101,859	100.00%
2009-10		2,159,692,024		1,951,769		84,429,551		1.082		2,246,073,344	100.00%

Note:

(1) Assessed valuations are net of exemptions.

Source: County of Tulare Office of the Auditor-Controller.

CITY OF PORTERVILLE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(per \$100 of assessed value)

LAST TEN FISCAL YEARS

Fiscal Year	County	School Districts	Total
2000-01	1.0000	0.0724	1.0724
2001-02	1.0000	0.0724	1.0724
2002-03	1.0000	0.0751	1.0751
2003-04	1.0000	0.1005	1.1005
2004-05	1.0000	0.1829	1.1829
2005-06	1.0000	0.0925	1.0925
2006-07	1.0000	0.0782	1.0782
2007-08	1.0000	0.0809	1.0809
2008-09	1.0000	0.0776	1.0776
2009-10	1.0000	0.0819	1.0819

Note:

In 1978, a State constitutional amendment (Proposition 13) provided that the tax rate be limited to 1% of market value, levied only by the county and shared with all other jurisdictions.

All other jurisdictions and the county can levy a tax rate for voter-approved debt.

Source: County of Tulare Office of the Auditor-Controller.

**CITY OF PORTERVILLE
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2009-10			2000-01		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart Stores Inc	\$ 62,443,770	1	2.78%	72,655,109	1	5.89%
Del Mesa Farms	48,085,355	2	2.14%	-	-	-
Target Corporation	18,308,446	3	0.82%	-	-	-
Lowes HIW Inc	17,869,298	4	0.80%	-	-	-
Ennis Commercial Properties LLC	15,999,341	5	0.71%	-	-	-
Ennis Family Investments	15,657,376	6	0.70%	-	-	-
Royalty Carpet Mills Inc	14,881,560	7	0.66%	13,634,590	2	1.11%
Beckman Coulter Inc	12,147,783	8	0.54%	6,676,755	4	0.54%
Porterville Investments 2005 LP	11,567,168	9	0.51%	-	-	-
Nicholson Daryl & Victoria (TRS)	10,933,423	10	0.49%	-	-	-
Standard Register	-	-	-	13,408,971	3	1.09%
Save Mart - West	-	-	-	6,245,500	5	0.51%
Target	-	-	-	5,627,074	6	0.46%
Mervyns	-	-	-	5,106,554	7	0.41%
Foster Farms	-	-	-	3,983,980	8	0.32%
Porterville Inn - Best Western	-	-	-	3,903,566	9	0.32%
Grocery Warehouse	-	-	-	3,829,082	10	0.31%
Subtotal	227,893,520		10.15%	135,071,181		10.95%
Total taxable assessed value of other taxpayers	2,018,179,824		89.85%	1,098,483,771		89.05%
Total taxable assessed value	\$ 2,246,073,344		100.00%	\$ 1,233,554,952		100.00%

Source: County of Tulare Office of the Tax Assessor.

**CITY OF PORTERVILLE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (2)	Percent of Levy Collected	Delinquent Tax Collections (2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2000-01	\$ 1,283,114	\$ 1,356,744	105.74%	- \$	1,356,744	105.74%
2001-02	1,332,261	1,410,480	105.87%	-	1,410,480	105.87%
2002-03	1,403,744	1,421,400	101.26%	-	1,421,400	101.26%
2003-04	1,495,207	1,421,400	95.06%	-	1,421,400	95.06%
2004-05	1,249,442	1,371,510	109.77%	-	1,371,510	109.77%
2005-06	1,371,249	1,587,930	115.80%	-	1,587,930	115.80%
2006-07	1,874,107	2,171,037	115.84%	-	2,171,037	115.84%
2007-08	2,210,265	2,540,525	114.94%	-	2,540,525	114.94%
2008-09	2,329,135	2,554,198	109.66%	-	2,554,198	109.66%
2009-10	2,152,758	2,254,048	104.71%	-	2,254,048	104.71%

Sources:

(1) County of Tulare Office of the Auditor-Controller.

(2) City of Porterville Department of Finance.

CITY OF PORTERVILLE
SEWER OPERATIONS REVENUE
LAST TEN FISCAL YEARS

Fiscal Year	Sewer Service Charges	Lab Service Charges	Reclamation Operation	Connection Fees	Other	Total
2000-01	\$ 3,932,578	\$ 302,940	- \$	507,301	\$ 56,547	\$ 4,799,366
2001-02	3,994,226	213,180	-	653,602	67,891	4,928,899
2002-03	4,060,131	307,262	23,489	1,005,040	63,281	5,459,203
2003-04	4,639,986	344,145	196,880	746,201	83,204	6,010,416
2004-05	5,113,336	303,835	251,671	948,549	83,400	6,700,791
2005-06	5,602,053	310,594	316,500	956,991	81,888	7,268,026
2006-07	5,510,041	331,909	307,896	930,935	85,382	7,166,163
2007-08	5,955,869	338,697	530,248	648,746	110,412	7,583,972
2008-09	5,394,799	311,697	311,758	445,630	89,896	6,553,780
2009-10	6,013,311	309,356	114,156	455,457	150,307	7,042,587

CITY OF PORTERVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(amounts expressed in thousands, except per capita amount)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Governmental activities:									
Notes	\$ 1,578	\$ 1,550	\$ 5,898	\$ 5,869	\$ 5,729	\$ 3,885	\$ 3,737	\$ 3,779	\$ 3,611
Revenue bonds	6,100	5,875	5,695	5,510	5,320	5,120	4,505	8,210	8,105
Certificates of Participation	24,285	23,700	23,490	22,865	25,620	24,645	24,035	23,395	22,725
Business-type activities:									
Notes	-	-	-	5,356	5,474	5,343	5,208	5,069	13,181
Revenue bonds	441	324	200	69	-	-	-	-	-
Certificates of Participation:	28,070	27,210	26,300	25,340	24,330	23,260	22,130	20,935	19,675
Capital lease	-	288	271	266	262	253	244	233	-
Total primary government	\$ 60,474	\$ 58,947	\$ 61,854	\$ 65,275	\$ 66,735	\$ 62,506	\$ 59,859	\$ 61,621	\$ 67,297
Percentage of personal income (1)	N/A	N/A	N/A	N/A	N/A	N/A	7.90%	7.52%	7.38%
Per capita (1)	1,475	1,405	1,433	1,467	1,313	1,214	1,154	1,184	1,271

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF PORTERVILLE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
GENERAL OBLIGATION BONDS
As of June 30, 2010

Jurisdiction	Net General		Percentage Applicable To City	Amount Applicable To City
	Obligation Bonded Debt Outstanding			
Direct:				
City of Porterville	\$ --	100.00%	\$ --	--
Overlapping:				
None	\$ --	--	\$ --	--

(1) Currently, the City of Porterville does not have any direct or overlapping debt obligations.

Source: County of Tulare Office of Auditor-Controller

CITY OF PORTERVILLE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Debt limit	\$ 190,403	\$ 198,659	\$ 207,214	\$ 218,006	\$ 231,236	\$ 249,077	\$ 283,033	\$ 336,923	\$ 356,251	\$ 342,910
Total net debt applicable to limit (1)	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 190,403	\$ 198,659	\$ 207,214	\$ 218,006	\$ 231,236	\$ 249,077	\$ 283,033	\$ 336,923	\$ 356,251	\$ 342,910
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

Legal debt margin calculation for fiscal year 2009-10

Net assessed value of all taxable property	\$ 2,246,073,344
Add back exempt property	39,993,406
Total assessed value of taxable property	<u>\$ 2,286,066,750</u>
Debt limit (15% of total assessed value)	\$ 342,910
Debt applicable to limit	-
Legal debt margin	<u>\$ 342,910</u>

Section 43605 of the Government Code of the State of California limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City.

(1) The City of Porterville does not have any general obligation debt.

CITY OF PORTERVILLE
PLEDGED-REVENUE COVERAGE - BONDS AND LOANS
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	Total Revenue	Less:		Net Available Revenue	Debt Service		Coverage ratio (3)
		Operating Expense (1)			Principal	Interest (2)	
1976 Sewer revenue bonds							
2000-01	\$ 5,109	\$ 4,514	\$ 595	\$ 75	\$ 2	\$ 77	7.73
2001-02	Bonds paid in full						
2002-03	Bonds paid in full						
2003-04	Bonds paid in full						
2004-05	Bonds paid in full						
2005-06	Bonds paid in full						
2006-07	Bonds paid in full						
2007-08	Bonds paid in full						
2008-09	Bonds paid in full						
2009-10	Bonds paid in full						
1994 Water revenue bonds							
2000-01	\$ 4,688	\$ 3,280	\$ 1,408	\$ 104	\$ 37	\$ 141	9.99
2001-02	4,983	3,494	1,489	110	31	141	10.56
2002-03	5,404	3,739	1,665	116	25	141	11.81
2003-04	5,194	3,828	1,366	124	17	141	9.69
2004-05	5,126	3,584	1,542	131	10	141	10.94
2005-06	5,095	3,830	1,265	69	2	71	17.82
2006-07	Bonds paid in full						
2007-08	Bonds paid in full						
2008-09	Bonds paid in full						
2009-10	Bonds paid in full						
2004 California Infrastructure and Economic Development loan (CIEDB) - Sewer							
2004-05	\$ 7,118	\$ 5,200	\$ 1,918	\$ -	\$ 103	\$ 103	18.62
2005-06	7,705	5,320	2,385	-	176	176	13.55
2006-07	7,981	5,982	1,999	125	176	301	6.64
2007-08	8,199	5,874	2,325	129	172	301	7.72
2008-09	7,144	6,153	991	133	167	300	3.30
2009-10	7,446	5,493	1,953	137	162	299	6.53
2009 California Infrastructure and Economic Development loan (CIEDB) - Water							
2009-10	\$ 5,024	\$ 4,357	\$ 667	\$ -	\$ 151	\$ 151	4.42

Notes:

- (1) Operating expenses include debt service due on obligations existing at the time of issuance of the certificates, and exclude depreciation and amortization.
- (2) For CIEDB only, interest equals the amount of interest due for the current period plus the annual fee.
- (3) Revenue bond/loan covenants state that fees must be collected so as to yield "net revenues" (total revenues less operating expenses) equal to at least 1.25 times annual debt service.

CITY OF PORTERVILLE
PLEDGED-REVENUE COVERAGE - CERTIFICATES OF PARTICIPATION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	Total Revenue	Less:		Net Available Revenue	Debt Service		Coverage ratio (2)
		Operating Expense (1)			Principal	Interest	
Water system improvement project - issued 2002							
2000-01	\$ 4,688	\$ 2,729	\$ 1,959	\$ 225	\$ 467	\$ 692	2.83
2001-02	4,983	2,946	2,037	235	454	689	2.96
2002-03	5,404	3,190	2,214	250	440	690	3.21
2003-04	5,194	3,278	1,916	265	426	691	2.77
2004-05	5,126	3,031	2,095	285	409	694	3.02
2005-06	5,095	3,214	1,881	295	392	687	2.74
2006-07	5,618	3,526	2,092	315	373	688	3.04
2007-08	5,607	3,491	2,116	335	352	687	3.08
2008-09	4,624	3,552	1,072	360	330	690	1.55
2009-10	5,024	3,821	1,203	380	307	687	1.75
Wastewater Treatment Plant improvement project - issued 1997							
2000-01	\$ 5,109	\$ 3,573	\$ 1,536	\$ 320	\$ 698	\$ 1,018	1.51
2001-02	5,259	3,723	1,536	330	684	1,014	1.51
2002-03	6,147	3,868	2,279	345	669	1,014	2.25
2003-04	6,162	4,199	1,963	360	653	1,013	1.94
2004-05	7,118	3,732	3,386	380	637	1,017	3.33
2005-06	7,705	4,482	3,223	395	619	1,014	3.18
2006-07	7,981	5,269	2,712	415	599	1,014	2.67
2007-08	8,199	5,161	3,038	435	579	1,014	3.00
2008-09	7,144	5,445	1,699	450	558	1,008	1.69
2009-10	7,446	4,782	2,664	475	535	1,010	2.64
Sewer system improvement project - issued 2002							
2000-01	\$ 5,109	\$ 3,846	\$ 1,263	\$ 245	\$ 500	\$ 745	1.70
2001-02	5,259	4,001	1,258	250	486	736	1.71
2002-03	6,147	4,145	2,002	265	472	737	2.72
2003-04	6,162	4,476	1,686	280	456	736	2.29
2004-05	7,118	4,010	3,108	300	439	739	4.21
2005-06	7,705	4,756	2,949	320	420	740	3.99
2006-07	7,981	5,544	2,437	340	399	739	3.30
2007-08	8,199	5,438	2,761	360	377	737	3.75
2008-09	7,144	5,714	1,430	385	354	739	1.94
2009-10	7,446	5,058	2,388	405	329	734	3.25

Notes:

- (1) Operating expenses include debt service due on obligations existing at the time of issuance of the certificates, and exclude depreciation and amortization.
- (2) Certificate of participation covenants state that fees must be collected so as to yield "net revenues" (total revenues less operating expenses) equal to at least 1.25 times annual debt service.

**CITY OF PORTERVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population (1)(4)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income (4)</u>	<u>Median Age (4)</u>	<u>Education Level in Years of Formal Schooling (4)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
2000-01	40,625	N/A	\$ 37,000	29.2	61.7% High school graduate or higher	14,789	9.7%
2001-02	41,009	N/A	-	N/A	N/A	14,846	10.4%
2002-03	41,945	N/A	-	N/A	N/A	15,144	10.8%
2003-04	43,150	N/A	41,693	N/A	N/A	15,444	11.0%
2004-05	44,496	N/A	-	N/A	N/A	16,325	8.3%
2005-06	50,840	N/A	-	N/A	N/A	16,752	7.6%
2006-07	51,467	N/A	-	N/A	N/A	17,214	7.8%
2007-08	51,863	\$ 757,251,663	\$ 14,601	28.7	65.9% High school graduate or higher	17,399	9.0%
2008-09	52,056	\$ 818,997,048	\$ 15,733	28.1	67.6% High school graduate or higher	17,550	13.5%
2009-10	52,960	\$ 911,706,400	\$ 17,215	28.6	61.7% High school graduate or higher	17,112	14.4%

Sources:

- (1) 1980 Census and State Department of Finance census updates applied through the fiscal year 1999-00; census data gathered in 2000 is reflected with the 2000-01 population figure. Updates are applied each fiscal year thereafter until the next census is performed.
- (2) California Department of Education "Education Data Partnership", at www.ed-data.k12.ca.us
Represents K-12 enrollment
- (3) State of California Employment Development Department "Unemployment Rates and Labor Force", at www.labormarketinfo.edd.ca.gov
- (4) U.S Census Bureau "American Community Survey", at www.factfinder.census.gov

**CITY OF PORTERVILLE
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2009-10			2000-01		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Porterville Public Schools	1,700	1	7.76%	1,659	3	8.97%
Porterville State Developmental Center	1,646	2	7.52%	2,027	1	10.96%
Wal-Mart Distribution Center	1,077	3	4.92%	1,874	2	10.13%
Sierra View District Hospital	976	4	4.46%	518	4	2.80%
Family Health Care	687	5	3.14%	-		0.00%
Eagle Mountain Casino	518	6	2.37%	-		0.00%
City of Porterville	512	7	2.34%	252	8	1.36%
Foster Farms	465	8	2.12%	-		0.00%
Burton School District	435	9	1.99%	246	9	1.33%
Wal-Mart Retail Store	318	10	1.45%	-		0.00%
U.S. Forest Service - Sequoia National Forest	-		0.00%	439	5	2.37%
Porterville College	-		0.00%	334	6	1.81%
Beckman Coulter, Inc.	230	11	1.05%	255	7	1.38%
Standard Register	-		0.00%	214	10	1.16%
Total	6,864		31.34%	6,159		33.29%
City labor force	21,900			18,500		

Source: City of Porterville Community Development Department
California Employment Development Department "Unemployment Rates and Labor Force," at www.labormarketinfo.edd.ca.gov

CITY OF PORTERVILLE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
General government	23	25	24	22	17	25	24	23	24	26
Public safety:										
Fire										
Sworn	26	28	27	28	27	35	35	35	35	35
Unsworn	1	1	1	1	1	1	2	3	3	2
Police										
Sworn	44	39	41	43	49	47	58	54	59	55
Unsworn	22	22	23	22	18	21	21	24	25	25
Public works:										
Engineering and building	14	14	14	14	14	15	17	16	16	17
Streets maintenance	7	6	7	5	3	5	7	5	6	6
Community development:										
Planning and zoning	7	7	7	7	7	9	10	10	10	9
Economic development	2	2	1	2	2	2	2	2	2	2
Housing	2	2	2	2	2	2	2	2	2	2
Parks and Leisure Services:										
Parks	18	17	19	18	18	18	20	21	20	20
Leisure Services	5	5	6	4	5	5	5	5	5	5
Library	8	8	9	8	7	7	10	10	10	9
Sewer operations	16	16	16	19	16	18	17	14	13	14
Solid waste	15	16	16	20	19	20	22	22	22	21
Airport operations	2	2	2	2	1	1	1	1	1	1
Golf course	1	2	2	2	2	2	2	2	2	2
Water operations	18	18	18	18	18	13	12	14	13	11
Equipment maintenance	8	8	9	8	8	8	6	6	6	6
Total	239	238	244	245	234	254	273	269	274	268

**CITY OF PORTERVILLE
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

FUNCTION	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Police										
Crimes (1):										
Homicide	-	2	-	6	2	5	8	7	2	5
Rape	7	8	14	10	18	23	14	9	9	10
Robbery	35	46	37	72	48	47	76	73	60	60
Assaults	432	477	502	576	605	606	656	582	551	575
Burglary	412	388	377	549	506	533	522	497	351	386
Theft	996	1,193	1,021	1,206	1,351	1,514	1,496	1,422	1,024	1,091
Stolen vehicles	199	251	305	427	430	484	356	357	262	223
Traffic accidents:										
Non-injury	445	435	533	495	348	423	347	415	349	310
Injury	190	219	228	225	188	195	165	188	187	207
Fatal	1	2	2	2	-	-	3	2	6	5
Calls for service	21,629	21,968	23,730	26,503	28,143	68,203	76,648	25,941	28,792	30,094
Officer-initiated activity	20,507	17,000	16,955	19,383	23,990	23,342	28,644	27,171	31,303	38,970
Reports	8,056	7,958	8,782	9,201	9,783	9,782	10,999	11,117	9,579	9,503
Arrests:										
Felony	1,111	1,160	1,284	1,327	1,635	1,503	1,716	1,596	1,624	1,506
Misdemeanor	2,139	2,013	2,029	2,165	2,285	1,959	2,420	2,905	2,690	2,527
Mover citations	1,615	1,047	1,150	1,715	1,643	1,490	1,504	2,482	2,387	2,313
Non-mover and other citations	1,746	1,783	1,553	1,688	1,610	1,679	2,982	4,164	2,927	2,369
Fire										
Emergency responses:										
Fires	334	340	348	458	434	519	540	555	473	375
Medical	1,181	1,323	1,449	1,725	1,775	2,153	2,615	3,003	3,040	2,848
Hazardous materials	-	1	1	1	-	-	-	-	-	-
Other	781	831	800	950	1,125	1,143	1,061	959	863	881
Inspections	1,310	2,023	976	2,071	840	692	645	1,040	865	1,123
Hazard abatement	87	54	13	145	33	270	204	126	1,424	1,395
Violations noticed/citations issued	-	55	12	7	3	5	44	130	244	235
Public education - presentations and tours	119	110	61	132	89	81	123	145	138	179
Investigations	N/A	N/A	N/A	N/A	N/A	299	347	267	212	158

FUNCTION	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Public works:										
Building permits issued	278	381	359	398	374	381	607	474	364	293
Streets:										
Street resurfacing (square feet)	N/A	N/A	N/A	1,743	9,561	20,592	369,600	350,286	114,000	1,000,071
Potholes repaired (square feet)	N/A	N/A	N/A	5,488	2,326	2,438	2,447	10,358	21,000	17,000
Solid waste:										
Refuse collected (tons/day)	N/A	N/A	N/A	87	88	91	118	115	109	111
Recyclables collected (tons/day)	N/A	N/A	N/A	26	27	30	39	42	37	38
Water:										
Number of consumers	13,175	13,356	14,023	14,147	14,690	14,680	14,562	14,486	14,673	14,694
Water introduced into system (millions of gallons)	3,379	4,151	4,017	4,166	4,132	4,025	4,468	4,484	4,271	4,042
Metered water deliveries (millions of gallons)	3,421	3,984	3,755	3,754	3,630	3,668	3,900	3,931	4,201	3,456
New water connections	N/A	N/A	N/A	105	109	290	276	193	178	97
Water mains breaks	N/A	N/A	N/A	N/A	10	10	7	6	6	11
Wastewater:										
Average daily sewage treatment (millions of gallons)	N/A	N/A	N/A	N/A	4.7	4.7	4.8	4.8	4.8	4.6
Parks and leisure services:										
Athletic field permits issued	N/A	N/A	N/A	N/A	29	N/A	129	114	84	63
Facility rentals										
Community rooms/centers	N/A	N/A	N/A	N/A	410	N/A	85	34	14	14
Municipal swimming pool	N/A	N/A	N/A	N/A	35	N/A	65	43	40	32
Park pavilions	N/A	N/A	N/A	N/A	583	N/A	626	441	392	481
Zalud Estate house and gardens	N/A	N/A	N/A	N/A	8	N/A	5	1	1	5
Recreation program enrollment:										
Recreation afterschool program (RAP)	N/A	N/A	N/A	N/A	2,542	2,579	2,620	2,235	1,926	1,579
Sports activities	N/A	N/A	N/A	N/A	1,085	1,123	1,265	1,395	1,617	1,483
Summer/winter camp	N/A	N/A	N/A	N/A	100	157	157	425	552	211
Kindergarten/pre-school classes	N/A	N/A	N/A	N/A	39	145	600	608	324	420

Sources: Various city departments
Note: (1) These are the seven primary categories of crime, uniformly reported to the FBI and the State of California; they are used as indicators nationwide of the crime rate for the state, county and local jurisdictions.

CITY OF PORTERVILLE
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	N/A	N/A	N/A	N/A	10	38	52	61	66	70
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Hydrants	1,392	1,475	1,482	1,492	1,533	1,584	1,619	1,694	1,735	1,829
Public works:										
Streets, lights, signals										
Miles	162	164	168	171	171	187	190	193	193	196
Streetlights	N/A	N/A	N/A	N/A	N/A	N/A	163	3,114	3,232	3,333
Traffic signals	N/A	N/A	N/A	N/A	N/A	N/A	43	48	48	49
Sewers (miles)	159	161	163	165	165	167	170	170	170	170
Water mains (miles)	165	168	170	174	174	178	187	210	210	210
Storm drains (miles)	N/A	N/A	N/A	N/A	N/A	N/A	52	52	52	52
Parks and Leisure Services:										
Parks acreage	160	306	306	306	306	306	306	306	306	306
Parks	11	24	24	24	24	24	24	24	24	24
Community centers	2	2	2	2	2	2	2	2	2	1
Library volumes/circulations	271,810	262,845	259,008	246,676	246,487	231,803	228,203	255,025	271,337	271,161

Sources: Various city departments
N/A = NOT AVAILABLE



City of Porterville, California

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