

CITY OF DELANO
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
June 30, 2011

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Delano, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Delano, California (City), as of and for the year ended June 30, 2011, 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 of Delano, California's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described further in note 1 to the financial statements, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of GASB Statement No. 54.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis, budgetary comparison information and other required supplementary information on pages 3 through 11 and 79 through 107 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Delano's basic financial statements. The combining nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements 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.

Mayer Hoffman McCann P.C.

Bakersfield, California
December 8, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Delano provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting the City as a Whole

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

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

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

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

Reporting the City's Most Significant Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Reporting the City's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Table 1
Net Assets
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current & other assets	\$ 71,425	\$ 50,116	\$ 4,431	\$ (324)	\$ 75,856	\$ 49,792
Capital assets	147,129	149,625	59,226	51,156	206,355	200,781
Total assets	218,554	199,741	63,657	50,832	282,211	250,573
Long-term debt outstanding	43,210	16,533	37,337	28,639	80,547	45,172
Other liabilities	10,010	12,704	5,917	981	15,927	13,685
Total liabilities	53,220	29,237	43,254	29,620	96,474	58,857
Net assets						
Invested in capital assets						
net of debt	147,129	149,570	21,890	22,880	169,019	172,450
Restricted	13,095	14,946	-	-	13,095	14,946
Unrestricted	5,110	5,988	(1,487)	(1,668)	3,623	4,320
Total net assets	<u>\$ 165,334</u>	<u>\$ 170,504</u>	<u>\$ 20,403</u>	<u>\$ 21,212</u>	<u>\$ 185,737</u>	<u>\$ 191,716</u>

Net assets of the City's governmental activities decreased by \$5.2 million (from \$170.5 million in FY10 to \$165.3 million in FY11). This was due to net decreases in capital grants and other contributions and other revenues compared to the prior year and increases in expenditures in the areas of public works and servicing of loans interest.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The net assets for the business-type activities for FY10 decreased from the prior year by \$809 thousand (FY10 was \$21,212 and FY11 \$20,403).

Table 2
Statement of Activities
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for services	5,525	5,656	9,686	8,585	15,211	14,241
Capital grants and contributions	1,841	4,643	-	-	1,841	4,643
Operating grants and contributions	12,792	9,651	737	1,479	13,529	11,130
General revenues:					-	-
Property taxes	5,196	5,824	-	-	5,196	5,824
Other taxes	13,840	7,632	-	-	13,840	7,632
Other general revenues	1,900	5,787	58	69	1,958	5,856
Total revenues	<u>41,094</u>	<u>39,193</u>	<u>10,481</u>	<u>10,133</u>	<u>51,575</u>	<u>49,326</u>
Program expenses						
General government	6,561	6,584	-	-	6,561	6,584
Public safety	19,836	19,403	-	-	19,836	19,403
Public works	10,393	9,730	-	-	10,393	9,730
Engineering services	565	541	-	-	565	541
Culture & recreation	2,674	2,613	-	-	2,674	2,613
Community development	1,895	2,203	-	-	1,895	2,203
Pass thru Education	475	518	-	-	475	518
Long-term debt interest/charges	1,708	956	-	-	1,708	956
Water/sewer	-	-	8,182	7,841	8,182	7,841
Refuse	-	-	2,744	2,840	2,744	2,840
Non-major enterprise funds (Airport and Transit)	-	-	2,333	2,308	2,333	2,308
Loss on sale of property	-	21	-	93	-	114
Total expenses	<u>44,107</u>	<u>42,569</u>	<u>13,259</u>	<u>13,082</u>	<u>57,366</u>	<u>55,651</u>
Excess (deficiency) before transfers	(3,013)	(3,376)	(2,778)	(2,949)	(5,791)	(6,325)
Transfers In and Out	(2,154)	(2,385)	1,969	2,158	(185)	(227)
Increase (decrease) in assets	(5,167)	(5,761)	(809)	(791)	(5,976)	(6,552)
Net assets beginning of year, as previously reported	170,503	175,619	21,212	30,747	191,715	206,366
Prior period adjustment	-	645	-	(8,744)	-	(8,099)
Net assets end of year, as restated	<u>165,336</u>	<u>170,503</u>	<u>20,403</u>	<u>21,212</u>	<u>185,739</u>	<u>191,715</u>

The City is able to report a positive net asset balance as a whole. The decrease from the previous fiscal year 2010 and fiscal year 2011 is \$5.9 million or 3%. Expenditures in many departments increased in total by \$1.7 million. Revenues in total increased by \$2 million, the outlook for an increase in net assets city wide is positive. The City has been implementing expenditure reductions to enable them to operate according to the projected reduction in revenues due to the economic conditions that now exist.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net assets for the Governmental activities had a decrease of \$5.2 million in net assets. This decrease is a result of 3.6% (\$1.5 million) increase in expenditures, even though revenues increased by 4.8% or (\$1.9 million) the increase in revenues was barely enough to offset the current year increase in expenditures. The main increase in expenditure was related to long-term debt interest/charges.

Net assets for the Business-Type activities had a decrease of \$809,000 thousand dollars in net assets. The decrease is contributed to the water fund incurring expenses for the State Mandated Arsenic Mitigation Project that will not be covered by the SRF Loan, old write-offs for customer water accounts.

The net assets for the Business-Type activities will increase in the future because the City's proprietary funds are highly capital intensive, requiring a significant investment in capital equipment and facilities to conduct operations. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Expenses and revenues for the City's governmental activities both increased, with a negative difference of \$5.2 million. The unreserved (unrestricted) fund balance in the general fund balance decreased by \$318,000 thousand compared to a \$146,000 thousand last fiscal year. The current year minimal difference was a result of servicing long-term debt/interest. The City has implemented expenditure reductions to enable it to operate according to projected reduction in revenues due to the economic condition that now exists. The Department Heads, City Manager, and the City Council are working diligently to assure that the fund balance in the General Fund is being maintained.

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

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

Delano Industrial Expansions – Paramount Citrus, an existing employer is undergoing expansion of an additional 10 acres, which will in turn create additional 500 new jobs. Railex, a rail distribution facility has plans to add an additional train to their existing route and provide for an additional 100 new jobs.

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

These three projects are predicting to bring in over \$2 million dollars in annual revenues.

The cost of all governmental activities this year was \$57.3 million compared to \$55.7 million last year. However, as shown in the statement of activities the amount that our tax payers ultimately financed for these activities through the City taxes was only \$13.7 million because some of the cost was paid by those who directly benefited from the programs \$7.3 million or by other governments and organizations that subsidized certain programs with grants and contributions \$12.8 million. The City paid for the remaining "public benefit" portion of government activities with \$7.6 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased from (\$10.1 million in 2010 to \$10.5 million in 2011)

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

MAJOR FUNDS

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

Major Governmental Funds, the **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$7.1 million as compared to last fiscal year's unreserved fund balance of \$7.4 million, while total fund balance reached \$7.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 45% of total general fund expenditures, while total fund balance represents 47% of that same amount.

During the current fiscal year, the City's general fund balance decreased by \$156,000 thousand. Revenues increased by \$883,000 and expenditures decreased by \$560,000 from last year. Overall the General Fund performed very well this fiscal year, but a transfer out of \$2.1 million to the debt service fund for servicing of the principal and interest payment for the Lease Revenue Bond 2010A caused the decrease.

The Community Correctional Facility (CCF) unreserved fund balance increased by approximately \$1.9 million during the fiscal year, due to collection of anticipated revenue in the amount of \$2 million. In prior year the revenue was recorded as deferred revenue because it was not available within 60 days of the end of prior year.

The Developer Impact Fees unreserved fund balance had a decrease of approximately \$325,000 thousand as a result of the sewer impact fees expensed for the effluent pipeline improvements and expenditures.

The Redevelopment Agency Debt Service Fund has a restricted fund balance of \$7.5 million. No major change in fund balance from prior fiscal year due to recent changes in legislation affecting California Redevelopment Agencies. Further reading can be found in Note 14 under Commitments and Contingencies to the accompanying notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Major Enterprise Funds. Net assets of all the enterprise funds combined decreased by \$773,000 thousand. Below is a condensed statement of cash flows for the proprietary funds for June 30, 2011, with comparative amounts for 2010.

Business-Type Activities	2011	2010
Net Cash used in operating activities:	(746,833)	(2,209,776)
Net Cash provided by non-capital financing activities:	1,969,334	2,157,767
Net Cash used in capital and relating financing activities:	(1,223,916)	(6,539,175)
Net Cash provided by investing activities:	1,767	6,828
Net increase in cash and cash equivalents:	352	(6,584,356)
Cash and cash equivalents, beginning of year	-	6,584,356
Cash and cash equivalents, beginning of year	352	-

CAPITAL ASSETS

Capital Assets
(net of depreciation)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	5,058	5,058	3,184	3,184	8,242	8,242
Buildings	3,248	3,853	1,488	1,616	4,736	5,469
Improvements	12,851	9,434	8,671	9,666	21,522	19,100
Infrastructure	119,411	125,382	-	-	119,411	125,382
Equipment & Machinery	2,097	2,531	3,463	3,626	5,560	6,157
Construction in progress	4,464	3,367	42,420	33,064	46,884	36,431
Total	147,129	149,625	59,226	51,156	206,355	200,781

MANAGEMENT'S DISCUSSION AND ANALYSIS

LONG-TERM DEBT

Outstanding Debt
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Lease Revenue Bond 2010A	26,715	-	-	-	26,715	-
Tax allocation bonds	14,890	15,130	-	-	14,890	15,130
Notes payable	-	55	-	-	-	55
Compensated absences	830	951	365	363	1,195	1,314
Capital Lease	133	-	-	-	133	-
Net OPEB obligation	642	397	-	-	642	397
Refuse loans payable	-	-	-	45	-	45
Water loans payable	-	-	4,552	3,678	4,552	3,678
Sewer loans payable	-	-	32,068	24,554	32,068	24,554
	<u>43,210</u>	<u>16,533</u>	<u>36,985</u>	<u>28,640</u>	<u>80,195</u>	<u>45,173</u>

At the end of the current fiscal year, the City had bonded debt outstanding of \$41.6 million, debt secured by pledged assets amounts to \$133 thousand, and the remaining debt was compensated absences and net OPEB obligation, as shown below. The bonded debt is secured by pledged tax increment revenues. For fiscal year 2011 policies have been implemented throughout the city to reduce the liability for accrued compensated absences.

During the current fiscal year, the City paid off \$532 thousand in general government long-term debt and \$467 thousand in the business-type debt. In addition the City issued a Lease Revenue Bond 2010A to provide funds for funding of certain capital improvements within the City, including the Woollomes Avenue Bridge Project located at the interchange of Woollomes Avenue and State Route 99, extending east to High Street and west to Garzoli Avenue within the City and a police station.

Additional information on the City's long-term debt can be found in Note 8 to the accompanying notes to the financial statements.

GENERAL FUND BUDGET

Differences between the original budget expenditures and the final amended budget expenditures of the General Fund were \$1.4 million. The original budget for the current fiscal year was \$18.1 million and the final budget from budget reduction sessions and other City Council approvals throughout the fiscal year 2011 was \$16.7 million.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office, at 661-721-3310 or at the City of Delano, 1015 – 11th Ave, Delano, CA 93215.

BASIC FINANCIAL STATEMENTS

CITY OF DELANO
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and investments	21,270,825	352	\$ 21,271,177
Cash with fiscal agents	27,177,624	-	27,177,624
Receivables (net of allowance for uncollectibles)	3,613,561	1,490,995	5,104,556
Due from other funds	2,784,330	1,969,065	4,753,395
Inventories	152,685	113,136	265,821
Prepays and other assets	249,573	-	249,573
Advances to other funds	-	857,162	857,162
Bond issuance costs	453,490	-	453,490
Land held for resale	5,749,360	-	5,749,360
Deferred charges	2,328,838	-	2,328,838
Restricted assets:			
Deposits with insurance company	102,076	-	102,076
Loans receivable - long term	7,542,187	-	7,542,187
Capital assets:			
Non-depreciable	9,521,678	45,604,112	55,125,790
Depreciable, net of accumulated depreciation	137,607,376	13,621,891	151,229,267
Total assets	218,553,603	63,656,713	282,210,316
LIABILITIES			
Accounts payable	2,057,362	412,029	2,469,391
Other accrued expenses	477,484	114,342	591,826
Accrued interest payable	353,667	365,665	719,332
Due to other funds	-	4,573,657	4,573,657
Advances from other funds	857,162	-	857,162
Deferred revenue	6,180,145	21,189	6,201,334
Deposits payable	84,186	66,316	150,502
Long-term liabilities:			
Compensated absences	829,609	364,554	1,194,163
Net OPEB obligation	642,359	-	642,359
Due within one year	1,169,250	1,857,604	3,026,854
Due in more than one year	40,568,609	35,478,828	76,047,437
Total liabilities	53,219,833	43,254,184	96,474,017
NET ASSETS			
Invested in capital assets, net of related debt	147,129,054	21,889,571	169,018,625
Restricted for:			
Land held for development	5,749,360	-	5,749,360
Community and economic development	3,747,641	-	3,747,641
Debt service	1,707,490	-	1,707,490
Highways and streets	916,511	-	916,511
Culture and recreation	193,143	-	193,143
Other purposes	780,727	-	780,727
Unrestricted	5,109,844	(1,487,042)	3,622,802
Total net assets	\$165,333,770	\$ 20,402,529	\$ 185,736,299

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

CITY OF DELANO
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
General government	6,561,343	3,288,150	2,128,564	500,488	(644,141)	-	(644,141)
Public safety	19,836,178	103,312	8,446,840	424,432	(10,861,594)	-	(10,861,594)
Public works	10,392,866	1,985,773	1,867,270	472,249	(6,067,574)	-	(6,067,574)
Engineering services	565,339	38,337	-	-	(527,002)	-	(527,002)
Culture and recreation	2,674,055	109,387	348,868	-	(2,215,800)	-	(2,215,800)
Community and economic development	1,895,470	-	-	443,540	(1,451,930)	-	(1,451,930)
Pass thru payments	475,378	-	-	-	(475,378)	-	(475,378)
Interest on long-term debt and fiscal charges	1,708,054	-	-	-	(1,708,054)	-	(1,708,054)
Total governmental activities	<u>44,108,683</u>	<u>5,524,959</u>	<u>12,791,542</u>	<u>1,840,709</u>	<u>(23,951,473)</u>	<u>-</u>	<u>(23,951,473)</u>
Business-type activities:							
Water and sewer	8,182,310	6,993,034	-	-	-	(1,189,276)	(1,189,276)
Refuse	2,744,226	2,221,705	-	-	-	(522,521)	(522,521)
Non-major enterprise funds	2,332,775	471,166	736,809	-	-	(1,124,800)	(1,124,800)
Total business-type activities	<u>13,259,311</u>	<u>9,685,905</u>	<u>736,809</u>	<u>-</u>	<u>-</u>	<u>(2,836,597)</u>	<u>(2,836,597)</u>
Total primary government	<u>57,367,994</u>	<u>15,210,864</u>	<u>13,528,351</u>	<u>1,840,709</u>	<u>(23,951,473)</u>	<u>(2,836,597)</u>	<u>(26,788,070)</u>
			General revenues				
			Property taxes	5,196,111	-	-	5,196,111
			Sales taxes	8,518,752	-	-	8,518,752
			Franchise taxes	567,706	-	-	567,706
			Motor fuel tax	242,076	-	-	242,076
			Motor vehicle in lieu tax	3,572,430	-	-	3,572,430
			Other taxes	939,202	-	-	939,202
			Fees and fines	282,856	-	-	282,856
			Licenses and permits	165,744	-	-	165,744
			Revenues from use of money and property	10,305	-	-	10,305
			Intergovernmental	1,118,016	-	-	1,118,016
			Investment earnings	205,520	1,767	-	207,287
			Miscellaneous	117,457	55,889	-	173,346
			Transfers in (out)	(2,154,145)	1,969,334	-	(184,811)
			Total general revenues and transfers	<u>18,782,030</u>	<u>2,026,990</u>	<u>-</u>	<u>20,809,020</u>
			Change in net assets	(5,169,443)	(809,607)	-	(5,979,050)
			Net assets - beginning	170,503,213	21,212,136	-	191,715,349
			Net assets - ending	<u>165,333,770</u>	<u>20,402,529</u>	<u>-</u>	<u>185,736,299</u>

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

FUND FINANCIAL STATEMENTS

**CITY OF DELANO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	CCF Fund	Developer Impact Fees Fund
ASSETS			
Cash and investments	1,129,756	100	9,919,338
Cash with fiscal agents	-	-	-
Receivables:			
Accounts	220,081	-	-
Taxes	1,253,820	-	-
Intergovernmental	-	1,280,522	-
Other	34,732	-	-
Due from other funds	5,710,047	-	-
Inventories	26,691	48,776	-
Prepays and other assets	249,573	-	-
Land held for resale	-	-	-
Loans receivable	-	-	-
Advances to other funds	55,071	-	-
Total assets	8,679,771	1,329,398	9,919,338
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	813,428	63,579	5,710
Other accrued expenses	275,993	127,087	-
Due to other funds	-	1,329,570	-
Advances from other funds	-	-	-
Deferred revenue	74,668	-	-
Deposits payable	73,816	-	-
Total liabilities	1,237,905	1,520,236	5,710
Fund Balances:			
Nonspendable	331,335	48,776	-
Restricted	-	-	9,913,628
Assigned	-	-	-
Unassigned	7,110,531	(239,614)	-
Total fund balances	7,441,866	(190,838)	9,913,628
Total liabilities and fund balances	8,679,771	1,329,398	9,919,338

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

**CITY OF DELANO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	Capital Projects 2010A	First Time Home Buyers Program Fund	CRA Capital Projects Fund
ASSETS			
Cash and investments	-	31,966	1,290,284
Cash with fiscal agents	24,020,750	-	-
Receivables:			
Accounts	-	2,142	-
Taxes	-	-	-
Intergovernmental	-	-	-
Other	-	-	-
Due from other funds	-	-	-
Inventories	-	-	-
Prepays and other assets	-	-	-
Land held for resale	-	-	5,749,360
Loans receivable	-	3,642,258	514,042
Advances to other funds	-	-	-
Total assets	<u>24,020,750</u>	<u>3,676,366</u>	<u>7,553,686</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	202,278	65,694	77,445
Other accrued expenses	-	-	6,634
Due to other funds	404,142	-	-
Advances from other funds	-	-	-
Deferred revenue	-	3,642,258	-
Deposits payable	-	-	-
Total liabilities	<u>606,420</u>	<u>3,707,952</u>	<u>84,079</u>
Fund Balances:			
Nonspendable	-	-	-
Restricted	23,414,330	-	7,469,607
Assigned	-	-	-
Unassigned	-	(31,586)	-
Total fund balances	<u>23,414,330</u>	<u>(31,586)</u>	<u>7,469,607</u>
Total liabilities and fund balances	<u>24,020,750</u>	<u>3,676,366</u>	<u>7,553,686</u>

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

**CITY OF DELANO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	5,684,018	18,055,462
Cash with fiscal agents	3,156,874	27,177,624
Receivables:		
Accounts	2,306,563	2,528,786
Taxes	21,068	1,274,888
Intergovernmental	99,013	1,379,535
Other	42	34,774
Due from other funds	100,000	5,810,047
Inventories	30,139	105,606
Prepays and other assets	-	249,573
Land held for resale	-	5,749,360
Loans receivable	3,385,887	7,542,187
Advances to other funds	427,813	482,884
	<u> </u>	<u> </u>
Total assets	<u>15,211,417</u>	<u>70,390,726</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	785,764	2,013,898
Other accrued expenses	47,217	456,931
Due to other funds	1,290,406	3,024,118
Advances from other funds	1,244,850	1,244,850
Deferred revenue	4,370,134	8,087,060
Deposits payable	10,370	84,186
	<u> </u>	<u> </u>
Total liabilities	<u>7,748,741</u>	<u>14,911,043</u>
Fund Balances:		
Nonspendable	30,139	410,250
Restricted	7,071,084	47,868,649
Assigned	544,567	544,567
Unassigned	(183,114)	6,656,217
	<u> </u>	<u> </u>
Total fund balances	<u>7,462,676</u>	<u>55,479,683</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>15,211,417</u>	<u>70,390,726</u>

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

CITY OF DELANO
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Fund balances of governmental funds \$ 55,479,683

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

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

Governmental capital assets	146,372,910	
Capital assets of internal service funds	<u>756,144</u>	147,129,054

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

Net assets included in governmental activities	3,943,296	
Capital assets reflected above	(756,144)	
Long-term debt	<u>26,938</u>	3,214,090

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

Governmental long-term debt	(43,182,889)	
Internal Service Fund debt	<u>(26,938)</u>	(43,209,827)

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (353,667)

Unamortized issuance costs on bonds payable has not been reported in the governmental funds 2,782,328

Deferred revenues in governmental funds that are eliminated in the Government-Wide Statement of Net Assets 292,109

Net assets of governmental activities \$ 165,333,770

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

CITY OF DELANO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	General Fund	CCF Fund	Developer Impact Fees Fund
REVENUES:			
Property taxes	\$ 2,082,790	\$ -	\$ -
Sales taxes	7,310,966	-	-
Franchise taxes	567,706	-	-
Motor fuel tax	-	-	-
Motor vehicle in lieu tax	3,572,430	-	-
Other taxes	939,202	-	-
Fees and fines	103,199	-	-
Licenses and permits	165,744	-	-
Revenues from use of money and property	10,305	-	-
Intergovernmental	1,788,248	10,066,547	-
Program income	-	-	-
Charges for services	1,112,982	-	879,874
Investment earnings	34,112	-	42,474
Amortization of premium	-	-	-
Miscellaneous	33,289	4,296	-
Total revenue	<u>17,720,973</u>	<u>10,070,843</u>	<u>922,348</u>
EXPENDITURES:			
Current			
General government	3,517,836	-	4,008
Public safety	10,034,731	8,160,778	24,603
Public works	-	-	12,024
Engineering services	305,584	-	-
Culture and recreation	1,639,342	-	4,008
Community and economic development	-	-	-
Pass thru payments	-	-	-
Debt service			
Principal	100,963	-	-
Interest	14,717	-	-
Bond issuance discount	-	-	-
Capital outlay			
	80,048	-	-
Total expenditures	<u>15,693,221</u>	<u>8,160,778</u>	<u>44,643</u>
Excess (deficiency) of revenues over expenditures	<u>2,027,752</u>	<u>1,910,065</u>	<u>877,705</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from bond	-	-	-
Transfers in	279,481	50,000	-
Transfers out	(2,463,523)	(9,317)	(1,874,949)
Total other financing sources and uses	<u>(2,184,042)</u>	<u>40,683</u>	<u>(1,874,949)</u>
Net change in fund balances	(156,290)	1,950,748	(997,244)
Total fund balances (deficit), beginning	<u>7,598,156</u>	<u>(2,141,586)</u>	<u>10,910,872</u>
Total fund balances (deficit), ending	<u>\$ 7,441,866</u>	<u>\$ (190,838)</u>	<u>\$ 9,913,628</u>

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

CITY OF DELANO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	Capital Projects 2010A	First Time Home Buyers Program Fund	CRA Capital Projects Fund
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Sales taxes	-	-	-
Franchise taxes	-	-	-
Motor fuel tax	-	-	-
Motor vehicle in lieu tax	-	-	-
Other taxes	-	-	-
Fees and fines	-	-	-
Licenses and permits	-	-	-
Revenues from use of money and property	-	-	-
Intergovernmental	-	440,540	-
Program income	-	-	-
Charges for services	-	-	450
Investment earnings	24,337	24	4,466
Amortization of premium	-	-	-
Miscellaneous	-	-	625
Total revenue	<u>24,337</u>	<u>440,564</u>	<u>5,541</u>
EXPENDITURES:			
Current			
General government	-	-	3,568
Public safety	-	-	-
Public works	-	-	-
Engineering services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	472,151	398,236
Pass thru payments	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	8,156
Bond issuance discount	-	-	-
Capital outlay	2,496,453	-	-
Total expenditures	<u>2,496,453</u>	<u>472,151</u>	<u>409,960</u>
Excess (deficiency) of revenues over expenditures	<u>(2,472,116)</u>	<u>(31,587)</u>	<u>(404,419)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from bond	26,300,000	-	-
Transfers in	-	262,318	357,701
Transfers out	(413,554)	(15,721)	-
Total other financing sources and uses	<u>25,886,446</u>	<u>246,597</u>	<u>357,701</u>
Net change in fund balances	23,414,330	215,010	(46,718)
Total fund balances (deficit), beginning	-	(246,596)	7,516,325
Total fund balances (deficit), ending	<u>\$ 23,414,330</u>	<u>\$ (31,586)</u>	<u>\$ 7,469,607</u>

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

CITY OF DELANO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	Other Governmental Funds	Total Governmental Funds
REVENUES:		
Property taxes	\$ 3,113,321	\$ 5,196,111
Sales taxes	1,207,786	8,518,752
Franchise taxes	-	567,706
Motor fuel tax	242,076	242,076
Motor vehicle in lieu tax	-	3,572,430
Other taxes	-	939,202
Fees and fines	179,657	282,856
Licenses and permits	-	165,744
Revenues from use of money and property	-	10,305
Intergovernmental	5,217,893	17,513,228
Program income	384,584	384,584
Charges for services	109,387	2,102,693
Investment earnings	92,884	198,297
Amortization of premium	40,114	40,114
Miscellaneous	31,142	69,352
Total revenue	<u>10,618,844</u>	<u>39,803,450</u>
EXPENDITURES:		
Current		
General government	1,169,690	4,695,102
Public safety	841,495	19,061,607
Public works	1,458,182	1,470,206
Engineering services	-	305,584
Culture and recreation	598,086	2,241,436
Community and economic development	1,100,532	1,970,919
Pass thru payments	475,378	475,378
Debt service		
Principal	254,030	354,993
Interest	1,485,631	1,508,504
Bond issuance discount	477,358	477,358
Capital outlay	3,594,430	6,170,931
Total expenditures	<u>11,454,812</u>	<u>38,732,018</u>
Excess (deficiency) of revenues over expenditures	<u>(835,968)</u>	<u>1,071,432</u>
OTHER FINANCING SOURCES (USES):		
Proceeds from bond	415,000	26,715,000
Transfers in	12,460,607	13,410,107
Transfers out	<u>(10,771,794)</u>	<u>(15,548,858)</u>
Total other financing sources and uses	<u>2,103,813</u>	<u>24,576,249</u>
Net change in fund balances	1,267,845	25,647,681
Total fund balances (deficit), beginning	<u>6,194,831</u>	<u>29,832,002</u>
Total fund balances (deficit), ending	<u>\$ 7,462,676</u>	<u>55,479,683</u>

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

CITY OF DELANO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Net changes in fund balances - total governmental funds \$ 25,647,681

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

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

Governmental capital outlay	6,329,170	
Internal service fund decrease in capital assets	<u>(103,578)</u>	6,225,592

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

Governmental capital assets	(8,690,318)	
Capital assets of internal service funds	<u>(131,778)</u>	(8,822,096)

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

Governmental loss	<u>(2,961)</u>	(2,961)
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Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net expenditure of the internal service funds was reported with governmental activities.

(31,772)

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

Total governmental long-term debt	90,582	
Internal service fund debt	<u>26,938</u>	117,520

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

(245,029)

Issuance and repayment of long-term debt is a revenue in governmental funds, but increases long-term liabilities in the government-wide statements of net assets

(26,715,000)

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

161,968

Bond issuance cost is an expenditure in governmental funds, but the costs are amortized over the term of the debt on the government-wide statement of activities

453,490

Accrued interest payable is not reported in the governmental funds.

(93,467)

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

(86,259)

Revenues recorded as in government-wide statement of activities in prior year recorded as revenues in the governmental funds in the current year.

(1,779,110)

Change in net assets of governmental activities

\$ (5,169,443)

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

PROPRIETARY FUNDS

CITY OF DELANO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Refuse Fund	Water & Sewer Fund	Non-Major Enterprise Funds	Totals	Internal Service Fund
ASSETS					
Cash and investments	\$ -	\$ 202	\$ 150	\$ 352	\$ 3,215,363
Receivables:					
Accounts	442,652	731,760	253,029	1,427,441	10,384
Intergovernmental	14,505	-	-	14,505	-
Other	1,239	47,256	554	49,049	-
Due from other funds	-	1,969,065	-	1,969,065	-
Inventories	-	110,593	2,543	113,136	47,079
Advances to other funds	176,947	585,019	-	761,966	-
Restricted assets:					
Deposits with insurance company	-	-	-	-	102,076
Capital assets:					
Non-depreciable	-	44,462,896	1,141,216	45,604,112	-
Depreciable, net of accumulated depreciation	1,071,936	9,689,740	2,860,215	13,621,891	756,144
Total assets	1,707,279	57,596,531	4,257,707	63,561,517	4,131,046
LIABILITIES					
Accounts payable	146,225	251,716	14,088	412,029	43,464
Other accrued expenses	26,723	64,845	22,774	114,342	20,553
Accrued interest payable	-	365,665	-	365,665	-
Due to other funds	150,500	4,101,193	321,964	4,573,657	1,599
Deferred revenue	21,189	-	-	21,189	-
Deposits payable	18,454	47,862	-	66,316	-
Long-term liabilities:					
Compensated absences	85,076	186,569	92,909	364,554	26,938
Due within one year	-	1,857,604	-	1,857,604	-
Due in more than one year	-	35,478,828	-	35,478,828	-
Total liabilities	448,167	42,354,282	451,735	43,254,184	92,554
NET ASSETS					
Invested in capital assets, net of related debt	1,071,936	16,816,204	4,001,431	21,889,571	756,144
Unrestricted					
Refuse	187,176	-	-	187,176	-
Water & Sewer	-	(1,573,955)	-	(1,573,955)	-
Airport	-	-	(173,720)	(173,720)	-
Transit	-	-	(21,739)	(21,739)	-
Internal Service Fund	-	-	-	-	3,282,348
Total net assets	\$ 1,259,112	\$ 15,242,249	\$ 3,805,972	\$ 20,307,333	\$ 4,038,492
				95,196	(95,196)
				\$ 20,402,529	\$ 3,943,296

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

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

CITY OF DELANO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Refuse Fund	Water & Sewer Fund	Non-Major Enterprise Funds	Totals	Internal Service Fund
Operating Revenues:					
Charges for services	\$ 2,221,705	\$ 6,993,034	\$ 471,166	\$ 9,685,905	\$ 3,037,683
Miscellaneous	19,227	5,185	31,477	55,889	10,687
Total operating revenue	<u>2,240,932</u>	<u>6,998,219</u>	<u>502,643</u>	<u>9,741,794</u>	<u>3,048,370</u>
Operating Expenses:					
Personnel	1,145,118	2,655,441	832,691	4,633,250	718,885
Maintenance and operations	1,370,980	3,849,689	1,017,049	6,237,718	2,339,619
Depreciation expense	222,571	1,647,782	303,861	2,174,214	131,778
Miscellaneous	3,759	6,438	169,232	179,429	3,829
Total operating expenses	<u>2,742,428</u>	<u>8,159,350</u>	<u>2,322,833</u>	<u>13,224,611</u>	<u>3,194,111</u>
Operating income (loss)	<u>(501,496)</u>	<u>(1,161,131)</u>	<u>(1,820,190)</u>	<u>(3,482,817)</u>	<u>(145,741)</u>
Nonoperating revenues (expenses):					
Intergovernmental	-	-	736,809	736,809	-
Interest income	-	-	1,767	1,767	7,223
Interest expense	(1,798)	(22,960)	(9,942)	(34,700)	(9,638)
Total nonoperating revenues (expenses)	<u>(1,798)</u>	<u>(22,960)</u>	<u>728,634</u>	<u>703,876</u>	<u>(2,415)</u>
Transfers in	-	8,731,074	-	8,731,074	-
Transfers out	-	(6,758,499)	(3,241)	(6,761,740)	(15,394)
Total transfers	<u>-</u>	<u>1,972,575</u>	<u>(3,241)</u>	<u>1,969,334</u>	<u>(15,394)</u>
Change in net assets	(503,294)	788,484	(1,094,797)	(809,607)	(163,550)
Total net assets (deficit), beginning	<u>1,762,406</u>	<u>14,453,765</u>	<u>4,900,769</u>	<u>21,116,940</u>	<u>4,202,042</u>
Total net assets (deficit), ending	<u>\$ 1,259,112</u>	<u>\$ 15,242,249</u>	<u>\$ 3,805,972</u>	<u>\$ 20,307,333</u>	<u>\$ 4,038,492</u>

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

CITY OF DELANO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Refuse Fund	Water & Sewer Fund	Non-Major Proprietary Funds	Total Proprietary Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Total operating revenues	\$ 2,406,886	\$ 7,021,655	\$ 312,892	\$ 9,741,433	\$ 3,045,172
Intergovernmental revenues	53,337	163,068	1,955,800	2,172,205	(95,196)
Payments to employees	(1,143,496)	(2,633,876)	(836,996)	(4,614,368)	(727,136)
Maintenance and operations	(1,269,600)	(5,816,913)	(959,590)	(8,046,103)	(2,351,016)
Net cash provided by (used in) operating activities	<u>47,127</u>	<u>(1,266,066)</u>	<u>472,106</u>	<u>(746,833)</u>	<u>(128,176)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Operating transfers in	-	8,731,074	-	8,731,074	-
Operating transfers out	-	(6,758,499)	(3,241)	(6,761,740)	(15,394)
Net cash provided by (used in) noncapital and related financing activities	<u>-</u>	<u>1,972,575</u>	<u>(3,241)</u>	<u>1,969,334</u>	<u>(15,394)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	(9,833,127)	(460,540)	(10,293,667)	(8,382)
Interest expense	(1,798)	(22,960)	(9,942)	(34,700)	(9,638)
Proceeds from long-term debt	-	9,507,325	-	9,507,325	-
Payments on long-term debt	(45,329)	(401,667)	-	(446,996)	-
Disposition of capital assets	-	44,122	-	44,122	-
Net cash used in capital and related financing activities	<u>(47,127)</u>	<u>(706,307)</u>	<u>(470,482)</u>	<u>(1,223,916)</u>	<u>(18,020)</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES					
Interest income	-	-	1,767	1,767	7,223
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>1,767</u>	<u>1,767</u>	<u>7,223</u>
Net increase (decrease) in cash	-	202	150	352	(154,367)
Cash, beginning of year	-	-	-	-	3,369,730
Cash, end of year	<u>\$ -</u>	<u>\$ 202</u>	<u>\$ 150</u>	<u>\$ 352</u>	<u>\$ 3,215,363</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (497,737)	\$ (1,159,410)	\$ (1,820,190)	\$ (3,477,337)	\$ (145,741)
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	222,571	1,647,782	303,861	2,174,214	131,778
Intergovernmental expenditures	-	-	736,809	736,809	-
(Increase) decrease in:					
Receivables	145,889	13,721	(189,751)	(30,141)	(3,198)
Due from other funds	-	(1,969,065)	-	(1,969,065)	-
Intergovernmental receivables	53,337	163,068	1,218,991	1,435,396	-
Inventory	-	(31,084)	-	(31,084)	12,539
Increase (decrease) in:					
Accounts payable	(24,045)	(8,437)	(15,782)	(48,264)	(21,706)
Compensated absences	(828)	9,312	(7,058)	1,426	(3,813)
Due to other funds	125,425	46,079	242,473	413,977	1,599
Other current liabilities	2,450	12,253	2,753	17,456	(4,438)
Deposits	5,560	9,715	-	15,275	-
Deferred revenues	14,505	-	-	14,505	-
Net cash provided by (used in) operating activities	<u>\$ 47,127</u>	<u>\$ (1,266,066)</u>	<u>\$ 472,106</u>	<u>\$ (746,833)</u>	<u>\$ (128,176)</u>

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

FIDUCIARY FUNDS

CITY OF DELANO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	Pension Trust	Agency Funds	Total
ASSETS			
Cash and investments	\$ 20,584,452	\$ 568,389	\$ 21,152,841
Cash with fiscal agent	-	33,803	33,803
Contributions receivable and other receivables	310	4,966	5,276
Prepaid assets	112,532	-	112,532
Total assets	\$ 20,697,294	\$ 607,158	\$ 21,304,452
LIABILITIES			
Accounts payable	\$ 66,876	\$ 763	\$ 67,639
Due to other funds	179,738	-	179,738
Deposits payable	-	22,058	22,058
CRA pass thru liability	-	471,012	471,012
Other liabilities	1,449	113,325	114,774
Total liabilities	248,063	607,158	855,221
NET ASSETS			
Held in trust for pension benefits and other purposes	\$ 20,449,231	\$ -	\$ 20,449,231

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

CITY OF DELANO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2011

	<u>Pension Trust</u>
Additions:	
Employer contributions	\$ 1,806,341
Employee contributions	207,899
Income from use of money & property	167,218
Net appreciation in fair value of investments	2,888,172
Miscellaneous revenues	<u>821</u>
 Total additions	 <u>5,070,451</u>
Deductions:	
Benefits	1,039,441
Refunds of contributions	637,183
Administrative expenses	<u>207,527</u>
 Total deductions	 <u>1,884,151</u>
 Change in net assets	 3,186,300
 Net assets - beginning of year	 <u>17,262,931</u>
 Net assets - ending of year	 <u>\$ 20,449,231</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(1) Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

B. New Pronouncement

In February 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for periods beginning after June 15, 2010. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balances are to be reported as nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The City implemented this statement for fiscal year 2010-2011 financial statements.

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements

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

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

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major governmental funds:

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

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

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

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

The Capital Projects 2010A Fund accounts for administrative costs for construction projects. The principal source of revenue is proceeds from issuance of long-term debt.

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

The City reports the following major proprietary funds:

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

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

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

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

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

Receivables and Payables

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

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

Receivables and Payables (Continued)

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

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

Inter-fund Transactions

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

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

Inventories and Prepaid Items

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

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

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

Restricted Assets

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

Land Held for Resale

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

Capital Assets

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

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

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

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

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

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

Compensated Absences

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Net Assets/Fund Balance

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

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

Net Assets/Fund Balance (Continued)

Fund balances are reported in the fund statements in the following classifications:

Nonspendable fund balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Restricted fund balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed fund balance – this includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned fund balance – this includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance – this includes all amounts not included in other spendable classifications.

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

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

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This resulting category presents the remaining City net assets and this measure of equity is unrestricted, legally or otherwise.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

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

Net Assets/Fund Balance (Continued)

unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Cash Flow Statements

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

Deficit Fund Balances

The following funds had a deficit fund balance:

Governmental activities:	
First Time Home Buyer Special Revenue Fund	(31,586)
CCF Fund	(190,838)
Senior Citizen's Nutrition Fund	(33,047)
Golf Course Fund	(141,080)
Asset Seizure Fund	(650)

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

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

The City expects to transfer additional funds from the General Fund to the Senior Citizen's Nutrition Fund, as needed.

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

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(1) Summary of Significant Accounting Policies (Continued)

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

Classification of Fund Balances

A detail of the classification of fund balances is as follows:

	General Fund	CCF Fund	Developer Impact Service Fund	Cap Prof 2010A	First Time Home Buyers Program Fund	CRA Capital Projects Fund	Other Governmental Fund	Total
Fund balances:								
Nonspendable:								
Prepaid items	\$ 249,573	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,573
Inventory	26,691	48,776	-	-	-	-	30,139	105,606
Advances	55,071	-	-	-	-	-	-	55,071
Restricted for:								
Capital projects	-	-	-	23,414,330	-	7,469,607	414,111	31,298,048
Water and sewer	-	-	5,145,456	-	-	-	-	5,145,456
Community and economic development	-	-	-	-	-	-	2,541,436	2,541,436
Debt service	-	-	-	-	-	-	2,639,267	2,639,267
Highways and streets	-	-	1,837,094	-	-	-	502,400	2,339,494
Other purposes	-	-	964,828	-	-	-	775,497	1,740,325
Public safety	-	-	953,161	-	-	-	5,230	958,391
Culture and recreation	-	-	675,167	-	-	-	193,143	868,310
Park development	-	-	337,922	-	-	-	-	337,922
Assigned to:								
Capital projects	-	-	-	-	-	-	360,554	360,554
Other purposes	-	-	-	-	-	-	184,013	184,013
Unassigned:	7,110,531	(239,614)	-	-	(31,586)	-	(183,114)	6,656,217
Total fund balances	\$7,441,866	\$ (190,838)	\$ 9,913,628	\$ 23,414,330	\$ (31,586)	\$ 7,469,607	\$ 7,462,676	\$ 55,479,683

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount or revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(2) Stewardship, Compliance and Accountability

Budgetary Information

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

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(2) Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

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

(3) Deposits and Investments

The City's cash and investments consist of the following at June 30, 2011:

Deposits	\$ 8,417,775
Cash on hand	1,791
Investments	34,038,255
Cash and investments	42,457,821
Cash and Investments with Fiscal Agents	27,177,624
Total	\$ 69,635,445

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

	<u>Governmental</u>	<u>Business</u>	<u>Internal</u>	<u>Fiduciary</u>	<u>Total</u>
	<u>Activities</u>	<u>Type Activities</u>	<u>Service Funds</u>	<u>Funds</u>	
Cash and Investments	\$ 18,055,462	\$ 352	\$ 3,215,363	\$ 21,186,644	\$ 42,457,821
Cash with Fiscal Agents	27,177,624	-	-	-	27,177,624
	\$ 45,233,086	\$ 352	\$ 3,215,363	\$ 21,186,644	\$ 69,635,445

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(3) Deposits and Investments (Continued)

Authorized Investments

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

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

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

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

City Treasurer	\$ 42,457,821
Fiscal Agents (Bond trustees for the City and its component units)	27,177,624
Pension fund investment committee	<u>20,584,452</u>
Total	<u><u>\$ 90,219,897</u></u>

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(3) Deposits and Investments (Continued)

Authorized Investments (Continued)

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

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

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

Interest Rate Risk

Interest rate risk is that risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City and its component units' investments to market rate fluctuations is provided in the table below that shows the distribution by maturity.

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(3) Deposits and Investments (Continued)

Interest Rate Risk (Continued)

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

	Investment Maturities (in Years)			Total
	Less than 1	1-5	More than 5	
Guaranteed Investment Contracts	\$ -	\$ 1,993,080	\$ 27,177,622	\$ 29,170,702
Certificate of Deposit	989,959	1,189,012	-	2,178,971
California Local Agency Investment Fund	13,147,389	-	-	13,147,389
	<u>\$ 14,137,348</u>	<u>\$ 3,182,092</u>	<u>\$ 27,177,622</u>	<u>\$ 44,497,062</u>

Credit Risk

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

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

Investment Type	Ratings as of Year End	
	A+	Total
Fixed Income	<u>\$ 1,993,080</u>	\$ 1,993,080
<i>Not rated:</i>		
California Local Agency Investment Fund		13,147,389
Fixed Income		1,018,952
Lease Revenue Bond		26,158,670
		<u>\$ 42,318,091</u>

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(3) Deposits and Investments (Continued)

Deposits Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's deposit policy requires deposits to be covered by federal deposit insurance and collateral having a market value of 110% of the uninsured deposit. As of June 30, 2011, the City's bank balance was \$7,787,069 (carrying amount of \$6,731,073); of the bank balance, \$2,744,994 was insured and \$5,042,075 was secured by collateral held by the City's agent in the agent's name.

Investments Custodial Credit Risk

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

To minimize custodial credit risk with respect to investments with fiscal agents, the City and its component units require that they meet certain credit ratings from either Standard & Poor's or Moody's Investors Service. Of the City's investments \$28,151,750 are securities, which are subject to custodial credit risk. These securities are held by the City's agents or brokers and they are not held in the City's name.

Concentration of Credit Risk

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

The City's investment policy places no limit on the amount that may be invested in any one issuer. During the year there were no investments representing more than 5% of the City's total investments.

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(3) Deposits and Investments (Continued)

Pension Trust

The City of Delano reports the City of Delano Employee Pension Plan, the Pension Trust, as a Fiduciary Fund in the Fund Financial Statements. Deposits and investments of the Pension Trust are governed by the Pension Committee of the City of Delano Employee Pension Plan. The information relates to deposits and investments that are reported in the Pension Trust.

Administrative expenses

Certain expenses of the Plan are paid by the Plan and are financed through its investment earnings.

The City of Delano Pension Plan's (the Plan) cash and investments consist of the following at June 30, 2011:

Deposits	\$ 1,686,666
Investments	<u>18,897,786</u>
Total	<u><u>20,584,452</u></u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The Plan's deposit policy requires deposits to be covered by federal depository insurance and collateral having a market value of 110% of the uninsured deposit. As of June 30, 2011, the Plan has a bank balance of \$1,686,666. Of the bank balance, \$890,418 was covered by federal depository insurance or collateral held by the Plan's agent in the Plan or agent's name. Included in deposits are money market funds totaling \$796,248 of which \$796,248 was exposed to custodial credit risk.

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(3) Deposits and Investments (Continued)

Pension Trust (Continued)

Investments

At June 30, 2011, the Plan had the following investments:

Domestic Stocks	\$ 10,979,510
Investment Contract	3,855,491
International Stocks	3,050,239
Annuities	666,368
Mutual Funds	317,548
Corporate Bonds	15,059
Other Investments	<u>13,571</u>
 Total	 <u><u>\$ 18,897,786</u></u>

Authorized Investments

The investments listed above are managed by the trustee under the direction of the City of Delano Pension Committee. The Plan has not adopted a formal investment policy. The Plan's investments are held by various agents consisting of insurance companies, financial institutions, and nationally recognized brokerage firms. The investments may be held in direct form, pooled form, or both.

Custodial Credit Risk

For an investment held in the form of securities, custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Plan's investments, \$13,058,379 are securities and subject to custodial credit risk. These securities are held by the Plan's agents or brokers and they are not held in the Plan's name.

Credit Risk and Interest Rate Risk

At June 30, 2011, the Plan's investments subject to credit risk and interest rate risk consist of the following:

Investment Types	Amount	Less than 1	1 to 5
Mutual Funds	\$ 317,548	\$ 317,548	\$ -
Corporate Bonds	15,059	15,059	-
Investment Contract	3,855,491	2,000,000	1,855,491
Other Investments	13,571	13,571	-
	<u>\$ 4,201,669</u>	<u>\$ 2,346,178</u>	<u>\$ 1,855,491</u>

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(3) Deposits and Investments (Continued)

Pension Trust (Continued)

Investment Type	Amount	Ratings as of Year End			Not Rated
		AAA	A	A-1+	
Mutual Funds	\$ 317,548	\$ -	\$ -	\$ -	\$ 317,548
Corporate Bonds	15,059	15,059	-	-	-
Investment Contract	3,855,491	-	-	-	3,855,491
Other Investments	13,571	-	-	-	13,571
	<u>\$4,201,669</u>	<u>\$15,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,186,610</u>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk can be measured by obtaining ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's or, Moody's Investors service, to name a few. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater will be the sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk

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

The Plan places no limit on the amount the Plan may invest in any one issuer. The following investment represents more than 5% of the Plan's total investments at June 30, 2011:

Issuer	Type of Investment	Amount
Great West Life and Annuity Insurance Company	Investment Contract	\$ 3,855,491

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(4) Receivables

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

	<u>Taxes</u>	<u>Accounts</u>	<u>Intergovernmental</u>	<u>Other</u>
Governmental funds:				
General Fund	\$ 1,253,820	\$ 220,081	\$ -	\$ 34,732
CCF Fund	-	-	1,280,522	-
First Time Home Buyers Fund	-	2,142	-	-
Other Governmental Funds	21,068	2,306,563	99,013	42
Total governmental funds	<u>1,274,888</u>	<u>2,528,786</u>	<u>1,379,535</u>	<u>34,774</u>
Governmental Activities				
Internal Service Fund	-	10,384	-	-
Enterprise Funds	-	1,427,441	14,505	49,049
Fiduciary Funds	-	5,276	-	-
Total	<u>\$ 1,274,888</u>	<u>\$ 3,971,887</u>	<u>\$ 1,394,040</u>	<u>\$ 83,823</u>

(5) Notes/Loans Receivable

Notes and loans receivable consist of the following at June 30, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Notes Receivable				
Low-Moderate Housing Fund				
Limited Partnership	\$ 630,000	\$ -	\$ -	\$ 630,000
Casitas-80 L.P.	218,000	-	-	218,000
	<u>848,000</u>	<u>-</u>	<u>-</u>	<u>848,000</u>
Loans Receivable				
CDBG Fund	2,199,097	-	-	2,199,097
First Time Homebuyers				
Housing Fund	3,321,820	320,438	-	3,642,258
Other Miscellaneous Fund	87,645	251,145	-	338,790
Automobile dealership	579,664	-	65,622	514,042
	<u>6,188,226</u>	<u>571,583</u>	<u>65,622</u>	<u>6,694,187</u>
Total Notes/Loans Receivable	<u>\$ 7,036,226</u>	<u>\$ 571,583</u>	<u>\$ 65,622</u>	<u>\$ 7,542,187</u>

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(5) Notes/Loans Receivable (Continued)

A. Notes Receivable

CRA Low-Moderate Housing Fund

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

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

B. Loans Receivable

CDBG Fund

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

First Time Homebuyer's Housing Fund

Loans receivable in the amount of \$3,642,795 represents various home buyer assistance program loans. Under most agreements, loans are free of interest and principal payments are deferred for 30 years from the date of each agreements so long as the borrower or an approved member of the borrower's immediate family maintains continuous residence on the property. Deferred payment of principal shall become immediately due and payable at such time as either (1) the borrower, or upon the death of the borrower, an approved family member who would then be considered the

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(5) Notes/Loans Receivable (Continued)

B. Loans Receivable (Continued)

First Time Homebuyer's Housing Fund (Continued)

borrower, ceases to maintain continuous residence on the property or (2) title to the property is transferred. Loans are secured by lien over property and a legally binding documentation approved by the City requiring borrowers to maintain the property in a good state of repair, to insure the property, and to pay all taxes levied on the property. A deferred amount has been recorded in the governmental fund financial statements as the loans do not represent current financial resources.

Other Miscellaneous Fund

Loans receivable in the amount of \$338,863 represents various home buyer assistance and rehabilitation loans under the CALHOME program. Under most agreements, loans are free of interest and principal payments are deferred for 30 years from the date of each agreement so long as the borrower or an approved member of the borrower's immediate family maintains continuous residence on the property. Deferred payment of principal shall become immediately due and payable at such time as either (1) the borrower, or upon the death of the borrower, an approved family member who would then be considered the borrower, ceases to maintain continuous residence on the property or (2) title to the property is transferred. Loans are secured by lien over property and a legally binding documentation approved by the

City requiring borrowers to maintain the property in a good state of repair, to insure the property, and to pay all taxes levied on the property. A deferred amount has been recorded in the governmental fund financial statements as the loans do not represent current financial resources.

CRA Capital Project Fund

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(5) Notes/Loans Receivable (Continued)

B. Loans Receivable (Continued)

CRA Capital Project Fund (Continued)

The loan is subject to the condition that if the automobile dealership generates sales tax in excess of \$192,000 in a 12 month period, the principal will be reduced dollar-for-dollar for the excess amount. The outstanding balance of the loan as of June 30, 2011 was \$514,042.

Deferred Revenue

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2011, the various components of deferred revenue are as follows:

Deferred Revenues:	
General Fund	\$ 74,668
First Time Home Buyers Program Fund	3,642,258
Other Governmental Funds	<u>4,370,134</u>
Total governmental funds	8,087,060
Less: deferred revenues recognized in the statement of net assets	<u>(1,906,915)</u>
Total statement of net assets	<u><u>\$ 6,180,145</u></u>

(6) Inter-fund Transactions

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(6) Inter-fund Transactions (Continued)

Due To / Due From

Inter-fund due from/to other funds at June 30, 2011, were as follows:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds		
General Fund	\$ 5,710,047	\$ -
CCF Fund	-	1,329,570
Cap Prj 2010A	-	404,142
Other Governmental Funds	100,000	1,290,406
Business-type Funds		
Refuse Fund	-	150,500
Water & Sewer Fund	1,969,065	4,101,193
Airport Fund	-	160,691
Transit Fund	-	161,273
Governmental Activities		
Internal Service Funds	-	1,599
Fiduciary Funds		
Pension Trust	-	179,738
	<u>\$ 7,779,112</u>	<u>\$ 7,779,112</u>

Transfers In / Out

Transfers in/out consist of the following at June 30, 2011

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds		
General Fund	\$ 279,481	\$ 2,463,523
CCF Fund	50,000	9,317
Developer Impact Fees Fund	-	1,874,949
Cap Proj 2010A	-	413,554
First Time Home Buyer Special Revenue Fund	262,318	15,721
CRA Capital Project Fund	357,701	-
Other Governmental Funds	12,460,607	10,771,794
	<u>13,410,107</u>	<u>15,548,858</u>

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(6) Inter-fund Transactions (Continued)

	Transfer In	Transfer Out
Business-type Funds		
Water & Sewer Fund	8,731,074	6,758,499
Airport Fund	-	3,241
	<u>8,731,074</u>	<u>6,761,740</u>
Governmental Activities Internal		
Service Funds:		
Central Garage Fund	-	15,394
	<u>-</u>	<u>15,394</u>
Fiduciary Funds		
Trust Deposits	-	44,506
CRA Pass-thru Fund	286,650	57,333
	<u>286,650</u>	<u>57,333</u>
	<u>\$ 22,427,831</u>	<u>\$ 22,427,831</u>

Advances To / From Other Funds

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

	Advances From	Advances To
Governmental Activities		
General Fund	\$ -	\$ 55,071
CRA Debt Service Fund	1,244,850	-
Low-Moderate Housing Fund	-	427,813
Business Type Activites		
Refuse Fund	-	176,947
Water & Sewer Fund	-	585,019
	<u>-</u>	<u>585,019</u>
	<u>\$ 1,244,850</u>	<u>\$ 1,244,850</u>

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(7) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, No Depreciation				
Land	\$ 5,057,841	\$ -	\$ -	\$ 5,057,841
Construction in Progress	3,366,866	3,436,117	(2,339,146)	4,463,837
Total Capital Assets, Not Depreciated	<u>8,424,707</u>	<u>3,436,117</u>	<u>(2,339,146)</u>	<u>9,521,678</u>
Capital Assets, Being Depreciated				
Buildings	14,795,682	-	-	14,795,682
Improvements	19,090,258	5,129,056	-	24,219,314
Equipment and Machinery	7,259,392	103,143	(222,732)	7,139,803
Infrastructure	149,264,000	-	-	149,264,000
Total Capital Assets, Being Depreciated	<u>190,409,332</u>	<u>5,232,199</u>	<u>(222,732)</u>	<u>195,418,799</u>
Less Accumulated Depreciation for:				
Buildings	(10,942,807)	(605,270)	-	(11,548,077)
Improvements	(9,656,034)	(1,711,850)	-	(11,367,884)
Equipment and Machinery	(4,728,017)	(534,416)	219,771	(5,042,662)
Infrastructure	(23,882,240)	(5,970,560)	-	(29,852,800)
Total Accumulated Depreciation	<u>(49,209,098)</u>	<u>(8,822,096)</u>	<u>219,771</u>	<u>(57,811,423)</u>
Total Capital Assets, Being Depreciated, Net	<u>141,200,234</u>	<u>(3,589,897)</u>	<u>(2,961)</u>	<u>137,607,376</u>
Governmental Activities Capital Assets, Net	<u>\$ 149,624,941</u>	<u>\$ (153,780)</u>	<u>\$ (2,342,107)</u>	<u>\$ 147,129,054</u>
Business-Type Activities				
Capital Assets, No Depreciation				
Land	\$ 3,183,749	\$ -	\$ -	\$ 3,183,749
Construction in Progress	33,064,135	9,383,991	(27,763)	42,420,363
Total Capital Assets, Not Depreciated	<u>36,247,884</u>	<u>9,383,991</u>	<u>(27,763)</u>	<u>45,604,112</u>
Capital Assets, Being Depreciated				
Buildings	6,090,159	-	(583,636)	5,506,523
Improvements	21,519,302	346,368	(22,852)	21,842,818
Equipment and Machinery	15,169,973	580,833	(332,698)	15,418,108
Total Capital Assets, Being Depreciated	<u>42,779,434</u>	<u>927,201</u>	<u>(939,186)</u>	<u>42,767,449</u>
Less Accumulated Depreciation for:				
Buildings	(4,473,980)	(124,990)	579,476	(4,019,494)
Improvements	(11,853,299)	(1,340,875)	22,686	(13,171,488)
Equipment and Machinery	(11,543,887)	(708,349)	297,660	(11,954,576)
Infrastructure	-	-	-	-
Total Accumulated Depreciation	<u>(27,871,166)</u>	<u>(2,174,214)</u>	<u>899,822</u>	<u>(29,145,558)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,908,268</u>	<u>(1,247,013)</u>	<u>(39,364)</u>	<u>13,621,891</u>
Business-Type Activities Capital Assets, Net	<u>\$ 51,156,152</u>	<u>\$ 8,136,978</u>	<u>\$ (67,127)</u>	<u>\$ 59,226,003</u>

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(7) Capital Assets (Continued)

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

Governmental activities:

General government	\$ 196,746
Public safety	625,312
Public works	7,319,036
Engineering services	259,755
Culture, recreation and social services	412,040
Community and economic development	9,207
Total	\$ 8,822,096

Business-type activities:

Refuse	\$ 222,571
Water & Sewer	1,647,782
Airport	110,575
Transit	193,286
Total	\$ 2,174,214

(8) Long-term Debt

A recap of the long-term debt and their outstanding balances by activity as of June 30, 2011, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Within More Than One Year
Governmental activities:						
Bonds payable:						
Tax allocation refunding bonds series A	\$ 12,485,000	\$ -	\$ -	\$ 12,485,000	\$ -	\$ 12,485,000
Tax allocation refunding bonds series B	2,645,000	-	240,000	2,405,000	250,000	2,155,000
Lease revenue series 2010A	-	26,715,000	-	26,715,000	855,000	25,860,000
Total bonds payable	15,130,000	26,715,000	240,000	41,605,000	1,105,000	40,500,000
Notes payable						
Bank of America - Police - GF	20,221	-	20,221	-	-	-
Bank of America - Parks - GF	20,575	-	20,575	-	-	-
Bank of America - Gas Tax	14,031	-	14,031	-	-	-
Total notes payable	54,827	-	54,827	-	-	-
Capital Lease obligation	-	193,026	60,167	132,859	64,250	68,609
Net OPEB obligation	397,330	298,607	53,578	642,359	-	642,359
Compensated absences payable	950,942	2,369	123,702	829,609	-	829,609
Governmental activities	\$ 16,533,099	\$ 27,209,002	\$ 532,274	\$ 43,209,827	\$ 1,169,250	\$ 42,040,577

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(8) Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Within More Than One Year
Business-type activities:						
Notes payable						
LaSalle Bank - Water	\$ 471,602	\$ -	\$ 128,536	\$ 343,066	\$ 133,409	\$ 209,657
Bank of America - Refuse	45,328	-	45,328	-	-	-
Chevron Energy Solutions - Water	3,205,527	-	273,131	2,932,396	297,301	2,635,095
Public Health - Water	-	1,276,511	-	1,276,511	-	1,276,511
State of California - Sewer	<u>24,553,645</u>	<u>8,230,814</u>	<u>-</u>	<u>32,784,459</u>	<u>1,426,894</u>	<u>31,357,565</u>
Total notes payable	28,276,102	9,507,325	446,995	37,336,432	1,857,604	35,478,828
Compensated absences payable	<u>363,129</u>	<u>21,004</u>	<u>19,579</u>	<u>364,554</u>	<u>20,393</u>	<u>344,161</u>
Business-type activities						
Long-term liability	<u>\$ 28,639,231</u>	<u>\$ 9,528,329</u>	<u>\$ 466,574</u>	<u>\$ 37,700,986</u>	<u>\$ 1,877,997</u>	<u>\$ 35,822,989</u>

Tax Allocation Refunding Bonds

Tax Allocation Refunding Bond Series A (Issue 2003) - On June 1, 2003, the Agency issued \$12,485,000 in tax allocation refunding bonds. All bonds are term bonds. The principal and interest are payable from tax increment revenue received by the Agency and by amounts in certain funds and accounts established under indenture. Interest is 5.5% for \$2,065,000, 5.00% for \$10,420,000, and payable semi-annually on March 1 and September 1 each year, commencing September 1, 2003. Principal payment is due on September 1 each year beginning September 1, 2016. The outstanding balance as of June 30, 2011, was \$12,485,000.

Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 634,575	\$ 634,575
2013	-	634,575	634,575
2014	-	634,575	634,575
2015	-	634,575	634,575
2016	-	634,575	634,575
2017-2021	760,000	3,152,525	3,912,525
2022-2026	2,295,000	2,727,050	5,022,050
2027-2031	2,940,000	2,077,250	5,017,250
2032-2036	3,755,000	1,265,000	5,020,000
2037-2039	<u>2,735,000</u>	<u>277,750</u>	<u>3,012,750</u>
	<u>\$ 12,485,000</u>	<u>\$ 12,672,450</u>	<u>\$ 25,157,450</u>

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(8) Long-term Debt (Continued)

Tax Allocation Refunding Bonds Series B (Issue 2003) - On June 1, 2003, the Delano Redevelopment Agency issued \$3,880,000 in tax allocation refunding bonds. All the bonds are term bonds. The principal and interest are payable from tax increment revenue received by the Delano Redevelopment Agency and by amounts in certain funds and accounts established under the indenture. Interest is 5.14% for \$1,250,000, 5.66% for \$1,620,000, and payable semi-annually on March 1 and September 1 each year, commencing September 1, 2003. Principal payment is due on September 1 each year. The outstanding balance as of June 30, 2011, was \$2,405,000.

Debt service payments to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 250,000	\$ 132,041	\$ 382,041
2013	260,000	119,191	379,191
2014	275,000	105,827	380,827
2015	290,000	91,692	381,692
2016	305,000	75,278	380,278
2017-2019	1,025,000	118,011	1,143,011
	<u>\$ 2,405,000</u>	<u>\$ 642,040</u>	<u>\$ 3,047,040</u>

Notes Payable

LaSalle Bank – Water

The Water Utility fund owes the LaSalle Bank for a note due to mature on July 25, 2013, at 3.756% per annum for the purchase and installation of a booster pump on Water Plant No. 5. The debt is paid out of operating revenue and the outstanding obligation as of June 30, 2011, was \$343,066.

Debt service amounts to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 133,409	\$ 11,645	\$ 145,054
2013	138,497	6,587	145,084
2014	71,160	1,337	72,497
	<u>\$ 343,066</u>	<u>\$ 19,569</u>	<u>\$ 362,635</u>

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(8) Long-term Debt (Continued)

Chevron Energy Solutions

On December 17, 2007, the City signed a lease-purchase agreement with Chevron Energy Solutions to install energy saving facilities within the City. In connection with this project, the City signed a 20-year lease/purchase agreement with the City Capital Municipal Finance, whereby the payments to the lessor are based on a 10 year term with an interest rate of 4.25%. Principal payments began May 2009. As of June 30, 2011 the outstanding obligation was \$2,932,397.

Debt service amounts to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 297,302	\$ 119,979	\$ 417,281
2013	322,890	106,941	429,831
2014	349,963	92,792	442,755
2015	378,598	77,468	456,066
2016	408,876	60,901	469,777
2017-2019	<u>1,174,768</u>	<u>72,920</u>	<u>1,247,688</u>
	<u>\$ 2,932,397</u>	<u>\$ 531,001</u>	<u>\$ 3,463,398</u>

California State Water Resource Control Board

On October 01, 2008, The City entered a project finance agreement with the State Water Resources Control Board for the construction of the Wastewater Treatment Plant Expansion. In connection with this project, the City agreed to pay all project funds at an interest rate of 1% per annum, amortized over 20 years. Construction project was completed during July, 2011. At the completion of project, the City would accumulate \$33,418,792 of notes payable to the State Water Board. Upon completion of the project \$2,000,000 of the principal due under the agreement will be forgiven resulting in \$31,418,792 of notes payable to the State Water Board. Principal payments start in January 01, 2012. As of June 30, 2011, the outstanding obligation, including accrued interest, was \$32,784,459.

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(8) Long-term Debt (Continued)

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

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

State of California Department of Public Health

The City entered into a project finance agreement with the State of California Department of Public Health to assist in financing construction of a project which will enable the City to meet safe drinking water standards. The City agreed to pay all project funds at an interest rate of 0% per annum, amortized over 20 years. The construction project is expected to be completed by December 2013. At the completion of the project, the City will accumulate \$20,709,156 of notes payable to the State of California Department of Public Health. Principal payments start in December 01, 2014. As of June 30, 2011, the outstanding obligation was \$1,276,511.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$1,035,458	\$ -	\$1,035,458
2016	1,035,458	-	1,035,458
2017	1,035,458	-	1,035,458
2018	1,035,458	-	1,035,458
2019	1,035,458	-	1,035,458
2020-2024	5,177,289	-	5,177,289
2025-2029	5,177,289	-	5,177,289
2030-2034	5,177,288	-	5,177,288
	<u>\$20,709,156</u>	<u>\$ -</u>	<u>\$20,709,156</u>

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(8) Long-term Debt (Continued)

Lease Revenue Bonds

Lease Revenue Bonds Series 2010A. On November 12, 2010 the Delano Financing Authority, a component unit of the City of Delano, issued bonds in the amount of \$26,715,000, to provide funds for the funding of certain capital improvements within the City of Delano, California, including the Woollomes Avenue Bridge Project and a Police station. The principal and interest are payable exclusively from the revenues and other funds as is provided in the Indenture. Interest is 5.0% for \$9,225,000 and 5.25% for \$17,460,000 and payable semi-annually of the first of June and December of each year, commencing June 01, 2011. Principal payments are due on December first of each year. The outstanding balance as of June 30, 2011 was 26,715,000.

Debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 855,000	\$ 1,212,262	\$ 2,067,262
2013	920,000	1,194,513	2,114,513
2014	940,000	1,171,212	2,111,212
2015	970,000	1,140,138	2,110,138
2016	1,000,000	1,103,162	2,103,162
2017-2012	5,710,000	4,782,138	10,492,138
2022-2026	7,170,000	3,284,856	10,454,856
2027-2031	9,150,000	1,240,400	10,390,400
	<u>\$ 26,715,000</u>	<u>\$ 15,128,681</u>	<u>\$ 41,843,681</u>

Capital Lease

On November 17, 2009 the City, entered into a four year lease in the amount of \$266,292, for eight patrol vehicles for the Police Department. The principal and interest are payable exclusively from the general fund. Annually are due commencing December 20, 2010. The outstanding balance as of June 30, 2011 was 132,859.

Compensated Absences

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(9) Risk Management

The City participates with other public entities in a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that the CSJVRMA is not a component unit of the City for financial reporting purposes. The City carries a self-insured retention of \$50,000 for general liability claims and \$100,000 for workers' compensation claims. The City is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers' compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula, which among other expenses, charges the City's account for liability losses under \$50,000 and workers' compensation losses under \$100,000. The CSJVRMA participates in two excess pools which provide general liability coverage from \$1,000,001 to \$15,000,000 and workers' compensation coverage from \$500,001 to \$50,000,000. The CCF maintains a \$25,000 self-insured retention for general liability.

The CSJVRMA is a consortium of fifty-five (55) cities in the San Joaquin Valley, California. It was established under the provisions of California Government Code Section 8500 et seq. A Board of Directors governs the CSJVRMA, which meets 3 times per year, consisting of one member appointed by each member City. A management group employed by the CSJVRMA handles day-to-day business. The financial position and results of operations for the CSJVRMA (unaudited) as of June 30, 2011 (most recent information available), are presented below:

Total Assets	\$ 101,409,059
Total Liabilities	<u>87,910,081</u>
Net Assets	<u><u>\$ 13,498,978</u></u>
Total Revenues	\$ 26,883,955
Total Expenses	<u>25,268,901</u>
Change in Net Assets	<u><u>\$ 1,615,054</u></u>

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(9) Risk Management (Continued)

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

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

Fiscal Year Ended June 30,	Contributed by the City	Assessed (Refunded) to the City	Current Year Provision for Claims	Claim Payments	City's Fund Balance
Workers compensation:					
2009	\$ 487,352	\$ 179,034	\$ 150,772	\$ (551,373)	\$ (229,979)
2010	\$ 566,439	\$ 49,859	\$ (250,631)	\$ (522,342)	\$ (386,654)
2011	\$ 677,520	\$ 43,478	\$ (1,987,748)	\$ 688,416	\$ (964,988)
Liability and property damage:					
2009	\$ 368,431	\$ (78,030)	\$ (251,516)	\$ (17,074)	\$ 332,055
2010	\$ 378,954	\$ (29,182)	\$ (209,494)	\$ (39,427)	\$ 432,906
2011	\$ 372,059	\$ (53,249)	\$ (441,893)	\$ 66,489	\$ 376,312

(10) Employees Retirement System

A. City of Delano Employees Pension Plan

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

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

The Plan membership as of June 30, 2011, was comprised as follows:

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(10) Employees Retirement System (Continued)

A. City of Delano Employees Pension Plan

	2011
Active Members	
Vested (active members 100% vested)	96
Non-vested (active members less than 100% vested)	121
Total Active Members	217
Terminated Members Entitled to but Not Yet	
Receiving Benefits	69
Retirees and Beneficiaries of Deceased	14
Retirees Currently Receiving Benefits	45
Total	345

Pension Benefits

Employees are entitled to monthly retirement benefits beginning at normal retirement age (60). City employees who retire at the normal retirement age receive benefits that are partially integrated with social security and are computed by multiplying the first \$833 average monthly compensation by 2% plus the average monthly compensation times 2.4% for amounts in excess of \$833 by the number of years of credit service.

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

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

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(10) Employees Retirement System (Continued)

Funding Policy

The Plan's funding policy under the City Ordinance 941 provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. For the year ended June 30, 2011, the annual required contribution to the Plan by the City was determined at 23.848% of covered payroll. Contributions aggregating \$2,014,240 were made in fiscal year 2011, which were over the recommended rate as adopted by the City Council, which is the recommended contribution rate set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27. Such amounts are determined using the modified entry age normal cost method. Any variance between contributions needed and contributions made is adjusted in the following fiscal year. These minimum contributions are recognized currently in the statement of changes in net assets available for benefits. Any additional contributions by employees are funded and recognized currently through payroll deductions in amounts specified by the employee. Costs of administering the Plan are charged against Plan assets.

Funding Status and Progress

As of June 30, 2010, the most recent actuarial valuation date, the Plan was 63.78% funded. The actuarial accrued liability for benefits was \$32,480,826 and the actuarial value of assets was \$20,715,515, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,765,311. The covered payroll as of June 30, 2010 valuation was \$8,552,939. The ratio of UAAL to the covered payroll was 137.56%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, and investment returns. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 90 following the notes to financial statements, and also shown below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Fiscal Year Ending June 30,	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Projected Unit Credit	(3) Funded Rates (%) (1)/(2)	(4) Unfunded AAL (UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL (%) (4)/(5)
2008	\$ 18,426,143	\$ 27,169,641	67.82%	\$ 8,743,498	\$ 7,296,505	119.83%
2009	\$ 18,323,795	\$ 29,881,644	61.32%	\$ 11,557,849	\$ 8,128,608	142.19%
2010	\$ 20,715,515	\$ 32,480,826	63.78%	\$ 11,765,311	\$ 8,552,939	137.56%

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(10) Employees Retirement System (Continued)

Contributions

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

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

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

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

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(10) Employees Retirement System (Continued)

Actuarial Methods and Assumptions

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

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(10) Employees Retirement System (Continued)

B. CalPERS

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

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

Funding Policy

Active Plan members in the Safety Plan are required to contribute 9% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2010-11 was 28.036% for police officers. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

As of June 30, 2011, the City's Safety Police Plan membership consists of 46 active, 11 transferred, 3 separated, and 7 retired.

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(10) Employees Retirement System (Continued)

Annual Pension Cost

For fiscal year 2010-11, the estimated City's annual pension cost was \$789,495 and the City actually contributed \$789,495. The required contribution for fiscal year 2010-11 was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by age, duration of service, and type of employment ranging from 3.55% to 14.45% for safety members, and (c) 3.25% to payroll growth. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of the Safety Plan's assets was determined using a technique that smoothes the effect of short term volatility in the market value of investments over a fifteen year period. The Safety Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll over a closed 20 year period and the average remaining period is 16 years as of June 30, 2009 (valuation date).

Three-Year Trend Information for the Safety Plan:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 789,495	100.00%	\$ -
6/30/2009	\$ 763,908	100.00%	\$ -
6/30/2008	\$ 697,097	100.00%	\$ -

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

(11) Other Post Employment Benefits (OPEB)

Plan Description

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For fiscal year 2010-11, the City's annual OPEB cost was \$298,607. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB, and the net OPEB obligation for the year ended June 30, 2011, were as follows:

Annual required contribution	\$	298,607
Interest on net OPEB obligation		-
Adjustments to annual required contribution		-
		-
Annual OPEB cost		298,607
Contributions made		(53,578)
Change in net OPEB obligation (asset)		245,029
Net OPEB obligation (asset) - beginning of year		397,330
Net OPEB obligation (asset) - end of year	\$	642,359

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation (Asset)
2011	\$298,607	\$ 53,578	17.9%	\$ 642,359
2010	\$298,607	\$ 40,900	13.7%	\$ 397,330
2009	\$165,305	\$ 25,682	15.5%	\$ 139,623

Fiscal year 2008-09 was the year of implementation of GASB Statement No. 45 and the City has elected to implement prospectively. The City's contributions in fiscal years 2008-09, 2009-10, and 2010-11 were based on pay-as-you-go costs.

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

Funding Policy, Funded Status, Funding Progress

The City's required contribution is based on pay-as-you-go financing requirements. For fiscal year 2010-11, the City contributed \$53,578 to the OPEB.

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

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

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

Actuarial Methods and Assumptions

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

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

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(11) Contingent Liabilities and Commitments

State and Federal Awards and Grants

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

Other Contingent Liabilities

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

(12) Conduit Debt Obligations

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

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

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

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(13) Conduit Debt Obligations (Continued)

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

(14) Commitments and Contingencies

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Delano intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature. Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated. The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012."

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(14) Commitments and Contingencies (Continued)

A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On September 19, 2011, City Ordinance No. 2011-1237 and 2011-1238 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$900,000 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an annual amount will be due which has not been estimated. The amounts to be paid after fiscal year

2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

CITY OF DELANO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

(15) Subsequent Events

The California Department of Corrections did not renew their contract with the City of Delano to operate the Community Correctional Facility (CCF). As a result, on August 21, 2011, the CCF, a component unit of the City of Delano, closed.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DELANO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property taxes	\$ 2,403,142	\$ 2,325,236	\$ 2,082,790	\$ (242,446)
Sales taxes	6,415,168	6,078,750	7,310,966	1,232,216
Franchise taxes	546,415	544,415	567,706	23,291
Motor vehicle in lieu tax	3,914,000	3,892,617	3,572,430	(320,187)
Other taxes	548,158	549,010	939,202	390,192
Fees and fines	242,460	93,985	103,199	9,214
Licenses and permits	110,096	110,096	165,744	55,648
Revenues from use of money and property	14,000,000	14,000,000	10,305	(13,989,695)
Intergovernmental	2,409,402	2,396,007	1,788,248	(607,759)
Charges for services	1,004,268	848,936	1,112,982	264,046
Investment earnings	192,610	192,610	34,112	(158,498)
Miscellaneous	35,500	35,500	33,291	(2,209)
Total revenue	31,821,219	31,067,162	17,720,975	(13,346,187)
EXPENDITURES:				
Current				
General government	3,928,262	3,719,897	3,517,836	202,061
Public safety	11,182,281	10,158,703	10,034,731	123,972
Engineering services	353,994	346,283	305,584	40,699
Culture and recreation	2,019,358	1,893,238	1,639,342	253,896
Debt service				
Principal	219,899	86,612	100,963	(14,351)
Interest	410,347	410,347	14,717	395,630
Capital outlay				
General government	13,000	48,250	2,600	45,650
Public safety	-	18,500	17,724	776
Culture and recreation	-	59,724	59,724	-
Total expenditures	18,127,141	16,741,554	15,693,221	1,048,333
Excess (deficiency) of revenues over expenditures	13,694,078	14,325,608	2,027,754	(12,297,854)
OTHER FINANCING SOURCES (USES):				
Transfers in	103,000	50,000	279,481	229,481
Transfers out	(14,403,199)	(16,472,678)	(2,463,523)	14,009,155
Total other financing sources and uses	(14,300,199)	(16,422,678)	(2,184,042)	14,238,636
Net change in fund balances	(606,121)	(2,097,070)	(156,288)	1,940,782
Total net assets (deficit), beginning	7,598,156	7,598,156	7,598,156	-
Total net assets (deficit), ending	\$ 6,992,035	\$ 5,501,086	\$ 7,441,868	\$ 1,940,782

CITY OF DELANO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY CORRECTIONAL FACILITY (CCF) FUND
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 5,116,397	\$ 5,272,763	\$ 10,066,547	\$ 4,793,784
Investment earnings	-	-	-	-
Miscellaneous	-	1,500	4,559	3,059
Total revenue	<u>5,116,397</u>	<u>5,274,263</u>	<u>10,071,106</u>	<u>4,796,843</u>
EXPENDITURES:				
Current				
Public safety	<u>5,107,080</u>	<u>8,593,938</u>	<u>8,160,778</u>	<u>433,160</u>
Total expenditures	<u>5,107,080</u>	<u>8,593,938</u>	<u>8,160,778</u>	<u>433,160</u>
Excess (deficiency) of revenues over expenditures	<u>9,317</u>	<u>(3,319,675)</u>	<u>1,910,328</u>	<u>5,230,003</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>-</u>	<u>(9,317)</u>	<u>(9,317)</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>40,683</u>	<u>40,683</u>	<u>-</u>
Net change in fund balances	9,317	(3,278,992)	1,951,011	5,230,003
Total net assets (deficit), beginning	<u>(2,141,586)</u>	<u>(2,141,586)</u>	<u>(2,141,586)</u>	<u>-</u>
Total net assets (deficit), ending	<u>\$ (2,132,269)</u>	<u>\$ (5,420,578)</u>	<u>\$ (190,575)</u>	<u>\$ 5,230,003</u>

CITY OF DELANO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
DEVELOPER IMPACT FEES FUND
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
REVENUES:				
Charges for services	\$ 5,650,448	\$ 5,650,448	\$ 879,874	\$ (4,770,574)
Investment earnings	-	-	42,474	42,474
Total revenue	<u>5,650,448</u>	<u>5,650,448</u>	<u>922,348</u>	<u>(4,728,100)</u>
EXPENDITURES:				
Current				
General government	-	7,612	4,008	3,604
Total expenditures	<u>-</u>	<u>60,897</u>	<u>44,643</u>	<u>16,254</u>
Excess (deficiency) of revenues over expenditures	<u>5,650,448</u>	<u>5,589,551</u>	<u>877,705</u>	<u>(4,711,846)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(4,506,700)</u>	<u>(3,635,903)</u>	<u>(1,874,949)</u>	<u>1,760,954</u>
Total other financing sources and uses	<u>(4,506,700)</u>	<u>(3,635,903)</u>	<u>(1,874,949)</u>	<u>1,760,954</u>
Net change in fund balances	1,143,748	1,953,648	(997,244)	(2,950,892)
Total net assets (deficit), beginning	<u>10,910,872</u>	<u>10,910,872</u>	<u>10,910,872</u>	<u>-</u>
Total net assets (deficit), ending	<u>\$ 12,054,620</u>	<u>\$ 12,864,520</u>	<u>\$ 9,913,628</u>	<u>\$ (2,950,892)</u>

CITY OF DELANO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
REVENUES:				
Intergovernmental	\$ 667,859	\$ 667,859	\$ 1,057,036	\$ 389,177
Investment earnings	-	-	-	-
Total revenue	<u>667,859</u>	<u>667,859</u>	<u>1,057,036</u>	<u>389,177</u>
EXPENDITURES:				
Current				
General government	-	-	211,259	(211,259)
Community and economic development	667,859	607,059	771,079	(164,020)
Capital outlay				
Community and economic development	-	60,800	34,848	25,952
Total expenditures	<u>667,859</u>	<u>667,859</u>	<u>1,017,186</u>	<u>(349,327)</u>
Excess (deficiency) of revenues over expenditures	-	-	39,850	39,850
OTHER FINANCING SOURCES (USES):				
Transfers in	7,547	7,547	-	(7,547)
Transfers out	(100,000)	(100,000)	(263,372)	(163,372)
Total other financing sources and uses	<u>(92,453)</u>	<u>(92,453)</u>	<u>(263,372)</u>	<u>(170,919)</u>
Net change in fund balances	<u>(92,453)</u>	<u>(92,453)</u>	<u>(223,522)</u>	<u>(131,069)</u>
Total net assets (deficit), beginning	-	-	-	-
Total net assets (deficit), ending	<u>\$ (92,453)</u>	<u>\$ (92,453)</u>	<u>\$ (223,522)</u>	<u>\$ (131,069)</u>

CITY OF DELANO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
CRA FIRST TIME HOME BUYERS PROGRAM FUND
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Intergovernmental	<u>\$ 382,488</u>	<u>\$ 382,488</u>	<u>\$ 440,540</u>	<u>\$ 58,052</u>
Total revenue	<u>382,488</u>	<u>382,488</u>	<u>440,564</u>	<u>58,076</u>
EXPENDITURES:				
Current				
Community and economic development	<u>382,488</u>	<u>382,488</u>	<u>472,151</u>	<u>(89,663)</u>
Total expenditures	<u>382,488</u>	<u>382,488</u>	<u>472,151</u>	<u>(89,663)</u>
Net change in fund balances	-	-	215,010	215,010
Total net assets (deficit), beginning	<u>(246,596)</u>	<u>(246,596)</u>	<u>(246,596)</u>	<u>-</u>
Total net assets (deficit), ending	<u>\$ (246,596)</u>	<u>\$ (246,596)</u>	<u>\$ (31,586)</u>	<u>\$ 215,010</u>

CITY OF DELANO
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION TRUST
For the Fiscal Year Ended June 30, 2011

A. Schedule of Funding Status and Progress

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

B. Schedule of Employer Contributions

Fiscal Year Ending June 30,	Annual Required Contribution	Percentage Contributed
2001	\$ 855,046	92%
2002	\$ 1,163,464	108%
2003	\$ 1,251,572	100%
2004	\$ 1,496,202	95%
2005	\$ 1,599,988	101%
2006	\$ 1,181,059	98%
2007	\$ 1,153,496	105%
2008	\$ 1,392,962	100%
2009	\$ 1,828,852	100%
2010	\$ 2,053,861	98%
2011	\$ 2,039,716	99%

**CITY OF DELANO
 REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT PENSION TRUST
 For the Fiscal Year Ended June 30, 2011**

C. Notes to Required Supplementary Information

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

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

CITY OF DELANO
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
For the Fiscal Year Ended June 30, 2011

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

CITY OF DELANO
CALPERS SCHEDULE OF FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2011

California Public Employees' Retirement System Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Accrued Liabilities (AL) (b)	Unfunded Liabilities (UL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
Safety 2.0% at 50 Risk Pool						
6/30/2005	\$ 646,358,708	\$ 742,247,338	\$ 95,888,630	87.1%	115,062,820	83.3%
6/30/2006	\$ 460,948,462	\$ 534,135,011	\$ 73,186,549	86.3%	84,179,637	86.9%
6/30/2007	\$ 403,484,775	\$ 462,354,459	\$ 58,869,684	87.3%	72,308,836	81.4%
6/30/2008	\$ 438,674,996	\$ 504,295,839	\$ 65,620,843	87.0%	77,903,428	84.2%
6/30/2009	\$ 368,645,673	\$ 440,333,381	\$ 71,687,708	83.7%	60,158,108	119.2%
6/30/2010	\$ 396,740,091	\$ 469,525,634	\$ 72,785,543	84.5%	61,878,177	117.6%

**SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS NON-MAJOR FUNDS**

CITY OF DELANO
EXPLANATION OF NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

Special Revenue Funds

The Special Revenue Funds are used by the City to account for the accumulation and disbursement of restricted resources. The following is a description of the City's Special Revenue Funds:

- The *Gas Tax Fund* - Accounts for revenues and expenditures apportioned to the City under the Streets and Highway Code, Sections 2103, 2105, 2106, 2107, and 2107.5 of the State of California. Expenditures for administration, maintenance and construction must be for operation of public streets and highways and improvements of exclusive public mass transit guide ways.
- The *TDA Streets Funds* - Revenues for this fund are derived from two major sources the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STA). Revenues for the LTF fund are derived from ¼ cent of the 7.25 cent retail sales tax collected statewide. The ¼ cent is returned by the State Board of Equalization to each county according to the amount of tax collected in that county. Revenues for the STA fund are derived from statewide sales tax on gasoline and diesel fuel. Revenues are apportioned by population and are administered by Kern Council of Governments, the use of these funds are restricted for the purpose of financing transportation activities and transportation planning.
- The *SLESF Fund* The Supplemental Law Enforcement Services Fund (*SLESF*) – Accounts for grant revenues received from Kern County under the Funding for the Citizens' Option for Public Safety (COPS) program. These revenues are restricted to fund a variety of law enforcement programs.
- The *CRA Low & Moderate Housing Fund* - Accounts for the 20% required set aside tax increment revenues for the low and moderate income housing program.
- The *Housing/HODAG Fund* - Accounts for Home Grants coming from the U.S. Department of Housing & Urban Development that provides assistance to first time home buyers.
- The *Economic Development Block Grant* - Accounts for expenditures restricted for approved projects that have been funded by Federal Economic Development Block Grant Funds received through county funding.
- The *Senior Citizens Nutrition Fund* - Accounts for expenditures restricted for approved senior citizen nutrition programs that have been funded by USDA Foods.
- The *Landscape Maintenance Districts Fund* - Accounts for special assessments levies against certain properties to defray the cost of landscape maintenance districts.
- The *Golf Course Fund* - Accounts for fees and expenditures from golf course operations.
- The *Inmate Welfare Fund* - Revenues are generated from inmate use of public telephones commissions, profits from inmate purchases from the canteen sales, revenue generated from contracts with educational agencies, and interest earned on unused funds. Mandated per California Penal Code Section 4025 the uses of these

CITY OF DELANO
EXPLANATION OF NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

funds are to provide services essential to the benefit, welfare and educational needs of the inmates, any funds that are not needed for the welfare of the inmates may be expended for the maintenance of the detention facility. Maintenance of detention facility may include the salary and benefits of personnel used in the programs to benefit the inmates, including, but not limited to, education, drug and alcohol treatment, welfare, library, accounting, and other programs deemed appropriate.

- The *Asset Seizure Fund* – Accounts for proceeds of asset forfeitures seized by law enforcement officials from illicit narcotic activities and the restricted use of such proceeds by the city to help fund its law enforcement activities.
- The *Asset Seizure Fund* - Accounts for proceeds of asset forfeitures seized by law enforcement officials from illicit narcotic activities and the restricted use of such proceeds by the city to help fund its law enforcement activities.
- The *CCF Equipment Replacement Fund* - Separates and accounts for funds restricted for replacement of equipment at the Community Correctional Facility.
- The *Miscellaneous Fund* – Represents various home buyer assistance and rehabilitation loans under the CALHOME program, CDBG-R, and Workforce Housing.
- The *Standard Emergency Management Systems Funds (SEMS)* – Funded by transfers of various funds. Accounts for expenditures needed to operate a communications network that will provide an effective response to emergencies.
- The *Traffic Safety Fund* - Separates and accounts for fees charged to release a vehicle that has been impounded by law enforcement officials and the restricted use of such proceeds by the City to help fund its law enforcement activities.
- The *RTC/COP Construction Fund* - was established to account for the construction of the 1989 Delano Return to Custody Facility (RTC).
- The *Special Revenue Grants* - Fund Accounts for various grants City applies to and is awarded but funds are restricted for specific purposes.
- The CDBG Fund - Accounts for expenditures restricted for approved projects that have been funded by Federal Community Development Block Grant Funds received through county funding.

Debt Service Funds

The Debt Service Funds account for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest. The governmental debt serviced by the Debt Service Fund consists of tax allocation refunding bonds and lease revenue bonds. The following is a description of the City's Debt Service Funds:

CITY OF DELANO
EXPLANATION OF NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

- The *CRA Debt Service Fund* - Accounts for the receipt of tax increment revenues collected and disbursed by Kern County, Kern County pass-through and the expenditures of funds for debt service on Tax Allocation Bonds, as well as the transfer of funds to the RDA Pass-through, RDA Capital Projects, and RDA Low-Mod Housing Funds.
- The *Delano Financing Authority Debt Service Fund* - Accounts for the debt service of the Delano Financing Authority Lease Revenue Refunding Bonds Series 2002 A that were issued to assist the City in the prepayment of its lease obligations under the RTC Facility lease under the original COP agreement and refinance the same.
- The *Debt Service Fund* - Accounts for the issuance of the Delano Financing Authority Lease Revenue Bonds, Series 2010A to provide funding for a new Police Station and capital improvement projects, including the Woollomes Avenue Bridge Project and payment of cost of issuance.

Capital Projects Fund

The Capital Projects Fund accounts for all resources used for the acquisitions and/or construction of major capital facilities by the City, except those financed by the Enterprise Fund. The City reports one Non-Major Capital Projects Fund, the *City Capital Projects Fund*.

**CITY OF DELANO
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
GOVERNMENTAL FUNDS
June 30, 2011**

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Totals
ASSETS				
Cash and investments	3,539,340	1,398,536	746,142	5,684,018
Cash with fiscal agents	-	3,156,874	-	3,156,874
Receivables:				
Accounts	691,757	1,614,806	-	2,306,563
Taxes	260	20,808	-	21,068
Intergovernmental	97,789	-	1,224	99,013
Other	42	-	-	42
Due from other funds	100,000	-	-	100,000
Inventories	30,139	-	-	30,139
Loans receivable	3,385,887	-	-	3,385,887
Advances to other funds	427,813	-	-	427,813
Total assets	8,273,027	6,191,024	747,366	15,211,417
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	398,952	-	386,812	785,764
Other accrued expenses	47,217	-	-	47,217
Due to other funds	598,305	692,101	-	1,290,406
Advances from other funds	-	1,244,850	-	1,244,850
Deferred revenue	2,755,328	1,614,806	-	4,370,134
Deposits payable	10,370	-	-	10,370
Total liabilities	3,810,172	3,551,757	386,812	7,748,741
Fund Balances:				
Nonspendable	30,139	-	-	30,139
Restricted	4,431,817	2,639,267	-	7,071,084
Assigned	184,013	-	360,554	544,567
Unassigned	(183,114)	-	-	(183,114)
Total fund balances	4,462,855	2,639,267	360,554	7,462,676
Total liabilities and fund balances	8,273,027	6,191,024	747,366	15,211,417

CITY OF DELANO
COMBINING STATEMENT OF REVENUES, EXPENSE, AND
CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Totals
REVENUES:				
Property taxes	\$ -	\$ 3,113,321	\$ -	\$ 3,113,321
Sales taxes	1,207,786	-	-	1,207,786
Motor fuel tax	242,076	-	-	242,076
Fees and fines	179,657	-	-	179,657
Revenues from use of money and property	-	-	-	-
Intergovernmental	2,763,458	-	2,454,435	5,217,893
Program income	384,584	-	-	384,584
Charges for services	109,387	-	-	109,387
Investment earnings	47,624	45,260	-	92,884
Amortization of premium	-	40,114	-	40,114
Miscellaneous	31,142	-	-	31,142
	<u>4,965,714</u>	<u>3,198,695</u>	<u>2,454,435</u>	<u>10,618,844</u>
EXPENDITURES:				
Current				
General government	1,168,256	1,434	-	1,169,690
Public safety	841,495	-	-	841,495
Public works	1,458,182	-	-	1,458,182
Culture and recreation	598,086	-	-	598,086
Community and economic development	872,289	228,243	-	1,100,532
Pass thru payments	-	475,378	-	475,378
Debt service				
Principal	14,030	240,000	-	254,030
Interest	556	1,485,075	-	1,485,631
Bond issuance discount	-	477,358	-	477,358
Capital outlay	914,082	-	2,680,348	3,594,430
	<u>5,866,976</u>	<u>2,907,488</u>	<u>2,680,348</u>	<u>11,454,812</u>
Excess (deficiency) of revenues over expenditures	<u>(901,262)</u>	<u>291,207</u>	<u>(225,913)</u>	<u>(835,968)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from bond	-	415,000	-	415,000
Transfers in	1,272,409	2,127,150	9,061,048	12,460,607
Transfers out	(915,155)	(1,232,915)	(8,623,724)	(10,771,794)
	<u>357,254</u>	<u>1,309,235</u>	<u>437,324</u>	<u>2,103,813</u>
Net change in fund balances	(544,008)	1,600,442	211,411	1,267,845
Total net assets (deficit), beginning	<u>5,006,863</u>	<u>1,038,825</u>	<u>149,143</u>	<u>6,194,831</u>
Total net assets (deficit), ending	<u>\$ 4,462,855</u>	<u>\$ 2,639,267</u>	<u>\$ 360,554</u>	<u>\$ 7,462,676</u>

**CITY OF DELANO
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2011**

	Gas Tax Fund	TDA Streets Fund	SLESF Fund	CRA Low & Moderate Housing Fund
ASSETS				
Cash and investments	\$ 314,537	\$ 121,750	\$ 30,230	\$ 1,088,576
Receivables:				
Accounts	-	216,169	25,000	15,500
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Inventories	233	-	-	-
Loans receivable	-	-	-	848,000
Advances to other funds	-	-	-	427,813
Total assets	\$ 314,770	\$ 337,919	\$ 55,230	\$ 2,379,889
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 146,630	\$ 5,927	\$ -	\$ 613
Other accrued expenses	11,821	-	-	10,641
Due to other funds	-	-	50,000	-
Deferred revenue	-	216,169	-	-
Deposits payable	-	-	-	-
Total liabilities	158,451	222,096	50,000	11,254
Fund Balances:				
Nonspendable	233	-	-	-
Restricted	156,086	115,823	5,230	2,368,635
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	156,319	115,823	5,230	2,368,635
Total liabilities and fund balances	\$ 314,770	\$ 337,919	\$ 55,230	\$ 2,379,889

**CITY OF DELANO
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
June 30, 2011**

	Housing/ HODAG Fund	Economic Development Block Grant	Senior Citizens Nutrition Fund	Landscape Maintenance Districts
ASSETS				
Cash and investments	\$ 28,173	\$ 22,674	\$ -	\$ 201,780
Receivables:				
Accounts	-	-	25,000	-
Taxes	-	-	-	260
Intergovernmental	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Inventories	-	-	8,337	-
Loans receivable	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 28,173	\$ 22,674	\$ 33,337	\$ 202,040
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 4,445	\$ 3,520	\$ 8,190
Other accrued expenses	-	2,425	5,368	707
Due to other funds	-	-	57,496	-
Deferred revenue	-	-	-	-
Deposits payable	-	-	-	-
Total liabilities	-	6,870	66,384	8,897
Fund Balances:				
Nonspendable	-	-	8,337	-
Restricted	28,173	15,804	-	193,143
Assigned	-	-	-	-
Unassigned	-	-	(41,384)	-
Total fund balances	28,173	15,804	(33,047)	193,143
Total liabilities and fund balances	\$ 28,173	\$ 22,674	\$ 33,337	\$ 202,040

**CITY OF DELANO
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
June 30, 2011**

	Golf Course Fund	CDBG Fund	Inmate Welfare Fund	Asset Seizure Fund
ASSETS				
Cash and investments	\$ 100	106,746	\$ 779,152	\$ 9,720
Receivables:				
Accounts	-	182,934	14,563	-
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Other	42	-	-	-
Due from other funds	-	-	100,000	-
Inventories	-	-	21,569	-
Loans receivable	-	2,199,097	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 142	2,488,777	\$ 915,284	\$ 9,720
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,923	37,036	\$ 274	\$ -
Other accrued expenses	3,925	-	6,753	-
Due to other funds	130,374	123,820	111,191	-
Deferred revenue	-	2,199,097	-	-
Deposits payable	-	-	-	10,370
Total liabilities	141,222	2,359,953	118,218	10,370
Fund Balances:				
Nonspendable	-	-	21,569	-
Restricted	-	128,824	775,497	-
Assigned	-	-	-	-
Unassigned	(141,080)	-	-	(650)
Total fund balances	(141,080)	128,824	797,066	(650)
Total liabilities and fund balances	\$ 142	\$ 2,488,777	\$ 915,284	\$ 9,720

**CITY OF DELANO
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
June 30, 2011**

	CCF Equipment Replacement Fund	Miscellaneous Fund	SEMS Fund	Traffic Safety Fund
ASSETS				
Cash and investments	\$ 130,033	\$ 49,546	\$ 27,754	\$ 214,458
Receivables:				
Accounts	-	195,054	-	17,537
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Loans receivable	-	338,790	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 130,033	\$ 583,390	\$ 27,754	\$ 231,995
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 173,674	\$ 419	\$ 1,504
Other accrued expenses	-	2,928	-	-
Due to other funds	-	48,204	-	-
Deferred revenue	-	338,790	-	-
Deposits payable	-	-	-	-
Total liabilities	-	563,596	419	1,504
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	-	230,491
Assigned	130,033	19,794	27,335	-
Unassigned	-	-	-	-
Total fund balances	130,033	19,794	27,335	230,491
Total liabilities and fund balances	\$ 130,033	\$ 583,390	\$ 27,754	\$ 231,995

**CITY OF DELANO
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
June 30, 2011**

	RTC/COP Construction Fund	Special Revenue Grant Fund	Total Non-Major Special Revenue Funds
ASSETS			
Cash and investments	\$ 414,111	\$ -	3,539,340
Receivables:			
Accounts	-	-	691,757
Taxes	-	-	260
Intergovernmental	-	97,789	97,789
Other	-	-	42
Due from other funds	-	-	100,000
Inventories	-	-	30,139
Loans receivable	-	-	3,385,887
Advances to other funds	-	-	427,813
Total assets	\$ 414,111	\$ 97,789	8,273,027
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 9,797	398,952
Other accrued expenses	-	2,649	47,217
Due to other funds	-	77,220	598,305
Deferred revenue	-	1,272	2,755,328
Deposits payable	-	-	10,370
Total liabilities	-	90,938	3,810,172
Fund Balances:			
Nonspendable	-	-	30,139
Restricted	414,111	-	4,431,817
Assigned	-	6,851	184,013
Unassigned	-	-	(183,114)
Total fund balances	414,111	6,851	4,462,855
Total liabilities and fund balances	\$ 414,111	\$ 97,789	\$ 8,273,027

CITY OF DELANO
COMBINING STATEMENT OF REVENUES, EXPENSE, AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2011

	<u>Gas Tax Fund</u>	<u>TDA Streets Fund</u>	<u>SLESF Fund</u>	<u>CRA Low & Moderate Housing Fund</u>
REVENUES:				
Sales taxes	\$ 1,207,786	\$ -	\$ -	\$ -
Motor fuel tax	-	-	-	-
Fees and fines	-	-	-	-
Intergovernmental	-	-	100,000	15,500
Program income	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	47	1,836	102	39,067
Miscellaneous	57	500	-	-
	<u>1,207,890</u>	<u>2,336</u>	<u>100,102</u>	<u>54,567</u>
EXPENDITURES:				
Current				
General government	50,906	-	-	349,029
Public safety	-	-	300	-
Public works	1,204,909	66,499	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Principal	14,030	-	-	-
Interest	556	-	-	-
Capital outlay	284,010	-	-	-
	<u>1,554,411</u>	<u>66,499</u>	<u>300</u>	<u>349,029</u>
Excess (deficiency) of revenues over expenditures	<u>(346,521)</u>	<u>(64,163)</u>	<u>99,802</u>	<u>(294,462)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	452,135	-	-	435,575
Transfers out	-	(333,896)	(100,000)	-
	<u>452,135</u>	<u>(333,896)</u>	<u>(100,000)</u>	<u>435,575</u>
Net change in fund balances	105,614	(398,059)	(198)	141,113
Total net assets (deficit), beginning	<u>50,705</u>	<u>513,882</u>	<u>5,428</u>	<u>2,227,522</u>
Total net assets (deficit), ending	<u>\$ 156,319</u>	<u>\$ 115,823</u>	<u>\$ 5,230</u>	<u>\$ 2,368,635</u>

CITY OF DELANO
COMBINING STATEMENT OF REVENUES, EXPENSE, AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
For the Fiscal Year Ended June 30, 2011

	Housing/ HODAG Fund	Economic Development Block Grant	Senior Citizens Nutrition Fund	Landscape Maintenance Districts
REVENUES:				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Motor fuel tax	-	-	-	242,076
Fees and fines	-	-	-	-
Intergovernmental	-	-	194,854	-
Program income	-	10,758	37,654	-
Charges for services	-	-	-	-
Investment earnings	105	-	-	769
Miscellaneous	-	-	16,882	-
	<u>105</u>	<u>10,758</u>	<u>249,390</u>	<u>242,845</u>
EXPENDITURES:				
Current				
General government	-	12,273	-	-
Public safety	-	-	-	-
Public works	-	-	-	186,774
Culture and recreation	-	-	303,617	-
Community and economic development	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
	<u>-</u>	<u>12,273</u>	<u>303,617</u>	<u>186,774</u>
Total expenditures	<u>-</u>	<u>12,273</u>	<u>303,617</u>	<u>186,774</u>
Excess (deficiency) of revenues over expenditures	<u>105</u>	<u>(1,515)</u>	<u>(54,227)</u>	<u>56,071</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	19,680	12,847	-
Transfers out	-	(74,822)	-	(32,000)
	<u>-</u>	<u>(55,142)</u>	<u>12,847</u>	<u>(32,000)</u>
Total other financing sources and uses	<u>-</u>	<u>(55,142)</u>	<u>12,847</u>	<u>(32,000)</u>
Net change in fund balances	105	(56,657)	(41,380)	24,071
Total net assets (deficit), beginning	<u>28,068</u>	<u>72,461</u>	<u>8,333</u>	<u>169,072</u>
Total net assets (deficit), ending	<u>\$ 28,173</u>	<u>\$ 15,804</u>	<u>\$ (33,047)</u>	<u>\$ 193,143</u>

CITY OF DELANO
COMBINING STATEMENT OF REVENUES, EXPENSE, AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
For the Fiscal Year Ended June 30, 2011

	Golf Course Fund	CDBG Fund	Inmate Welfare Fund	Asset Seizure Fund
REVENUES:				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Motor fuel tax	-	-	-	-
Fees and fines	-	-	-	-
Intergovernmental	-	1,057,036	-	-
Program income	-	-	329,208	-
Charges for services	109,387	-	-	-
Investment earnings	-	294	2,526	39
Miscellaneous	-	-	-	2,798
	<u>109,387</u>	<u>1,057,330</u>	<u>331,734</u>	<u>2,837</u>
Total revenue	<u>109,387</u>	<u>1,057,330</u>	<u>331,734</u>	<u>2,837</u>
EXPENDITURES:				
Current				
General government	-	211,259	-	-
Public safety	-	-	493,574	12,173
Public works	-	-	-	-
Culture and recreation	253,099	-	-	-
Community and economic development	-	771,079	-	500
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	34,848	2,572	-
	<u>253,099</u>	<u>1,017,186</u>	<u>496,146</u>	<u>12,673</u>
Total expenditures	<u>253,099</u>	<u>1,017,186</u>	<u>496,146</u>	<u>12,673</u>
Excess (deficiency) of revenues over expenditures	<u>(143,712)</u>	<u>40,144</u>	<u>(164,412)</u>	<u>(9,836)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	126,132	-	-
Transfers out	-	(283,052)	-	-
	<u>-</u>	<u>(156,920)</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>(156,920)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(143,712)	(116,776)	(164,412)	(9,836)
Total net assets (deficit), beginning	<u>2,632</u>	<u>245,600</u>	<u>961,478</u>	<u>9,186</u>
Total net assets (deficit), ending	<u>\$ (141,080)</u>	<u>\$ 128,824</u>	<u>\$ 797,066</u>	<u>\$ (650)</u>

CITY OF DELANO
COMBINING STATEMENT OF REVENUES, EXPENSE, AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
For the Fiscal Year Ended June 30, 2011

	CCF Equipment Replacement Fund	Miscellaneous Fund	SEMS Fund	Traffic Safety Fund
REVENUES:				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Motor fuel tax	-	-	-	-
Fees and fines	-	-	-	179,657
Intergovernmental	40,010	956,475	-	-
Program income	-	6,964	-	-
Charges for services	-	-	-	-
Investment earnings	507	36	97	635
Miscellaneous	-	-	10,322	-
Total revenue	<u>40,517</u>	<u>963,475</u>	<u>10,419</u>	<u>180,292</u>
EXPENDITURES:				
Current				
General government	-	471,409	-	6,228
Public safety	38,242	-	4,601	-
Public works	-	-	-	-
Culture and recreation	-	-	-	41,370
Community and economic development	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>7,635</u>	<u>585,017</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>45,877</u>	<u>1,056,426</u>	<u>4,601</u>	<u>47,598</u>
Excess (deficiency) of revenues over expenditures	<u>(5,360)</u>	<u>(92,951)</u>	<u>5,818</u>	<u>132,694</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	15,721	-	-
Transfers out	<u>-</u>	<u>(91,385)</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>(75,664)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(5,360)	(168,615)	5,818	132,694
Total net assets (deficit), beginning	<u>135,393</u>	<u>188,409</u>	<u>21,517</u>	<u>97,797</u>
Total net assets (deficit), ending	<u>\$ 130,033</u>	<u>\$ 19,794</u>	<u>\$ 27,335</u>	<u>\$ 230,491</u>

CITY OF DELANO
COMBINING STATEMENT OF REVENUES, EXPENSE, AND
CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS (CONTINUED)
For the Fiscal Year Ended June 30, 2011

	RTC/COP Construction Fund	Special Revenue Grant Fund	Total Non-Major Special Revenue Funds
REVENUES:			
Sales taxes	\$ -	\$ -	\$ 1,207,786
Motor fuel tax	-	-	242,076
Fees and fines	-	-	179,657
Intergovernmental	-	399,583	2,763,458
Program income	-	-	384,584
Charges for services	-	-	109,387
Investment earnings	1,564	-	47,624
Miscellaneous	-	583	31,142
	<u>1,564</u>	<u>400,166</u>	<u>4,965,714</u>
Total revenue			
	<u>1,564</u>	<u>400,166</u>	<u>4,965,714</u>
EXPENDITURES:			
Current			
General government	67,152	-	1,168,256
Public safety	-	292,605	841,495
Public works	-	-	1,458,182
Culture and recreation	-	-	598,086
Community and economic development	-	100,710	872,289
Principal	-	-	14,030
Interest	-	-	556
Capital outlay	-	-	914,082
	<u>67,152</u>	<u>393,315</u>	<u>5,866,976</u>
Total expenditures			
	<u>67,152</u>	<u>393,315</u>	<u>5,866,976</u>
Excess (deficiency) of revenues over expenditures	<u>(65,588)</u>	<u>6,851</u>	<u>(901,262)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	210,319	-	1,272,409
Transfers out	-	-	(915,155)
	<u>210,319</u>	<u>-</u>	<u>357,254</u>
Total other financing sources and uses			
	<u>210,319</u>	<u>-</u>	<u>357,254</u>
Net change in fund balances	144,731	6,851	(544,008)
Total net assets (deficit), beginning	<u>269,380</u>	<u>-</u>	<u>5,006,863</u>
Total net assets (deficit), ending	<u>\$ 414,111</u>	<u>\$ 6,851</u>	<u>\$ 4,462,855</u>

**CITY OF DELANO
COMBINING BALANCE SHEET
NON-MAJOR DEBT SERVICE FUNDS
June 30, 2011**

	CRA Debt Service Fund	Delano Financing Authority Fund	Debt Service Fund	Total Non-Major Debt Service Funds
ASSETS				
Cash and investments	\$ 1,398,536	\$ -	\$ -	\$ 1,398,536
Cash with fiscal agents	1,018,952	2	2,137,920	3,156,874
Receivables:				
Accounts	-	1,614,806	-	1,614,806
Taxes	20,808	-	-	20,808
Total assets	\$ 2,438,296	\$ 1,614,808	\$ 2,137,920	\$ 6,191,024
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ 692,101	\$ 692,101
Advances from other funds	1,244,850	-	-	1,244,850
Deferred revenue	-	1,614,806	-	1,614,806
Total liabilities	1,244,850	1,614,806	692,101	3,551,757
Fund Balances:				
Restricted	1,193,446	2	1,445,819	2,639,267
Total fund balances	1,193,446	2	1,445,819	2,639,267
Total liabilities and fund balances	\$ 2,438,296	\$ 1,614,808	\$ 2,137,920	\$ 6,191,024

CITY OF DELANO
COMBINING STATEMENT OF REVENUES, EXPENSE, AND
CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2011

	CRA Debt Service Fund	Delano Financing Authority Fund	Debt Service Fund	Total Non-Major Debt Service Funds
REVENUES:				
Property taxes	\$ 3,113,321	\$ -	\$ -	\$ 3,113,321
Revenues from use of money and property	-	-	-	-
Investment earnings	44,992	39	229	45,260
Amortization of premium	-	-	40,114	40,114
	<u>3,158,313</u>	<u>39</u>	<u>40,343</u>	<u>3,198,695</u>
EXPENDITURES:				
Current				
General government	-	-	1,434	1,434
Community and economic development	228,243	-	-	228,243
Pass thru payments	475,378	-	-	475,378
Debt service				
Principal	240,000	-	-	240,000
Interest	827,193	-	657,882	1,485,075
Bond issuance discount	-	-	477,358	477,358
	<u>1,770,814</u>	<u>-</u>	<u>1,136,674</u>	<u>2,907,488</u>
Total expenditures	<u>1,770,814</u>	<u>-</u>	<u>1,136,674</u>	<u>2,907,488</u>
Excess (deficiency) of revenues over expenditures	<u>1,387,499</u>	<u>39</u>	<u>(1,096,331)</u>	<u>291,207</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from bond	-	-	415,000	415,000
Transfers in	-	-	2,127,150	2,127,150
Transfers out	<u>(1,022,596)</u>	<u>(210,319)</u>	<u>-</u>	<u>(1,232,915)</u>
Total other financing sources and uses	<u>(1,022,596)</u>	<u>(210,319)</u>	<u>2,542,150</u>	<u>1,309,235</u>
Net change in fund balances	364,903	(210,280)	1,445,819	1,600,442
Total net assets (deficit), beginning	<u>828,543</u>	<u>210,282</u>	<u>-</u>	<u>1,038,825</u>
Total net assets (deficit), ending	<u>\$ 1,193,446</u>	<u>\$ 2</u>	<u>\$1,445,819</u>	<u>\$ 2,639,267</u>

**CITY OF DELANO
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUND
 June 30, 2011**

	<u>City Capital Projects Fund</u>	<u>Total Non-Major Capital Projects Fund</u>
ASSETS		
Cash and investments	746,142	746,142
Intergovernmental	<u>1,224</u>	<u>1,224</u>
Total assets	<u><u>747,366</u></u>	<u><u>747,366</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	<u>386,812</u>	<u>386,812</u>
Total liabilities	<u><u>386,812</u></u>	<u><u>386,812</u></u>
Fund Balances:		
Assigned	<u>360,554</u>	<u>360,554</u>
Total fund balances	<u><u>360,554</u></u>	<u><u>360,554</u></u>
Total liabilities and fund balances	<u><u>747,366</u></u>	<u><u>747,366</u></u>

CITY OF DELANO
COMBINING STATEMENT OF REVENUES, EXPENSE, AND
CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2011

	City Capital Projects Fund	Total Non-Major Capital Projects Fund
	<u> </u>	<u> </u>
REVENUES:		
Intergovernmental	\$ 2,454,435	\$ 2,454,435
Total revenue	<u>2,454,435</u>	<u>2,454,435</u>
EXPENDITURES:		
Capital outlay	<u>2,680,348</u>	<u>2,680,348</u>
Total expenditures	<u>2,680,348</u>	<u>2,680,348</u>
Excess (deficiency) of revenues over expenditures	<u>(225,913)</u>	<u>(225,913)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	9,061,048	9,061,048
Transfers out	<u>(8,623,724)</u>	<u>(8,623,724)</u>
Total other financing sources and uses	<u>437,324</u>	<u>437,324</u>
Net change in fund balances	211,411	211,411
Total net assets (deficit), beginning	<u>149,143</u>	<u>149,143</u>
Total net assets (deficit), ending	<u>\$ 360,554</u>	<u>\$ 360,554</u>