

**CITY OF CORCORAN
COUNTY OF KINGS**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2007**

**CITY OF CORCORAN
JUNE 30, 2007**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Corcoran
1033 Chittenden Avenue
Corcoran, California 93212

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Corcoran, California (City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Corcoran, California's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Atwater. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Price Pange & Company

January 31, 2008

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CORCORAN
STATEMENT OF NET ASSETS
JUNE 30, 2007**

| | Governmental Activities | Business-type Activities | Total |
|-------------------------------------------------|----------------------------|-----------------------------|----------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents: | | | |
| Unrestricted | \$ 12,134,788 | \$ 3,398,814 | \$ 15,533,602 |
| Restricted | 412,221 | 84,263 | 496,484 |
| Cash with fiscal agent - restricted | - | 4,604,568 | 4,604,568 |
| Receivables: | | | |
| Accounts, net | - | 730,783 | 730,783 |
| Taxes | 143,770 | - | 143,770 |
| Interest | 607,122 | 39,045 | 646,167 |
| Grants | 1,562,399 | - | 1,562,399 |
| Other | 672,795 | 24,962 | 697,757 |
| Notes | 9,605,550 | - | 9,605,550 |
| Due from other funds | - | 65,294 | 65,294 |
| Prepays | 6,269 | - | 6,269 |
| Property held for resale | 21,837 | - | 21,837 |
| Unamortized bond discount | - | 373,401 | 373,401 |
| Bond issuance cost | 333,421 | 796,351 | 1,129,772 |
| Capital assets: | | | |
| Non-depreciable | 697,683 | 1,332,280 | 2,029,963 |
| Depreciable, net of accumulated depreciation | <u>11,731,575</u> | <u>30,830,712</u> | <u>42,562,287</u> |
| Total assets | <u>37,929,430</u> | <u>42,280,473</u> | <u>80,209,903</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable | 1,299,013 | 383,530 | 1,682,543 |
| Deposits | 417,348 | - | 417,348 |
| Unapplied credits | - | 11,902 | 11,902 |
| Interest payable | 117,793 | 113,493 | 231,286 |
| Deferred revenues | 7,248,493 | - | 7,248,493 |
| Noncurrent liabilities: | | | |
| Due within one year | 397,873 | 299,668 | 697,541 |
| Due in more than one year | <u>5,010,294</u> | <u>28,334,755</u> | <u>33,345,049</u> |
| Total liabilities | <u>14,490,814</u> | <u>29,143,348</u> | <u>43,634,162</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 7,021,092 | 31,114,150 | 38,135,242 |
| Restricted for: | | | |
| Debt service restrictions | 412,221 | 4,688,831 | 5,101,052 |
| Unrestricted | <u>16,005,303</u> | <u>(22,665,856)</u> | <u>(6,660,553)</u> |
| Total net assets | <u>\$ 23,438,616</u> | <u>\$ 13,137,125</u> | <u>\$ 36,575,741</u> |

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

**CITY OF CORCORAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---------------------------------------|---------------|-------------------------|---------------------|-------------------|----------------------------------------------------|-----------------------------|---------------|
| | | Charges For Services | Operating Grants | Capital Grants | Governmental Activities | Business-Type Activities | Total |
| FUNCTIONS/PROGRAMS: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 876,911 | \$ - | \$ - | \$ - | \$ (876,911) | \$ - | \$ (876,911) |
| Community development | 2,572,431 | 379,955 | 271,278 | - | (1,921,198) | - | (1,921,198) |
| Public safety | 2,899,409 | 67,639 | 123,469 | 49,254 | (2,659,047) | - | (2,659,047) |
| Public works | 1,617,807 | - | 672,961 | 89,475 | (855,371) | - | (855,371) |
| Parks and recreation | 530,164 | - | - | - | (530,164) | - | (530,164) |
| Interest on long-term debt | 351,732 | - | - | - | (351,732) | - | (351,732) |
| Total governmental activities | 8,848,454 | 447,594 | 1,067,708 | 138,729 | (7,194,423) | - | (7,194,423) |
| Business-type activities: | | | | | | | |
| Water | 3,727,174 | 3,050,991 | - | - | - | (676,183) | (676,183) |
| Sewer | 1,298,684 | 1,190,072 | - | - | - | (108,612) | (108,612) |
| Refuse | 1,531,067 | 1,649,583 | - | - | - | 118,516 | 118,516 |
| Storm drain | 342,153 | 299,114 | - | - | - | (43,039) | (43,039) |
| Total business-type activities | 6,899,078 | 6,189,760 | - | - | - | (709,318) | (709,318) |
| Total | \$ 15,747,532 | \$ 6,637,354 | \$ 1,067,708 | \$ 138,729 | (7,194,423) | (709,318) | (7,903,741) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 1,227,858 | - | 1,227,858 |
| Sales and use taxes | | | | | 1,167,530 | - | 1,167,530 |
| Franchise taxes | | | | | 228,275 | - | 228,275 |
| Other taxes | | | | | 1,013,227 | - | 1,013,227 |
| Motor vehicle in-lieu | | | | | 1,753,256 | - | 1,753,256 |
| Investment income | | | | | 540,604 | 307,178 | 847,782 |
| Rental income | | | | | 295,836 | 26,952 | 322,788 |
| CDBG/Home Loan repayments | | | | | 1,675,937 | - | 1,675,937 |
| Miscellaneous | | | | | 409,102 | 2,807,892 | 3,216,994 |
| Transfers | | | | | (374,653) | 374,653 | - |
| Total general revenues and transfers | | | | | 7,936,972 | 3,516,675 | 11,453,647 |
| Change in net assets | | | | | 742,549 | 2,807,357 | 3,549,906 |
| Net assets, July 1, 2006 | | | | | 23,042,406 | 9,656,166 | 32,698,572 |
| Prior period adjustment | | | | | (346,339) | 673,602 | 327,263 |
| Net assets, July 1, 2006, as restated | | | | | 22,696,067 | 10,329,768 | 33,025,835 |
| Net assets, June 30, 2007 | | | | | \$ 23,438,616 | \$ 13,137,125 | \$ 36,575,741 |

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

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FUND FINANCIAL STATEMENTS

CITY OF CORCORAN
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2007

| | General Fund | Transportation and Street Special Revenue Fund | Community Development Block Grant Special Revenue Fund | Home Program Special Revenue Fund | Community Redevelopment Agency Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------|---------------------|---------------------------------------------------------|--------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents: | | | | | | | |
| Unrestricted | \$ 6,604,719 | \$ 464,686 | \$ 1,059,134 | \$ 62,492 | \$ 980,993 | \$ 2,962,860 | \$ 12,134,884 |
| Cash with fiscal agent: | | | | | | | |
| Restricted | - | - | - | - | - | 412,221 | 412,221 |
| Receivables: | | | | | | | |
| Taxes | 47,675 | - | - | - | - | 96,095 | 143,770 |
| Interest | 64,825 | 21,877 | 80,443 | 308,700 | 19,471 | 111,806 | 607,122 |
| Grants | - | 1,200,000 | 141,736 | 220,663 | - | - | 1,562,399 |
| Other | 113,868 | 544,927 | - | - | - | 14,000 | 672,795 |
| Notes | - | - | 1,834,394 | 1,983,804 | 9,353 | 221,372 | 4,048,923 |
| Due from other funds | 9,233 | - | - | - | - | 7,600 | 16,833 |
| Prepays | 6,269 | - | - | - | - | - | 6,269 |
| Advances to other funds | 2,113,469 | - | 642,104 | - | - | 784,795 | 3,540,368 |
| Property held for resale | - | - | - | - | - | 21,837 | 21,837 |
| Total assets | \$ 8,960,058 | \$ 2,231,490 | \$ 3,757,811 | \$ 2,575,659 | \$ 1,009,817 | \$ 4,632,586 | \$ 23,167,421 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 96 | \$ 96 |
| Accounts payable | 518,143 | 238,112 | 377,369 | 36,917 | 3,095 | 125,380 | 1,299,016 |
| Due to other funds | - | - | 5,200 | 2,400 | - | 9,233 | 16,833 |
| Deposits | 417,348 | - | - | - | - | - | 417,348 |
| Deferred revenue | 1,387,443 | 1,200,000 | 2,337,019 | 2,292,504 | - | 283,639 | 7,500,605 |
| Advances from other funds | - | - | - | - | 3,540,368 | - | 3,540,368 |
| Total liabilities | 2,322,934 | 1,438,112 | 2,719,588 | 2,331,821 | 3,543,463 | 418,348 | 12,774,266 |
| Fund balances: | | | | | | | |
| Reserved for: | | | | | | | |
| Debt service | - | - | - | - | - | 87,051 | 87,051 |
| Unreserved: | | | | | | | |
| General fund | 6,637,124 | - | - | - | - | - | 6,637,124 |
| Special revenue funds | - | 793,378 | 1,038,223 | 243,838 | - | 2,068,905 | 4,144,344 |
| Debt service funds | - | - | - | - | - | 2,037,490 | 2,037,490 |
| Capital project funds | - | - | - | - | (2,533,646) | 20,792 | (2,512,854) |
| Total fund balances | 6,637,124 | 793,378 | 1,038,223 | 243,838 | (2,533,646) | 4,214,238 | 10,393,155 |
| Total liabilities and fund balances | \$ 8,960,058 | \$ 2,231,490 | \$ 3,757,811 | \$ 2,575,659 | \$ 1,009,817 | \$ 4,632,586 | \$ 23,167,421 |

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

**CITY OF CORCORAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2007**

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

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Total fund balances - total governmental funds | \$ 10,393,155 |
| Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds. | 12,429,258 |
| Long-term liabilities were not due and payable in the current period, therefore, they were not reported in the governmental funds. | (5,408,166) |
| Bond issuance costs to be amortized over the life of the debt. | 333,421 |
| Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds. | 5,808,739 |
| Unmatured interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. | <u>(117,791)</u> |
| Net assets of governmental activities | <u>\$ 23,438,616</u> |

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

CITY OF CORCORAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

| | General Fund | Transportation and Street Special Revenue Fund | Community Development Block Grant Special Revenue Fund | Home Program Special Revenue Fund | Community Redevelopment Agency Capital Project Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------------|------------------|------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------------|--------------------------------|--------------------------------|
| REVENUES: | | | | | | | |
| Property taxes | \$ 232,592 | \$ - | \$ - | \$ - | \$ 150,000 | \$ 845,266 | \$ 1,227,858 |
| Other taxes | 1,431,119 | 668,668 | - | - | - | 1,570 | 2,101,357 |
| Licenses and permits | 307,675 | - | - | - | - | - | 307,675 |
| Intergovernmental revenues | 1,913,792 | 532,171 | - | - | - | 87,240 | 2,533,203 |
| Charges for services | 379,955 | 67,639 | - | - | - | - | 447,594 |
| Fines and penalties | 33,439 | - | 36,652 | - | - | - | 70,091 |
| Use of money and property | 249,207 | 92,580 | - | - | 82,186 | 451,789 | 875,762 |
| Grant drawdowns | 16,860 | 89,475 | 626,302 | 488,996 | - | 100,000 | 1,321,633 |
| Loan repayments | - | - | 900,905 | 616,336 | - | 158,696 | 1,675,937 |
| Miscellaneous | 247,410 | 742 | - | - | - | 413 | 248,565 |
| Total revenues | 4,812,049 | 1,451,275 | 1,563,859 | 1,105,332 | 232,186 | 1,644,974 | 10,809,675 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government | 579,498 | - | - | - | 8,692 | 200,652 | 788,842 |
| Community development | - | - | 1,513,574 | 894,339 | 433,119 | 202,021 | 3,043,053 |
| Public safety | 2,688,900 | - | - | - | - | 28,666 | 2,717,566 |
| Public works | 250,146 | 1,079,610 | - | - | - | - | 1,329,756 |
| Parks and recreation | 410,475 | - | - | - | - | - | 410,475 |
| Capital outlay: | | | | | | | |
| General government | 501,949 | - | - | - | - | 16,926 | 518,875 |
| Community development | - | - | - | - | 1,200 | - | 1,200 |
| Public safety | - | - | - | - | - | 141,437 | 141,437 |
| Public works | - | 1,483,130 | - | - | - | - | 1,483,130 |
| Debt service: | | | | | | | |
| Principal retirement | - | - | - | - | 4,045 | 115,000 | 119,045 |
| Interest and fiscal charges | - | 7,185 | - | - | 88,581 | 243,804 | 339,570 |
| Total expenditures | 4,430,968 | 2,569,925 | 1,513,574 | 894,339 | 535,637 | 948,506 | 10,892,949 |
| Excess (deficiency) of revenues over (under) expenditures | 381,081 | (1,118,650) | 50,285 | 210,993 | (303,451) | 696,468 | (83,274) |
| Other financing sources (uses): | | | | | | | |
| Operating transfers in | 1,845,000 | 101,590 | 203,617 | 44,248 | 470,687 | - | 2,665,142 |
| Operating transfers out | (115,000) | (187,704) | (285,012) | (44,248) | (1,140,246) | (1,267,585) | (3,039,795) |
| Total other financing sources (uses) | 1,730,000 | (86,114) | (81,395) | - | (669,559) | (1,267,585) | (374,653) |
| Net change in fund balances | 2,111,081 | (1,204,764) | (31,110) | 210,993 | (973,010) | (571,117) | (457,927) |
| Fund balances, July 1, 2006 | 4,526,043 | 1,998,142 | 1,069,333 | 32,845 | (1,629,656) | 5,174,733 | 11,171,440 |
| Prior period adjustment | - | - | - | - | 69,020 | (389,378) | (320,358) |
| Fund balances, July 1, 2006, as restated | 4,526,043 | 1,998,142 | 1,069,333 | 32,845 | (1,560,636) | 4,785,355 | 10,851,082 |
| Fund balances, June 30, 2007 | \$ 6,637,124 | \$ 793,378 | \$ 1,038,223 | \$ 243,838 | \$ (2,533,646) | \$ 4,214,238 | \$ 10,393,155 |

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

CITY OF CORCORAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

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

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Net change in fund balances - total governmental funds | \$ (457,927) |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is capitalized. This is the amount of capital assets recorded. | 2,144,642 |
| Depreciation expense on capital assets is reported in the government-wide statement of activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. | (798,369) |
| Compensated absences expense reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds. | (6,749) |
| The issuance of long-term debt (eg., bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (12,161) |
| Repayment of long-term principal is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the government-wide statement of net assets. | 119,045 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | <u>(245,932)</u> |
| Changes in net assets of governmental activities | <u>\$ 742,549</u> |

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

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ENTERPRISE FUNDS

**CITY OF CORCORAN
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
JUNE 30, 2007**

| | Water Fund | Sewer Fund | Refuse Fund | Nonmajor Storm Drain Fund | Total |
|-------------------------------------------------|---------------|---------------|----------------|---------------------------------|---------------|
| ASSETS | | | | | |
| Cash and cash equivalents: | | | | | |
| Unrestricted | \$ 2,509,660 | \$ 821,424 | \$ - | \$ 101,092 | \$ 3,432,176 |
| Restricted | 69,706 | 14,557 | - | - | 84,263 |
| Cash with fiscal agent - restricted | 4,604,568 | - | - | - | 4,604,568 |
| Receivables: | | | | | |
| Accounts, net | 298,774 | 136,196 | 254,207 | 41,606 | 730,783 |
| Interest | 32,710 | 5,565 | (249) | 1,019 | 39,045 |
| Other | 240 | - | 24,722 | - | 24,962 |
| Due from other funds | - | 27,587 | 32,647 | 5,060 | 65,294 |
| Unamortized bond issuance cost | 796,351 | - | - | - | 796,351 |
| Unamortized bond discount | 373,401 | - | - | - | 373,401 |
| Total current assets | 8,685,410 | 1,005,329 | 311,327 | 148,777 | 10,150,843 |
| Noncurrent assets: | | | | | |
| Nondepreciable | 737,731 | 547,896 | - | 46,653 | 1,332,280 |
| Depreciable, net of accumulated depreciation | 26,499,080 | 2,769,926 | 61,353 | 1,500,353 | 30,830,712 |
| Total noncurrent assets | 27,236,811 | 3,317,822 | 61,353 | 1,547,006 | 32,162,992 |
| Total assets | 35,922,221 | 4,323,151 | 372,680 | 1,695,783 | 42,313,835 |
| LIABILITIES | | | | | |
| Cash overdraft | - | - | 33,362 | - | 33,362 |
| Accounts payable | 39,149 | 212,194 | 125,223 | 6,964 | 383,530 |
| Interest payable | 111,891 | 1,602 | - | - | 113,493 |
| Unapplied credits | 11,902 | - | - | - | 11,902 |
| Due to other funds | 65,294 | - | - | - | 65,294 |
| Compensated absences | 9,601 | 5,429 | 1,224 | 811 | 17,065 |
| Certificates of participation | 110,000 | - | - | - | 110,000 |
| Notes payable | 53,257 | 54,052 | - | - | 107,309 |
| Total current liabilities | 401,094 | 273,277 | 159,809 | 7,775 | 841,955 |
| Compensated absences | 3,222 | - | - | - | 3,222 |
| Certificates of participation | 27,390,000 | - | - | - | 27,390,000 |
| Notes payable | 672,166 | 269,367 | - | - | 941,533 |
| Total noncurrent liabilities | 28,065,388 | 269,367 | - | - | 28,334,755 |
| Total liabilities | 28,466,482 | 542,644 | 159,809 | 7,775 | 29,176,710 |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | (988,612) | 2,994,403 | 61,353 | 1,547,006 | 3,614,150 |
| Restricted for: | | | | | |
| Debt service | 4,674,274 | 14,557 | - | - | 4,688,831 |
| Unrestricted | 3,770,077 | 771,547 | 151,518 | 141,002 | 4,834,144 |
| Total net assets | \$ 7,455,739 | \$ 3,780,507 | \$ 212,871 | \$ 1,688,008 | \$ 13,137,125 |

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

CITY OF CORCORAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

| | Water Fund | Sewer Fund | Refuse Fund | Nonmajor Storm Drain Fund | Total |
|-------------------------------------------|---------------------|---------------------|-------------------|---------------------------------|----------------------|
| OPERATING REVENUES: | | | | | |
| Charges for services | \$ 3,031,818 | \$ 1,084,117 | \$ 1,649,583 | \$ 293,203 | \$ 6,058,721 |
| Connection fees | <u>19,173</u> | <u>105,955</u> | <u>-</u> | <u>5,911</u> | <u>131,039</u> |
| Total operating revenues | <u>3,050,991</u> | <u>1,190,072</u> | <u>1,649,583</u> | <u>299,114</u> | <u>6,189,760</u> |
| OPERATING EXPENSES: | | | | | |
| Personnel costs | 365,390 | 246,370 | 53,290 | 50,066 | 715,116 |
| Maintenance and supplies | 1,558,327 | 592,268 | 1,349,096 | 76,246 | 3,575,937 |
| Depreciation | 526,135 | 275,878 | 16,876 | 63,294 | 882,183 |
| Administrative and allocated costs | <u>174,298</u> | <u>171,533</u> | <u>110,469</u> | <u>78,223</u> | <u>534,523</u> |
| Total operating expenses | <u>2,624,150</u> | <u>1,286,049</u> | <u>1,529,731</u> | <u>267,829</u> | <u>5,707,759</u> |
| Operating income (loss) | <u>426,841</u> | <u>(95,977)</u> | <u>119,852</u> | <u>31,285</u> | <u>482,001</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | | |
| Interest income | 287,825 | 20,464 | (5,110) | 3,999 | 307,178 |
| Rental income | 26,952 | - | - | - | 26,952 |
| Other income | 2,455,261 | 335,583 | 125 | 16,923 | 2,807,892 |
| Other expenses | - | - | - | (74,324) | (74,324) |
| Interest and fiscal charges | <u>(1,060,839)</u> | <u>(12,635)</u> | <u>(1,336)</u> | <u>-</u> | <u>(1,074,810)</u> |
| Total non-operating revenues (expenses) | <u>1,709,199</u> | <u>343,412</u> | <u>(6,321)</u> | <u>(53,402)</u> | <u>1,992,888</u> |
| Other financing sources (uses): | | | | | |
| Bond issuance costs | (42,185) | - | - | - | (42,185) |
| Operating transfers in | <u>-</u> | <u>340,246</u> | <u>-</u> | <u>34,407</u> | <u>374,653</u> |
| Total other financing sources (uses) | <u>(42,185)</u> | <u>340,246</u> | <u>-</u> | <u>34,407</u> | <u>332,468</u> |
| Change in net assets | <u>2,093,855</u> | <u>587,681</u> | <u>113,531</u> | <u>12,290</u> | <u>2,807,357</u> |
| Net assets, July 1, 2006 | 4,810,481 | 3,192,826 | 99,340 | 1,553,519 | 9,656,166 |
| Prior period adjustment | <u>551,403</u> | <u>-</u> | <u>-</u> | <u>122,199</u> | <u>673,602</u> |
| Net assets, July 1, 2006, as restated | <u>5,361,884</u> | <u>3,192,826</u> | <u>99,340</u> | <u>1,675,718</u> | <u>10,329,768</u> |
| Net assets, June 30, 2007 | <u>\$ 7,455,739</u> | <u>\$ 3,780,507</u> | <u>\$ 212,871</u> | <u>\$ 1,688,008</u> | <u>\$ 13,137,125</u> |

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

**CITY OF CORCORAN
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

| | Water Fund | Sewer Fund | Refuse Fund | Nonmajor Storm Drain Fund | Total |
|-------------------------------------------------------------|---------------|---------------|----------------|---------------------------------|--------------|
| Cash flows from operating activities: | | | | | |
| Cash received from customers | \$ 3,045,381 | \$ 1,207,705 | \$ 1,636,202 | \$ 307,024 | \$ 6,196,312 |
| Cash payments to suppliers for goods and services | (2,894,659) | (450,593) | (1,326,713) | (75,083) | (4,747,048) |
| Cash payments to employees for services | (367,577) | (242,973) | (53,514) | (49,671) | (713,735) |
| Cash payments to other funds for allocated costs | (82,294) | (199,120) | (169,826) | (83,283) | (534,523) |
| Net cash provided (used) by operating activities | (299,149) | 315,019 | 86,149 | 98,987 | 201,006 |
| Cash flows from noncapital financing activities: | | | | | |
| Proceeds from non-operating revenues | 26,952 | - | - | - | 26,952 |
| Transfers from other funds | - | 340,246 | - | 34,407 | 374,653 |
| Net cash provided (used) by noncapital financing activities | 26,952 | 340,246 | - | 34,407 | 401,605 |
| Cash flows from capital financing activities: | | | | | |
| Acquisition of capital assets | (1,510,458) | (436,737) | - | - | (1,947,195) |
| Repayment of debt | (27,551,997) | (52,181) | - | (41,453) | (27,645,631) |
| Long-term borrowing | 27,500,000 | - | - | - | 27,500,000 |
| Cash received from other | 2,455,021 | 335,583 | (15,574) | 16,923 | 2,791,953 |
| Cash payments to other | - | - | - | (74,324) | (74,324) |
| Bond issuance costs | (13,743) | - | - | - | (13,743) |
| Interest and fiscal charges | (976,567) | (13,352) | (1,336) | - | (991,255) |
| Bond discount | 13,743 | - | - | - | 13,743 |
| Net cash provided (used) by capital financing activities | (84,001) | (166,687) | (16,910) | (98,854) | (366,452) |
| Cash flows from investing activities: | | | | | |
| Interest on investments | 255,115 | 17,994 | (5,110) | 3,628 | 271,627 |
| Net cash provided (used) by investing activities | 255,115 | 17,994 | (5,110) | 3,628 | 271,627 |
| Increase (decrease) in cash and cash equivalents | (101,083) | 506,572 | 64,129 | 38,168 | 507,786 |
| Cash and cash equivalents, July 1, 2006 | 7,285,017 | 329,409 | (97,491) | 62,924 | 7,579,859 |
| Cash and cash equivalents, June 30, 2007 | \$ 7,183,934 | \$ 835,981 | \$ (33,362) | \$ 101,092 | \$ 8,087,645 |

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

**CITY OF CORCORAN
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

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

| | Water Fund | Sewer Fund | Refuse Fund | Nonmajor Storm Drain Fund | Total |
|----------------------------------------------------------------------------------------------------------|---------------------|-------------------|------------------|---------------------------------|-------------------|
| Operating income (loss) | \$ 426,841 | \$ (95,977) | \$ 119,852 | \$ 31,285 | \$ 482,001 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 483,950 | 275,878 | 16,876 | 63,294 | 839,998 |
| Amortization | 42,185 | - | - | - | 42,185 |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in accounts receivable, net | (5,610) | 17,633 | (13,381) | 7,910 | 6,552 |
| (Increase) decrease in due from other funds | 26,710 | (27,587) | (32,647) | (5,060) | (38,584) |
| Increase (decrease) in accounts payable | (1,323,729) | 141,675 | 22,383 | 1,163 | (1,158,508) |
| Increase (decrease) in unapplied credits | (12,603) | - | - | - | (12,603) |
| Increase (decrease) in due to other funds | 65,294 | - | (26,710) | - | 38,584 |
| Increase (decrease) in compensated absences | (2,187) | 3,397 | (224) | 395 | 1,381 |
| Net cash provided (used) by operating activities | <u>\$ (299,149)</u> | <u>\$ 315,019</u> | <u>\$ 86,149</u> | <u>\$ 98,987</u> | <u>\$ 201,006</u> |
| Supplemental Disclosures: | | | | | |
| Interest paid | <u>\$ 1,060,839</u> | <u>\$ 12,635</u> | <u>\$ 1,336</u> | <u>\$ -</u> | <u>\$ 991,255</u> |

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

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FIDUCIARY FUNDS

**CITY OF CORCORAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

| | Asset Seizure (Unprocessed) | Kings County CDBG | Amigos de la Comunidad | Corcoran Police Explorers | Citizens on Patrol | Total |
|---------------------------|-----------------------------------|-------------------------|------------------------------|---------------------------------|-----------------------|------------------|
| <u>ASSETS</u> | | | | | | |
| Cash | \$ 5,679 | \$ 17,255 | \$ 1,088 | \$ 414 | \$ 203 | \$ 24,639 |
| Receivables: | | | | | | |
| Interest | - | 191 | - | - | - | 191 |
| Notes | - | 1,449,938 | - | - | - | 1,449,938 |
| Total assets | <u>5,679</u> | <u>1,467,384</u> | <u>1,088</u> | <u>414</u> | <u>203</u> | <u>1,474,768</u> |
| <u>LIABILITIES</u> | | | | | | |
| Due to other agencies | <u>5,679</u> | <u>1,467,384</u> | <u>1,088</u> | <u>414</u> | <u>203</u> | <u>1,474,768</u> |
| Total liabilities | <u>5,679</u> | <u>1,467,384</u> | <u>1,088</u> | <u>414</u> | <u>203</u> | <u>1,474,768</u> |
| Net Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

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

The accompanying basic financial statements include the financial activities of the City, the primary government, and its component units, which is the Corcoran Redevelopment Agency (Agency) and Corcoran Public Financing Authority (Authority). Financial information for the City and these component units is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in separate session, serve as the governing board of the Agency and the Authority, as such, these entities are presented on a blended basis. Separate financial statements are produced for the Agency and may be obtained from the City's administrative office. No separate annual financial statements are prepared for the Authority.

The ***Corcoran Redevelopment Agency*** (Agency) was established by Ordinance No. 286 adopted on February 5, 1973, pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law." The Agency was formed in order to redevelop, rehabilitate and revitalize the area within the boundaries of the Corcoran Industrial Sector Redevelopment Project to provide additional employment opportunities, and to provide safe, decent, sanitary and affordable housing, including housing for persons with low or moderate income. The membership of the Agency is comprised solely of individuals who serve on the Corcoran City Council and the administrative staff from the Agency. The funds of the Agency have been included in the governmental activities in the financial statements.

The ***Corcoran Joint Powers Finance Authority*** (Authority) is a non-profit corporation incorporated under the laws of the State of California in 1987. The formation of the Authority creates a financing entity through which tax allocation revenue bonds can be issued for the purpose of financing or refinancing capital projects of the Community Redevelopment Agency as permitted by the Community Law. The City Council acts as the governing board of the Authority and is responsible for the Authority's fiscal and administrative activities. The funds of the Authority have been included in the governmental activities in the financial statements.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reporting principles.

B. Basis of Accounting/Measurement Focus

Government-Wide Financial Statements

The City's government-wide financial statements include a statement of net assets and a statement of activities and changes in net assets. These statements present summaries of governmental and business-type activities for the City accompanied by a totals column. Fiduciary activities of the City are not included in these statements.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting/Measurement Focus (Continued)

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net assets have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, interfund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

All governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures, and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash during the year or within 60 days after year-end. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting/Measurement Focus (Continued)

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

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

The **Community Development Block Grant Special Revenue Fund** is used to account for the federal grants that provide for development of a viable urban community by providing suitable housing, principally for low and moderate income residents.

The **HOME Program Special Revenue Fund** is used to account for the federal grants that provide financing for low-income household for the acquisition, rehabilitation, or new construction of single family homes.

The **Community Redevelopment Agency Capital Project Fund** is used to account for the acquisition, relocation, demolition and sale of land in the redevelopment area of the City. Projects are financed from the proceeds of bonds sold and loans from other City funds and eventually from property tax increment revenue.

Enterprise Fund Financial Statements

Enterprise fund financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows for each major enterprise fund and non-major fund.

The City reports the following major enterprise funds:

The **Water Fund** accounts for financial activity of the water utility system.

The **Sewer Fund** is used to account for the financial activity of the sewage collection and wastewater treatment utility system.

The **Refuse Fund** is used to account for the financial activity of the solid waste collection and disposal utility system.

Enterprise funds are accounted for using the *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting/Measurement Focus (Continued)

Operating revenues in the enterprise funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Fiduciary Fund Financial Statements

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

The City reports the following agency funds:

The **Assets Seizure (Unprocessed) Agency Fund** accounts for money that is seized as part of a police action and this money is used to help purchase fixed assets for the police department. Expenditures are limited to police related activities

The **Kings County CDBG Agency Fund** accounts for Kings County Community Development Block Grants Program collections on notes receivable and remittance to Kings County.

The **Amigos de la Comunidad Agency Fund** accounts for the monies raised by the Police Department's Amigos and the use of those funds.

The **Corcoran Police Explorers Agency Fund** accounts for the monies raised by the Police Explorers and the use of those funds.

The **Citizens on Patrol Agency Fund** accounts for the monies raised by the Police Department's Citizens on Patrol and the use of those funds.

C. Cash and Investments

Under the City's cash management program, cash in excess of operating requirements from all funds is pooled with the purpose of maximizing interest through investment activities, and is deposited in savings accounts or invested in bank certificates of deposit, bank money market accounts and the State of California Local Agency Investment Fund (LAIF). Interest income on pooled investments is allocated on the end of month balance in each fund included in the pools.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and cash equivalents of the enterprise funds are pooled with the City's pooled cash and cash equivalents.

E. Use of Estimates

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

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables and Payables

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "interfund advances receivable/payable" (i.e. the non-current portion of interfund loans).

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.

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

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

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

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

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

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

G. Discount on Bonds

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

H. Bond Issuance Costs

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

I. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first, then unrestricted resources as they are needed.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure acquired since the beginning of the 2003 fiscal year in to the 2006-07 basic financial statements.

The City defines infrastructure as capital assets that are stationery and have expected useful lives significantly in excess of most capital assets. The assets include the street system, water purification and distribution system, sewer collection and treatment system, park and recreation improvement, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business.

K. Risk Management

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

L. Property Held for Resale

Property held for resale consists of parcels of land and improvements. The parcels are recorded at cost.

M. Compensated Absences Payable

City employees accumulate vacation pay in varying amounts as services are provided. The City limits accumulated vacation to 30 working days for employees and 45 working days for management. All outstanding vacation pay is payable upon termination of employment. This amount is included as a liability in the government-wide financial statements.

N. Long-Term Debt

In the government-wide financial statements, and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

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

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances

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 a specific purpose. Designations of the fund balance represent tentative management plans that are subject to change.

NOTE 2 – CASH AND INVESTMENTS

The investment policy of the City is consistent with guidelines set forth under State of California Government Code Section 53601 and serves to maximize investment income consistent with safe and prudent investment practices. All surplus funds are managed by the Finance Director in compliance with the Statement of Investment Policy adopted by the City Council which delegates to the Finance Director the authority to invest City funds and to deposit securities.

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

Cash Deposits

The City maintains a cash investment pool that is available for all funds. Each fund type balance in the pool is reflected on the statement of net assets as cash and cash equivalents. The carrying amount of the City's cash deposits was \$1,568,487 at June 30, 2007. The general bank balance at June 30, 2007, was \$1,360,398, of which \$1,260,398 is in excess of federal depository insurance. The remaining balance is collateralized with securities held by the pledging financial institutions in the City's name, as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus collateral for cash deposits is considered to be held in the City's name. The market value of the pledged securities must equal at least 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. Information was not available to determine if the custodial credit risk of deposits met the coverage criteria described above.

Local Agency Investment Fund (LAIF)

The City 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 investments in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). As of June 30, 2007, the balance is \$14,452,008. The balance available for withdrawals is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Authorized Investments:

Under provision of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

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

All City's investment activities are within state statutes and the City's investment policy.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The City investments are subject to immediate liquidation, therefore, the City is exposed to interest rate risk if interest rates fall.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSRO's). It is in the City's policy to limit its investments in these investment types to the top rating issued by NRSRO's, including raters Standard & Poor's, Moody's Investors Services.

Concentration of Credit Risk

The City does not have a formal investment policy that has limits on the amount that can be invested in any one beyond the stipulated in California Government Code. The City's investments are exempt from this disclosure.

Cash and Investments with Fiscal Agent

The balance of \$4,604,568 includes the bond issue proceeds trust accounts which consist of proceeds from bonds which are unspent or reserved. These funds are required to be held by outside fiscal agents under the provisions of the bond agreements. The California Government Code provides these monies, in the absence of specific statutory provision governing the issuance of the certificates, may be invested in accordance with ordinance, resolutions, or indentures specifying the types of investments the fiscal agent may make. These investments are generally more restrictive than the City's investment policy, and at no time have additional investments not permitted by the City's investment policy been authorized.

| | <u>Credit Quality Ratings</u> | <u>Carrying Amount</u> | <u>Maturity</u> |
|---------------------------------|-----------------------------------|----------------------------|---------------------|
| Cash on hand | Not applicable | \$ 1,100 | N/A |
| Primary government deposits | Not applicable | 1,164,757 | N/A |
| Local agency investment fund | Not rated | 14,452,008 | Less than 12 months |
| U.S. government securities | Exempt | <u>5,016,789</u> | 13-24 months |
| Total cash and cash equivalents | | <u>\$ 20,634,654</u> | |

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 – CASH AND INVESTMENTS (Continued)

Cash and investments are reported on the government-wide statement of net assets as follows:

| | <u>Carrying Amount</u> |
|---------------------------------|----------------------------|
| Cash and cash equivalents | \$ 15,617,865 |
| Cash with fiscal agent | <u>5,016,789</u> |
| Total cash and cash equivalents | <u>\$ 20,634,654</u> |

NOTE 3 – INTERFUND ACTIVITY

Interfund balances for the purpose of the government-wide statements have been eliminated. The composition of interfund balances in the fund level statements as of June 30, 2007, is as follows:

A. Current Interfund Receivables/Payables

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

| | <u>Due</u> | |
|--------------------------------------------------------|------------------|------------------|
| | <u>From</u> | <u>To</u> |
| Major funds: | | |
| Governmental funds: | | |
| General fund | \$ 9,233 | \$ - |
| Community development block grant special revenue fund | - | 5,200 |
| Community redevelopment agency debt service fund | - | 9,233 |
| HOME program special revenue fund | - | 2,400 |
| Enterprise funds: | | |
| Water fund | - | 65,294 |
| Sewer fund | 27,587 | - |
| Storm drain fund | 5,060 | - |
| Refuse fund | 32,647 | - |
| Nonmajor funds: | | |
| Community redevelopment agency special revenue fund | <u>7,600</u> | <u>-</u> |
| Total | <u>\$ 82,127</u> | <u>\$ 82,127</u> |

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 – INTERFUND ACTIVITY (Continued)

B. Long-Term Interfund Advances

At June 30, 2007, the funds below have made advances that were not expected to be repaid in one year or less.

| | <u>Receivable Funds</u> | <u>Payable Funds</u> |
|--------------------------------------------------------|-----------------------------|--------------------------|
| Major funds: | | |
| Governmental funds: | | |
| General fund | \$ 2,113,469 | \$ - |
| Community development block grant special revenue fund | 642,104 | - |
| Redevelopment Agency: | | |
| Capital project fund | - | 3,540,368 |
| Debt service fund | <u>784,795</u> | <u>-</u> |
| Total | <u>\$ 3,540,368</u> | <u>\$ 3,540,368</u> |

C. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund. Current year transfers included activity to recognize the refunding of debt.

Transfers in and out consisted of the following as of June 30, 2007:

| | <u>Transfers</u> | |
|--------------------------------------------------------|-------------------------|-------------------------|
| | <u>In</u> | <u>Out</u> |
| Major funds: | | |
| Governmental funds: | | |
| General fund | \$ 1,845,000 | \$ 115,000 |
| Community development block grant special revenue fund | 203,617 | 285,012 |
| HOME program special revenue fund | 44,248 | 44,248 |
| Transportation and street special revenue fund | 101,590 | 187,704 |
| Redevelopment agency: | | |
| Capital project fund | 470,687 | 1,140,246 |
| Other governmental funds | - | 1,267,585 |
| Enterprise funds: | | |
| Sewer Fund | 340,246 | - |
| Storm drain | <u>34,407</u> | <u>-</u> |
| Total | <u>\$ 3,039,795</u> | <u>\$ 3,039,795</u> |

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 4 – NOTES RECEIVABLE / DEFERRED REVENUE

Notes receivable consisted of the following as of June 30, 2007:

| | <u>Major Funds</u> | | | <u>Nonmajor Funds</u> | |
|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------------------|------------------------------------------------------------------------|
| | <u>Community Development Block Grant Special Revenue Fund</u> | <u>HOME Program Special Revenue Funds</u> | <u>Community Redevelopment Agency Capital Project Fund</u> | <u>Economic Development Research Loan Program Special Revenue Fund</u> | <u>Community Redevelopment Agency Special Revenue Fund</u> |
| 6.5% note receivable; due in annual installments of \$2,719 (including interest) through December 2016; secured by a deed of trust on land. | \$ - | \$ - | \$ 9,353 | \$ - | \$ - |
| Loans receivable under Business Revolving Loan Program. | - | - | - | 198,150 | - |
| Loans receivable under the RDA first-time homebuyer programs secured by deeds of trust on the properties. | - | - | - | - | 23,222 |
| Loans receivable under the Community Development Block Grant Program, secured by deeds of trust on the rehabilitated properties. | 1,834,394 | - | - | - | - |
| Loans receivable under the HOME Grant Program, secured by deeds of trust on the rehabilitated properties. | - | 1,983,804 | - | - | - |
| Total notes receivable | <u>\$ 1,834,394</u> | <u>\$ 1,983,804</u> | <u>\$ 9,353</u> | <u>\$ 198,150</u> | <u>\$ 23,222</u> |

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

The deferred payment loan receivables under the Community Development Block Grant Programs, HOME Program, the State Deferred Loan Program, and Community Redevelopment Housing Set-Aside Funds are not required to be paid back until the participating homeowner sells, transfers title to the rehabilitated property, or discontinues residence in the dwelling, at which time, the full amount of the deferred loan is due. Deferred payment loans are "non-performing" loans and are not recorded as receivable or deferred revenue. Such loans totaled \$4,048,923 as of June 30, 2007.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure additions as of the beginning of the fiscal year in the government-wide statement of net assets. The City elected to use the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following tables present summary information on capital assets.

| | Balance July 1, 2006 | Increases | Decreases | Inventory Adjustments | Transfers | Balance June 30, 2007 |
|---------------------------------------------|-------------------------|--------------|-----------|--------------------------|-----------|--------------------------|
| Governmental Activities: | | | | | | |
| Capital assets not being depreciated: | | | | | | |
| Land | \$ 364,334 | \$ - | \$ - | \$ - | \$ - | \$ 364,334 |
| Construction in progress | 21,847 | - | - | - | - | 21,847 |
| Infrastructure in progress | 311,502 | - | - | - | - | 311,502 |
| Total capital assets not being depreciated | 697,683 | - | - | - | - | 697,683 |
| Capital assets being depreciated: | | | | | | |
| Buildings and other improvements | 8,250,628 | 466,814 | - | - | 66,643 | 8,784,085 |
| Machinery and equipment | 1,650,662 | 37,598 | - | - | (66,643) | 1,621,617 |
| Infrastructure | 3,008,556 | 1,457,638 | - | - | - | 4,466,194 |
| Vehicles | 1,708,713 | 182,592 | - | - | - | 1,891,305 |
| Total capital assets being depreciated | 14,618,559 | 2,144,642 | - | - | - | 16,763,201 |
| Less accumulated depreciation for: | | | | | | |
| Buildings and other improvements | (1,933,539) | (305,113) | - | - | - | (2,238,652) |
| Machinery and equipment | (1,087,177) | (168,768) | - | - | - | (1,255,945) |
| Infrastructure | (175,992) | (111,820) | - | - | - | (287,812) |
| Vehicles | (1,036,549) | (212,668) | - | - | - | (1,249,217) |
| Total accumulated depreciation | (4,233,257) | (798,369) | - | - | - | (5,031,626) |
| Total capital assets being depreciated, net | 10,385,302 | 1,346,273 | - | - | - | 11,731,575 |
| Governmental activity capital assets, net | \$ 11,082,985 | \$ 1,346,273 | \$ - | \$ - | \$ - | \$ 12,429,258 |

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 – CAPITAL ASSETS (Continued)

| | Balance July 1, 2006 | Increases | Decreases | Inventory Adjustments | Transfers | Balance June 30, 2007 |
|---------------------------------------------|-------------------------|---------------------|-------------|--------------------------|---------------------|--------------------------|
| Business-type Activities: | | | | | | |
| Capital assets not being depreciated: | | | | | | |
| Land | \$ 985,983 | \$ - | \$ - | \$ - | \$ - | \$ 985,983 |
| Construction in progress | <u>19,626,703</u> | <u>1,725,409</u> | <u>-</u> | <u>-</u> | <u>(21,005,815)</u> | <u>346,297</u> |
| Total capital assets not being depreciated | <u>20,612,686</u> | <u>1,725,409</u> | <u>-</u> | <u>-</u> | <u>(21,005,815)</u> | <u>1,332,280</u> |
| Capital assets being depreciated: | | | | | | |
| Utility system | 20,069,137 | 279,639 | - | - | 21,005,815 | 41,354,591 |
| Machinery and equipment | 784,806 | 64,326 | - | - | (31,526) | 817,606 |
| Vehicles | <u>237,782</u> | <u>41,471</u> | <u>-</u> | <u>-</u> | <u>31,526</u> | <u>310,779</u> |
| Total capital assets being depreciated | <u>21,091,725</u> | <u>385,436</u> | <u>-</u> | <u>-</u> | <u>21,005,815</u> | <u>42,482,976</u> |
| Less accumulated depreciation for: | | | | | | |
| Utility system | (10,549,591) | (802,229) | - | 427,902 | - | (10,923,918) |
| Machinery and equipment | (527,315) | (54,279) | - | 23,072 | - | (558,522) |
| Vehicles | <u>(144,149)</u> | <u>(25,675)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(169,824)</u> |
| Total accumulated depreciation | <u>(11,221,055)</u> | <u>(882,183)</u> | <u>-</u> | <u>450,974</u> | <u>-</u> | <u>(11,652,264)</u> |
| Total capital assets being depreciated, net | <u>9,870,670</u> | <u>(496,747)</u> | <u>-</u> | <u>450,974</u> | <u>21,005,815</u> | <u>30,830,712</u> |
| Business-type capital assets, net | <u>30,483,356</u> | <u>1,228,662</u> | <u>-</u> | <u>450,974</u> | <u>-</u> | <u>32,162,992</u> |
| Total capital assets | <u>\$ 41,566,341</u> | <u>\$ 2,574,935</u> | <u>\$ -</u> | <u>\$ 450,974</u> | <u>\$ -</u> | <u>\$ 44,592,250</u> |

For the year ended June 30, 2007, depreciation expense on capital assets was charged to the governmental functions as follows:

| | |
|-----------------------|-------------------|
| General government | \$ 81,521 |
| Community development | 127,463 |
| Public safety | 181,843 |
| Public works | 287,853 |
| Parks and recreation | <u>119,689</u> |
| Total | <u>\$ 798,369</u> |

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 6 – COMPENSATED ABSENCES

The City's policy relating to compensated absences is described in Note 1. As shown in the table below, the long-term portion of this debt, amounting to \$36,126 for governmental activities and \$3,222 for business-type activities at June 30, 2007, is expected to be paid in future years from future resources. In prior years, compensated absences have been liquidated primarily by the general fund and the enterprise funds.

| | Balance July 1, 2006 | Incurred | Satisfied | Balance June 30, 2007 | Amounts Due Within One Year | Amounts Due in More Than One Year |
|----------------------------------|-------------------------|------------------|-------------|--------------------------|-----------------------------------|--------------------------------------------|
| Governmental Activities: | | | | | | |
| Compensated absences | <u>\$ 156,089</u> | <u>\$ 32,726</u> | <u>\$ -</u> | <u>\$ 188,815</u> | <u>\$ 152,690</u> | <u>\$ 36,126</u> |
| Business-Type Activities: | | | | | | |
| Compensated absences | <u>\$ 17,754</u> | <u>\$ 2,533</u> | <u>\$ -</u> | <u>\$ 20,287</u> | <u>\$ 17,065</u> | <u>\$ 3,222</u> |

NOTE 7 – LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for governmental activities for the year ended June 30, 2007:

Revenue Bonds

| | Balance July 1, 2006 | Incurred or Issued | Satisfied or Matured | Balance June 30, 2007 | Amounts Due Within One Year | Amounts Due in More Than One Year |
|---------------------------------|-------------------------|-----------------------|-------------------------|--------------------------|-----------------------------------|--------------------------------------------|
| Governmental Activities: | | | | | | |
| 2004 Tax Allocation Bonds | \$ 4,765,000 | \$ - | \$ 85,000 | \$ 4,680,000 | \$ 170,000 | \$ 4,510,000 |
| Certificates of Participation | 520,000 | - | 30,000 | 490,000 | 30,000 | 460,000 |
| Koch Capital Lease | 42,635 | - | - | 42,635 | 42,635 | - |
| Kings County EDC Loan | 10,761 | - | 4,045 | 6,716 | 4,168 | 2,548 |
| Total governmental activities | <u>\$ 5,338,396</u> | <u>\$ -</u> | <u>\$ 119,045</u> | <u>\$ 5,219,351</u> | <u>\$ 246,803</u> | <u>\$ 4,972,548</u> |

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

2004 Tax Allocation Bonds

The 2004 Tax Allocation Refunding Bonds were issued on November 1, 2004, by the Community Redevelopment Agency to refund the Tax Allocation Refunding Bonds, Series 1994 issued by the Agency. Bonds authorized and issued have interest ranging from 1.9% to 5.0% and mature December 1, 2034.

| <u>Fiscal Year Ending</u> | <u>2004 Tax Allocation Bonds</u> | | |
|---------------------------|----------------------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | \$ 170,000 | \$ 198,048 | \$ 368,048 |
| 2009 | 175,000 | 193,968 | 368,968 |
| 2010 | 180,000 | 189,418 | 369,418 |
| 2011 | 185,000 | 184,018 | 369,018 |
| 2012 | 190,000 | 177,543 | 367,543 |
| 2013-2017 | 1,070,000 | 771,378 | 1,841,378 |
| 2018-2022 | 1,310,000 | 527,408 | 1,837,408 |
| 2023-2027 | 600,000 | 265,410 | 865,410 |
| 2028-2032 | 465,000 | 154,985 | 619,985 |
| 2033-2035 | <u>335,000</u> | <u>34,250</u> | <u>369,250</u> |
| Totals | <u>\$ 4,680,000</u> | <u>\$ 2,696,426</u> | <u>\$ 7,376,426</u> |

Certificates of Participation

The Certificates of Participation were issued on April 15, 1993, by Corcoran Joint Power Finance Authority (CJPFA) at an interest rate of 8.75% to finance the acquisition of land and construction of a storm drainage system. The Certificates of Participation mature on June 1, 2016. The Certificates of Participation are secured by annual base rental lease payments payable by the City for use of the storm drainage system. The Authority was required under the terms of the trust agreement to deposit \$76,000 into a reserve fund.

| <u>Fiscal Year Ending</u> | <u>1992 Certificates of Participation</u> | | |
|---------------------------|-------------------------------------------|-------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | \$ 30,000 | \$ 42,219 | \$ 72,219 |
| 2009 | 35,000 | 39,594 | 74,594 |
| 2010 | 40,000 | 36,313 | 76,313 |
| 2011 | 40,000 | 32,813 | 72,813 |
| 2012 | 45,000 | 29,313 | 74,313 |
| 2013-2016 | <u>300,000</u> | <u>73,062</u> | <u>373,062</u> |
| Totals | <u>\$ 490,000</u> | <u>\$ 253,314</u> | <u>\$ 743,314</u> |

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Loan Payable

The City received a \$20,000 economic development loan from Kings County on February 1, 2004, for business development. The City, in turn, loaned money to a local business owner for business assistance. The loan is to be repaid in monthly installments of \$359, including interest at 3.0% through February 2009.

| Fiscal Year Ending | Kings County EDC Loan | | |
|--------------------|-----------------------|---------------|-----------------|
| | Principal | Interest | Total |
| 2008 | \$ 4,168 | \$ 144 | \$ 4,312 |
| 2009 | <u>2,548</u> | <u>26</u> | <u>2,574</u> |
| Totals | <u>\$ 6,716</u> | <u>\$ 170</u> | <u>\$ 6,886</u> |

Capital Lease

The City is obligated under a lease agreement with Koch Financial Corporation for the purchase of software equipment. The lease payments is to be paid annually beginning October 1, 2005, and expires on July 1, 2007.

Principal maturities are as follows for the next year ending June 30:

| Fiscal Year Ending | Koch Capital Lease | | |
|--------------------|--------------------|----------|-----------|
| | Principal | Interest | Total |
| 2008 | \$ 42,635 | \$ 2,217 | \$ 44,852 |

The asset acquired through the capital lease is as follows:

Asset:

| | |
|--------------------------------|------------------|
| Software equipment | \$ 127,203 |
| Less: accumulated depreciation | <u>(84,802)</u> |
| Total | <u>\$ 42,401</u> |

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

The following is a summary of long-term obligation transactions for business-type activities for the year ended June 30, 2007:

| | Balance July 1, 2006 | Incurred or Issued | Satisfied or Matured | Balance June 30, 2007 | Amounts Due Within One Year | Amounts Due in More Than One Year |
|---------------------------------------------------------|-------------------------|-----------------------|-------------------------|--------------------------|-----------------------------------|--------------------------------------------|
| Business-type Activities: | | | | | | |
| Davis-Grunsky Loan (Water Fund) | \$ 777,420 | \$ - | \$ 51,997 | \$ 725,423 | \$ 53,257 | \$ 672,166 |
| 2003 Certificates of Participation | 5,600,000 | - | - | 5,600,000 | 110,000 | 5,490,000 |
| 2005 Certificates of Participation | 21,900,000 | - | - | 21,900,000 | - | 21,900,000 |
| State Water Quality Control Fund Loans (Sewer Fund) | 319,499 | - | 39,039 | 280,460 | 40,448 | 240,012 |
| State Rural Economic Development Infrastructure Loan | 56,099 | - | 13,140 | 42,959 | 13,604 | 29,355 |
| Total business-type activities | <u>\$ 28,653,018</u> | <u>\$ -</u> | <u>\$ 104,176</u> | <u>\$ 28,548,842</u> | <u>\$ 217,309</u> | <u>\$ 28,331,533</u> |

Notes Payable

Davis-Grunsky Loan (Water Fund)

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

| <u>Fiscal Year Ending</u> | <u>Davis-Grunsky Loan (Water Fund)</u> | | |
|---------------------------|----------------------------------------|-------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | \$ 53,257 | \$ 16,149 | \$ 69,406 |
| 2009 | 54,489 | 14,917 | 69,406 |
| 2010 | 55,721 | 13,654 | 69,375 |
| 2011 | 56,953 | 12,361 | 69,314 |
| 2012 | 58,339 | 11,034 | 69,373 |
| 2013-2017 | 312,487 | 34,064 | 346,551 |
| 2018-2019 | 134,177 | 3,135 | 137,312 |
| Totals | <u>\$ 725,423</u> | <u>\$ 105,314</u> | <u>\$ 830,737</u> |

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

State Water Quality Control Fund Loans (Sewer Fund)

The State Water Quality Control Fund has two loans with the City of \$459,619 and \$127,124. The larger loan is payable in annual installments of \$36,342 including interest at 3.6%. The final payment of \$6,342 is due July, 2016. The smaller loan is payable in annual installments of \$14,200, including interest at 3.6%. The final payment is due February, 2016.

| <u>Fiscal Year Ending</u> | <u>State Water Quality Control Fund Loans</u> | | |
|---------------------------|-----------------------------------------------|------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | \$ 40,446 | \$ 11,502 | \$ 51,948 |
| 2009 | 41,902 | 10,097 | 51,999 |
| 2010 | 29,210 | 8,641 | 37,851 |
| 2011 | 30,262 | 6,080 | 36,342 |
| 2012 | 31,351 | 4,991 | 36,342 |
| 2013-2017 | <u>107,289</u> | <u>8,081</u> | <u>115,370</u> |
| Totals | <u>\$ 280,460</u> | <u>\$ 49,392</u> | <u>\$ 329,852</u> |

2003 Certificates of Participation (Water Fund)

The 2003 Certificates of Participation were issued on July 1, 2003 in the amount of \$5,915,000. These Certificates paid off the existing Farmers Home Administration Loan and also provided for the construction and acquisition of capital improvements to the City's municipal water system. Certificates authorized and issued have interest rates ranging from 2.00% to 4.25% and mature July 1, 2035.

| <u>Fiscal Year Ending</u> | <u>2003 Certificates of Participation</u> | | |
|---------------------------|-------------------------------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | \$ 110,000 | \$ 222,683 | \$ 332,683 |
| 2009 | 115,000 | 220,289 | 335,289 |
| 2010 | 115,000 | 217,558 | 332,558 |
| 2011 | 120,000 | 214,470 | 334,470 |
| 2012 | 120,000 | 211,020 | 331,020 |
| 2013-2017 | 680,000 | 986,938 | 1,666,938 |
| 2018-2022 | 830,000 | 835,358 | 1,665,358 |
| 2023-2027 | 1,025,000 | 640,171 | 1,665,171 |
| 2028-2032 | 1,265,000 | 397,694 | 1,662,694 |
| 2033-2035 | <u>1,220,000</u> | <u>106,675</u> | <u>1,326,675</u> |
| Totals | <u>\$ 5,600,000</u> | <u>\$ 4,052,856</u> | <u>\$ 9,652,856</u> |

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

State Rural Economic Development Infrastructure Loan (Sewer Fund)

The State Rural Economic Development Infrastructure loan is payable in semi-annual installments of \$7,495 including interest at 3.5% to July, 2010. Under the terms of the contract with the State of California, the City was required to establish and deposit \$14,990 into REDIP reserve account, representing one year's annual debt service as security for the loan.

| <u>Fiscal Year Ending</u> | <u>State Rural Economic Development Infrastructure Loan (Sewer Fund)</u> | | |
|---------------------------|------------------------------------------------------------------------------|-----------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | \$ 13,604 | \$ 1,386 | \$ 14,990 |
| 2009 | 14,085 | 905 | 14,990 |
| 2010 | 14,582 | 408 | 14,990 |
| 2011 | 688 | 12 | 700 |
| Totals | <u>\$ 42,959</u> | <u>\$ 2,711</u> | <u>\$ 45,670</u> |

2005 Certificates of Participation (Water Fund)

The 2005 Certificates of Participation were issued on October 1, 2005, in the amount of \$21,900,000. These Certificates provided for the construction and acquisition of capital improvements to the City's municipal water system. Certificates authorized and issued have interest rate of 5.645% and mature July 1, 2037.

| <u>Fiscal Year Ending</u> | <u>2005 Certificates of Participation</u> | | |
|---------------------------|-------------------------------------------|----------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | \$ - | \$ 800,445 | \$ 800,445 |
| 2009 | 475,000 | 800,445 | 1,275,445 |
| 2010 | 475,000 | 783,084 | 1,258,084 |
| 2011 | 500,000 | 765,723 | 1,265,723 |
| 2012 | 525,000 | 747,447 | 1,272,447 |
| 2013-2017 | 2,975,000 | 3,431,131 | 6,406,131 |
| 2018-2022 | 3,625,000 | 2,841,763 | 6,466,763 |
| 2023-2027 | 4,350,000 | 2,130,865 | 6,480,865 |
| 2028-2032 | 5,300,000 | 1,268,285 | 6,568,285 |
| 2033-2035 | 3,675,000 | 272,298 | 3,947,298 |
| Totals | <u>\$ 21,900,000</u> | <u>\$ 13,841,486</u> | <u>\$ 35,741,486</u> |

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in October 2005, the City entered into an interest rate swap in connection with the issuance of the \$21.9 million 2005 Certificates of Participation. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 3.9125 percent.

**CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Terms. Under the swap, the City pays the counterparty, Piper Jaffray Financial Products Inc. ("the Counterparty") a fixed payment of 3.655 percent and receives a variable payment computed as 63 percent of the London Interbank Offered Rate (LIBOR) plus 30 basis points. The City also pays annual auction fees on the variable rate bonds. The swap has a notional amount of \$21.9 million and the associated variable-rate bond has a \$21.9 million principal amount. The swap was entered into at the same time the bonds were issued (October 2005). Starting in fiscal year 2010, the notional value of the swap and the principal amount of the associated debt decline until the debt is completely retired in 2036. The bonds and the related swap agreement mature on July 1, 2036. As of June 30, 2007, rates were as follows:

| | <u>Terms</u> | <u>Rates</u> |
|------------------------------------|--------------|------------------|
| Interest rate swap: | | |
| Fixed payment to Counterparty | Fixed | 3.6550% |
| Variable | 63% of LIBOR | <u>(3.6156)%</u> |
| Net interest rate swap payments | | 0.0034% |
| Variable-rate bond coupon payments | | 3.5783% |
| Auction Fees | | <u>0.2575%</u> |
| Synthetic interest rate on bonds | | 3.8939% |

Fair Value. The Counterparty informed the City that as of June 30, 2007, the swap had a fair value of \$574,719.81. The Counterparty states that the valuation is based on a proprietary model.

Credit risk. As of June 30, 2007, the City was exposed to credit risk because the swap had a net positive fair value. The City faced a maximum possible loss equivalent to the swap's fair value. This amount may increase if interest rates increase in the future. However, if interest rates decline and the fair value of the swap becomes negative, the City would no longer be exposed to credit risk. The swap Counterparty was rated AAA by Standard & Poor's (XLCA Insured) October 1, 2005. To mitigate the potential for credit risk, if the Counterparty's credit quality falls below AA, the fair value of the swap will be fully collateralized by the Counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

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

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

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Swap payments and associated debt. As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

| For the Year Ending July 1, | Variable-Rate Bonds Principal | Interest | Interest Rate Swaps, Net | Auction Fees | Total |
|--------------------------------|----------------------------------|-------------------|-----------------------------|------------------|-------------------|
| 2008 | | 783,582 | 745 | 56,393 | 840,720 |
| 2009 | | 783,582 | 745 | 56,393 | 840,720 |
| 2010 | 475,000 | 783,582 | 745 | 56,393 | 1,315,720 |
| 2011 | 475,000 | 766,587 | 728 | 55,169 | 1,297,484 |
| 2012 | 500,000 | 749,591 | 712 | 53,946 | 1,304,249 |
| 2013 | 525,000 | 731,701 | 695 | 52,659 | 1,310,055 |
| 2014 | 550,000 | 712,917 | 677 | 51,307 | 1,314,901 |
| 2015 | 575,000 | 693,238 | 659 | 49,891 | 1,318,788 |
| 2016 | 600,000 | 672,664 | 639 | 48,410 | 1,321,713 |
| 2017 | 625,000 | 651,196 | 619 | 46,865 | 1,323,680 |
| 2018 | 625,000 | 628,834 | 598 | 45,256 | 1,299,688 |
| 2019 | 675,000 | 606,471 | 576 | 43,646 | 1,325,693 |
| 2020 | 700,000 | 582,320 | 553 | 41,908 | 1,324,781 |
| 2021 | 725,000 | 557,274 | 530 | 40,106 | 1,322,910 |
| 2022 | 750,000 | 531,333 | 505 | 38,239 | 1,320,077 |
| 2023 | 775,000 | 504,498 | 479 | 36,308 | 1,316,285 |
| 2024 | 800,000 | 476,769 | 453 | 34,312 | 1,311,534 |
| 2025 | 825,000 | 448,145 | 426 | 32,252 | 1,305,823 |
| 2026 | 875,000 | 418,626 | 398 | 30,128 | 1,324,152 |
| 2027 | 900,000 | 387,319 | 368 | 27,874 | 1,315,561 |
| 2028 | 950,000 | 355,117 | 337 | 25,557 | 1,331,011 |
| 2029 | 975,000 | 321,126 | 305 | 23,111 | 1,319,542 |
| 2030 | 1,025,000 | 286,240 | 272 | 20,600 | 1,332,112 |
| 2031 | 1,050,000 | 249,566 | 237 | 17,961 | 1,317,764 |
| 2032 | 1,100,000 | 211,997 | 201 | 15,257 | 1,327,455 |
| 2033 | 1,150,000 | 172,639 | 164 | 12,424 | 1,335,227 |
| 2034 | 1,175,000 | 131,492 | 125 | 9,463 | 1,316,080 |
| 2035 | 1,225,000 | 89,450 | 85 | 6,438 | 1,320,973 |
| 2036 | 1,275,000 | 45,620 | 43 | 3,283 | 1,323,946 |
| | <u>21,900,000</u> | <u>14,333,476</u> | <u>13,619</u> | <u>1,031,549</u> | <u>37,278,644</u> |

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 8 – CLASSIFICATION OF NET ASSETS

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

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

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City contributes to the Public Agency portion of the California Public Employee Retirement System (CalPERS), a cost sharing multiple-employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employee's Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of CalPERS annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

B. Funding Policy

Active plan members in the Miscellaneous and Safety Plans are required to contribute 7% and 8%, respectively, of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2006/07 was 7.526% for miscellaneous and 26.911% for safety employees. 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. The City's CalPERS for the Miscellaneous Plan for the fiscal years ending June 30, 2007, 2006, and 2005 was \$159,158, \$138,743, and \$123,931, respectively. The City's CalPERS for the Safety Plan for the fiscal years ending June 30, 2007, 2006, and 2005 was \$274,195, \$228,270, and \$287,290, respectively. The City contributed 100% of required contribution for each year.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk of loss is primarily handled through the Central San Joaquin Valley Risk Management Authority (CSJVRMA). CSJVRMA is a consortium of fifty-seven (57) cities in the San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. Central San Joaquin Valley Risk Management Authority is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA.

The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each workers' compensation claim through CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$25,000 and workers' compensation losses under \$25,000. The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$10,000,000. The CSJVRMA participates in an excess pool which provides workers' compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit. There have been no reductions in insurance coverage from the prior year and settlements have not exceeded coverage for each of the past three fiscal years.

The following is a summary of financial information of the CSJVRMA as of and for the fiscal year ended June 30, 2006, information for June 30, 2007, was not available upon issuance of this report.

| | |
|---------------------------------------|-----------------------|
| Total assets | \$ 50,198,598 |
| Total liabilities | <u>41,675,008</u> |
| Member's equity | <u>\$ 8,523,590</u> |
| | |
| Total revenues | \$ 24,274,050 |
| Total expenses | <u>25,421,851</u> |
| Excess of expenses (loss) over income | <u>\$ (1,147,801)</u> |

At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with governing documents.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Construction Commitments

The City has entered into various construction contracts with private contractors amounting to a total commitment of approximately \$3,199,975. These commitments include improvements to the Wastewater Plant Headworks and remodeling of the James Community Center into a new City Hall facility. The City has made cumulative expenditures on these commitments through June 30, 2007 of \$797,606.

General Liability

There are various claims and legal actions pending against the City for which no provision has been made in the financial statements. In the opinion of the City Attorney and City Management, liabilities arising from these claims and legal actions, if any, will not be material to these financial statements.

Federal Awards and Grants

The City has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

CITY OF CORCORAN
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 12 – DEFICIT FUND EQUITY

The **Community Redevelopment Agency Capital Project Fund** has a deficit fund balance of \$2,533,645 as of June 30, 2007. This is a result of GASB 34 reporting requirements.

The **Assessment Districts Special Revenue Fund** has a deficit fund balance of \$199 as of June 30, 2007. This is a result of the fund was set-up during the year.

NOTE 13 – SUBSEQUENT EVENTS

Grant Award

On August 4, 2007, the City was awarded by the State Water Resource Control Board a \$2,000,000 grant award to be used for the City's water plant construction.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

The City made the following adjustments to the opening net assets at July 1, 2007:

Governmental Activities:

| | |
|-------------------------------------------------------------------------------------|---------------------|
| Pass-through of property tax increments was overstated (understated) in prior year: | |
| Community Redevelopment Agency Debt Service Fund | \$ (77,882) |
| Cash with fiscal agent was (overstated) understated in prior year | |
| Corcoran Joint Powers Finance Authority Debt Service Fund | (242,476) |
| Compensated absences was overstated (understated) in prior year | (25,981) |
| Cash was (overstated) understated in prior year: | |
| Community Redevelopment Agency Special Revenue Fund | 40,259 |
| Community Redevelopment Agency Housing Set-aside | 38,937 |
| Community Redevelopment Agency Capital Projects Fund | 69,020 |
| Community Redevelopment Agency Debt Service Fund | (148,216) |
| Total governmental activities | <u>\$ (346,339)</u> |

Business-type Activities:

| | |
|--------------------------------------------------------------------|-------------------|
| Capital assets were (overstated) understated in prior year: | |
| Water fund | \$ 450,974 |
| Sanitation fund | 122,199 |
| Interest expense was overstated (understated) in prior year: | |
| Water fund | (105,000) |
| Bond issuance costs were overstated in the prior year: | |
| Water Fund | (37,047) |
| Cash with fiscal agent was (overstated) understated in prior year: | |
| Water fund | <u>242,476</u> |
| Total business-type activities | <u>\$ 673,602</u> |

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

| | Budgeted Amount | | | Variance with Final Budget - Positive (Negative) |
|--------------------------------------------------------------|---------------------|---------------------|---------------------|-----------------------------------------------------------|
| | Original | Final | Actual | |
| REVENUES: | | | | |
| Property taxes | \$ 188,060 | \$ 188,060 | \$ 232,592 | \$ 44,532 |
| Other taxes | 1,347,426 | 1,347,426 | 1,431,119 | 83,693 |
| Licenses and permits | 299,950 | 299,950 | 307,675 | 7,725 |
| Intergovernmental revenues | 1,761,357 | 1,761,357 | 1,913,792 | 152,435 |
| Charges for services | 128,000 | 128,000 | 379,955 | 251,955 |
| Fines and penalties | 30,000 | 30,000 | 33,439 | 3,439 |
| Use of money and property | 63,100 | 63,100 | 249,207 | 186,107 |
| Grant drawdowns | - | - | 16,860 | 16,860 |
| Miscellaneous | 66,500 | 66,500 | 247,410 | 180,910 |
| Total revenues | <u>3,884,393</u> | <u>3,884,393</u> | <u>4,812,049</u> | <u>927,656</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 481,969 | 481,969 | 579,498 | (97,529) |
| Public safety | 2,699,624 | 2,699,624 | 2,688,900 | 10,724 |
| Public works | 221,970 | 221,970 | 250,146 | (28,176) |
| Parks and recreation | 412,867 | 412,867 | 410,475 | 2,392 |
| Capital outlay: | | | | |
| General government | 92,852 | 92,852 | 501,949 | (409,097) |
| Public works | 12,500 | 12,500 | - | 12,500 |
| Total expenditures | <u>3,921,782</u> | <u>3,921,782</u> | <u>4,430,968</u> | <u>(509,186)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(37,389)</u> | <u>(37,389)</u> | <u>381,081</u> | <u>418,470</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 1,845,000 | (1,845,000) |
| Operating transfers out | - | - | (115,000) | 115,000 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>1,730,000</u> | <u>(1,730,000)</u> |
| Net change in fund balances | (37,389) | (37,389) | 2,111,081 | 2,148,470 |
| Fund balances, July 1, 2006 | <u>4,526,043</u> | <u>4,526,043</u> | <u>4,526,043</u> | <u>-</u> |
| Fund balances, June 30, 2007 | <u>\$ 4,488,654</u> | <u>\$ 4,488,654</u> | <u>\$ 6,637,124</u> | <u>\$ 2,148,470</u> |

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|--------------------------------------------------------------|-------------------------|-------------------|---------------------|-----------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES: | | | | |
| Fines and penalties | \$ - | \$ - | \$ 36,652 | \$ 36,652 |
| Grant drawdowns | 1,078,090 | 1,078,090 | 626,302 | (451,788) |
| Loan repayments | <u>561,070</u> | <u>561,070</u> | <u>900,905</u> | <u>339,835</u> |
| Total revenues | <u>1,639,160</u> | <u>1,639,160</u> | <u>1,563,859</u> | <u>(75,301)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | <u>1,175,304</u> | <u>1,175,304</u> | <u>1,513,574</u> | <u>(338,270)</u> |
| Total expenditures | <u>1,175,304</u> | <u>1,175,304</u> | <u>1,513,574</u> | <u>(338,270)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>463,856</u> | <u>463,856</u> | <u>50,285</u> | <u>(413,571)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | 30,000 | 30,000 | 203,617 | (173,617) |
| Operating transfers out | <u>(850,000)</u> | <u>(850,000)</u> | <u>(285,012)</u> | <u>(564,988)</u> |
| Total other financing sources (uses) | <u>(820,000)</u> | <u>(820,000)</u> | <u>(81,395)</u> | <u>(738,605)</u> |
| Net change in fund balances | (356,144) | (356,144) | (31,110) | 325,034 |
| Fund balances, July 1, 2006 | <u>1,069,333</u> | <u>1,069,333</u> | <u>1,069,333</u> | - |
| Fund balances, June 30, 2007 | <u>\$ 713,189</u> | <u>\$ 713,189</u> | <u>\$ 1,038,223</u> | <u>\$ 325,034</u> |

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
TRANSPORTATION AND STREET SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007

| | <u>Budgeted Amount</u> | | | Variance with Final Budget - Positive (Negative) |
|--------------------------------------------------------------|------------------------|---------------------|--------------------|-----------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES: | | | | |
| Other taxes | \$ 484,900 | \$ 484,900 | \$ 668,668 | \$ 183,768 |
| Intergovernmental revenues | 425,271 | 425,271 | 532,171 | 106,900 |
| Charges for services | 64,680 | 64,680 | 67,639 | 2,959 |
| Use of money and property | 23,200 | 23,200 | 92,580 | 69,380 |
| Grant drawdowns | 1,758,235 | 1,758,235 | 89,475 | (1,668,760) |
| Miscellaneous | <u>650</u> | <u>650</u> | <u>742</u> | <u>92</u> |
| Total revenues | <u>2,756,936</u> | <u>2,756,936</u> | <u>1,451,275</u> | <u>(1,305,661)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 1,215,494 | 1,215,494 | 1,079,610 | 135,884 |
| Capital outlay: | | | | |
| Public works | 1,773,760 | 1,773,760 | 1,483,130 | 290,630 |
| Debt service: | | | | |
| Interest and fiscal charges | <u>-</u> | <u>-</u> | <u>7,185</u> | <u>(7,185)</u> |
| Total expenditures | <u>2,989,254</u> | <u>2,989,254</u> | <u>2,569,925</u> | <u>419,329</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(232,318)</u> | <u>(232,318)</u> | <u>(1,118,650)</u> | <u>(886,332)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 101,590 | (101,590) |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>(187,704)</u> | <u>187,704</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(86,114)</u> | <u>86,114</u> |
| Net change in fund balances | (232,318) | (232,318) | (1,204,764) | (972,446) |
| Fund balances, July 1, 2006 | <u>1,998,142</u> | <u>1,998,142</u> | <u>1,998,142</u> | <u>-</u> |
| Fund balances, June 30, 2007 | <u>\$ 1,765,824</u> | <u>\$ 1,765,824</u> | <u>\$ 793,378</u> | <u>\$ (972,446)</u> |

CITY OF CORCORAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
HOME PROGRAM SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007

| | <u>Budgeted Amount</u> | | | Variance with Final Budget - Positive (Negative) |
|--------------------------------------------------------------|------------------------|---------------------|-------------------|-----------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES: | | | | |
| Grant drawdowns | \$ 275,500 | \$ 275,500 | \$ 488,996 | \$ 213,496 |
| Loan repayments | <u>480,473</u> | <u>480,473</u> | <u>616,336</u> | <u>135,863</u> |
| Total revenues | <u>755,973</u> | <u>755,973</u> | <u>1,105,332</u> | <u>349,359</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | <u>1,269,829</u> | <u>1,269,829</u> | <u>894,339</u> | <u>375,490</u> |
| Total expenditures | <u>1,269,829</u> | <u>1,269,829</u> | <u>894,339</u> | <u>375,490</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(513,856)</u> | <u>(513,856)</u> | <u>210,993</u> | <u>724,849</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 44,248 | (44,248) |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>(44,248)</u> | <u>44,248</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (513,856) | (513,856) | 210,993 | 724,849 |
| Fund balances, July 1, 2006 | <u>-</u> | <u>-</u> | <u>32,845</u> | <u>32,845</u> |
| Fund balances, June 30, 2007 | <u>\$ (513,856)</u> | <u>\$ (513,856)</u> | <u>\$ 243,838</u> | <u>\$ 757,694</u> |

**CITY OF CORCORAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007**

BUDGETARY INFORMATION - The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

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

**CITY OF CORCORAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007**

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2007:

General Fund:

Current:

| | |
|--------------------|----------|
| General government | \$97,529 |
|--------------------|----------|

| | |
|--------------|----------|
| Public works | \$28,176 |
|--------------|----------|

Capital Outlay:

| | |
|--------------------|-----------|
| General government | \$409,097 |
|--------------------|-----------|

Transportation and Street Special Revenue Fund:

Debts service:

| | |
|-----------------------------|---------|
| Interest and fiscal charges | \$7,185 |
|-----------------------------|---------|

Community Development Block Grant Special Revenue Fund

Current:

| | |
|-----------------------|-----------|
| Community development | \$338,270 |
|-----------------------|-----------|

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

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OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

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

Prison Mitigation Fund

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

Public Safety Funds

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

Parks Capital Fund

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

Community Redevelopment Agency Fund

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

Economic Development Loan Programs Fund

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

Assessment Districts

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

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

Corcoran Joint Powers Finance Authority Fund

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

Community Redevelopment Agency Debt Service Fund

To account for the repayment of bonds and loans issued by the Corcoran Redevelopment Agency.

The **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities and improvements (other than those financed by enterprise funds).

Corcoran Joint Powers Finance Authority Fund

To account for construction of the projects financed by the CJPFA.

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

| | Nonmajor Special Revenue | Nonmajor Debt Service | Nonmajor Capital Projects | Total Nonmajor Governmental Funds |
|---------------------------------------------|--------------------------------|----------------------------|---------------------------------|--------------------------------------------|
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents: | | | | |
| Unrestricted | \$ 2,014,884 | \$ 927,184 | \$ 20,792 | \$ 2,962,860 |
| Cash with fiscal agent: | | | | |
| Restricted | - | 412,221 | - | 412,221 |
| Receivables: | | | | |
| Taxes | 19,219 | 76,876 | - | 96,095 |
| Interest | 94,646 | 17,160 | - | 111,806 |
| Other | 14,000 | - | - | 14,000 |
| Due from other funds | 7,600 | - | - | 7,600 |
| Notes | 221,372 | - | - | 221,372 |
| Advances to other funds | - | 784,795 | - | 784,795 |
| Property held for resale | 21,837 | - | - | 21,837 |
| Total assets | <u>\$ 2,393,558</u> | <u>\$ 2,218,236</u> | <u>\$ 20,792</u> | <u>\$ 4,632,586</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Cash overdraft | \$ 96 | \$ - | \$ - | \$ 96 |
| Accounts payable | 40,918 | 84,462 | - | 125,380 |
| Due to other funds | - | 9,233 | - | 9,233 |
| Deferred revenue | 283,639 | - | - | 283,639 |
| Total liabilities | <u>324,653</u> | <u>93,695</u> | <u>-</u> | <u>418,348</u> |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Debt service | - | 87,051 | - | 87,051 |
| Unreserved: | | | | |
| Undesignated: | | | | |
| Special revenue | 2,068,905 | - | - | 2,068,905 |
| Debt service | - | 2,037,490 | - | 2,037,490 |
| Capital projects | - | - | 20,792 | 20,792 |
| Total fund balances | <u>2,068,905</u> | <u>2,124,541</u> | <u>20,792</u> | <u>4,214,238</u> |
| Total liabilities and fund balances | <u>\$ 2,393,558</u> | <u>\$ 2,218,236</u> | <u>\$ 20,792</u> | <u>\$ 4,632,586</u> |

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

| | Nonmajor Special Revenue | Nonmajor Debt Service | Nonmajor Capital Projects | Total Nonmajor Governmental Funds |
|--------------------------------------------------------------|--------------------------------|--------------------------|---------------------------------|--------------------------------------------|
| REVENUES: | | | | |
| Property taxes | \$ 199,053 | \$ 646,213 | \$ - | \$ 845,266 |
| Other taxes | 1,570 | - | - | 1,570 |
| Use of money and property | 298,233 | 153,556 | - | 451,789 |
| Intergovernmental revenues | 87,240 | - | - | 87,240 |
| Grant drawdowns | 100,000 | - | - | 100,000 |
| Repayment of loans | 158,696 | - | - | 158,696 |
| Miscellaneous | 413 | - | - | 413 |
| Total revenues | <u>845,205</u> | <u>799,769</u> | <u>-</u> | <u>1,644,974</u> |
| EXPENDITURES: | | | | |
| Current services: | | | | |
| General government | 97,928 | 97,195 | 5,529 | 200,652 |
| Community development | 202,021 | - | - | 202,021 |
| Public safety | 28,666 | - | - | 28,666 |
| Capital outlay: | | | | |
| General government | 16,926 | - | - | 16,926 |
| Public safety | 141,437 | - | - | 141,437 |
| Debt service: | | | | |
| Principal retirement | - | 115,000 | - | 115,000 |
| Interest and fiscal charges | - | 243,804 | - | 243,804 |
| Total expenditures | <u>486,978</u> | <u>455,999</u> | <u>5,529</u> | <u>948,506</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>358,227</u> | <u>343,770</u> | <u>(5,529)</u> | <u>696,468</u> |
| Other financing sources (uses): | | | | |
| Operating transfers out | <u>(796,898)</u> | <u>(470,687)</u> | <u>-</u> | <u>(1,267,585)</u> |
| Total other financing sources (uses) | <u>(796,898)</u> | <u>(470,687)</u> | <u>-</u> | <u>(1,267,585)</u> |
| Net change in fund balances | <u>(438,671)</u> | <u>(126,917)</u> | <u>(5,529)</u> | <u>(571,117)</u> |
| Fund balances, July 1, 2006 | 2,428,380 | 2,720,032 | 26,321 | 5,174,733 |
| Prior period adjustments | 79,196 | (468,574) | - | (389,378) |
| Fund balances, July 1, 2006, as restated | <u>2,507,576</u> | <u>2,251,458</u> | <u>26,321</u> | <u>4,785,355</u> |
| Fund balances, June 30, 2007 | <u>\$ 2,068,905</u> | <u>\$ 2,124,541</u> | <u>\$ 20,792</u> | <u>\$ 4,214,238</u> |

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007**

| | Prison Mitigation | Public Safety | Parks Capital | Community Redevelopment Agency | Economic Development Loan Programs | Assessment Districts | Totals |
|--------------------------------------|----------------------|-------------------|-------------------|--------------------------------------|---------------------------------------------|-------------------------|---------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents: | | | | | | | |
| Unrestricted | \$ 183,874 | \$ 432,879 | \$ 119,633 | \$ 1,278,498 | \$ - | \$ - | \$ 2,014,884 |
| Receivables: | | | | | | | |
| Taxes | - | - | - | 19,219 | - | - | 19,219 |
| Interest | 7,174 | 6,180 | 1,179 | 79,178 | 935 | - | 94,646 |
| Other | - | - | - | 14,000 | - | - | 14,000 |
| Notes | - | - | - | 23,222 | 198,150 | - | 221,372 |
| Due from other funds | - | - | - | 7,600 | - | - | 7,600 |
| Property held for resale | - | - | - | 21,837 | - | - | 21,837 |
| Total assets | <u>\$ 191,048</u> | <u>\$ 439,059</u> | <u>\$ 120,812</u> | <u>\$ 1,443,554</u> | <u>\$ 199,085</u> | <u>\$ -</u> | <u>\$ 2,393,558</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 96 | \$ 96 |
| Accounts payable | - | 25,532 | - | 15,284 | - | 102 | 40,918 |
| Deferred revenue | - | - | - | 84,554 | 199,085 | - | 283,639 |
| Total liabilities | <u>-</u> | <u>25,532</u> | <u>-</u> | <u>99,838</u> | <u>199,085</u> | <u>198</u> | <u>324,653</u> |
| Fund balances: | | | | | | | |
| Unreserved: | | | | | | | |
| Undesignated | <u>191,048</u> | <u>413,527</u> | <u>120,812</u> | <u>1,343,716</u> | <u>-</u> | <u>(198)</u> | <u>2,068,905</u> |
| Total fund balances | <u>191,048</u> | <u>413,527</u> | <u>120,812</u> | <u>1,343,716</u> | <u>-</u> | <u>(198)</u> | <u>2,068,905</u> |
| Total liabilities and fund balances | <u>\$ 191,048</u> | <u>\$ 439,059</u> | <u>\$ 120,812</u> | <u>\$ 1,443,554</u> | <u>\$ 199,085</u> | <u>\$ -</u> | <u>\$ 2,393,558</u> |

CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

| | Prison Mitigation | Public Safety | Parks Capital | Community Redevelopment Agency | Economic Development Loan Programs | Assessment Districts | Totals |
|--------------------------------------------------------------|----------------------|------------------|------------------|--------------------------------------|---------------------------------------------|-------------------------|------------------|
| REVENUES: | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 199,053 | \$ - | \$ - | \$ 199,053 |
| Other taxes | - | - | 1,570 | - | - | - | 1,570 |
| Use of money and property | 27,191 | 25,257 | 2,704 | 243,081 | - | - | 298,233 |
| Intergovernmental revenues | - | - | 87,240 | - | - | - | 87,240 |
| Grant drawdowns | - | 100,000 | - | - | - | - | 100,000 |
| Repayment of loans | - | - | - | 41,798 | 116,898 | - | 158,696 |
| Miscellaneous | 174 | 184 | 55 | - | - | - | 413 |
| Total revenues | 27,365 | 125,441 | 91,569 | 483,932 | 116,898 | - | 845,205 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | 97,730 | - | 198 | 97,928 |
| Community development | - | - | - | 202,021 | - | - | 202,021 |
| Public safety | - | 28,666 | - | - | - | - | 28,666 |
| Capital outlay: | | | | | | | |
| General government | - | - | - | 16,926 | - | - | 16,926 |
| Public safety | - | 141,437 | - | - | - | - | 141,437 |
| Total expenditures | - | 170,103 | - | 316,677 | - | 198 | 486,978 |
| Excess (deficiency) of revenues over (under) expenditures | 27,365 | (44,662) | 91,569 | 167,255 | 116,898 | (198) | 358,227 |
| Other financing sources (uses): | | | | | | | |
| Operating transfers out | (390,000) | - | - | (290,000) | (116,898) | - | (796,898) |
| Total other financing sources (uses) | (390,000) | - | - | (290,000) | (116,898) | - | (796,898) |
| Net change in fund balances | (362,635) | (44,662) | 91,569 | (122,745) | - | (198) | (438,671) |
| Fund balances, July 1, 2006 | 553,683 | 458,189 | 29,243 | 1,387,265 | - | - | 2,428,380 |
| Prior period adjustment | - | - | - | 79,196 | - | - | 79,196 |
| Fund balances, July 1, 2006, as restated | 553,683 | 458,189 | 29,243 | 1,466,461 | - | - | 2,507,576 |
| Fund balances, June 30, 2007 | \$ 191,048 | \$ 413,527 | \$ 120,812 | \$ 1,343,716 | \$ - | \$ (198) | \$ 2,068,905 |

**CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUND
JUNE 30, 2007**

| | Corcoran Joint Powers Finance Authority | Corcoran Redevelopment Agency Debt Service Fund | Total |
|-------------------------------------|-----------------------------------------------|-------------------------------------------------------|--------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents: | | | |
| Unrestricted | \$ 924,820 | \$ 2,364 | \$ 927,184 |
| Cash with fiscal agent: | | | |
| Restricted | 335,585 | 76,636 | 412,221 |
| Receivables: | | | |
| Taxes | 76,876 | - | 76,876 |
| Interest | 17,160 | - | 17,160 |
| Advances to other funds | 784,795 | - | 784,795 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | \$ 2,139,236 | \$ 79,000 | \$ 2,218,236 |
| | <hr/> | <hr/> | <hr/> |
| <u>FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 84,462 | \$ - | \$ 84,462 |
| Due to other funds | 9,233 | - | 9,233 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | 93,695 | - | 93,695 |
| | <hr/> | <hr/> | <hr/> |
| Fund balances: | | | |
| Reserved | - | 87,051 | 87,051 |
| Unreserved: | | | |
| Undesignated | 2,045,541 | (8,051) | 2,037,490 |
| | <hr/> | <hr/> | <hr/> |
| Total fund balances | 2,045,541 | 79,000 | 2,124,541 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities and fund balances | \$ 2,139,236 | \$ 79,000 | \$ 2,218,236 |
| | <hr/> | <hr/> | <hr/> |

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2007**

| | Corcoran Joint Powers Finance Authority | Corcoran Redevelopment Agency Debt Service Fund | Total |
|------------------------------------------|-----------------------------------------------|-------------------------------------------------------|---------------------|
| REVENUES: | | | |
| Property taxes | \$ 646,213 | \$ - | \$ 646,213 |
| Use of money and property | <u>72,248</u> | <u>81,308</u> | <u>153,556</u> |
| Total revenues | <u>718,461</u> | <u>81,308</u> | <u>799,769</u> |
| EXPENDITURES | | | |
| Current services: | | | |
| General government | 97,195 | - | 97,195 |
| Debt service: | | | |
| Principal | 85,000 | 30,000 | 115,000 |
| Interest and fiscal charges | <u>198,961</u> | <u>44,843</u> | <u>243,804</u> |
| Total expenditures | <u>381,156</u> | <u>74,843</u> | <u>455,999</u> |
| Net change in fund balances | 337,305 | 6,465 | 343,770 |
| Other financing sources (uses): | | | |
| Operating transfer (out) | <u>(470,687)</u> | <u>-</u> | <u>(470,687)</u> |
| Total other financing sources (uses) | <u>(470,687)</u> | <u>-</u> | <u>(470,687)</u> |
| Net change in fund balances | <u>(133,382)</u> | <u>6,465</u> | <u>(126,917)</u> |
| Fund balances, July 1, 2006 | <u>2,405,021</u> | <u>315,011</u> | <u>2,720,032</u> |
| Prior period adjustment | <u>(226,098)</u> | <u>(242,476)</u> | <u>(468,574)</u> |
| Fund balances, July 1, 2006, as restated | <u>2,178,923</u> | <u>72,535</u> | <u>2,251,458</u> |
| Fund balances, June 30, 2007 | <u>\$ 2,045,541</u> | <u>\$ 79,000</u> | <u>\$ 2,124,541</u> |

CITY OF CORCORAN
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUND
JUNE 30, 2007

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

**CITY OF CORCORAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUND
FOR THE YEAR ENDED JUNE 30, 2007**

| | Corcoran Joint Powers Finance Authority |
|--------------------------------------------------------------|-----------------------------------------------|
| REVENUES: | |
| Property taxes | \$ - |
| Total revenues | - |
| EXPENDITURES: | |
| Current: | |
| General government | 5,529 |
| Total expenditures | 5,529 |
| Excess (deficiency) of revenues over (under) expenditures | (5,529) |
| Fund balances, July 1, 2006 | 26,321 |
| Fund balances, June 30, 2007 | \$ 20,792 |

**CITY OF CORCORAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Contract/ Pass-Through Entity Identifying Number | Grant Period | | Program Award | Federal Expenditures |
|------------------------------------------------------------------|---------------------------|-----------------------------------------------------------|--------------|----------|------------------|-------------------------|
| | | | From | To | | |
| U.S. Department of Housing and Urban Development (HUD): | | | | | | |
| Passed through the State of California: | | | | | | |
| Community Development Block Grants: | | | | | | |
| (State Program) | 14.228 | 04-STBG-1885 | 12/27/04 | 12/31/06 | 500,000 | \$ 52,855 |
| (State Program) | 14.228 | 05-STBG-1956 | 01/20/06 | 12/31/09 | 500,000 | 745,896 |
| Total Community Development Block Grants | | | | | | <u>798,751</u> |
| HOME Investment Partnership Program: | | | | | | |
| (State HOME Program) | 14.239 | 02-HOME-0577 | 05/23/03 | 04/30/06 | 600,000 | 21,147 |
| (State HOME Program) | 14.239 | 04-HOME-0717 | 05/27/05 | 08/31/07 | 600,000 | 216,744 |
| Total HOME Investment Partnership Program | | | | | | <u>237,891</u> |
| Total U.S. Department of Housing and Urban Development | | | | | | <u>1,036,642</u> |
| Total expenditures of federal awards | | | | | | <u>\$ 1,036,642</u> |

**CITY OF CORCORAN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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OTHER INDEPENDENT AUDITOR'S REPORTS



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

To the Honorable Mayor and City Council
City of Corcoran
1033 Chittenden Avenue
Corcoran, California 93212

We have audited the financial statements of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of City of Corcoran, California (City), as of and for the year ended June 30, 2007, and have issued our report thereon dated January 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (Items 07-01, 07-02, 07-03, 07-04, 07-05, 07-06, 07-07, 07-08 and 07-09).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we considered some items to be material weaknesses (Items 07-03, 07-04, 07-05, 07-06, 07-07 and 07-08).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Price Pange & Company

January 31, 2008



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

To the Honorable and City Council
City of Corcoran
1033 Chittenden Avenue
Corcoran, California 93212

Compliance

We have audited the compliance of City of Corcoran, California (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 07-09.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

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

Price Pugh & Company

Clovis, California
January 31, 2008

FINDINGS AND QUESTIONED COSTS

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

FINANCIAL STATEMENTS

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness identified?

 X Yes No

Reportable conditions identified that are not considered
to be material weaknesses?

 X Yes None reported

Noncompliance material to financial statements noted?

 X Yes No

FEDERAL AWARDS

Internal control over major programs:

Material weakness identified?

 Yes X No

Reportable conditions identified that are not considered
to be material weaknesses?

 X Yes None reported

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be reported
in accordance with Circular A-133 Section .510(a)

 Yes X No

IDENTIFICATION OF MAJOR PROGRAMS

CFDA Number

14.228

Name of Federal Program or Cluster

Community Development Block Grant

Dollar threshold used to distinguish between
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 07-01

During our audit, we noted that the Redevelopment Agency's fiscal year 2005-06 financial statements were not submitted within 6 months following the end of the Redevelopment Agency's fiscal year-end date.

Recommendations

We recommend that the City implement the necessary policies and procedures to insure that all required reports are submitted to the proper authority in a timely manner.

Finding 07-02

During our audit, we found that the City did not comply with development activities compliance requirements related to the Redevelopment Agency. According to the Guidelines for Compliance Audits of California Redevelopment Agency, agencies must initiate activities to develop properties purchased with Housing Fund money within 5 years from the date of acquisition. If development activities have not begun within this period, the legislative body may adopt a resolution extending the period for one time, not to exceed five years. In no event may agencies hold properties for periods in excess of five years plus the period of their one-time extension. In the event that the general development of the property for this purpose has not begun by the end of the extended period, or physical development has not begun by the end of the extended period, and if the agency does not comply with this requirement at all, the property shall be sold and the money from the sale, less reimbursement to the agency for the cost of the sale, shall be deposited in the agency's Housing Fund. These general development activities may include, but are not limited to, zoning charges or agreements entered into for the development and disposition of the property.

Recommendations

The City should immediately sell the property and reimburse the Redevelopment Agency and any amount in excess should be deposited into the housing fund.

Finding 07-03

During the audit, we noted that interest expense was not accrued as a liability for the outstanding long-term debt in the enterprise funds.

Recommendations

We recommend that outstanding long-term debt amortization schedule be reviewed for possible accrual of interest expense at year-end.

Finding 07-04

During the audit, we noted that the City did not properly record all note receivables.

Recommendations

We recommend that the City reconcile the promissory notes found in the loan files to the general ledger control accounts.

**CITY OF CORCORAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Finding 07-05

During our testing for unrecorded liabilities, we found that there were several expenses incurred during the year that were not properly recorded as payables at year-end.

Recommendations

We recommend that the City review disbursements three months after year-end for possible accrual.

Finding 07-06

During our audit, we noted that the current year accrual of interest was recorded as earned when, in fact, it was not actually earned. Accordingly, it should have been recorded as deferred revenue.

Recommendations

We recommend that the City review accrual of revenues for possible deferral of income.

Finding 07-07

During our audit, we noted that no interest was allocated to the Redevelopment Agency's Low and Moderate Special Revenue Fund the year 2002-03 fiscal year.

Recommendations

Interest should be properly allocated to the Redevelopment Agency funds.

Finding 07-08

During our audit, we noted that debt service transactions for the 2003 and 2005 Certificates of Participation were not recorded in the proper fund. They were recorded in a debt service fund and not the proper enterprise fund.

Recommendations

Debt service activities, which include principal and interest payments should be recorded in the proper enterprise fund for the 2003 and 2005 Certificates of Participation.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 07-09

During our audit, we noted reports such as the Financial and Accomplishment Report, Closeout Certification, Grantee Performance Report, Annual Program Income Report, and the Fund Request Form were not submitted before the deadline as required by the grant agreements.

Recommendations

We recommend that all required reports are submitted to the proper authority in a timely manner.

Questioned Costs

None.

**CITY OF CORCORAN
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

No items were reported.

**CITY OF CORCORAN
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2007**

Finding 07-01

An additional person was hired in the department to fill the vacant accountant position. This, and the fact that we have completed the transition from the ACS financial software to Springbrook, should make it possible for us to make the year-end adjustments and close the books so that the audit can be completed in a more timely manner.

Finding 07-02

An effort is being made to sell all of the properties owned by the Redevelopment Agency.

Finding 07-03

We will make a note to prepare this adjustment at year-end.

Finding 07-04

We have normally tied the jobs funded on the general ledger to new loans set up in GMS (the loan tracking system). We will make sure that we do that from now on.

Finding 07-05

We will more carefully review all invoices received after the end of the fiscal year to ensure that all accruals are made.

Finding 07-06

We have noted this correction for future years.

Finding 07-07

The prior years were corrected as part of the audit. The interest allocation worksheet has been modified to include all appropriate funds.

Finding 07-08

We will make this change for future years.

Finding 07-09

We will work with Self-Help Enterprises to ensure that future reports are submitted on time.