

**CITY OF CORCORAN  
COUNTY OF KINGS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2008**

**CITY OF CORCORAN  
JUNE 30, 2008**

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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, 2008, 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, 2008, 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 February 20, 2009, 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.

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 combining nonmajor fund financial statements are presented for purposes of additional analysis and are 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 Corcoran. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Price Pange & Company*

February 20, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF CORCORAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

The management of the City of Corcoran (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with additional financial information that we have furnished in the City's financial statements, which follow this narrative.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$40,262,718 (net assets). Of this amount, \$19,479,307 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3,686,977. Government activities increased the City's total net assets by \$2,799,187 and business-type activities increased by \$877,790.
- At June 30, 2008, the City's governmental funds reported combined ending fund balances of \$11,127,920, an increase of \$734,765 in comparison with the prior year. Approximately 90% of this amount is available to meet the City's current and future needs (unreserved fund balances).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,291,322 or 107 percent of the total general fund expenditures for the fiscal year.
- The City's total long-term debt decreased by \$3,672,135 in comparison with the prior year. The decrease resulted from regular annual principal payments and the use of unused bond funds (due to receipt of State grant funds) to pay down the 2005 certificates of participation.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City included general government, public safety, transportation and streets, public works, building and planning, parks, and redevelopment and housing. The business-type activities of the City included water, sewer, refuse, storm drain, and the Corcoran Joint Powers Finance Authority.

**CITY OF CORCORAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

The Redevelopment Agency of the City of Corcoran and the Corcoran Joint Powers Finance Authority, although legally separate, function for all practical purposes as departments of the City and, therefore, have been included as an integral part of the primary government. Separate financial statements of the Redevelopment Agency of the City of Corcoran can be obtained from the City of Corcoran, 832 Whitley Ave., Corcoran, California 93212.

The government-wide financial statements can be found on pages 16 through 17 of this report.

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

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

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

The City maintains 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Community Development Block Grant special revenue funds, HOME Investment Partnership Program special revenue funds and RDA Capital Projects fund. All of these are considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

***Proprietary funds.*** The City maintains one different type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statement. The City uses enterprise funds to account for its water, sewer, refuse and storm drain.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and refuse operations, as all of these are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 26 to 29 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 32 of this report.



**CITY OF CORCORAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**Notes to the financial statements.** The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 through 56 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's infrastructure assets reported using the modified approach. The City adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for these three major funds to demonstrate compliance with this budget.

Required supplementary information can be found on pages 58 through 63 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and fiduciary funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 68 through 75.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As previously noted, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$40,262,718 at June 30, 2008.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$24,583,453	\$25,500,172	\$ 7,576,035	\$10,150,843	\$32,159,488	\$35,651,015
Capital assets	14,145,317	12,429,258	32,160,897	32,162,992	46,306,214	44,592,250
Total assets	<u>38,728,770</u>	<u>37,929,430</u>	<u>39,736,932</u>	<u>42,313,835</u>	<u>78,465,702</u>	<u>80,243,265</u>
Long-term liabilities	4,785,913	5,010,294	24,818,677	28,334,755	29,604,590	33,345,049
Other liabilities	7,705,054	9,480,520	893,340	841,955	8,598,394	10,322,475
Total liabilities	<u>12,490,967</u>	<u>14,490,814</u>	<u>25,712,017</u>	<u>29,176,710</u>	<u>38,202,984</u>	<u>43,667,524</u>
Net assets						
Invested in capital assets, net of debt	9,175,317	7,021,092	7,116,743	3,614,150	16,292,060	10,635,242
Restricted	2,498,229	412,221	1,993,122	4,688,831	4,491,351	5,101,052
Unrestricted	14,564,257	16,005,303	4,915,050	4,834,144	19,479,307	20,839,447
Total net assets	<u>\$26,237,803</u>	<u>\$23,438,616</u>	<u>\$14,024,915</u>	<u>\$13,137,125</u>	<u>\$40,262,718</u>	<u>\$36,575,741</u>

The largest portion of the City's net assets of \$19,479,307 (48 percent) represents unrestricted net assets, which may be used to meet the City's ongoing obligations to citizens and creditors.

An additional portion of the City's net assets \$16,292,060, (40 percent) represents investment in capital assets less any related debt, used to acquire those assets, that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of \$4,491,351 (11 percent) represents resources that are subject to external restrictions on their use.

Governmental activities increased the City's net assets by \$2,799,187, accounting for 76 percent of the total growth in the net assets of the City of Corcoran.

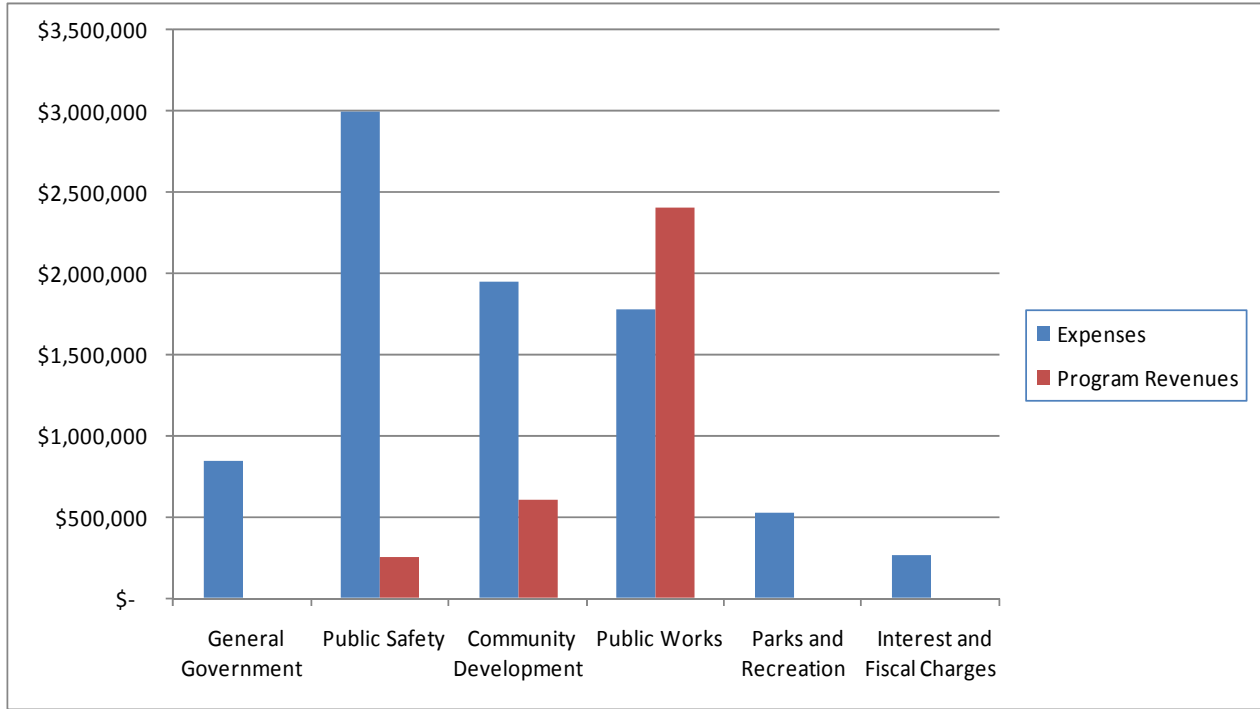
**CITY OF CORCORAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

CONDENSED STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

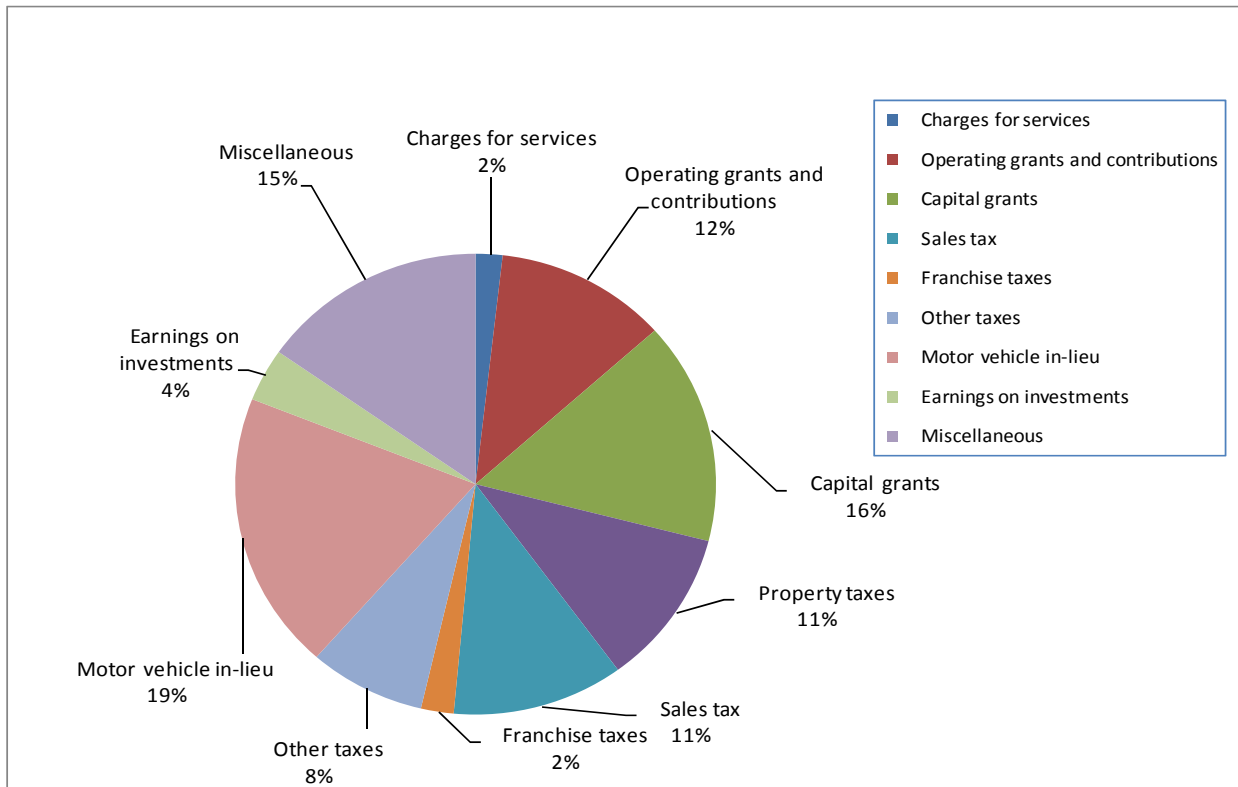
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 203,552	\$ 447,594	\$ 6,722,406	\$ 6,189,760	\$ 7,021,236	\$ 6,637,354
Operating grants and contributions	1,306,671	1,067,708	-	-	1,211,393	1,067,708
Capital grants	1,759,607	138,729	-	-	1,759,607	138,729
General revenues:						
Property taxes	1,233,727	1,227,858	-	-	1,233,727	1,227,858
Sales tax	1,303,375	1,167,530	-	-	1,303,375	1,167,530
Franchise taxes	247,318	228,275	-	-	247,318	228,275
Other taxes	886,306	1,013,227	-	-	886,306	1,013,227
Motor vehicle in-lieu	2,200,219	1,753,256	-	-	2,200,219	1,753,256
Earnings on investments	418,514	540,604	268,902	307,178	687,416	847,782
Miscellaneous	1,724,520	2,380,875	357,311	2,834,844	2,081,831	5,215,719
<b>Total revenues</b>	<b>11,283,809</b>	<b>9,965,656</b>	<b>7,348,619</b>	<b>9,331,782</b>	<b>18,632,428</b>	<b>19,297,438</b>
<b>Expenses:</b>						
General government	841,454	876,911	-	-	841,454	876,911
Public safety	2,996,912	2,899,409	-	-	2,996,912	2,899,409
Community development	1,944,866	2,572,431	-	-	1,944,866	2,572,431
Public works	1,776,780	1,617,807	-	-	1,776,780	1,617,807
Parks and recreation	524,111	530,164	-	-	524,111	530,164
Interest and fiscal charges	261,064	351,732	-	-	261,064	351,732
Water	-	-	3,968,360	3,727,174	3,968,360	3,727,174
Sewer	-	-	1,509,144	1,298,684	1,509,144	1,298,684
Refuse	-	-	1,627,386	1,531,067	1,627,386	1,531,067
Storm Drain	-	-	405,265	342,153	405,265	342,153
<b>Total expenses</b>	<b>8,345,187</b>	<b>8,848,454</b>	<b>7,510,155</b>	<b>6,899,078</b>	<b>15,855,342</b>	<b>15,747,532</b>
Increase in net assets before transfers	2,938,622	1,117,202	(161,536)	2,432,704	2,777,086	3,549,906
Transfers	(862,217)	(374,653)	867,217	374,653	5,000	-
Increase in net assets	2,076,405	742,549	705,681	2,807,357	2,782,086	3,549,906
Net assets - beginning	23,438,616	23,042,406	13,137,125	9,656,166	36,575,741	32,698,572
Prior period adjustments	722,782	(346,339)	182,109	673,602	904,891	327,263
<b>Net assets - ending</b>	<b>\$26,237,803</b>	<b>\$23,438,616</b>	<b>\$14,024,915</b>	<b>\$13,137,125</b>	<b>\$40,262,718</b>	<b>\$36,575,741</b>

**CITY OF CORCORAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES**



**REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES**



**CITY OF CORCORAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**Key elements of the increase/decrease in revenue for governmental activities are as follows:**

Charges for services decreased by \$244,042 or 55 percent due to the reductions in development and construction activities. Building permits decreased by \$84,419 or 31%, also due to the reduction in construction activity.

Capital grants increased by \$1,620,878. The increase was due to receipt of \$1,200,000 from the State Transportation Improvement Program for street overlays and \$260,000 from Workforce Housing Grants for improvements to the H.A. James building (City Hall).

Operating grants decreased by \$238,963 or 22 percent primarily due there being fewer active grants in 2007/08.

Sales tax collections increased \$135,845 or 12 percent. Motor Vehicle in Lieu fees increased \$450,024 or 25 percent, due to an increase in the amount received from the state reimbursing lost fees.

Miscellaneous income decreased by \$656,355 or 27 percent. This was due primarily to a reduction in housing loan payoffs offset in part by increase in revenues from the sale of properties

**Key elements for the increase/decrease in expenses for governmental activities are as follows:**

Community development expense decreased by \$627,565 or 24 percent. This decrease was due to a reduction in the number of open grants resulting in lower expenditures for rehab and first time homebuyer programs.

Public works expense increased by \$158,973 or 10 percent. This was due to an increase in the administrative charges allocated to Streets and Transit (\$103,794), an increase in staffing in Streets (\$29,959) and an increase in purchases of Amtrak tickets (\$12,961).

**Business-type activities.** Business-type activities increased the City's net assets by \$887,790, accounting for 24 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

Charges for water services increased by \$571,361 or 19 percent, due to rate increases of 24 percent 2/1/07 and 16 percent 1/1/08. No other services had rate changes for the 2007/08 fiscal year.

Miscellaneous revenues decreased by \$2,477,533 or 87% due to the one time receipts in 06/07 of a \$2,000,000 clean water grant that was used to help fund the cost of the water treatment plant and a \$299,465 CDAA grant that recovered a portion of the cost of the well failure.

Water expense increased by \$241,186, or 6 percent due to the higher operational costs of the new water treatment plant.

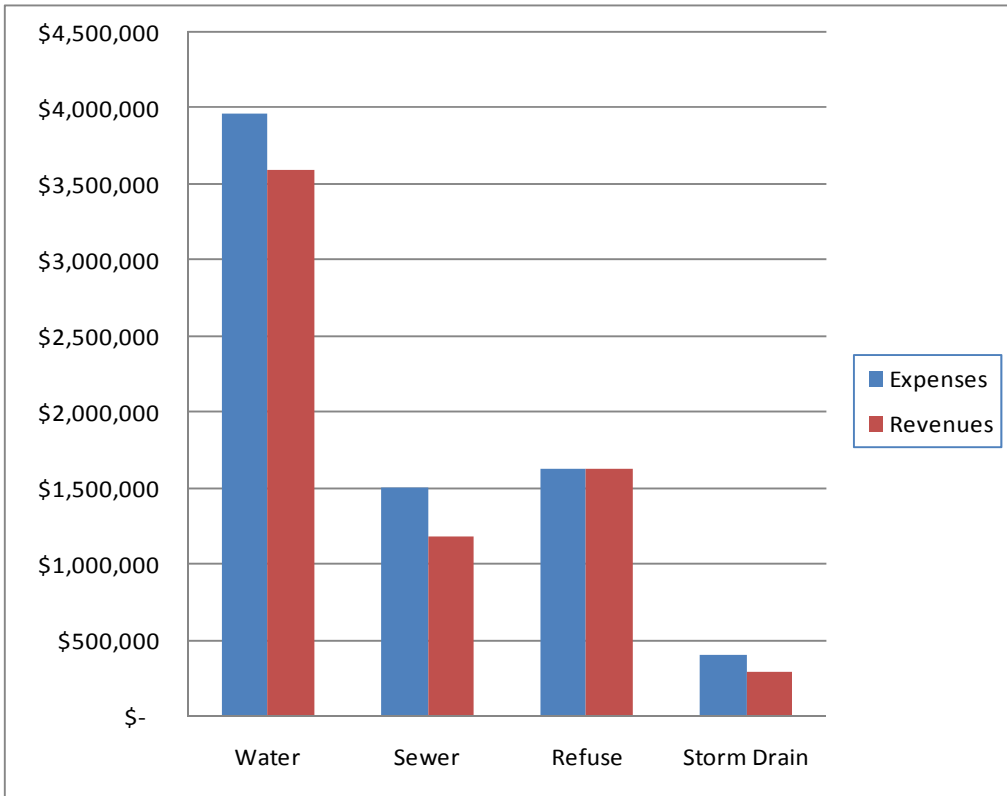
Sewer expense increased by \$210,460 or 16 percent due to unexpected equipment repairs, higher electricity costs and increased depreciation.

Refuse expense increased by \$96,319 or 6 percent due to the cost of living increase for the hauler, higher volume of greenwaste dumped and increased administrative costs.

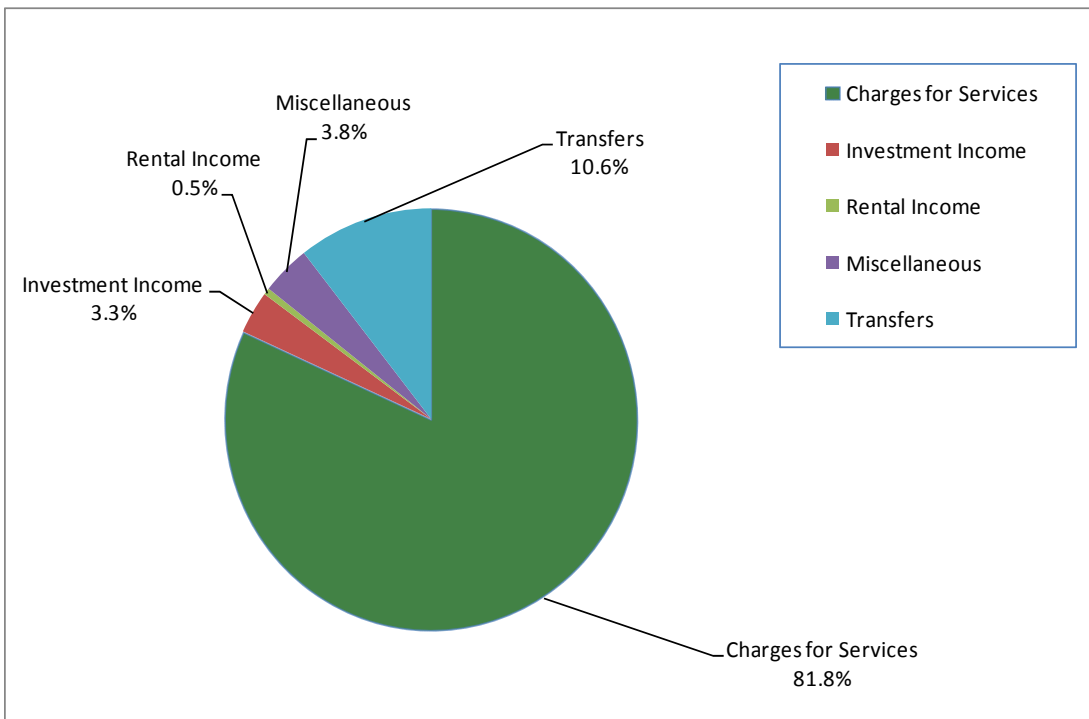
Transfers from the Redevelopment Agency were used both years to complete improvements to the headworks at the wastewater treatment plant, contributing \$374,653 in 2007 and \$867,217 in 2008 to the increase in Net Assets.

**CITY OF CORCORAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**EXPENSES AND REVENUES – BUSINESS-TYPE ACTIVITIES**



**REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES**



**CITY OF CORCORAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**FINANCIAL ANALYSIS OF CITY'S FUNDS**

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,127,920, an increase of \$734,765 in comparison with the prior year. Of this total amount \$87,051 is reserved to indicate that it is not available for appropriation because it had already been committed for debt service. The unreserved fund balance of \$11,040,869 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At June 30, 2008, the unreserved fund balance of the General Fund was \$4,291,322, while the total fund balance was \$6,291,322. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. At June 30, 2008, unreserved fund balance represents 107 percent of total general fund expenditures, which total fund balance represents 107 percent of that same amount.

The fund balance of the City's General Fund (including the General Fund Capital Outlay Fund, Insurance Fund and Fixed Asset Group of Accounts) decreased by \$345,802 during the current fiscal year. The following provides an explanation of revenues by source that changed significantly over the prior year.

	REVENUE BY SOURCE GENERAL FUND					
	FY 2008		FY 2007		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Taxes	\$1,873,230	33.93%	\$1,663,711	34.57%	\$ 209,519	29.59%
Licenses and permits	224,320	4.06%	307,675	6.39%	(83,355)	-11.77%
Intergovernmental	2,303,727	41.73%	1,913,792	39.77%	389,935	55.07%
Charges for services	147,875	2.68%	379,955	7.90%	(232,080)	-32.78%
Fines	35,565	0.64%	33,439	0.69%	2,126	0.30%
Revenue from the use of money and property	261,928	4.75%	249,207	5.18%	12,721	1.80%
Grant drawdowns	293,161	5.31%	16,860	0.35%	276,301	39.02%
Miscellaneous	380,276	6.89%	247,410	5.14%	132,866	18.77%
Total	\$5,520,082	100.00%	\$4,812,049	100.00%	\$ 708,033	100.00%

Taxes increased by \$209,519 or 13% due to an increase in sales tax collections. Licenses and permits decreased by \$83,355 or 27% due to the decline in construction activity.

**CITY OF CORCORAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**EXPENDITURES BY FUNCTION  
GENERAL FUND**

	FY 2008		FY 2007		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General government	\$ 634,707	10.91%	\$ 579,498	13.08%	\$ 55,209	3.99%
Public safety	2,859,520	49.16%	2,688,900	60.68%	170,620	12.32%
Public works	261,227	4.49%	250,146	5.65%	11,081	0.80%
Parks and recreation	409,385	7.04%	410,475	9.26%	(1,090)	-0.08%
Capital outlay	1,651,537	28.39%	501,949	11.33%	1,149,588	82.98%
	<u>\$5,816,376</u>	<u>100.00%</u>	<u>\$4,430,968</u>	<u>100.00%</u>	<u>\$1,385,408</u>	<u>100.00%</u>

Public safety increased by \$170,620 or 6 percent. This was due in part to a 7 percent increase in the retirement contribution rate for safety employees

Capital outlay increased by \$1,149,588 or 229 percent due to the completion of the remodeling of the H.A. James building.

The Community Development Block Grant Special Revenue Fund (CDBG) has a total fund balance of \$872,349 that reflects the accumulation of program income committed to grant activities in the 04-STBG-1956 grant. The net decrease in fund balance during the current year was \$165,874. This was due primarily to the expenditure of funds that had previously been accumulated for the Façade Improvement Program.

The Home Program Special Revenue Fund has a total fund balance of \$336,602. This reflects an increase over the prior year of \$92,764, primarily due to the transfer of project costs to the CDBG Special Revenue Fund.

The Transportation and Street Special Revenue Fund has a total fund balance of \$2,565,348, an increase of \$1,713,796 over the prior year. This increase is due to receipt of \$1,200,000 in State Transportation Improvement Program funds for an overlay project completed in 2006/07 and receipt of \$400,000 of Prop 1B funding for a project that will be completed in 2008/09.

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

Factors concerning these funds have already been addressed in the discussion of Government-Wide Financial Analysis of business-type activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

At the end of the fiscal year, actual expenditures were \$738,605 lower than the final budgetary appropriations. This was due in part to some authorized positions being vacant for part of the year and payment of engineering services by developers. The remodeling project will not be completed until 2008/2009.

For the year, actual revenues were \$874,114 higher than the final budgetary estimates. While taxes, licenses, intergovernmental, revenue from the use of money and miscellaneous exceeded estimates, revenues from permits and charges for services are lower than estimated. \$274,242 was generated by the sale of property and has been set aside for future capital outlay.

**CITY OF CORCORAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**CAPITAL ASSETS AND LONG-TERM OBLIGATIONS**

**Capital assets.** The City's investment in capital assets of its governmental and business-type activities as of June 30, 2008, amounts to \$46,306,214 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, land improvements, buildings and improvements, and equipments. Total increase in the City's investments in capital assets for the current year is 1.01 percent.

CITY OF CORCORAN'S CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 364,334	\$ 364,334	\$ 985,983	\$ 985,983	\$ 1,350,317	\$ 1,350,317
Construction in process	1,973,224	21,847	163,475	346,297	2,136,699	368,144
Infrastructure in process	2,976	311,502	-	-	2,976	311,502
Utility system	-	-	42,548,725	41,354,591	42,548,725	41,354,591
Buildings and other improvements	8,239,235	8,784,085	-	-	8,239,235	8,784,085
Machinery and equipment	1,852,825	1,621,617	1,003,652	817,606	2,856,477	2,439,223
Infrastructure	5,240,924	4,466,194	-	-	5,240,924	4,466,194
Vehicles	2,041,427	1,891,305	490,641	310,779	2,532,068	2,202,084
Less: accumulated depreciation	(5,569,628)	(5,031,626)	(13,031,579)	(11,652,264)	(18,601,207)	(16,683,890)
	<u>\$ 14,145,317</u>	<u>\$ 12,429,258</u>	<u>\$ 32,160,897</u>	<u>\$ 32,162,992</u>	<u>\$ 46,306,214</u>	<u>\$ 44,592,250</u>

This year's major additions included:

Improvements to the H.A. James Center .....	\$1,483,363
Wastewater Headworks Project .....	\$1,194,134
Sewer Line Cleaning Machine.....	\$298,871

**Long-term debt.** At the end of the current fiscal year, the City of Corcoran has total debt outstanding of \$30,016,703. Of this amount, \$4,972,549 is the liability of governmental activities and \$25,044,154 is the liability of business-type activities.

CITY OF CORCORAN'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Tax allocation bonds	\$ 4,510,000	\$ 4,680,000	\$ -	\$ -	\$ 4,510,000	\$ 4,680,000
Certificates of participation	460,000	490,000	24,102,545	27,500,000	24,562,545	27,990,000
Capital lease	-	42,635	-	-	-	42,635
Loans payable	2,549	6,716	941,609	1,048,842	944,158	1,055,558
	<u>\$ 4,972,549</u>	<u>\$ 5,219,351</u>	<u>\$25,044,154</u>	<u>\$28,548,842</u>	<u>\$30,016,703</u>	<u>\$33,768,193</u>

The 2005 Certificates of Participation (Water System Project) were refunded in 2008. A \$2,000,000 State grant was received to assist with the construction of the Water Plant. This allowed unused bond proceeds to be used to pay down a portion of the 2005 issue and, setting the amount of the 2008 issue at \$19,900,000.

Additional information on the City's long-term debt can be found in Note 7 of the financial statements on pages 47 through 53 of this report.



**CITY OF CORCORAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**ECONOMIC FACTORS AND NEXT FIVE YEARS' BUDGET AND RATES**

In preparing the budget for the next fiscal year the following factors were taken into consideration:

Employee salary adjustments ranging from 2 percent to 28 percent based on the results of a compensation and benefits study and existing memorandums of understanding.

Health care adjustments of 11 percent.

Increase in retirement costs of .4 percent for miscellaneous employees and a decrease in retirement costs of 4 percent for safety employees.

**REQUESTS FOR INFORMATION**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Any questions concerning the information found in this report or requests for additional information should be directed to the Director of Finance, City of Corcoran, 832 Whitley Avenue, Corcoran, California 93212.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CORCORAN  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents:			
Unrestricted	\$ 12,451,997	\$ 4,123,761	\$ 16,575,758
Restricted	411,178	84,263	495,441
Cash with fiscal agent - restricted	-	1,908,859	1,908,859
Receivables:			
Accounts, net	-	1,022,482	1,022,482
Taxes	236,805	-	236,805
Interest	551,902	31,156	583,058
Grants	334,932	-	334,932
Other	474,206	19,387	493,593
Notes	9,776,521	-	9,776,521
Prepays	6,059	-	6,059
Property held for resale	18,593	-	18,593
Unamortized bond discount	-	210,013	210,013
Bond issuance cost	321,260	176,114	497,374
Capital assets:			
Non-depreciable	2,340,534	1,149,458	3,489,992
Depreciable, net of accumulated depreciation	<u>11,804,783</u>	<u>31,011,439</u>	<u>42,816,222</u>
 Total assets	 <u>38,728,770</u>	 <u>39,736,932</u>	 <u>78,465,702</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	898,552	530,106	1,428,658
Deposits	47,399	-	47,399
Unapplied credits	-	11,686	11,686
Interest payable	17,855	112,190	130,045
Deferred revenues	6,379,582	-	6,379,582
Noncurrent liabilities:			
Due within one year	361,666	239,358	601,024
Due in more than one year	<u>4,785,913</u>	<u>24,818,677</u>	<u>29,604,590</u>
 Total liabilities	 <u>12,490,967</u>	 <u>25,712,017</u>	 <u>38,202,984</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	9,175,317	7,116,743	16,292,060
Restricted for:			
Debt service restrictions	2,498,229	1,993,122	4,491,351
Unrestricted	<u>14,564,257</u>	<u>4,915,050</u>	<u>19,479,307</u>
 Total net assets	 <u>\$ 26,237,803</u>	 <u>\$ 14,024,915</u>	 <u>\$ 40,262,718</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, 2008**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS:</b>							
Governmental activities:							
General government	\$ 841,454	\$ -	\$ -	\$ -	\$ (841,454)	\$ -	\$ (841,454)
Community development	1,944,866	127,597	519,351	-	(1,297,918)	-	(1,297,918)
Public safety	2,996,912	75,955	140,377	67,560	(2,713,020)	-	(2,713,020)
Public works	1,776,780	-	646,943	1,692,047	562,210	-	562,210
Parks and recreation	524,111	-	-	-	(524,111)	-	(524,111)
Interest on long-term debt	261,064	-	-	-	(261,064)	-	(261,064)
<b>Total governmental activities</b>	<b>8,345,187</b>	<b>203,552</b>	<b>1,306,671</b>	<b>1,759,607</b>	<b>(5,075,357)</b>	<b>-</b>	<b>(5,075,357)</b>
Business-type activities:							
Water	3,968,360	3,602,922	-	-	-	(365,438)	(365,438)
Sewer	1,509,144	1,184,777	-	-	-	(324,367)	(324,367)
Refuse	1,627,386	1,632,247	-	-	-	4,861	4,861
Storm drain	405,265	302,460	-	-	-	(102,805)	(102,805)
<b>Total business-type activities</b>	<b>7,510,155</b>	<b>6,722,406</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(787,749)</b>	<b>(787,749)</b>
<b>Total</b>	<b>\$ 15,855,342</b>	<b>\$ 6,925,958</b>	<b>\$ 1,306,671</b>	<b>\$ 1,759,607</b>	<b>(5,075,357)</b>	<b>(787,749)</b>	<b>(5,863,106)</b>
General revenues:							
Taxes:							
Property taxes					1,233,727	-	1,233,727
Sales and use taxes					1,303,375	-	1,303,375
Franchise taxes					247,318	-	247,318
Other taxes					886,306	-	886,306
Motor vehicle in-lieu					2,200,219	-	2,200,219
Investment income					418,514	268,902	687,416
Rental income					275,130	43,278	318,408
CDBG/Home Loan repayments					778,382	-	778,382
Miscellaneous					671,008	314,033	985,041
Transfers					(862,217)	867,217	5,000
<b>Total general revenues and transfers</b>					<b>7,151,762</b>	<b>1,493,430</b>	<b>8,645,192</b>
<b>Change in net assets</b>					<b>2,076,405</b>	<b>705,681</b>	<b>2,782,086</b>
<b>Net assets, July 1, 2007</b>					<b>23,438,616</b>	<b>13,137,125</b>	<b>36,575,741</b>
<b>Prior period adjustment</b>					<b>722,782</b>	<b>182,109</b>	<b>904,891</b>
<b>Net assets, July 1, 2007, as restated</b>					<b>24,161,398</b>	<b>13,319,234</b>	<b>37,480,632</b>
<b>Net assets, June 30, 2008</b>					<b>\$ 26,237,803</b>	<b>\$ 14,024,915</b>	<b>\$ 40,262,718</b>

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, 2008**

	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
<b>ASSETS</b>							
Cash and cash equivalents:							
Unrestricted	\$ 5,631,561	\$ 2,223,561	\$ 618,885	\$ 331,221	\$ 217,430	\$ 3,429,339	\$ 12,451,997
Cash with fiscal agent:							
Restricted	-	-	-	-	-	411,178	411,178
Receivables:							
Taxes	50,345	105,163	-	-	-	81,297	236,805
Interest	40,403	13,695	72,514	339,088	1,783	84,422	551,905
Grants	260,000	-	53,257	21,675	-	-	334,932
Other	146,337	281,787	-	-	-	46,082	474,206
Notes	-	-	1,854,698	1,953,607	9,353	201,659	4,019,317
Due from other funds	12,040	-	-	-	-	-	12,040
Prepays	6,059	-	-	-	-	-	6,059
Advances to other funds	2,201,782	-	642,103	-	-	784,795	3,628,680
Property held for resale	18,593	-	-	-	-	-	18,593
<b>Total assets</b>	<b><u>\$ 8,367,120</u></b>	<b><u>\$ 2,624,206</u></b>	<b><u>\$ 3,241,457</u></b>	<b><u>\$ 2,645,591</u></b>	<b><u>\$ 228,566</u></b>	<b><u>\$ 5,038,772</u></b>	<b><u>\$ 22,145,712</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 542,616	\$ 58,858	\$ 9,161	\$ 17,894	\$ 8,056	\$ 261,968	\$ 898,553
Due to other funds	-	-	-	-	-	12,040	12,040
Deposits	47,399	-	-	-	-	-	47,399
Deferred revenue	1,485,783	-	2,359,947	2,291,095	-	294,295	6,431,120
Advances from other funds	-	-	-	-	3,628,680	-	3,628,680
<b>Total liabilities</b>	<b><u>2,075,798</u></b>	<b><u>58,858</u></b>	<b><u>2,369,108</u></b>	<b><u>2,308,989</u></b>	<b><u>3,636,736</u></b>	<b><u>568,303</u></b>	<b><u>11,017,792</u></b>
Fund balances:							
Reserved for:							
Debt service	2,000,000	-	-	-	-	87,051	2,087,051
Unreserved:							
General fund	4,291,322	-	-	-	-	-	4,291,322
Special revenue funds	-	2,565,348	872,349	336,602	-	2,566,393	6,340,692
Debt service funds	-	-	-	-	-	1,796,233	1,796,233
Capital project funds	-	-	-	-	(3,408,170)	20,792	(3,387,378)
<b>Total fund balances</b>	<b><u>6,291,322</u></b>	<b><u>2,565,348</u></b>	<b><u>872,349</u></b>	<b><u>336,602</u></b>	<b><u>(3,408,170)</u></b>	<b><u>4,470,469</u></b>	<b><u>11,127,920</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 8,367,120</u></b>	<b><u>\$ 2,624,206</u></b>	<b><u>\$ 3,241,457</u></b>	<b><u>\$ 2,645,591</u></b>	<b><u>\$ 228,566</u></b>	<b><u>\$ 5,038,772</u></b>	<b><u>\$ 22,145,712</u></b>

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, 2008**

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

Total fund balances - total governmental funds	\$ 11,127,920
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds.	14,145,317
Long-term liabilities were not due and payable in the current period; therefore, they are not reported in the governmental funds.	(5,147,579)
Bond issuance costs to be amortized over the life of the debt.	321,260
Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the governmental funds.	5,808,740
Unmatured interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	<u>(17,855)</u>
Net assets of governmental activities	<u>\$ 26,237,803</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, 2008**

	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
<b>REVENUES:</b>							
Property taxes	\$ 286,206	\$ -	\$ -	\$ -	\$ -	\$ 947,521	\$ 1,233,727
Other taxes	1,587,024	625,715	-	-	-	2,242	2,214,981
Licenses and permits	224,320	-	-	-	-	-	224,320
Intergovernmental revenues	2,303,727	938,897	-	-	-	64,860	3,307,484
Charges for services	147,875	75,955	-	-	-	-	223,830
Fines and penalties	35,565	-	-	-	-	-	35,565
Use of money and property	261,928	79,664	34,196	-	20,693	368,098	764,579
Grant drawdowns	293,161	1,280,930	244,499	306,521	-	100,000	2,225,111
Loan repayments	-	-	393,293	343,895	-	41,193	778,381
Miscellaneous	380,276	2,446	-	10,251	7	174,520	567,500
<b>Total revenues</b>	<b>5,520,082</b>	<b>3,003,607</b>	<b>671,988</b>	<b>660,667</b>	<b>20,700</b>	<b>1,698,434</b>	<b>11,575,478</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government	634,707	-	-	-	8,052	156,371	799,130
Community development	-	-	720,284	703,475	527,331	136,630	2,087,720
Public safety	2,859,520	-	-	-	-	15,310	2,874,830
Public works	261,227	1,224,579	-	-	-	-	1,485,806
Parks and recreation	409,385	-	-	-	-	-	409,385
<b>Capital outlay:</b>							
General government	1,614,850	-	-	-	-	22,884	1,637,734
Public safety	-	-	-	-	-	59,788	59,788
Public works	36,687	30,915	-	-	-	-	67,602
<b>Debt service:</b>							
Principal retirement	42,635	-	-	-	4,167	200,000	246,802
Interest and fiscal charges	-	34,317	-	-	88,458	238,226	361,001
<b>Total expenditures</b>	<b>5,859,011</b>	<b>1,289,811</b>	<b>720,284</b>	<b>703,475</b>	<b>628,008</b>	<b>829,209</b>	<b>10,029,798</b>
Excess (deficiency) of revenues over (under) expenditures	(338,929)	1,713,796	(48,296)	(42,808)	(607,308)	869,225	1,545,680
<b>Other financing sources (uses):</b>							
Operating transfers in	-	433,059	513,033	135,572	600,000	5,000	1,686,664
Operating transfers out	-	(433,059)	(630,611)	-	(867,216)	(617,994)	(2,548,880)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(117,578)</b>	<b>135,572</b>	<b>(267,216)</b>	<b>(612,994)</b>	<b>(862,216)</b>
<b>Net change in fund balances</b>	<b>(338,929)</b>	<b>1,713,796</b>	<b>(165,874)</b>	<b>92,764</b>	<b>(874,524)</b>	<b>256,231</b>	<b>683,464</b>
Fund balances, July 1, 2007	6,637,124	793,378	1,038,223	243,838	(2,533,646)	4,214,238	10,393,155
Prior period adjustment	(6,873)	58,174	-	-	-	-	51,301
Fund balances, July 1, 2007, as restated	6,630,251	851,552	1,038,223	243,838	(2,533,646)	4,214,238	10,444,456
Fund balances, June 30, 2008	\$ 6,291,322	\$ 2,565,348	\$ 872,349	\$ 336,602	\$ (3,408,170)	\$ 4,470,469	\$ 11,127,920

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, 2008**

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

Net change in fund balances - total governmental funds	\$	683,464
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.		1,776,804
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.		(732,226)
Compensated absences expense reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as an expenditure in the governmental funds.		13,785
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.		246,802
Additional accrued interest calculated on bonds and notes payable.		<u>99,937</u>
Changes in net assets of governmental activities	\$	<u><u>2,076,405</u></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, 2008**

	Water Fund	Sewer Fund	Refuse Fund	Nonmajor Storm Drain Fund	Total
<b><u>ASSETS</u></b>					
Cash and cash equivalents:					
Unrestricted	\$ 3,438,259	\$ 576,781	\$ 20,237	\$ 88,484	\$ 4,123,761
Restricted	69,706	14,557	-	-	84,263
Cash with fiscal agent - restricted	1,908,859	-	-	-	1,908,859
Receivables:					
Accounts, net	518,721	178,950	270,931	53,880	1,022,482
Interest	25,215	5,154	(249)	1,036	31,156
Other	14,456	-	4,931	-	19,387
Unamortized bond issuance cost	176,114	-	-	-	176,114
Unamortized bond discount	210,013	-	-	-	210,013
Total current assets	<u>6,361,343</u>	<u>775,442</u>	<u>295,850</u>	<u>143,400</u>	<u>7,576,035</u>
Noncurrent assets:					
Nondepreciable	737,731	201,600	-	210,127	1,149,458
Depreciable, net of accumulated depreciation	<u>25,555,713</u>	<u>3,978,464</u>	<u>44,479</u>	<u>1,432,783</u>	<u>31,011,439</u>
Total noncurrent assets	<u>26,293,444</u>	<u>4,180,064</u>	<u>44,479</u>	<u>1,642,910</u>	<u>32,160,897</u>
Total assets	<u>32,654,787</u>	<u>4,955,506</u>	<u>340,329</u>	<u>1,786,310</u>	<u>39,736,932</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	190,444	120,510	102,438	116,714	530,106
Interest payable	110,791	1,399	-	-	112,190
Unapplied credits	11,686	-	-	-	11,686
Compensated absences	6,579	4,865	1,710	727	13,881
Certificates of participation	115,000	-	-	-	115,000
Notes payable	54,489	55,988	-	-	110,477
Total current liabilities	<u>488,989</u>	<u>182,762</u>	<u>104,148</u>	<u>117,441</u>	<u>893,340</u>
Certificates of participation	23,987,545	-	-	-	23,987,545
Notes payable	617,752	213,380	-	-	831,132
Total noncurrent liabilities	<u>24,605,297</u>	<u>213,380</u>	<u>-</u>	<u>-</u>	<u>24,818,677</u>
Total liabilities	<u>25,094,286</u>	<u>396,142</u>	<u>104,148</u>	<u>117,441</u>	<u>25,712,017</u>
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	1,518,658	3,910,696	44,479	1,642,910	7,116,743
Restricted for:					
Debt service	1,978,565	14,557	-	-	1,993,122
Unrestricted	<u>4,063,278</u>	<u>634,111</u>	<u>191,702</u>	<u>25,959</u>	<u>4,915,050</u>
Total net assets	<u>\$ 7,560,501</u>	<u>\$ 4,559,364</u>	<u>\$ 236,181</u>	<u>\$ 1,668,869</u>	<u>\$ 14,024,915</u>

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, 2008**

	Water Fund	Sewer Fund	Refuse Fund	Nonmajor Storm Drain Fund	Total
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 3,603,179	\$ 1,185,590	\$ 1,632,246	\$ 299,510	\$ 6,720,525
Connection fees	<u>(259)</u>	<u>(811)</u>	<u>-</u>	<u>2,952</u>	<u>1,882</u>
Total operating revenues	<u>3,602,920</u>	<u>1,184,779</u>	<u>1,632,246</u>	<u>302,462</u>	<u>6,722,407</u>
<b>OPERATING EXPENSES:</b>					
Personnel costs	334,880	271,732	74,399	55,820	736,831
Maintenance and supplies	1,725,496	688,358	1,382,473	70,405	3,866,732
Depreciation and amortization	981,858	313,013	16,874	67,570	1,379,315
Administrative and allocated costs	<u>205,499</u>	<u>224,762</u>	<u>152,007</u>	<u>139,772</u>	<u>722,040</u>
Total operating expenses	<u>3,247,733</u>	<u>1,497,865</u>	<u>1,625,753</u>	<u>333,567</u>	<u>6,704,918</u>
Operating income (loss)	<u>355,187</u>	<u>(313,086)</u>	<u>6,493</u>	<u>(31,105)</u>	<u>17,489</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest income	227,147	37,179	(890)	5,465	268,901
Rental income	43,278	-	-	-	43,278
Other income	69,161	172,831	-	72,042	314,034
Other expenses	-	-	-	(71,698)	(71,698)
Interest and fiscal charges	<u>(712,438)</u>	<u>(11,279)</u>	<u>(1,633)</u>	<u>-</u>	<u>(725,350)</u>
Total non-operating revenues (expenses)	<u>(372,852)</u>	<u>198,731</u>	<u>(2,523)</u>	<u>5,809</u>	<u>(170,835)</u>
<b>Other financing sources (uses):</b>					
Bond issuance costs	(8,189)	-	-	-	(8,189)
Operating transfers in	<u>-</u>	<u>867,216</u>	<u>-</u>	<u>-</u>	<u>867,216</u>
Total other financing sources (uses)	<u>(8,189)</u>	<u>867,216</u>	<u>-</u>	<u>-</u>	<u>859,027</u>
Change in net assets	<u>(25,854)</u>	<u>752,861</u>	<u>3,970</u>	<u>(25,296)</u>	<u>705,681</u>
Net assets, July 1, 2007	7,455,739	3,780,507	212,871	1,688,008	13,137,125
Prior period adjustment	<u>130,616</u>	<u>25,996</u>	<u>19,340</u>	<u>6,157</u>	<u>182,109</u>
Net assets, July 1, 2007, as restated	<u>7,586,355</u>	<u>3,806,503</u>	<u>232,211</u>	<u>1,694,165</u>	<u>13,319,234</u>
Net assets, June 30, 2008	<u>\$ 7,560,501</u>	<u>\$ 4,559,364</u>	<u>\$ 236,181</u>	<u>\$ 1,668,869</u>	<u>\$ 14,024,915</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, 2008**

	Water Fund	Sewer Fund	Refuse Fund	Nonmajor Storm Drain Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 3,513,592	\$ 1,168,019	\$ 1,634,863	\$ 296,343	\$ 6,612,817
Cash payments to suppliers for goods and services	(1,574,418)	(780,042)	(1,405,257)	39,346	(3,720,371)
Cash payments to employees for services	(341,124)	(272,296)	(73,913)	(55,904)	(743,237)
Cash payments to other funds for allocated costs	<u>(270,793)</u>	<u>(197,175)</u>	<u>(119,360)</u>	<u>(134,712)</u>	<u>(722,040)</u>
Net cash provided (used) by operating activities	<u>1,327,257</u>	<u>(81,494)</u>	<u>36,333</u>	<u>145,073</u>	<u>1,427,169</u>
Cash flows from noncapital financing activities:					
Proceeds from non-operating revenues	43,278	-	-	-	43,278
Transfers from other funds	<u>-</u>	<u>867,216</u>	<u>-</u>	<u>-</u>	<u>867,216</u>
Net cash provided (used) by noncapital financing activities	<u>43,278</u>	<u>867,216</u>	<u>-</u>	<u>-</u>	<u>910,494</u>
Cash flows from capital financing activities:					
Acquisition of capital assets	(38,491)	(1,175,255)	-	(163,475)	(1,377,221)
Repayment of note payable	(53,182)	(54,051)	-	-	(107,233)
Principal payment	(2,110,000)	-	-	-	(2,110,000)
Cash received from other	54,945	172,831	19,789	72,042	319,607
Cash payments to other	-	-	-	(71,698)	(71,698)
Bond issuance costs	612,048	-	-	-	612,048
Interest and fiscal charges	(713,538)	(11,482)	(1,633)	-	(726,653)
Bond discount	<u>163,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,388</u>
Net cash provided (used) by capital financing activities	<u>(3,372,285)</u>	<u>(1,067,957)</u>	<u>18,156</u>	<u>(163,131)</u>	<u>(4,585,217)</u>
Cash flows from investing activities:					
Interest on investments	<u>234,640</u>	<u>37,592</u>	<u>(890)</u>	<u>5,450</u>	<u>276,792</u>
Net cash provided (used) by investing activities	<u>234,640</u>	<u>37,592</u>	<u>(890)</u>	<u>5,450</u>	<u>276,792</u>
Increase (decrease) in cash and cash equivalents	(1,767,110)	(244,643)	53,599	(12,608)	(1,970,762)
Cash and cash equivalents, July 1, 2007	<u>7,183,934</u>	<u>835,981</u>	<u>(33,362)</u>	<u>101,092</u>	<u>8,087,645</u>
Cash and cash equivalents, June 30, 2008	<u>\$ 5,416,824</u>	<u>\$ 591,338</u>	<u>\$ 20,237</u>	<u>\$ 88,484</u>	<u>\$ 6,116,883</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, 2008**

	Water Fund	Sewer Fund	Refuse Fund	Nonmajor Storm Drain Fund	Total
Operating income (loss)	\$ 355,187	\$ (313,086)	\$ 6,493	\$ (31,105)	\$ 17,489
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	198,233	313,013	16,874	67,570	595,690
Amortization	783,625	-	-	-	783,625
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(89,330)	(16,758)	2,616	(6,117)	(109,589)
(Increase) decrease in due from other funds	-	27,587	32,647	5,060	65,294
Increase (decrease) in accounts payable	151,294	(91,684)	(22,784)	109,751	146,577
Increase (decrease) in unapplied credits	(216)	-	-	-	(216)
Increase (decrease) in due to other funds	(65,294)	-	-	-	(65,294)
Increase (decrease) in compensated absences	(6,242)	(566)	487	(86)	(6,407)
Net cash provided (used) by operating activities	<u>\$ 1,327,257</u>	<u>\$ (81,494)</u>	<u>\$ 36,333</u>	<u>\$ 145,073</u>	<u>\$ 1,427,169</u>

**Reconciliation of Cash to Balance Sheet**

	Water Fund	Sewer Fund	Refuse Fund	Nonmajor Storm Drain Fund	Total
Cash and cash equivalents:					
Unrestricted	\$ 3,438,259	\$ 576,781	\$ 20,237	\$ 88,484	\$ 4,123,761
Restricted	69,706	14,557	-	-	84,263
Cash with fiscal agent - restricted	<u>1,908,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,908,859</u>
	<u>\$ 5,416,824</u>	<u>\$ 591,338</u>	<u>\$ 20,237</u>	<u>\$ 88,484</u>	<u>\$ 6,116,883</u>
<b>Supplemental Disclosures:</b>					
Interest paid	<u>\$ 712,438</u>	<u>\$ 11,279</u>	<u>\$ 1,633</u>	<u>\$ -</u>	<u>\$ 725,350</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, 2008**

	Asset Seizure (Unprocessed)	Kings County CDBG	Amigos de la Comunidad	Corcoran Police Explorers	Citizens on Patrol	Total
<b><u>ASSETS</u></b>						
Cash	\$ 687	\$ 72,407	\$ 1,088	\$ 414	\$ 203	\$ 74,799
Receivables:						
Interest	-	98	-	-	-	98
Notes	-	1,361,407	-	-	-	1,361,407
Total assets	<u>687</u>	<u>1,433,912</u>	<u>1,088</u>	<u>414</u>	<u>203</u>	<u>1,436,304</u>
<b><u>LIABILITIES</u></b>						
Due to other agencies	<u>687</u>	<u>1,433,912</u>	<u>1,088</u>	<u>414</u>	<u>203</u>	<u>1,436,304</u>
Total liabilities	<u>687</u>	<u>1,433,912</u>	<u>1,088</u>	<u>414</u>	<u>203</u>	<u>1,436,304</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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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 <sup>st</sup> installment, February 1, 2 <sup>nd</sup> installment
Delinquent Dates	December 10, 1 <sup>st</sup> installment, April 10, 2 <sup>nd</sup> 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, 2008**

**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. 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 stationary 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, 2008**

**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 \$4,526,694 at June 30, 2008. The general bank balance at June 30, 2008, was \$3,334,031, of which \$3,129,474 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, 2008, 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, 2008**

**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
Commercial paper	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 \$1,908,859 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 and, 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	2,206,913	N/A
Local agency investment fund	Not rated	14,452,008	Less than 12 months
U.S. government securities	Exempt	<u>2,320,037</u>	13-24 months
Total cash and cash equivalents		<u>\$ 18,980,058</u>	

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

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

	Carrying Amount
Cash and cash equivalents	\$ 16,660,021
Cash with fiscal agent	2,320,037
 Total cash and cash equivalents	 \$ 18,980,058

**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, 2008, 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.

	Due	
	From	To
Major funds:		
Governmental funds:		
General fund	\$ 12,040	\$ -
Community redevelopment agency debt service fund	-	10,934
Nonmajor funds:		
Assessment district special revenue fund	-	1,106
 Total	 \$ 12,040	 \$ 12,040

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 3 – INTERFUND ACTIVITY (Continued)**

**B. Long-Term Interfund Advances**

At June 30, 2008, the funds below have made advances that were not expected to be repaid in one year or less.

	Receivable Funds	Payable Funds
Major funds:		
Governmental funds:		
General fund	\$ 2,201,782	\$ -
Community development block grant special revenue fund	642,103	-
Redevelopment Agency:		
Capital project fund	-	3,628,680
Debt service fund	784,795	-
 Total	 \$ 3,628,680	 \$ 3,628,680

**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, 2008:

	Transfers	
	In	Out
Major funds:		
Governmental funds:		
Community development block grant special revenue fund	\$ 513,033	\$ 630,611
HOME program special revenue fund	135,572	-
Transportation and street special revenue fund	433,059	433,059
Redevelopment agency:		
Capital project fund	600,000	867,216
Other governmental funds	5,000	617,994
Enterprise fund:		
Sewer Fund	867,216	-
Agency fund:		
Asset seizure (unprocessed)	-	5,000
 Total	 \$ 2,553,880	 \$ 2,553,880

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4 – NOTES RECEIVABLE / DEFERRED REVENUE**

Notes receivable consisted of the following as of June 30, 2008:

	Major Funds			Nonmajor Funds	
	Community Development Block Grant Special Revenue Fund	HOME Program Special Revenue Funds	Community Redevelopment Agency Capital Project Fund	Economic Development Research Loan Program Special Revenue Fund	Community Redevelopment Agency Special Revenue Fund
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.	-	-	-	189,412	-
Loans receivable under the RDA first-time homebuyer programs, secured by deeds of trust on the properties.	-	-	-	-	12,247
Loans receivable under the Community Development Block Grant Program, secured by deeds of trust on the rehabilitated properties.	1,854,698	-	-	-	-
Loans receivable under the HOME Grant Program, secured by deeds of trust on the rehabilitated properties.	-	1,953,607	-	-	-
<b>Total notes receivable</b>	<b><u>\$ 1,854,698</u></b>	<b><u>\$ 1,953,607</u></b>	<b><u>\$ 9,353</u></b>	<b><u>\$ 189,412</u></b>	<b><u>\$ 12,247</u></b>

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 \$9,573,866 as of June 30, 2008.

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Inventory Adjustments</u>	<u>Balance June 30, 2008</u>
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 364,334	\$ -	\$ -	\$ -	\$ 364,334
Construction in progress	21,847	1,483,363	-	468,014	1,973,224
Infrastructure in progress	<u>311,502</u>	<u>2,974</u>	<u>(311,500)</u>	<u>-</u>	<u>2,976</u>
Total capital assets not being depreciated	<u>697,683</u>	<u>1,486,337</u>	<u>(311,500)</u>	<u>468,014</u>	<u>2,340,534</u>
Capital assets being depreciated:					
Buildings and other improvements	8,784,085	48,077	(540,127)	(52,800)	8,239,235
Machinery and equipment	1,621,617	130,635	-	100,573	1,852,825
Infrastructure	4,466,194	2,966	311,500	460,264	5,240,924
Vehicles	<u>1,891,305</u>	<u>97,109</u>	<u>(13,206)</u>	<u>66,219</u>	<u>2,041,427</u>
Total capital assets being depreciated	<u>16,763,201</u>	<u>278,787</u>	<u>(241,833)</u>	<u>574,256</u>	<u>17,374,411</u>
Less accumulated depreciation for:					
Buildings and other improvements	2,238,652	278,702	(3,330)	(85,908)	2,428,116
Machinery and equipment	1,255,945	171,393	(1,775)	7,367	1,432,930
Infrastructure	287,812	131,919	-	(41,615)	378,116
Vehicles	<u>1,249,216</u>	<u>150,212</u>	<u>1,774</u>	<u>(70,736)</u>	<u>1,330,466</u>
Total accumulated depreciation	<u>5,031,625</u>	<u>732,226</u>	<u>(3,331)</u>	<u>(190,892)</u>	<u>5,569,628</u>
Total capital assets being depreciated, net	<u>11,731,576</u>	<u>(453,439)</u>	<u>(238,502)</u>	<u>765,148</u>	<u>11,804,783</u>
Governmental activity capital assets, net	<u>\$ 12,429,259</u>	<u>\$ 1,032,898</u>	<u>\$ (550,002)</u>	<u>\$ 1,233,162</u>	<u>\$ 14,145,317</u>



**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 5 – CAPITAL ASSETS (Continued)**

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Inventory Adjustments</u>	<u>Balance June 30, 2008</u>
<b>Business-type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 985,983	\$ -	\$ -	\$ -	\$ 985,983
Construction in progress	<u>346,296</u>	<u>163,475</u>	<u>-</u>	<u>(346,296)</u>	<u>163,475</u>
Total capital assets not being depreciated	<u>1,332,279</u>	<u>163,475</u>	<u>-</u>	<u>(346,296)</u>	<u>1,149,458</u>
Capital assets being depreciated:					
Utility system	41,354,593	847,836	-	346,296	42,548,725
Machinery and equipment	666,290	337,362	-	-	1,003,652
Vehicles	<u>462,095</u>	<u>28,546</u>	<u>-</u>	<u>-</u>	<u>490,641</u>
Total capital assets being depreciated	<u>42,482,978</u>	<u>1,213,744</u>	<u>-</u>	<u>346,296</u>	<u>44,043,018</u>
Less accumulated depreciation for:					
Utility system	(10,923,918)	(1,274,789)	-	-	(12,198,707)
Machinery and equipment	(558,522)	(77,715)	-	-	(636,237)
Vehicles	<u>(169,824)</u>	<u>(26,811)</u>	<u>-</u>	<u>-</u>	<u>(196,635)</u>
Total accumulated depreciation	<u>(11,652,264)</u>	<u>(1,379,315)</u>	<u>-</u>	<u>-</u>	<u>(13,031,579)</u>
Total capital assets being depreciated, net	<u>30,830,714</u>	<u>(165,571)</u>	<u>-</u>	<u>346,296</u>	<u>31,011,439</u>
Business-type capital assets, net	<u>32,162,993</u>	<u>(2,096)</u>	<u>-</u>	<u>-</u>	<u>32,160,897</u>
<b>Total capital assets</b>	<u>\$ 44,592,252</u>	<u>\$ 1,030,802</u>	<u>\$ (550,002)</u>	<u>\$ 1,233,162</u>	<u>\$ 46,306,214</u>

For the year ended June 30, 2008, depreciation expense on capital assets was charged to the governmental functions as follows:

General government	\$ 83,514
Community development	124,315
Public safety	122,082
Public works	287,589
Parks and recreation	<u>114,726</u>
Total	<u>\$ 732,226</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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 \$25,913 for governmental activities and \$0 for business-type activities at June 30, 2008, 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, 2007	Incurred	Satisfied	Balance June 30, 2008	Amounts Due Within One Year	Amounts Due in More Than One Year
<b>Governmental Activities:</b>						
Compensated absences	<u>\$ 188,815</u>	<u>\$ 178,177</u>	<u>\$ 191,962</u>	<u>\$ 175,030</u>	<u>\$ 149,117</u>	<u>\$ 25,913</u>
<b>Business-Type Activities:</b>						
Compensated absences	<u>\$ 20,287</u>	<u>\$ 22,351</u>	<u>\$ 28,757</u>	<u>\$ 13,881</u>	<u>\$ 13,881</u>	<u>\$ -</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, 2008:

***Revenue Bonds***

	Balance July 1, 2007	Incurred or Issued	Satisfied or Matured	Balance June 30, 2008	Amounts Due Within One Year	Amounts Due in More Than One Year
<b>Governmental Activities:</b>						
2004 Tax Allocation Bonds	\$ 4,680,000	\$ -	\$ 170,000	\$ 4,510,000	\$ 175,000	\$ 4,335,000
Certificates of Participation	490,000	-	30,000	460,000	35,000	425,000
Koch Capital Lease	42,635	-	42,635	-	-	-
Kings County EDC Loan	<u>6,716</u>	<u>-</u>	<u>4,167</u>	<u>2,549</u>	<u>2,549</u>	<u>-</u>
Total governmental activities	<u>\$ 5,219,351</u>	<u>\$ -</u>	<u>\$ 246,802</u>	<u>\$ 4,972,549</u>	<u>\$ 212,549</u>	<u>\$ 4,760,000</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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>
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	200,000	170,418	370,418
2014-2018	1,110,000	728,508	1,838,508
2019-2023	1,370,000	468,485	1,838,485
2024-2028	385,000	236,610	621,610
2029-2033	485,000	131,910	616,910
2034-2035	<u>230,000</u>	<u>17,500</u>	<u>247,500</u>
Totals	<u>\$ 4,510,000</u>	<u>\$ 2,498,377</u>	<u>\$ 7,008,377</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>
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	50,000	25,156	75,156
2014-2016	<u>250,000</u>	<u>47,906</u>	<u>297,906</u>
Totals	<u>\$ 460,000</u>	<u>\$ 211,095</u>	<u>\$ 671,095</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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
2009	\$ 2,549	\$ 26	\$ 2,575
Totals	<u>\$ 2,549</u>	<u>\$ 26</u>	<u>\$ 2,575</u>

The following is a summary of long-term obligation transactions for business-type activities for the year ended June 30, 2008:

	Balance July 1, 2007	Incurred or Issued	Satisfied or Matured	Balance June 30, 2008	Amounts Due Within One Year	Amounts Due in More Than One Year
<b>Business-Type Activities:</b>						
Davis-Grunsky Loan (Water Fund)	\$ 725,423	\$ -	\$ 53,182	\$ 672,241	\$ 54,489	\$ 617,752
2003 Certificates of Participation	5,600,000	-	110,000	5,490,000	115,000	5,375,000
2003 Certificates of Participation - Unamortized Bond Discounts	(79,355)	-	(3,052)	(76,303)	-	(76,303)
2005 Certificates of Participation	21,900,000	-	21,900,000	-	-	-
2008 Certificates of Participation	-	19,900,000	-	19,900,000	-	19,900,000
2008 Certificates of Participation - Deferred Refunding	-	(1,256,009)	(44,857)	(1,211,152)	-	(1,211,152)
State Water Quality Control Fund Loans (Sewer Fund)	280,460	-	40,447	240,013	41,903	198,110
State Rural Economic Development Infrastructure Loan	<u>42,959</u>	-	<u>13,604</u>	<u>29,355</u>	<u>14,085</u>	<u>15,270</u>
Total business-type activities	<u>\$ 28,469,487</u>	<u>\$ 18,643,991</u>	<u>\$ 22,069,324</u>	<u>\$ 25,044,154</u>	<u>\$ 225,477</u>	<u>\$ 24,818,677</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

***Notes Payable***

Davis-Grunsky Loan (Water Fund)

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

<u>Fiscal Year Ending</u>	<u>Davis-Grunsky Loan (Water Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	59,725	9,673	69,398
2014-2018	319,417	26,739	346,156
2019	<u>67,597</u>	<u>786</u>	<u>68,383</u>
Totals	<u>\$ 672,241</u>	<u>\$ 89,164</u>	<u>\$ 761,405</u>

State Water Quality Control Fund Loans (Sewer Fund)

The State Water Quality Control Fund has two loans with the City of \$568,192 and \$200,000. The larger loan is payable in annual installments of \$36,342 including interest at 3.6%. The final payment of \$6,342 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 (Sewer Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	32,480	3,862	36,342
2014-2017	<u>74,808</u>	<u>4,218</u>	<u>79,026</u>
Totals	<u>\$ 240,013</u>	<u>\$ 37,889</u>	<u>\$ 277,902</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

2003 Certificates of Participation (Water Fund)

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

<u>Fiscal Year Ending</u>	<u>2003 Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	125,000	207,033	332,033
2014-2018	705,000	960,713	1,665,713
2019-2023	870,000	799,540	1,669,540
2024-2028	1,070,000	595,800	1,665,800
2029-2033	1,315,000	342,869	1,657,869
2034-2035	<u>935,000</u>	<u>60,881</u>	<u>995,881</u>
Totals	<u>\$ 5,490,000</u>	<u>\$ 3,830,173</u>	<u>\$ 9,320,173</u>

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>(Sewer Fund)</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 14,085	\$ 905	\$ 14,990
2010	14,582	408	14,990
2011	<u>688</u>	<u>12</u>	<u>700</u>
Totals	<u>\$ 29,355</u>	<u>\$ 1,325</u>	<u>\$ 30,680</u>

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

2008 Certificates of Participation (Water Fund)

The 2008 Certificates of Participation were issued on March 27, 2008, in the amount of \$19,900,000. These certificates provided for the refunding of the 2005 Certificates of Participation (Water System Project). Certificates authorized and issued have a variable rate of interest reset each Wednesday and mature July 1, 2036.

Fiscal Year Ending	2008 Certificates of Participation		
	Principal	Interest	Total
2009	\$ -	\$ 740,280	\$ 740,280
2010	410,000	740,280	1,150,280
2011	425,000	725,028	1,150,028
2012	445,000	709,218	1,154,218
2013	460,000	692,664	1,152,664
2014-2018	2,620,000	3,191,202	5,811,202
2019-2023	3,225,000	2,660,358	5,885,358
2024-2028	3,970,000	2,007,312	5,977,312
2029-2033	4,885,000	1,203,606	6,088,606
2034-2036	<u>3,460,000</u>	<u>260,958</u>	<u>3,720,958</u>
Totals	<u>\$ 19,900,000</u>	<u>\$ 12,930,906</u>	<u>\$ 32,830,906</u>

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

*Objective of the interest rate swap.* As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in October, 2005, the City entered into an interest rate swap in connection with the issuance of the \$21.9 million 2005 Certificates of Participation. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 3.655 percent (exclusive of remarketing fees). The swap agreement was continued as part of the 2008 refunding COPs.

*Terms.* Under the swap, the City pays the counterparty, Piper Jaffray Financial Products Inc. ("the Counterparty") a fixed payment based upon a negotiated rate of 3.72% and receives a variable payment computed as 63% of the London Interbank Offered Rate (LIBOR) plus 30 basis points (.30%). The amount that the City receives under the swap agreement is structured to equal the amount that it pays on its Certificates, thus cancelling each other out and leaving the fixed rate portion amount to be paid under the swap as the net overall payment. The City also pays letter of credit and remarketing fees on the variable rate bonds (totaling .50% annually). The swap has a notional amount of \$19.9 million and the associated variable-rate bond has a \$19.9 million principal amount. Starting in 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 will mature on July 1, 2036.

*Fair Value.* The Counterparty informed the City that as of June 30, 2008, the swap had a fair value of (\$867,037.52). The Counterparty states that the valuation is based on a proprietary model.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 7 – LONG-TERM OBLIGATIONS (Continued)**

*Credit risk.* As of June 30, 2008, the City was not exposed to credit risk because the swap had a net negative fair value. This negative amount may increase if interest rates decrease in the future. However, if interest rates increase and the fair value of the swap becomes positive, the City will be exposed to credit risk, to a maximum possible loss equivalent to the swap's fair value. The swap Counterparty was rated AA by Standard & Poor's 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 City 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 of the Counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the City, if it was the defaulting party under the terms of the swap, would be liable to the Counterparty for a payment equal to the swap's fair value.

**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.



**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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 2007/08 was 7.744% for miscellaneous and 34.423% 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, 2008, 2007, and 2006 were \$176,829, \$159,158, and \$138,743, respectively. The City's CalPERS for the Safety Plan for the fiscal years ending June 30, 2008, 2007, and 2006 were \$333,474, \$274,195, and \$228,270, respectively. The City contributed 100% of required contribution for each year.

**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.

**CITY OF CORCORAN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 10 – RISK MANAGEMENT (Continued)**

The following is a summary of financial information of the CSJVRMA as of and for the fiscal year ended June 30, 2008:

Total assets	\$ 55,090,154
Total liabilities	<u>45,390,299</u>
Member's equity	<u>\$ 9,699,855</u>
Total revenues	\$ 27,433,580
Total expenses	<u>26,257,315</u>
Excess of expenses (loss) over income	<u>\$ 1,176,265</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 \$3,357,103. 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, 2008, of \$3,127,631.

**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.

**NOTE 12 – DEFICIT FUND EQUITY**

The **Community Redevelopment Agency Capital Project Fund** has a deficit fund balance of \$2,533,646 as of June 30, 2008. This is a result of capital expenditures in excess of tax increment revenues.

The **Assessment Districts Special Revenue Fund** has a deficit fund balance of \$151 as of June 30, 2008. This is a result of the fund being set-up in prior year.

**CITY OF CORCORAN  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

The City made the following adjustments to the opening net assets at July 1, 2008:

**Governmental Activities:**

Phone system maintenance costs were understated in prior year:

General Fund \$ 6,873

Capital assets were understated in prior year:

General Fund (671,481)

Local Transportation and State Transit Agency fund revenues were understated in prior years:

Corcoran Joint Powers Finance Authority Debt Service Fund (58,174)

Total governmental activities \$ (722,782)

**Business-Type Activities:**

Accounts receivable collections were understated in prior year:

Water Fund \$ (130,616)

Refuse Fund (19,340)

Sewer Fund (25,996)

Storm Drain Fund (6,157)

Total business-type activities \$ (182,109)

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, 2008**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES:</b>				
Property taxes	\$ 231,000	\$ 231,000	\$ 286,206	\$ 55,206
Other taxes	1,437,780	1,437,780	1,587,024	149,244
Licenses and permits	291,110	291,110	224,320	(66,790)
Intergovernmental revenues	1,992,878	1,992,878	2,303,727	310,849
Charges for services	172,000	172,000	147,875	(24,125)
Fines and penalties	30,000	30,000	35,565	5,565
Use of money and property	190,700	190,700	261,928	71,228
Grant drawdowns	260,000	260,000	293,161	33,161
Miscellaneous	40,500	40,500	380,276	339,776
<b>Total revenues</b>	<u>4,645,968</u>	<u>4,645,968</u>	<u>5,520,082</u>	<u>874,114</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	774,555	774,555	634,707	139,848
Public safety	3,030,450	3,030,450	2,859,520	170,930
Public works	255,492	255,492	261,227	(5,735)
Parks and recreation	373,119	373,119	409,385	(36,266)
<b>Capital outlay:</b>				
General government	2,070,000	2,070,000	1,614,850	455,150
Public safety	-	-	-	-
Public works	94,000	94,000	36,687	57,313
<b>Debt service:</b>				
Principal retirement	-	-	42,635	(42,635)
<b>Total expenditures</b>	<u>6,597,616</u>	<u>6,597,616</u>	<u>5,859,011</u>	<u>738,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,951,648)</u>	<u>(1,951,648)</u>	<u>(338,929)</u>	<u>1,612,719</u>
Fund balances, July 1, 2007	6,637,124	6,637,124	6,637,124	-
Prior period adjustment	-	-	(6,873)	-
Fund balances, July 1, 2007, as restated	<u>6,637,124</u>	<u>6,637,124</u>	<u>6,630,251</u>	<u>(6,873)</u>
Fund balances, June 30, 2008	<u>\$ 4,685,476</u>	<u>\$ 4,685,476</u>	<u>\$ 6,291,322</u>	<u>\$ 1,605,846</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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
REVENUES:				
Grant drawdowns	\$ -	\$ -	\$ 244,499	\$ 244,499
Loan repayments	<u>-</u>	<u>-</u>	<u>393,293</u>	<u>393,293</u>
Total revenues	<u>-</u>	<u>-</u>	<u>671,988</u>	<u>671,988</u>
EXPENDITURES:				
Current:				
Community development	<u>1,134,484</u>	<u>1,134,484</u>	<u>720,284</u>	<u>414,200</u>
Total expenditures	<u>1,134,484</u>	<u>1,134,484</u>	<u>720,284</u>	<u>414,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,134,484)</u>	<u>(1,134,484)</u>	<u>(48,296)</u>	<u>1,086,188</u>
Other financing sources (uses):				
Operating transfers in	-	-	513,033	(513,033)
Operating transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(630,611)</u>	<u>(600,611)</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(117,578)</u>	<u>(1,113,644)</u>
Net change in fund balances	(1,164,484)	(1,164,484)	(165,874)	998,610
Fund balances, July 1, 2007	<u>1,038,223</u>	<u>1,038,223</u>	<u>1,038,223</u>	<u>-</u>
Fund balances, June 30, 2008	<u>\$ (126,261)</u>	<u>\$ (126,261)</u>	<u>\$ 872,349</u>	<u>\$ 998,610</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, 2008**

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Other taxes	\$ 432,460	\$ 525,389	\$ 625,715	\$ 100,326
Intergovernmental revenues	-	-	938,897	938,897
Charges for services	75,250	75,250	75,955	705
Use of money and property	37,200	37,200	79,664	42,464
Grant drawdowns	80,930	80,930	1,280,930	1,200,000
Miscellaneous	<u>500</u>	<u>500</u>	<u>2,446</u>	<u>1,946</u>
Total revenues	<u>626,340</u>	<u>719,269</u>	<u>3,003,607</u>	<u>2,284,338</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Public works	1,337,427	1,337,427	1,224,579	112,848
<b>Capital outlay:</b>				
Public works	502,000	502,000	30,915	471,085
<b>Debt service:</b>				
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>34,317</u>	<u>(34,317)</u>
Total expenditures	<u>1,839,427</u>	<u>1,839,427</u>	<u>1,289,811</u>	<u>549,616</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,213,087)</u>	<u>(1,120,158)</u>	<u>1,713,796</u>	<u>2,833,954</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	433,059	433,059
Operating transfers out	<u>-</u>	<u>-</u>	<u>(433,059)</u>	<u>(433,059)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(1,213,087)</u>	<u>(1,120,158)</u>	<u>1,713,796</u>	<u>2,833,954</u>
Fund balances, July 1, 2007	-	-	793,378	793,378
Prior period adjustment	<u>-</u>	<u>-</u>	<u>58,174</u>	<u>58,174</u>
Fund balances, July 1, 2007, as restated	<u>-</u>	<u>-</u>	<u>851,552</u>	<u>851,552</u>
Fund balances, June 30, 2008	<u>\$ (1,213,087)</u>	<u>\$ (1,120,158)</u>	<u>\$ 2,565,348</u>	<u>\$ 3,685,506</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, 2008**

	Budgeted Amount		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grant drawdowns	\$ -	\$ -	\$ 306,521	\$ 306,521
Loan repayments	-	-	343,895	343,895
Miscellaneous	-	-	10,251	10,251
Total revenues	-	-	660,667	660,667
<b>EXPENDITURES:</b>				
Current:				
Community development	974,285	974,285	703,475	270,810
Total expenditures	974,285	974,285	703,475	270,810
Excess (deficiency) of revenues over (under) expenditures	(974,285)	(974,285)	(42,808)	931,477
Other financing sources (uses):				
Operating transfers in	-	-	135,572	(135,572)
Total other financing sources (uses)	-	-	135,572	(135,572)
Net change in fund balances	(974,285)	(974,285)	92,764	1,067,049
Fund balances, July 1, 2007	-	-	243,838	243,838
Fund balances, June 30, 2008	<u>\$ (974,285)</u>	<u>\$ (974,285)</u>	<u>\$ 336,602</u>	<u>\$ 1,310,887</u>



**CITY OF CORCORAN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - BUDGETARY INFORMATION**

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

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

**CITY OF CORCORAN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 2 - 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, 2008:

General Fund:	
Current:	
Public works	\$5,735
Parks and recreation	\$36,266
Debt Service:	
Principal retirement	\$42,635
Community Development Block Grant Special Revenue Fund:	
Other Financing Sources (uses):	
Operating transfers out	\$600,611
Transportation and Street Special Revenue Fund:	
Debts service:	
Interest and fiscal charges	\$34,317
Other Financing Sources (uses):	
Operating transfers out	\$433,059
Home Investment Partnership Program:	
Other Financing Sources (uses):	
Operating transfers out	\$135,572

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

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## OTHER SUPPLEMENTARY INFORMATION

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## **NONMAJOR GOVERNMENTAL FUNDS**

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. The City maintains 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, 2008**

	<u>Nonmajor Special Revenue</u>	<u>Nonmajor Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents:				
Unrestricted	\$ 2,559,889	\$ 848,658	\$ 20,792	\$ 3,429,339
Cash with fiscal agent:				
Restricted	-	411,178	-	411,178
Receivables:				
Taxes	16,259	65,038	-	81,297
Interest	78,491	5,931	-	84,422
Other	20,482	25,600	-	46,082
Notes	201,659	-	-	201,659
Advances to other funds	<u>-</u>	<u>784,795</u>	<u>-</u>	<u>784,795</u>
 Total assets	 <u>\$ 2,876,780</u>	 <u>\$ 2,141,200</u>	 <u>\$ 20,792</u>	 <u>\$ 5,038,772</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 40,586	\$ 221,382	\$ -	\$ 261,968
Due to other funds	1,106	10,934	-	12,040
Deferred revenue	<u>268,695</u>	<u>25,600</u>	<u>-</u>	<u>294,295</u>
 Total liabilities	 <u>310,387</u>	 <u>257,916</u>	 <u>-</u>	 <u>568,303</u>
 Fund balances:				
Reserved for:				
Debt service	-	87,051	-	87,051
Unreserved:				
Undesignated:				
Special revenue	2,566,393	-	-	2,566,393
Debt service	-	1,796,233	-	1,796,233
Capital projects	<u>-</u>	<u>-</u>	<u>20,792</u>	<u>20,792</u>
 Total fund balances	 <u>2,566,393</u>	 <u>1,883,284</u>	 <u>20,792</u>	 <u>4,470,469</u>
 Total liabilities and fund balances	 <u>\$ 2,876,780</u>	 <u>\$ 2,141,200</u>	 <u>\$ 20,792</u>	 <u>\$ 5,038,772</u>

**CITY OF CORCORAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
<b>REVENUES:</b>				
Property taxes	\$ 231,048	\$ 716,473	\$ -	\$ 947,521
Other taxes	2,242	-	-	2,242
Use of money and property	264,028	104,070	-	368,098
Intergovernmental revenues	64,860	-	-	64,860
Grant drawdowns	100,000	-	-	100,000
Repayment of loans	41,193	-	-	41,193
Miscellaneous	174,520	-	-	174,520
<b>Total revenues</b>	<u>877,891</u>	<u>820,543</u>	<u>-</u>	<u>1,698,434</u>
<b>EXPENDITURES:</b>				
Current services:				
General government	132,797	23,574	-	156,371
Community development	136,630	-	-	136,630
Public safety	15,310	-	-	15,310
Capital outlay:				
General government	22,884	-	-	22,884
Public safety	59,788	-	-	59,788
Debt service:				
Principal retirement	-	200,000	-	200,000
Interest and fiscal charges	-	238,226	-	238,226
<b>Total expenditures</b>	<u>367,409</u>	<u>461,800</u>	<u>-</u>	<u>829,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>510,482</u>	<u>358,743</u>	<u>-</u>	<u>869,225</u>
Other financing sources (uses):				
Operating transfers in	5,000	-	-	5,000
Operating transfers out	(17,994)	(600,000)	-	(617,994)
<b>Total other financing sources (uses)</b>	<u>(12,994)</u>	<u>(600,000)</u>	<u>-</u>	<u>(612,994)</u>
<b>Net change in fund balances</b>	497,488	(241,257)	-	256,231
Fund balances, July 1, 2007	<u>2,068,905</u>	<u>2,124,541</u>	<u>20,792</u>	<u>4,214,238</u>
<b>Fund balances, June 30, 2008</b>	<u>\$ 2,566,393</u>	<u>\$ 1,883,284</u>	<u>\$ 20,792</u>	<u>\$ 4,470,469</u>



**CITY OF CORCORAN  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2008**

	Prison Mitigation	Public Safety	Parks Capital	Community Redevelopment Agency	Economic Development Loan Programs	Assessment Districts	Totals
<b><u>ASSETS</u></b>							
Cash and cash equivalents:							
Unrestricted	\$ 197,343	\$ 485,359	\$ 191,065	\$ 1,684,936	\$ -	\$ 1,186	\$ 2,559,889
Receivables:							
Taxes	-	-	-	16,259	-	-	16,259
Interest	1,440	2,978	1,365	70,716	1,979	13	78,491
Other	-	-	-	20,400	-	82	20,482
Notes	-	-	-	12,247	189,412	-	201,659
Total assets	<u>\$ 198,783</u>	<u>\$ 488,337</u>	<u>\$ 192,430</u>	<u>\$ 1,804,558</u>	<u>\$ 191,391</u>	<u>\$ 1,281</u>	<u>\$ 2,876,780</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
Liabilities:							
Accounts payable	\$ -	\$ 23,506	\$ -	\$ 15,647	\$ -	\$ 1,433	\$ 40,586
Deferred revenue	-	-	-	77,303	191,392	-	268,695
Due to other funds	-	-	-	-	-	1,106	1,106
Total liabilities	<u>-</u>	<u>23,506</u>	<u>-</u>	<u>92,950</u>	<u>191,392</u>	<u>2,539</u>	<u>310,387</u>
Fund balances:							
Unreserved:							
Undesignated	198,783	464,831	192,430	1,711,608	(1)	(1,258)	2,566,393
Total fund balances	<u>198,783</u>	<u>464,831</u>	<u>192,430</u>	<u>1,711,608</u>	<u>(1)</u>	<u>(1,258)</u>	<u>2,566,393</u>
Total liabilities and fund balances	<u>\$ 198,783</u>	<u>\$ 488,337</u>	<u>\$ 192,430</u>	<u>\$ 1,804,558</u>	<u>\$ 191,391</u>	<u>\$ 1,281</u>	<u>\$ 2,876,780</u>

**CITY OF CORCORAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Prison Mitigation	Public Safety	Parks Capital	Community Redevelopment Agency	Economic Development Loan Programs	Assessment Districts	Totals
<b>REVENUES:</b>							
Property taxes	\$ -	\$ -	\$ -	\$ 231,048	\$ -	\$ -	\$ 231,048
Other taxes	-	-	(60)	-	-	2,302	2,242
Use of money and property	8,160	21,402	6,818	227,625	-	23	264,028
Intergovernmental revenues	-	-	64,860	-	-	-	64,860
Grant drawdowns	-	100,000	-	-	-	-	100,000
Repayment of loans	-	-	-	23,200	17,993	-	41,193
Miscellaneous	-	-	-	174,520	-	-	174,520
<b>Total revenues</b>	<u>8,160</u>	<u>121,402</u>	<u>71,618</u>	<u>656,393</u>	<u>17,993</u>	<u>2,325</u>	<u>877,891</u>
<b>EXPENDITURES:</b>							
Current:							
General government	425	-	-	128,987	-	3,385	132,797
Community development	-	-	-	136,630	-	-	136,630
Public safety	-	15,310	-	-	-	-	15,310
Capital outlay:							
General government	-	-	-	22,884	-	-	22,884
Public safety	-	59,788	-	-	-	-	59,788
<b>Total expenditures</b>	<u>425</u>	<u>75,098</u>	<u>-</u>	<u>288,501</u>	<u>-</u>	<u>3,385</u>	<u>367,409</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,735</u>	<u>46,304</u>	<u>71,618</u>	<u>367,892</u>	<u>17,993</u>	<u>(1,060)</u>	<u>510,482</u>
Other financing sources (uses):							
Operating transfers in	-	5,000	-	-	-	-	5,000
Operating transfers out	-	-	-	-	(17,994)	-	(17,994)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>(17,994)</u>	<u>-</u>	<u>(12,994)</u>
<b>Net change in fund balances</b>	<u>7,735</u>	<u>51,304</u>	<u>71,618</u>	<u>367,892</u>	<u>(1)</u>	<u>(1,060)</u>	<u>497,488</u>
Fund balances, July 1, 2007	<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>
<b>Fund balances, June 30, 2008</b>	<u>\$ 198,783</u>	<u>\$ 464,831</u>	<u>\$ 192,430</u>	<u>\$ 1,711,608</u>	<u>\$ (1)</u>	<u>\$ (1,258)</u>	<u>\$ 2,566,393</u>

**CITY OF CORCORAN  
COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUND  
JUNE 30, 2008**

	<u>Corcoran Joint Powers Finance Authority</u>	<u>Corcoran Redevelopment Agency Debt Service Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents:			
Unrestricted	\$ 847,983	\$ 675	\$ 848,658
Cash with fiscal agent:			
Restricted	334,573	76,605	411,178
Receivables:			
Taxes	65,038	-	65,038
Interest	5,931	-	5,931
Other	25,600	-	25,600
Advances to other funds	<u>784,795</u>	<u>-</u>	<u>784,795</u>
 Total assets	 <u>\$ 2,063,920</u>	 <u>\$ 77,280</u>	 <u>\$ 2,141,200</u>
<b><u>FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 221,382	\$ -	\$ 221,382
Deferred revenue	25,600	-	25,600
Due to other funds	<u>10,934</u>	<u>-</u>	<u>10,934</u>
 Total liabilities	 <u>257,916</u>	 <u>-</u>	 <u>257,916</u>
 Fund balances:			
Reserved	-	87,051	87,051
Unreserved:			
Undesignated	<u>1,806,004</u>	<u>(9,771)</u>	<u>1,796,233</u>
 Total fund balances	 <u>1,806,004</u>	 <u>77,280</u>	 <u>1,883,284</u>
 Total liabilities and fund balances	 <u>\$ 2,063,920</u>	 <u>\$ 77,280</u>	 <u>\$ 2,141,200</u>

**CITY OF CORCORAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	Corcoran Joint Powers Finance Authority	Corcoran Redevelopment Agency Debt Service Fund	Total
<b>REVENUES:</b>			
Property taxes	\$ 716,473	\$ -	\$ 716,473
Use of money and property	<u>31,193</u>	<u>72,877</u>	<u>104,070</u>
Total revenues	<u>747,666</u>	<u>72,877</u>	<u>820,543</u>
<b>EXPENDITURES</b>			
Current services:			
General government	21,195	2,379	23,574
Debt service:			
Principal	170,000	30,000	200,000
Interest and fiscal charges	<u>196,008</u>	<u>42,218</u>	<u>238,226</u>
Total expenditures	<u>387,203</u>	<u>74,597</u>	<u>461,800</u>
Net change in fund balances	360,463	(1,720)	358,743
Other financing sources (uses):			
Operating transfer (out)	<u>(600,000)</u>	<u>-</u>	<u>(600,000)</u>
Total other financing sources (uses)	<u>(600,000)</u>	<u>-</u>	<u>(600,000)</u>
Net change in fund balances	(239,537)	(1,720)	(241,257)
Fund balances, July 1, 2007	<u>2,045,541</u>	<u>79,000</u>	<u>2,124,541</u>
Fund balances, June 30, 2008	<u>\$ 1,806,004</u>	<u>\$ 77,280</u>	<u>\$ 1,883,284</u>

**CITY OF CORCORAN  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECT FUND  
 JUNE 30, 2008**

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

**CITY OF CORCORAN  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECT FUND  
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Corcoran Joint Powers Finance Authority</u>
REVENUES:	
Property taxes	\$ <u>          -</u>
Total revenues	<u>          -</u>
EXPENDITURES:	
Current:	
General government	<u>          -</u>
Total expenditures	<u>          -</u>
Excess (deficiency) of revenues over (under) expenditures	-
Fund balances, July 1, 2007	<u>          20,792</u>
Fund balances, June 30, 2008	<u><u>          \$ 20,792</u></u>

**CITY OF CORCORAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

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	\$ 724
(State Program)	14.228	05-STBG-1956	01/20/06	12/31/09	500,000	<u>668,390</u>
Total Community Development Block Grants						<u>669,114</u>
HOME Investment Partnership Program:						
(State HOME Program)	14.239	04-HOME-0717	05/23/03	04/30/06	600,000	104,626
(State HOME Program)	14.239	06-HOME-2345	05/27/05	08/31/07	600,000	<u>200,465</u>
Total HOME Investment Partnership Program						<u>305,091</u>
Total U.S. Department of Housing and Urban Development						<u>974,205</u>
Total expenditures of federal awards						<u>\$ 974,205</u>

**CITY OF CORCORAN  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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

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

To the Honorable Mayor and City Council  
City of Corcoran  
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, 2008, and have issued our report thereon dated February 20, 2009. 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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 08-01.

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*

February 20, 2009



**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, 2008. 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, 2008.

**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.

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.

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.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, City Council, management of the City, 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*

February 20, 2009

## FINDINGS AND QUESTIONED COSTS



**CITY OF CORCORAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? \_\_\_\_\_ Yes  X  No

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness identified? \_\_\_\_\_ Yes  X  No

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a) \_\_\_\_\_ Yes  X  No

**IDENTIFICATION OF MAJOR PROGRAMS**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
14.239	HOME Investment Partnership Program

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, 2008**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 08-01**

During our audit, we noted that the Redevelopment Agency's fiscal year 2006-07 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.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**CITY OF CORCORAN  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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.

Recommendation

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.

Status

Not implemented

**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.

Recommendation

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

Status

Implemented

**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.

Recommendation

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

Status

Implemented

**CITY OF CORCORAN  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Finding 07-04**

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

Recommendation

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

Status

Implemented

**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.

Recommendation

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

Status

Implemented

**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.

Recommendation

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

Status

Implemented

**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.

Recommendation

Interest should be properly allocated to the Redevelopment Agency funds.

Status

Implemented

**CITY OF CORCORAN  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

**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.

Recommendation

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.

Status

Implemented

**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. This requirement is identified in the Community Development Block Grant, CFDA No. 14.228, passed-through the State of California under the U.S. Department of Housing and Urban Development, according to the rules and guidelines of OMB Circular A-133 *Compliance Supplement*.

Recommendation

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

Status

Implemented

**CITY OF CORCORAN  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2008**

**Response to Finding 08-01**

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.