

**CITY OF DELANO,
CALIFORNIA**

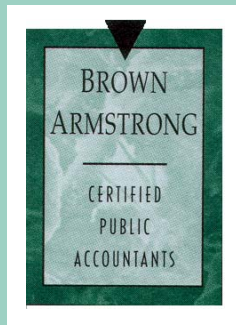
ANNUAL FINANCIAL REPORT

JUNE 30, 2007

**CITY OF DELANO, CALIFORNIA
ANNUAL FINANCIAL REPORT
JUNE 30, 2007**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Delano, California

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

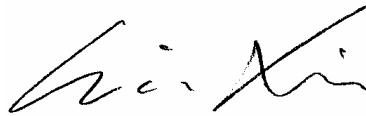
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2008, on our consideration of the City of Delano's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison schedules, and Defined Benefit Pension Trust schedule of funding progress and employer contributions as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

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

Bakersfield, California
July 11, 2008

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, 2007. Please read it in conjunction with the transmittal letter and 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 four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

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

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

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

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

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

Reporting the City as a Whole

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

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

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

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

Reporting the City's Most Significant Funds

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

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows, into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting methods called *modified accrual* accounting, which measures cash and all other *current financial* assets that readily be converted to cash. The governmental fund statements provided a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the City charges customers for services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Table 1
Net Assets
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current & other assets	\$ 43,031	\$ 36,297	\$ 9,010	\$ 26,126	\$ 52,041	\$ 62,423
Capital assets	154,824	15,239	18,450	18	173,274	15,257
Total assets	197,855	51,536	27,460	26,144	225,315	77,680
Long-term debt outstanding	20,352	21,619	2,292	702	22,644	22,321
Other liabilities	4,640	3,005	1,099	2,858	5,739	5,863
Total liabilities	24,992	24,624	3,391	3,560	28,383	28,184
Net assets:						
Invested in capital assets net of debt	154,273	14,502	16,157	15,160	170,430	29,662
Restricted	10,605	17,456	-	-	10,605	17,456
Unrestricted	7,985	(5,046)	7,912	7,424	15,897	2,378
Total net assets	<u>\$ 172,863</u>	<u>\$ 26,912</u>	<u>\$ 24,069</u>	<u>\$ 22,584</u>	<u>\$ 196,932</u>	<u>\$ 49,496</u>

Net assets of the City's governmental activities increased by \$146 million (from \$27 million in FY06 to \$173 million in FY07). This was mostly due to the restatement of beginning net assets to add infrastructure. In addition, the unrestricted deficit – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was eliminated in FY2007.

The 2006 unrestricted deficit in the governmental activities stemmed primarily from the city's COP and redevelopment agency's long-term debt of \$3.4 million and \$15.7 million respectively.

The net assets for the business-type activities for FY07 did not change significantly from prior fiscal year. The summary of the *government-wide statement* of activities follows:

Table 2
Changes in Net Assets
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$ 14,641	\$ 13,943	\$ 7,174	\$ 6,523	\$ 21,815	\$ 20,466
Federal grants	620	2,144	1,383	-	2,003	2,144
State grants & entitlements	1,855	1,368	12	12	1,867	1,380
General revenues:						
Property taxes	9,220	7,981	-	-	9,220	7,981
Other taxes	5,304	4,429	1,258	986	6,562	5,415
Other general revenues	1,705	1,021	421	271	2,126	1,292
Total revenues	33,345	30,886	10,248	7,792	43,593	38,678
Program expenses						
General government	3,417	2,744	-	-	3,417	2,744
Public safety	21,324	14,415	-	-	21,324	14,415
Public works	1,864	1,472	-	-	1,864	1,472
Engineering services	340	229	-	-	340	229
Culture & recreation	2,344	1,468	-	-	2,344	1,468
Community development	2,159	398	-	-	2,159	398
Education	491	443	-	-	491	443
Long term debt interest/charges	1,383	1,358	-	-	1,383	1,358
Water/sewer	-	-	4,796	4,123	4,796	4,123
Refuse	-	-	2,085	1,841	2,085	1,841
Airport	-	-	387	385	387	385
Transit	-	-	1,298	1,187	1,298	1,187
Total expenses	33,322	22,527	8,566	7,536	41,888	30,063
Excess (deficiency) before transfers	23	8,359	1,682	256	1,705	8,615
Transfers	198	(425)	(198)	425	-	-
Increase (decrease) in assets	221	7,934	1,484	681	1,705	8,615
Net assets beginning of year	26,912	19,028	22,585	21,904	49,497	40,932
Prior period adjustment	145,731	(50)	-	-	145,731	(50)
Net assets end of year	\$ 172,864	\$ 26,912	\$ 24,069	\$ 22,585	\$ 196,933	\$ 49,497

The City's total increases in revenues exceeded the increases in the total cost of all programs and services as net assets continue to increase. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Expenses for the City's governmental activities significantly increased in FY 07 while total revenues increased slightly. The unreserved (unrestricted) fund balance in the general fund balance continues to increase by \$1.4 million compared to another \$1.5 million increase last fiscal year which reflects the fiscal discipline maintained by city staff. The reduction of the vehicle in lieu tax by two thirds and the one fourth reduction of the sales tax by the state has been mostly recovered through property tax swaps under the voter approved constitutional amendment called proposition 1A.

The cost of all *governmental* activities this year was \$33.3 million compared to \$22.5 million last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$16.2 million because some of the cost was paid by those who directly benefited from the programs (\$14.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2.5 million). The City paid for the remaining "public benefit" portion of governmental activities with \$16.2 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increased from (\$7.8 million in 2006 to \$10.2 million in 2007) and expenses increased by 14% (\$7.5 million in 2006 compared to \$8.6 million in 2007).

The City is experiencing rapid growth that is taxing the water and sewer systems. There are several applications for new residential developments as well as commercial developments towards the Wollomes area adjacent to Home Depot. A major project for sewer wastewater plant expansion is also on the pipeline.

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 \$5.8 million as compared to last fiscal years unreserved fund balance of \$4.45 million, while total fund balance reached \$8.1 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 50% of total general fund expenditures, while total fund balance represents 68% of that same amount.

During the current fiscal year, the City's general fund balance increased by \$1.2 million. This is attributed mostly to increases in revenue particularly in tax related revenues. Expenditures however increased by \$0.9 million particularly in culture and recreation and public safety.

The Community Correctional Facility (CCF) unreserved fund balance increased by approximately \$482 thousand during the fiscal year principally from excess of revenues over expenditures.

The Developer Impact Fees unreserved fund balance had a minor increase of approximately \$719 thousand due to slow activity in development in the City.

The Redevelopment Agency Debt Service Fund has a deficit fund balance of \$1.3 million, which decreased by approximately \$373 thousand over last fiscal year due to an increase in property taxes.

The Redevelopment Agency Capital Projects Fund had a slight increase while the City Capital Projects had a decrease in fund balance due to expenditures of \$1.8 million for capital outlay.

Major Enterprise Funds. Unrestricted net assets of all the enterprise funds combined increased by \$482 thousand. The combined operating loss for the current fiscal year is \$1.1 million. Below is a condensed statement of cash flows for the proprietary funds for June 30, 2007 with comparative amounts for 2006.

<u>Business-Type Activities</u>	<u>2007</u>	<u>2006</u>
Net Cash provided (used) by operating activities:	\$ (129,290)	\$ 401,413
Net Cash provided (used) by non-capital financing activities:	3,542,218	627,656
Net Cash used from capital and relating financing activities:	(1,434,752)	(1,581,295)
Net Cash provided (used) by investing activities:	555,794	520,035
Net increase (decrease) in cash and cash equivalents:	2,533,970	(32,191)
Cash and cash equivalents, beginning of year	3,292,920	3,325,111
Cash and cash equivalents, end of year	5,826,890	3,292,920

CAPITAL ASSETS

Capital Assets
(net of depreciation)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,215	\$ 1,215	\$ 2,707	\$ 2,707	\$ 3,922	\$ 3,922
Buildings & structures	4,496	4,916	2,000	2,131	6,496	7,047
Improvements	2,471	1,221	3,663	3,975	6,134	3,166
Infrastructure	143,163	3,250	-	-	143,163	2,030
Machinery & equipment	1,981	1,653	3,587	3,921	5,568	5,574
Construction in progress	1,498	2,983	6,492	5,144	7,990	8,127
Total	<u>\$ 154,824</u>	<u>\$ 15,238</u>	<u>\$ 18,449</u>	<u>\$ 17,878</u>	<u>\$ 173,273</u>	<u>\$ 29,866</u>

There was an overall \$140 million increase in capital assets in the governmental funds as a result of adding \$146 million in infrastructure. There was a significant increase in capital assets of \$1.3 million in the Enterprise Funds for the current fiscal year as a result of several projects including the wastewater expansion design, arsenic mitigation and installation of water valves. Additional information on the City's capital assets can be found in note C to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had bonded debt outstanding of \$19.2 million, and debt secured by pledged assets amounts to \$1.1 million. The bonded debt is secured by pledged tax increment revenues and lease payments from the California Department of Corrections.

Outstanding Debt
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Tax allocation bonds	\$ 15,780	\$ 15,980	\$ -	\$ -	\$ 15,780	\$ 15,980
Certificates of participation	3,405	4,430	-	-	3,405	4,430
Notes payable	552	737	-	-	552	737
Compensated absences	615	473	-	-	615	473
Refuse loans payable	-	-	515	661	515	661
Water loans payable	-	-	874	999	874	999
Sewer loans payable	-	-	903	1,058	903	1,058
Total	\$ 20,352	\$ 21,620	\$ 2,292	\$ 2,718	\$ 22,644	\$ 24,338

During the current fiscal year, the City paid off \$1.4 million in general government and \$0.4 million in business-type debt. Additional information the City's long-term debt can be found in note E to the accompanying financial statements.

GENERAL FUND BUDGET

Differences between the original budget and the final amended budget of the General Fund was \$1.0 million. Most of the increase is on the budget for general government. Public safety also increased due to overtime costs which are funded out of the transfers from the Supplemental Law Enforcement Fund, and new police equipment which were not originally budgeted.

There were no variances between the final budget of the General Fund and its actual operating results.

Contacting the City's Financial Management

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

CITY OF DELANO, CALIFORNIA
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash & cash equivalents	\$ 24,002,300	\$ 5,821,505	\$ 29,823,805
Cash with fiscal agents	3,921,601	5,385	3,926,986
Receivables (net)	5,354,980	1,168,093	6,523,073
Internal balances	(1,884,879)	1,884,879	-
Land held for resale	5,357,927	-	5,357,927
Inventories	135,328	77,081	212,409
Prepays	26,129	53,131	79,260
Deferred charges	2,797,049	-	2,797,049
Restricted assets:			
Temporarily restricted			
Deposits with insurance company	206,429	-	206,429
Intergovernmental receivable	3,114,042	-	3,114,042
Capital assets (net of accumulated depreciation)			
Lands	1,215,027	2,707,453	3,922,480
Buildings	4,495,510	2,000,854	6,496,364
Equipment & machinery	1,980,858	3,586,001	5,566,859
Improvements other than buildings	2,471,812	3,663,659	6,135,471
Infrastructure	143,163,451	-	143,163,451
Construction in progress	1,497,592	6,491,678	7,989,270
	<u>197,855,156</u>	<u>27,459,719</u>	<u>225,314,875</u>
LIABILITIES			
Accounts payable and other current liabilities	3,935,916	1,098,551	5,034,467
Matured bonds, notes & interest payable	184,561	-	184,561
Unearned revenue	519,054	-	519,054
Long-term liabilities:			
Due within one year	1,467,619	446,342	1,913,961
Due in more than one year	18,884,581	1,845,845	20,730,426
	<u>24,991,731</u>	<u>3,390,738</u>	<u>28,382,469</u>
NET ASSETS:			
Invested in capital assets, net of related debt	154,272,581	16,157,458	170,430,039
Restricted for:			
Highways and streets	1,161,782	-	1,161,782
Culture and recreation	635,233	-	635,233
Community & economic development	4,015,394	-	4,015,394
Debt service	4,793,430	-	4,793,430
Unrestricted	7,985,005	7,911,523	15,896,528
	<u>\$ 172,863,425</u>	<u>\$ 24,068,981</u>	<u>\$ 196,932,406</u>

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Functions/Programs	Program Revenues				Net (Expense) / Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities:							
General government	\$ 3,417,132	\$ 1,375,467	\$ -	\$ -	\$ (2,041,665)	\$ -	\$ (2,041,665)
Public safety	21,324,215	9,413,666	208,709	-	(11,701,840)	-	(11,701,840)
Public works	1,863,619	3,223,716	319,120	620,216	2,299,433	-	2,299,433
Engineering services	340,104	191,068	-	-	(149,036)	-	(149,036)
Culture, recreation and social services	2,343,465	237,397	282,984	-	(1,823,084)	-	(1,823,084)
Community & economic development	2,159,312	-	1,044,049	-	(1,115,263)	-	(1,115,263)
Education (payment to school district)	490,556	-	-	-	(490,556)	-	(490,556)
Interest on long-term debt and fiscal charges	1,382,839	199,929	-	-	(1,182,910)	-	(1,182,910)
Total government activities	33,321,242	14,641,243	1,854,862	620,216	(16,204,921)	-	(16,204,921)
Business-type activities:							
Water & sewer	4,796,216	4,509,922	-	1,144,618	-	858,324	858,324
Refuse	2,084,486	2,266,604	12,090	-	-	194,208	194,208
Transit	1,298,017	56,730	-	-	-	(1,241,287)	(1,241,287)
Airport	387,006	340,311	-	238,398	-	191,703	191,703
Total business-type activities	8,565,725	7,173,567	12,090	1,383,016	-	2,948	2,948
Total primary government	\$ 41,886,967	\$ 21,814,810	\$ 1,866,952	\$ 2,003,232	(16,204,921)	2,948	(16,201,973)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					6,723,780	-	6,723,780
Property taxes, levied for debt service					2,495,029	-	2,495,029
Sales taxes					3,467,984	1,257,772	4,725,756
Motor fuel taxes					830,758	-	830,758
Franchise taxes					522,962	-	522,962
Public service taxes					481,880	-	481,880
Unrestricted investment earnings					1,133,365	316,920	1,450,285
Miscellaneous revenue					571,978	104,792	676,770
Transfers					197,964	(197,964)	-
Total general revenues and transfers					16,425,700	1,481,520	17,907,220
Change in net assets					220,779	1,484,468	1,705,247
Net assets - beginning, as previously reported					26,911,886	22,584,513	49,496,399
Prior period adjustments					145,730,760	-	145,730,760
Net assets - beginning, restated					172,642,646	22,584,513	195,227,159
Net assets - ending					\$ 172,863,425	\$ 24,068,981	\$ 196,932,406

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General Fund	CCF Fund	Developer Impact Fees	CRA Debt Service Fund	CRA Capital Projects	City Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Investments	\$ 6,875,394	\$ 500	\$ 9,621,292	\$ 251,900	\$ 5,649	\$ -	\$ 4,346,915	\$ 21,101,650
Cash with fiscal agent	46,198	-	-	1,715,754	-	-	2,159,649	3,921,601
Receivables, net of allowance for uncollectibles	521,151	-	103,308	139,744	-	-	141,488	905,691
Advances to other funds	1,615,330	-	-	-	-	-	-	1,615,330
Loans receivable	-	-	-	-	594,363	-	-	594,363
Deferred loans receivable	-	-	-	-	-	-	3,827,058	3,827,058
Prepaid items	-	-	-	-	-	-	513	513
Deferred charges	97,033	-	-	-	-	-	-	97,033
Inventories	22,739	27,695	-	-	-	-	27,257	77,691
Land held for resale	-	-	-	-	5,357,927	-	-	5,357,927
Intergovernmental receivable-restricted	-	1,248,166	-	-	-	1,048,792	817,084	3,114,042
Total assets	\$ 9,177,845	\$ 1,276,361	\$ 9,724,600	\$ 2,107,398	\$ 5,957,939	\$ 1,048,792	\$ 11,319,964	\$ 40,612,899
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 725,943	\$ 79,017	\$ -	\$ 8,485	\$ 14,867	\$ 198,413	\$ 219,453	\$ 1,246,178
Accrued taxes payable	9,323	4,426	-	-	213	-	1,356	15,318
Accrued wages payable	115,011	59,721	-	-	2,813	-	16,586	194,131
Compensated absences payable	-	-	-	-	-	-	16,478	16,478
Advances from other funds	-	-	-	3,405,013	-	-	-	3,405,013
Deposits payable	150,742	-	-	-	-	-	52,476	203,218
Premium on bonds	-	-	-	-	-	-	184,561	184,561
Deferred revenue	76,906	-	-	-	-	-	442,148	519,054
Cash overdraft	-	462,749	-	-	-	834,754	522,592	1,820,095
Total liabilities (Note 2)	1,077,925	605,913	-	3,413,498	17,893	1,033,167	1,455,650	7,604,046
Fund balances:								
Reserve for:								
Inventories	22,739	27,695	-	-	-	-	27,257	77,691
Advances	1,615,330	-	-	-	-	-	-	1,615,330
Program income	-	-	-	-	-	-	188,336	188,336
Reserved for long-term notes receivable	-	-	-	-	-	-	848,000	848,000
Reserved for deferred loans receivable	-	-	-	-	-	-	2,979,058	2,979,058
Debt service	-	-	-	1,018,952	-	-	810,493	1,829,445
Other purposes	606,829	225,000	-	-	5,952,290	-	-	6,784,119
Unreserved, reported in:								
General fund	5,855,022	-	-	-	-	-	-	5,855,022
Special revenue funds	-	417,753	9,724,600	-	-	-	4,002,853	14,145,206
Debt service	-	-	-	(2,325,052)	-	-	536,766	(1,788,286)
Capital projects funds	-	-	-	-	(12,244)	15,625	471,551	474,932
Total fund balances	8,099,920	670,448	9,724,600	(1,306,100)	5,940,046	15,625	9,864,314	33,008,853
Total liabilities and fund balances	\$ 9,177,845	\$ 1,276,361	\$ 9,724,600	\$ 2,107,398	\$ 5,957,939	\$ 1,048,792	\$ 11,319,964	\$ 40,612,899
Total fund balances								\$ 33,008,853
Amount reported for governmental activities in the statement of net assets because:								
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds								
Unamortized balance of deferred charges								
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information systems and fleet maintenance (garage), to individual funds.								
The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets								
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.								
Net Assets of governmental activities								
								\$ 172,863,425

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General Fund	CCF Fund	Developer Impact Fees	CRA Debt Service Fund	CRA Capital Projects	City Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES								
Property taxes	\$ 6,396,491	\$ -	\$ -	\$ 2,110,894	\$ -	\$ -	\$ 384,135	\$ 8,891,520
Sales taxes	2,751,129	-	-	-	-	-	716,855	3,467,984
Franchise taxes	522,962	-	-	-	-	-	-	522,962
Motor fuel tax	-	-	-	-	-	-	830,758	830,758
Motor vehicle in lieu tax	327,289	-	-	-	-	-	-	327,289
Other taxes	411,226	-	-	-	-	-	70,654	481,880
Fees and fines	247,374	-	-	-	-	-	-	247,374
Licenses and permits	332,373	-	-	-	-	-	-	332,373
Intergovernmental	812,898	6,754,297	-	-	-	620,216	2,898,026	11,085,437
Program income	-	-	-	-	-	-	109,435	109,435
Charges for services	1,079,056	-	940,889	-	-	-	694,684	2,714,629
Asset seizure revenue	-	-	-	-	-	-	28,207	28,207
Investment earnings	323,893	-	412,502	97,910	(2,143)	-	211,806	1,043,968
Amortization of premium	-	-	-	-	-	-	55,625	55,625
Loan repayments	-	-	-	-	-	-	618,428	618,428
Miscellaneous	64,375	2,629	-	302,618	1,100	-	119,256	489,978
Total revenues	13,269,066	6,756,926	1,353,391	2,511,422	(1,043)	620,216	6,737,869	31,247,847
EXPENDITURES								
Current:								
General government	2,241,886	-	-	-	-	-	120,446	2,362,332
Public safety	7,867,023	6,273,976	-	-	-	-	600,846	14,741,845
Public works	-	-	-	-	-	-	1,288,356	1,288,356
Engineering services	235,120	-	-	-	-	-	-	235,120
Culture and recreation	1,030,062	-	-	-	-	-	590,021	1,620,083
Community & economic development	-	-	-	-	431,327	-	1,061,448	1,492,775
Pass thru payments	-	-	-	490,556	-	-	-	490,556
Debt service:								
Principal	92,448	-	-	943,448	-	-	1,025,000	2,060,896
Interest and other charges	19,154	-	-	963,372	110,326	-	246,253	1,339,105
Capital outlay	431,914	-	717	-	-	1,846,975	(4,268)	2,275,338
Total expenditures	11,917,607	6,273,976	717	2,397,376	541,653	1,846,975	4,928,102	27,906,406
Excess (deficiency) of revenues over expenditures	1,351,459	482,950	1,352,674	114,046	(542,696)	(1,226,759)	1,809,767	3,341,441
OTHER FINANCING SOURCES (USES)								
Sale of property	-	-	-	-	82,000	-	-	82,000
(Increase)/decrease in advances from other funds	-	-	-	409,923	333,525	-	-	743,448
Transfers in	256,541	-	-	-	150,477	1,194,755	661,632	2,263,405
Transfers out	(402,521)	-	(633,120)	(150,477)	-	-	(879,323)	(2,065,441)
Total other financing sources and uses	(145,980)	-	(633,120)	259,446	566,002	1,194,755	(217,691)	1,023,412
Net change in fund balances	1,205,479	482,950	719,554	373,492	23,306	(32,004)	1,592,076	4,364,853
Fund balances - beginning	6,894,441	187,498	9,005,046	(1,679,592)	5,916,740	47,629	8,290,320	28,662,082
Prior period adjustments	-	-	-	-	-	-	(18,082)	(18,082)
Fund balances - ending	\$ 8,099,920	\$ 670,448	\$ 9,724,600	\$ (1,306,100)	\$ 5,940,046	\$ 15,625	\$ 9,864,314	\$ 33,008,853

The accompanying notes are an integral part of these statements.

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

Net change in fund balances -total governmental funds \$ 4,364,853

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, modified by deletions and corrections and acquisitions through long-term payment arrangements, and funds provided by fiduciary agency funds. Funds provided by fiduciary funds are reported as program income in the statement of activities. (6,186,661)

The issuance of long term debt (bonds, notes) provide current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items. 1,181,586

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 7,164

Internal service funds are used by management to charge the costs of certain activities, such as insurance and information systems to individual funds. The net revenue of certain internal service funds is reported with governmental activities. 853,837

Change in net assets of governmental activities \$ 220,779

The accompanying notes are an integral part of these statements.

CITY OF DELANO, CALIFORNIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type Activities-Enterprise Funds					Governmental Activities Internal Service Funds
	Refuse	Water & Sewer	Airport	Transit	Total	
Assets						
Current Assets						
Cash and investments	\$ 1,097,215	\$ 4,033,926	\$ -	\$ 690,364	\$ 5,821,505	\$ 2,900,650
Cash with fiscal agent	5,385	-	-	-	5,385	-
Receivables:						
Accounts	497,497	498,147	92,086	-	1,087,730	-
Other	10,559	68,532	-	1,272	80,363	27,868
Advances to other funds	375,217	208,075	-	-	583,292	-
Deposit CSJVRMA	-	-	-	-	-	206,429
Inventories	-	74,537	2,544	-	77,081	57,637
Unallocated premium	-	-	-	-	-	26,153
Prepaid items	-	53,131	-	-	53,131	25,616
Total Current Assets	1,985,873	4,936,348	94,630	691,636	7,708,487	3,244,353
Non-current assets:						
Land	-	1,566,237	1,047,971	93,245	2,707,453	-
Buildings	-	4,307,494	252,676	1,563,206	6,123,376	315,334
Equipment	3,449,122	9,629,077	145,830	1,501,349	14,725,378	505,256
Improvements	-	9,267,381	2,536,617	4,735	11,808,733	1,016,094
Construction in progress	-	5,996,359	495,320	-	6,491,679	43,405
Accumulated depreciation	(2,421,065)	(17,455,393)	(2,034,585)	(1,495,931)	(23,406,974)	(1,153,585)
Total Fixed Assets Net of Accum. Depreciation	1,028,057	13,311,155	2,443,829	1,666,604	18,449,645	726,504
Advances to other funds	-	1,206,391	-	-	1,206,391	-
Total Assets	3,013,930	19,453,894	2,538,459	2,358,240	27,364,523	3,970,857
Liabilities and Fund Equity						
Liabilities						
Current Liabilities						
Accounts payable	\$ 164,645	\$ 173,208	\$ 3,071	\$ 21,590	\$ 362,514	\$ 24,323
Accrued taxes payable	869	1,415	19	484	2,787	436
Accrued wages payable	11,737	19,190	271	6,598	37,796	5,985
Cash overdraft	-	-	265,350	-	265,350	34,005
Loans payable-current portion	150,852	295,490	-	-	446,342	-
Customer deposits	47,386	132,863	12	-	180,261	-
Insurance claims payable	-	-	-	-	-	9,404
Customer refunds payable	-	5,063	-	-	5,063	-
Compensated absences payable	70,726	132,768	8,067	33,219	244,780	23,344
Total current liabilities	446,215	759,997	276,790	61,891	1,544,893	97,497
Non-current liabilities:						
Loans payable-long-term portion	364,331	1,481,514	-	-	1,845,845	-
Total Liabilities	810,546	2,241,511	276,790	61,891	3,390,738	97,497
Net Assets						
Invested in capital assets, net of related debt	512,874	11,534,151	2,443,829	1,666,604	16,157,458	726,504
Unrestricted	1,690,510	5,678,232	(182,160)	629,745	7,816,327	3,146,856
Total Net Assets	\$ 2,203,384	\$ 17,212,383	\$ 2,261,669	\$ 2,296,349	23,973,785	3,873,360
					Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds Included in governmental activities	95,196 (95,196)
					Net assets of business type activities	\$ 24,068,981 \$ 3,778,164

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Business-type Activities-Enterprise Funds					Governmental Activities Internal Service Funds
	Refuse	Water & Sewer	Airport	Transit	Total	
Operating Revenues						
Charges for current services	\$ 2,266,604	\$ 4,509,922	\$ 340,311	\$ 56,730	\$ 7,173,567	\$ 1,924,814
Miscellaneous revenue	30,123	81,535	(79)	-	111,579	-
Total Revenues	2,296,727	4,591,457	340,232	56,730	7,285,146	1,924,814
Operating Expenses						
Personnel	993,924	1,502,722	29,202	514,951	3,040,799	416,655
Maintenance and operations	755,115	2,156,535	269,949	562,224	3,743,823	653,622
Depreciation	227,789	804,393	64,788	179,331	1,276,301	83,501
Miscellaneous	82,636	227,732	11,395	41,511	363,274	-
Total Operating Expenses	2,059,464	4,691,382	375,334	1,298,017	8,424,197	1,153,778
Operating Income (loss)	237,263	(99,925)	(35,102)	(1,241,287)	(1,139,051)	771,036
Non Operating Revenues (Expenses)						
Interest revenue	66,166	245,335	-	5,419	316,920	89,397
Intergovernmental revenues	12,090	-	-	1,245,682	1,257,772	-
Interest expense	(25,022)	(104,834)	(11,672)	-	(141,528)	(1,290)
Total Non-Operating Revenues (Expenses)	53,234	140,501	(11,672)	1,251,101	1,433,164	88,107
Income (loss) before operating transfers	290,497	40,576	(46,774)	9,814	294,113	859,143
Capital contributions	-	1,144,618	238,398	-	1,383,016	-
Transfers in	-	-	19,154	438,131	457,285	-
Transfers out	-	(655,249)	-	-	(655,249)	-
Change in net assets	290,497	529,945	210,778	447,945	1,479,165	859,143
Total net assets beginning	1,912,887	16,682,438	2,050,891	1,848,404	22,494,620	3,014,217
Total net assets ending	\$ 2,203,384	\$ 17,212,383	\$ 2,261,669	\$ 2,296,349	\$ 23,973,785	\$ 3,873,360
					95,196	(95,196)
					\$ 24,068,981	\$ 3,778,164

Adjustment to reflect the consolidation of internal service
fund activities related to enterprise funds
Included in governmental activities
Net assets of business type activities

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Business-type Activities - Enterprise Funds					Governmental
	Refuse	Water & Sewer	Airport	Transit	Total	Activities Int. Svc. Funds
Cash Flows from Operations						
Received from customers	\$ 2,195,023	\$ 4,472,917	\$ 277,499	\$ 55,541	\$ 7,000,980	\$ -
Received from users	-	-	-	-	-	1,922,793
Miscellaneous receipts (payments)	30,123	81,536	(82)	-	111,577	-
Payments to employees for services	(972,680)	(1,446,842)	(22,929)	(498,354)	(2,940,805)	(409,560)
Payments to suppliers for goods and services	(1,021,942)	(2,357,821)	(288,473)	(632,806)	(4,301,042)	(342,707)
Net cash provided (used) by operating activities	<u>230,524</u>	<u>749,790</u>	<u>(33,985)</u>	<u>(1,075,619)</u>	<u>(129,290)</u>	<u>1,170,526</u>
Cash Flows From Non-Capital Financing Activities						
Intergovernmental grants	12,090	-	-	1,245,682	1,257,772	-
Interfund receipts (payments)	-	2,053,194	26,502	-	2,079,696	4,570
Transfers in	-	-	19,154	438,131	457,285	-
Transfers out	-	(252,535)	-	-	(252,535)	-
Net cash provided (used) by non-capital financing activities	<u>12,090</u>	<u>1,800,659</u>	<u>45,656</u>	<u>1,683,813</u>	<u>3,542,218</u>	<u>4,570</u>
Cash Flows From Capital and Related Financing Activities						
Proceeds of loan	-	-	-	-	-	-
Principal paid on debt	(145,367)	(280,088)	-	-	(425,455)	-
Interest paid	(25,022)	(104,834)	(11,671)	-	(141,527)	(1,290)
Construction in progress	-	(402,714)	-	-	(402,714)	-
Acquisition of capital assets	(267,827)	(180,631)	-	(16,598)	(465,056)	(107,038)
Net Cash Used From Capital and Related Financing Activities	<u>(438,216)</u>	<u>(968,267)</u>	<u>(11,671)</u>	<u>(16,598)</u>	<u>(1,434,752)</u>	<u>(108,328)</u>
Cash Flows From Investing Activities						
Interest earned on investments	66,166	245,335	-	5,419	316,920	89,395
Loaned to Redevelopment Agency	-	-	-	-	-	-
Collection of notes receivable	43,686	195,188	-	-	238,874	-
Net cash provided (used) by investing activities	<u>109,852</u>	<u>440,523</u>	<u>-</u>	<u>5,419</u>	<u>555,794</u>	<u>89,395</u>
Net increase (decrease) in Cash and Cash Equivalents	(85,750)	2,022,705	-	597,015	2,533,970	1,156,163
Cash and Cash Equivalents, beginning of year	1,188,350	2,011,221	-	93,349	3,292,920	1,744,487
Cash and Cash Equivalents, end of year	<u>\$ 1,102,600</u>	<u>\$ 4,033,926</u>	<u>\$ -</u>	<u>\$ 690,364</u>	<u>\$ 5,826,890</u>	<u>\$ 2,900,650</u>

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Operating Income (loss)	\$ 237,263	\$ (99,924)	\$ (35,105)	\$ (1,241,287)	\$(1,139,053)	\$ 771,036
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	227,789	804,393	64,788	179,331	1,276,301	83,501
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(91,878)	(74,284)	(62,812)	(1,189)	(230,163)	(2,021)
(Increase) decrease in inventories	-	(27,624)	-	-	(27,624)	11,300
(Increase) decrease in deposit at CSJVRMA	-	-	-	-	-	221,983
(Increase) decrease in prepaid items	-	-	-	-	-	101,862
Increase (decrease) in accounts payable	(184,191)	54,070	(7,129)	(29,071)	(166,321)	(28,406)
Increase (decrease) in accrued taxes payable	(63)	(22)	(154)	(1,947)	(2,186)	(1,225)
Increase (decrease) in accrued wages payable	(1,301)	(281)	4	364	(1,214)	1,129
Increase (decrease) in customer deposits	20,297	38,273	-	-	58,570	-
Increase (decrease) in customer refunds payable	-	(994)	-	-	(994)	-
Increase (decrease) in insurance claims payable	-	-	-	-	-	4,176
Increase (decrease) in compensated absences payable	22,608	56,183	6,423	18,180	103,394	7,191
Total adjustments	<u>(6,739)</u>	<u>849,714</u>	<u>1,120</u>	<u>165,668</u>	<u>1,009,763</u>	<u>399,490</u>
Net cash provided (used) by operating activities	<u>\$ 230,524</u>	<u>\$ 749,790</u>	<u>\$ (33,985)</u>	<u>\$ (1,075,619)</u>	<u>\$ (129,290)</u>	<u>\$ 1,170,526</u>

The accompanying notes are an integral part of these statements.

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

	Pension Trust	Agency Funds
	<hr/>	<hr/>
Assets		
General cash	\$ 95,670	\$ 554,906
Cash with fiscal agents	-	61,690
Demand deposits	298,456	-
	<hr/>	<hr/>
Total cash and demand deposits	394,126	616,596
	<hr/>	<hr/>
Investments, at fair value:		
Guaranteed fixed income	3,900,709	-
U.S. treasury bill	450,546	-
Stocks	10,327,676	-
Mutual Funds	4,230,331	-
Money market funds	153,462	-
	<hr/>	<hr/>
Total investments	19,062,724	-
	<hr/>	<hr/>
Employer contribution receivables	-	-
Receivables - Other	-	604,745
	<hr/>	<hr/>
Total Assets	\$ 19,456,850	\$ 1,221,341
	<hr/>	<hr/>
Liabilities		
Accounts payable	\$ -	\$ 668,013
Accrued taxes payable	25	-
Accrued wages payable	364	-
Compensated absences payable	1,511	-
Accounts payable	-	-
Due to other governments	-	2,730
Customer deposits	-	112,278
Deposits payable	-	7,486
CRA Pass through liability	-	430,834
	<hr/>	<hr/>
Total Liabilities	1,900	\$ 1,221,341
	<hr/>	<hr/>
Net Assets		
Held in trust for pension benefits & other purposes	\$ 19,454,950	
	<hr/>	

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Pension Trust</u>
Additions:	
Employer contributions	\$ 1,139,803
Employee contributions	76,377
Income from use of money & property	166,376
Net appreciation (depreciation) in fair value of investments	2,308,332
Miscellaneous revenue	<u>1,949</u>
Total additions	<u>3,692,837</u>
Deductions:	
Benefits	682,200
Refunds of contributions	288,089
Administrative expenses	<u>107,388</u>
Total deductions	<u>1,077,677</u>
Change in net assets	2,615,160
Net assets - beginning of year	<u>16,839,790</u>
Net assets - end of year (Refer to Schedule of Funding Progress, page 51)	<u><u>\$ 19,454,950</u></u>

The accompanying notes are an integral part of these statements.

**CITY OF DELANO, CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

A. Reporting Entity

The City of Delano 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 government 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 government'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 – The Delano Financing Authority Agency was established pursuant to the State of California Non-Profit Benefit Public Law. The corporation'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 redevelopment agency.

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity have 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 component units for which the government is financially accountable.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City Capital Projects Fund – accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The City of Delano reports the following major proprietary funds:

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

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

The Airport Fund account for the operation and maintenance of the Delano Municipal Airport.

The Transit Fund accounts for the public transportation operations which includes a dial-a-ride system, and a fixed route system for the general transportation of all citizens.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

Additionally, the City reports the following fund types:

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

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.

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 government's water and sewer function and other functions of the City. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

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

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

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

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

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. Under the provisions of the City's investment policy and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

1. Deposits and Investments (Continued)

The City, as well as its component units, applies Governmental Accounting Standards Board Statement Number 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement generally requires that investments be reported at their fair value and that all changes in fair value be reflected in income of the period in which they occur. The reported value of the state pool is the same as the fair value of the pool shares.

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expandable 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 delinquent on December 10 at 5 pm and April 10 at 5 pm.

3. Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government wide financial statement as “internal balances.” Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

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

4. Inventories and Prepaid Items

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

5. Restricted Assets

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

6. Land Held for Resale

Land held for resale is stated at the lower of historical cost or net realizable value, if estimable. During the year ended June 30, 2007, the City estimated the value of its land held for resale at \$5,357,927.

7. Capital Assets

Capital assets, which include property, plant, equipment, and improvements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets include assets with an initial, individual cost of more than \$1,000, and an estimated life in excess of 3 years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

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

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

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

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

8. Compensated Absences

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

9. Long Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type of 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

9. Long Term Obligations (Continued)

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 and is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds are reported as debt service expenditures.

10. Net Assets/Fund Balance

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the City, not restricted for any project or other purpose.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change. The reserve for inventories, debt service, advances, and long-term notes and deferred loans receivable reflect the portions of fund balance represented by inventory, debt service, advances to other funds, and receivables, respectively. Other reservations are for prison mitigation, building security, and reserve for land held for resale. These amounts are not available for appropriation and expenditure at the balance sheet date.

11. Cash Flow Statements

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, deposits, short-term investments and 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 meet this definition.

12. 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.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Explanation of certain differences	
Tax allocation bonds payable	\$ 15,780,000
Certificates of participation	3,405,000
Notes payable - La Salle	344,596
Notes payable - B of A	207,073
Add: Accrued interest payable	343,001
Compensated absences payable	<u>615,531</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets - governmental activities	<u>\$ 20,695,201</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$6,186,661 difference are as follows:

Capital outlay capitalized in governmental funds	\$ 1,258,354
Depreciation expense in governmental funds	<u>(7,445,015)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (6,186,661)</u>

The governmental funds capital assets reflect a net decrease of \$6,163,125. Consider the net increase of \$23,536 (subtracted) relating to the internal service funds fixed assets to agree with the \$6,186,661, above.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

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

Another element of that reconciliation states that “the issuance of long term debt (bonds, notes) provide current financial resources to governmental funds, while the payment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$1,181,586 difference are as follows:

Explanation of certain differences	
Bond principal	\$ 1,409,750
Proceeds of new debt	(141,911)
Amortization of deferred costs	<u>(86,253)</u>
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ 1,181,586</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” These consists of newly incurred debt and accrued interest of bonds and notes that span from the date of the last interest date to the end of the fiscal year. The detail of the \$7,164 difference is as follows:

Explanation of certain differences	
Accrued interest beginning	\$ 350,166
Accrued interest ending	<u>(343,002)</u>
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ 7,164</u>

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

Explanation of certain differences	
Gains realized by the liability insurance fund	\$ 88,946
Gains realized by the garage fund	(27,178)
Gains realized by the workers' compensation fund	824,974
Gain realized by the city information systems fund	<u>(27,600)</u>
Total net internal service funds gain	859,142
Decrease in allocation of proprietary funds	<u>(5,305)</u>
Net adjustments to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ 853,837</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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.

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent fiscal year. Departments are encouraged to liquidate their outstanding purchase orders at year end, so encumbrances are minimal, if any.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2007, on a fund level, the following governmental funds exceeded their appropriations in the following categories:

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

<u>Appropriations Category</u>	
<u>Major Funds</u>	
General Fund	
Public Safety	\$ 72,693
Culture and Recreation	64,183
Debt Service	69,172
Developer Impact Fees	
Capital Outlay	455

C. Deficit Fund Balances

The following funds have deficit fund balances:

Major Fund - CRA Debt Service	\$ 1,306,100
Non-Major Fund - Golf Course	75,102

The golf course deficit has been there for many years and is dealt with by an annual subsidy from the general fund in the amount of \$236,985.

The CRA debt service is expected to be dealt with future tax increments.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's cash and cash equivalents and investments consist of the following at June 30, 2007:

Deposits	\$ (20,660)
Cash on hand	7,325
Cash Equivalents and Investments	<u>49,848,896</u>
Cash and investments	49,835,561
Cash and investments with fiscal agents	<u>3,988,676</u>
Total	<u><u>\$ 53,824,237</u></u>

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

	<u>Cash Equivalents and Investments</u>	<u>Cash With Fiscal Agents</u>	<u>Investments</u>	<u>Total</u>
Governmental activities	\$ 24,002,300	\$ 3,921,601	\$ -	\$27,923,901
Business-type activities	5,821,505	5,385	-	5,826,890
Fiduciary funds	<u>949,032</u>	<u>61,690</u>	<u>19,062,724</u>	<u>20,073,446</u>
Total	<u><u>\$ 30,772,837</u></u>	<u><u>\$ 3,988,676</u></u>	<u><u>\$ 19,062,724</u></u>	<u><u>\$53,824,237</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 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, 2007, City's bank balance of \$2,327,832 (carrying amount of \$2,398,781 was exposed to custodial credit risk).

As of June 30, 2007, the City had the following investments:

Investment types	Book Value	Maturities in Years		
		Less than 1	1 to 5	Over 5
US Treasury notes	\$ 450,546	\$ 303,830	\$ -	\$ 146,716
US Agencies	3,025,000	3,025,000	-	-
Certificates of deposits (CD's)	4,547,000	4,448,000	99,000	-
Local Agency Investment Fund (LAIF)	20,515,311	20,515,311	-	-
Commercial paper	200,000	-	200,000	-
Money market funds	153,462	153,462	-	-
Guaranteed investment contracts	1,829,445	-	-	1,829,445
Stocks	10,327,676	10,327,676	-	-
Mutual funds	4,230,331	4,230,331	-	-
Guaranteed funds	<u>3,900,709</u>	<u>3,900,709</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 49,179,480</u></u>	<u><u>\$ 46,904,319</u></u>	<u><u>\$ 299,000</u></u>	<u><u>\$ 1,976,161</u></u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Authorized investments

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

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

City treasurer	\$ 28,287,311
Fiscal agents(bond trustees for the City and its components)	1,829,445
Pension Fund Investment Committee	<u>19,062,724</u>
Total	<u>\$ 49,179,480</u>

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

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

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

The Pension Fund's investment practices and related disclosures regarding its investments at June 30, 2007 are more fully disclosed in its separate financial statements. Financial statements for the Pension Fund may be obtained from the City's Finance Department.

Investments with fiscal agents are investments held by the bond trustee on behalf of the City or its component units. The City and its investment advisor selects the investment under the terms of the applicable trust agreement, direct the bond trustee to acquire the investment, and the bond trustee that 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 relates to investment of required reserves to be maintained in guaranteed investment contracts that extend over five years.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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 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 above 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.

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. At June 30, 2007, Standard & Poor's and Moody's rated the City's investments, except for those investments held by its bond trustees, as AAA and Aaa, respectively. In addition none of the investment categories listed above exceeded the maximum allowable percentage of its portfolio.

Custodial credit risk

Custodial credit risk 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. Of the City's cash equivalents and investments, certain money market funds and guaranteed investments contracts in the amount of \$1,829,445 held by fiscal agents are subject to custodial risk as they are uninsured or unregistered investments, acquired by the broker or dealer or by its trust department or agent and are held in the City's name. To minimize custodial credit risk with respect to investments with fiscal agents, the City and its component units require that they meet certain credit ratings from either Standard & Poor's or Moody's Investor Service. Custodial credit risk for LAIF is not determinable.

Other risks

Investments in stocks and mutual funds in the Pension fund in the amount of \$14,558,007 are subject to the risk that market values of stocks and mutual funds may decrease as a result of the volatility of the stock market.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

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

	Governmental Funds							
	General	CCF Fund	Developer Impact Fees	CRA	CRA	City	Other Non Major	Total
				Debt Service Fund	Capital Projects Fund	Capital Projects Fund	Governmental Funds	Governmental Funds
Receivables:								
Taxes	\$ 66,832	\$ -	\$ 103,308	\$ 139,744	\$ -	\$ -	\$ -	\$ 309,884
Accounts	-	-	-	-	-	-	29,123	29,123
Other	188,803	-	-	-	-	-	7,256	196,059
Loans receivables	-	-	-	-	594,363	-	-	594,363
Loans receivables-deferred	-	-	-	-	-	-	3,827,058	3,827,058
Intergovernmental	265,516	-	-	-	-	-	105,109	370,625
Intergovernmental-restricted	-	1,248,166	-	-	-	1,048,792	817,084	3,114,042
Total	\$521,151	\$1,248,166	\$103,308	\$ 139,744	\$ 594,363	\$ 1,048,792	\$ 4,785,630	\$ 8,441,154

	Governmental			
	Activities Internal Service Funds	Enterprise Funds	Fiduciary Funds	Total
Receivables:				
Taxes	\$ -	\$ -	\$ -	\$ 309,884
Accounts	-	1,087,730	-	1,116,853
Other	27,868	80,363	604,745	909,035
Loans receivables	-	-	-	594,363
Loans receivables-deferred	-	-	-	3,827,058
Intergovernmental	-	-	-	370,625
Intergovernmental-restricted	-	-	-	3,114,042
Total	\$ 27,868	\$1,168,093	\$604,745	\$10,241,860

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007 was as follows:

Primary Government	<u>Beginning Balance</u>	<u>Adjustments/ Restatements</u>	<u>Adjusted Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities						
Capital Assets, no depreciation						
Land	\$ 1,215,027	\$ -	\$ 1,215,027	\$ -	\$ -	\$ 1,215,027
Construction in Progress	2,983,272	-	2,983,272	83,051	1,568,731	1,497,592
Total Capital Assets not depreciated	4,198,299	-	4,198,299	83,051	1,568,731	2,712,619
Capital Assets, being depreciated						
Buildings	13,738,248	-	13,738,248	72,618	-	13,810,866
Improvements	5,877,193	-	5,877,193	2,071,521	-	7,948,714
Equipment & Machinery	6,050,298	-	6,050,298	706,934	-	6,757,232
Infrastructure	3,249,744	146,014,256	149,264,000	-	-	149,264,000
Total Capital Assets being depreciated	28,915,483	146,014,256	174,929,739	2,851,073	-	177,780,812
Less accumulated depreciation for						
Buildings	(8,822,518)	-	(8,822,518)	(492,838)	-	(9,315,356)
Improvements	(4,655,738)	(135,425)	(4,791,163)	(685,739)	-	(5,476,902)
Equipment & Machinery	(4,396,993)	-	(4,396,993)	(379,381)	-	(4,776,374)
Infrastructure	-	(129,989)	(129,989)	(5,970,560)	-	(6,100,549)
Total accumulated depreciation	(17,875,249)	(265,414)	(18,140,663)	(7,528,518)	-	(25,669,181)
Total capital assets being depreciated, net	11,040,234	145,748,842	156,789,076	(4,677,445)	-	152,111,631
Governmental activities capital assets, net	\$ 15,238,533	\$ 145,748,842	\$ 160,987,375	\$ (4,594,394)	\$ 1,568,731	\$ 154,824,250
Primary Government						
	<u>Beginning Balance</u>		<u>Increases</u>	<u>Decreases</u>		<u>Ending Balance</u>
Business-type activities:						
Capital Assets, no depreciation						
Land	\$ 2,707,453	\$ -	\$ -	\$ -	\$ 2,707,453	
Construction in Progress	5,144,514	1,347,164	-	-	6,491,678	
Total Capital Assets not depreciated	7,851,967	1,347,164	-	-	9,199,131	
Capital Assets, being depreciated						
Buildings	6,123,376	-	-	-	6,123,376	
Improvements	11,772,881	49,552	-	-	11,822,433	
Equipment & Machinery	14,489,698	451,358	229,375	-	14,711,681	
Total Capital Assets being depreciated	32,385,955	500,910	229,375	-	32,657,490	
Less accumulated depreciation for						
Buildings	(3,992,731)	(129,791)	-	-	(4,122,522)	
Improvements	(7,798,193)	(360,581)	-	-	(8,158,774)	
Equipment & Machinery	(10,569,126)	(785,929)	(229,375)	-	(11,125,680)	
Total accumulated depreciation	(22,360,050)	(1,276,301)	(229,375)	-	(23,406,976)	
Total capital assets being depreciated, net	10,025,905	(775,391)	-	-	9,250,514	
Business-type activities capital assets, net	\$ 17,877,872	\$ 571,773	\$ -	\$ -	\$ 18,449,645	

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental activities:		
General government	\$	103,690
Public safety		648,106
Public works		6,592,696
Recreation & social services		184,026
		<hr/>
Total	\$	<u>7,528,518</u>
Business-type activities:		
Refuse	\$	227,789
Sewer		354,830
Water		449,563
Airport		64,788
Transit		179,331
		<hr/>
Total	\$	<u>1,276,301</u>

D. Inter-fund Transfers

Transfers out consists of the following at June 30, 2007

<u>Fund Making Transfer</u>	<u>Fund Receiving Transfer</u>	<u>Purpose</u>	<u>Amount Transferred</u>
General Fund	Golf Course	For operations	\$ 236,985
General Fund	Gas Tax Fund	For operations	123,854
General Fund	Capital Projects	For infrastructure master plan	16,505
General Fund	Airport Fund	For operations	19,154
General Fund	SEMS	miscellaneous	793
General Fund	CIS	miscellaneous	5,230
SLEF	General Fund	For supplemental law enforcement	100,000
Police Impact	General Fund	For police impact project	131,146
Asset Seizure	General Fund	miscellaneous	20,165
TDA Streets	Transit Fund	For street repairs	438,131
Sewer Fund	Capital Projects	For capital projects	402,714
Water Fund	Capital Projects	For capital projects	252,535
TDA Streets	Gas Tax Fund	For road maintenance	300,000
Water Impact	Capital Projects	For various capital projects	61,059
Sewer Fund	Capital Projects	For various capital projects	410,603
Drainage Impact	Capital Projects	For various capital projects	6,043
Traffic Impact	Capital Projects	For various capital projects	24,269
Park In-Lieu Fees	Capital Projects	For soccer park project funding	21,027
RDA Debt Service	Capital Projects	For low mod-set aside	150,477
			<hr/>
Total			<u>\$ 2,720,690</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Long Term Debt

A recap of the long-term debt and their outstanding balances by activity as of June 30, 2007 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Tax allocation bonds payable-Series A	\$12,485,000	\$ -	\$ -	\$ 12,485,000	\$ -
Tax allocation bonds payable-Series B	3,495,000	-	200,000	3,295,000	210,000
Certificates of participation	4,430,000	-	1,025,000	3,405,000	1,080,000
Notes payable-B of A-Police-GF	93,681	-	17,308	76,373	17,994
Notes payable-B of A-Parks-GF	95,319	-	17,610	77,709	18,309
Notes payable-B of A-Gas tax	65,000	-	12,009	52,991	12,485
Notes payable-La Salle Bank	152,473	-	48,451	104,022	50,787
Loans payable-City bank	13,739	-	13,739	-	-
Loans payable-La Salle-Gas Tax	136,308	-	32,494	103,814	33,527
Loans payable-La Salle-IT	179,566	-	42,806	136,760	44,167
Compensated absences payable	473,953	141,911	333	615,531	350
Total external debt	21,620,039	141,911	1,409,750	20,352,200	1,467,619
Business-type activities:					
Notes payable-La Salle Bank-Water	940,479	-	110,760	829,719	114,959
Notes payable-La Salle Bank-Water	58,934	-	14,049	44,885	14,496
Notes payable-La Salle Bank-Refuse	311,197	-	73,349	237,848	76,239
Notes payable-La Salle Bank-Refuse	139,353	-	33,219	106,134	34,276
Notes payable-B of A-Refuse	210,000	-	38,798	171,202	40,337
Notes payable-La Salle Bank-Sewer	42,273	-	10,077	32,196	10,398
Notes payable-M. Mettler-Sewer	139,520	-	19,413	120,107	20,808
Notes payable-Mettler Trust-Sewer	811,742	-	112,948	698,794	121,064
Notes payable-G. Holland-Sewer	64,144	-	12,842	51,302	13,765
Total notes payable	2,717,642	-	425,455	2,292,187	446,342
Grand total	\$24,337,681	\$ 141,911	\$ 1,835,205	\$ 22,644,387	\$ 1,913,961

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Long Term Debt

1. Tax allocation refunding bonds

Tax Allocation Refunding Bond series A (Issue 2003) – On June 1, 2003, the Agency issued \$12,485,000 in tax allocation refunding bonds. All bonds are term bonds. The principal and interest are payable from tax increment revenue received by the Agency and by amounts in certain funds and accounts established under indenture. Interest is 5.5% for \$2,065,000 and 5.00% for \$10,420,000 and payable semi-annually on March 1 and September 1 each year, commencing September 1, 2003. Principal payment is due on September 1 each year. \$2,065,000 of the bonds matures on September 1, 2023 and \$10,420,000 of the bonds matures on September 1, 2038. The outstanding balance as of June 30, 2007 was \$12,485,000. Debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ -	\$ 634,575
2009	-	634,575
2010	-	634,575
2011	-	634,575
2012	-	634,575
2013-2017	-	3,172,875
2018-2022	1,170,000	3,110,725
2023-2027	2,420,000	2,605,775
2028-2032	3,085,000	1,930,250
2033-2037	3,945,000	1,077,250
2038-2039	1,865,000	141,000
	<u>\$ 12,485,000</u>	<u>\$ 15,210,750</u>

Tax Allocation Refunding Bonds Series B (Issue 2003) – On June 1, 2003, the City's 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 Agency and by amounts in certain funds and accounts established under the indenture. Interest is 5.14% for \$1,250,000 and 5.66% for \$1,620,000 and payable semi-annually on March 1 and September 1 each year, commencing September 1, 2003. Principal payment is due on September 1, each year. \$1,250,000 of the bonds mature on September 1, 2013 and \$1,620,000 of the bonds mature on September 1, 2018. The outstanding balance as of June 30, 2007 was \$3,295,000. Debt service payments to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 210,000	\$ 172,417
2009	215,000	164,542
2010	225,000	155,942
2011	240,000	144,377
2012	250,000	132,041
2013-2017	1,455,000	450,003
2018-2019	700,000	59,996
	<u>\$ 3,295,000</u>	<u>\$ 1,279,318</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)**E. Long Term Debt** (Continued)**2. Certifications of participation**

The City, under its blended component unit, the Delano Financing Authority, has outstanding Certificates of Participation obligations in the amount of \$5,410,000 due to mature in April 1, 2010, issued January 30, 2002 originally in the amount of \$8,075,000. The debt service is paid out from a portion of base rental payments receivable from the State of California under an RTC (Return to Custody) contract entered into between the City and the State of California Department of Corrections. The outstanding balance as of June 30, 2007 was \$3,405,000. Debt service payments to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,080,000	\$ 186,338
2009	1,130,000	133,687
2010	1,195,000	68,713
	<u>\$ 3,405,000</u>	<u>\$ 388,738</u>

3. Notes payable

The Sewer Utility fund has purchased land for the expansion of its wastewater treatment plant issuing promissory notes in the amount of \$1,505,182 due to mature in April 13, 2012. The debt is paid out of operating revenue and the outstanding obligation as of June 30, 2007 is \$870,203. Debt service amounts to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 155,637	\$ 56,888
2009	166,820	45,704
2010	178,808	33,716
2011	181,677	20,990
2012	187,261	8,264
	<u>\$ 870,203</u>	<u>\$ 165,562</u>

The Water Utility fund also owes the La Salle Bank, NA 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, 2007 was \$829,719. Debt service amounts to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 114,959	\$ 30,095
2009	119,317	25,736
2010	123,841	21,213
2011	128,536	16,518
2012	133,409	11,645
2013-2014	209,657	7,924
	<u>\$ 829,719</u>	<u>\$ 113,131</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Long Term Debt (Continued)

3. Notes payable (Continued)

The City also obtained a 5-year loan from Bank of America to finance the purchase of various equipment for the police, parks and roads department due to mature in November 30, 2010. The outstanding balance of the loan as of June 30, 2007 was \$378,275. The loan is payable out of general fund and gas tax revenues with a yearly debt service in the amount \$104,127. Debt service amounts to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 89,125	\$ 15,002
2009	92,660	11,468
2010	96,335	7,793
2011	100,155	3,972
	<u>\$ 378,275</u>	<u>\$ 38,235</u>

4. Notes/loans payable – LaSalle

The City also obtained a 7-year loan from La Salle Bank in Chicago, to finance the repair of its HVAC system at City Hall in the amount of \$325,000 due to mature in September 24, 2008. The outstanding balance of the loan as of June 30, 2007 was \$104,022. The loan is payable out of general fund revenues with a yearly debt service in the amount of \$55,802.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 50,787	\$ 5,013
2009	53,235	2,565
	<u>\$ 104,022</u>	<u>\$ 7,578</u>

The City borrowed funds from LaSalle Bank, NA to purchase various heavy duty equipment and computers. In connection with this purchase, the City signed various notes/loans that are due to mature thru 2010 at 3.18% per annum. The debt is being paid out with operating revenues. As of June 30, 2007 the outstanding obligation was \$661,637. Debt service amounts to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 213,103	\$ 24,273
2009	220,460	16,456
2010	228,074	8,369
	<u>\$ 661,637</u>	<u>\$ 49,098</u>

5. 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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

F. 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-four (54) cities in 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 Authority (unaudited) as of June 30, 2005 (most recent information available), are presented below:

Total Assets	\$ 50,198,598
Total Liabilities	<u>41,675,008</u>
Net Assets	<u>\$ 8,523,590</u>
Total Revenues	\$ 24,274,050
Total Expenses	<u>25,421,851</u>
Net Income	<u>\$ (1,147,801)</u>

The City's share of year-end assets, liabilities, or equities, has not been calculated by CSJVRMA. Detailed financial information maybe obtained from the CSJVRMA. At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with its governing documents. The following summarizes the changes in the funds held by the CSJVRMA for claims or liabilities for the City of Delano for the last three fiscal years:

Fiscal year Ended June 30	Contributed by the City	Assessed (Refunded) to the City	Current Year Provision for Claims	Claim Payments	City's Fund Balance
Workers compensation:					
2004	\$ 381,669	\$ 94	\$ (102,178)	\$ (302,563)	\$ 471,776
2005	\$ 399,733	\$ (132,822)	\$ (183,094)	\$ (330,343)	\$ 225,250
2006	\$ 477,978	\$ (334,419)	\$ (125,032)	\$ (227,742)	\$ 16,035
Liability & property damage:					
2004	\$ 293,615	\$ (58,190)	\$ (212,868)	\$ (23,637)	\$ 485,522
2005	\$ 302,256	\$ (108,089)	\$ (175,584)	\$ (75,891)	\$ 428,214
2006	\$ 260,140	\$ (279,850)	\$ (40,478)	\$ (92,044)	\$ 275,982

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Employees Retirement System

Plan Description

The City has established a retirement program for eligible employees, effective June 1, 1967, under a single public employees' defined benefit pension plan, the "City of Delano Employees' Pension Plan". Prien, Associates, Inc., a firm of Consulting Actuaries based in Laguna Hills, California, administers the Plan. The Plan provides death benefits to plan members and their beneficiaries as well as annual COLA. All full-time employees of the City are eligible to participate in the Plan, which is funded by both City and employee contributions. Each employee is credited with one year-vested service for each fiscal year. After seven or more years of service, employees' accrued benefits shall be 100% vested. Ordinance 494 of the City of Delano assigns authority to establish and amend the benefits provision of the Plan to the City Council. The Pension Plan is reported as a pension trust fund in the City's financial statements. The stand-alone plan report can be obtained from the City's Finance Department.

At June 30, 2007, the Plan's membership consisted of the following City and Safety employees:

General Employees active participants	195
Pensioners (includes 7 survivors beneficiaries)	38
Deferred vested	50
	<hr/>
Total members	283
	<hr/> <hr/>

At June 30, 2007 there were 38 retirees and beneficiaries receiving benefits, and 0 terminated members entitled to, but not yet receiving benefits.

Pension Benefits

Employees are entitled to monthly retirement benefits beginning at normal retirement age (age 55 for safety) employees including management of safety employees and age 62 for general employees. City employees who retire at the normal retirement age receive benefits that are partially integrated with social security and are computed by multiplying the average final monthly compensation by 2% plus the average monthly compensation times 2.4% for amounts in excess of 833 times the number of years of credited service. Effective July 1, 2007, the normal retirement age for general employees will be 60.

The Plan permits early retirement with reduced retirement benefits beginning age 50 for safety employees and 57 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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Employees Retirement System (Continued)

Contribution

Per ordinance 494, contribution requirements of the Plan members and participating employees are established and may be amended by the City Council. Additionally, the contribution rates are subject to change due to bargaining contracts and agreements with unions and annual actuarial review.

Contributions are mandatory as long as the employee is eligible to be a participant of the Plan. The participant's accumulated contribution cannot be withdrawn by the participant while employed by the City. The participant's contribution rates, which are a percentage of the participant's base monthly salary, are as follows:

	<u>Participant's Contribution Rate</u>
Management (including police management)	9.00%
General employees	6.20%

The City has been contributing the above percentages on behalf of the general employees, except for the following, which are deducted from the participant's monthly salary based on the years of service.

<u>General Employees</u>	
<u>Years of Service</u>	<u>Contribution Rate</u>
0-1	6.20%
1-2	4.20%
2-3	2.20%
Over 3	0.00%

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

Funding status and progress, contributions required and percentage of actual contributions, including actuarial valuation data for General Members are shown in the Required Supplementary Information on page 64. Investment performance is analyzed periodically by Prien & Associates, Plan Administrators, and is available at the Finance Department at 1015 11th Avenue, Delano, California 93215.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Employees Retirement System (Continued)

CALPers

Effective June 30, 2005 (most recent information available), all active qualified permanent and probationary Police Officers (safety employees) are eligible to participate in a pension plan offered by the California Public Employee Retirement System (CALPers), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPers provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits provisions under the plan are established by State statute and City resolution. Benefits are based on credited service, equal to one year of full time employment. Funding contributions are determined annually on an actuarial basis as of June 30, by CALPers; The Plans' provisions and benefits in effect at June 30, 2005 (date of the most recent information available), are summarized as follows:

	Safety
Benefits vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	55
Monthly benefits, as a % of annual salary	2%
Required employee contribution rate, active as of June 25, 2005	4.00%
Required employee contribution rate, active as of June 25, 2005 provided by employer	2.77%
Required employee contribution rate hired after June 25, 2005	7.00%
Required employer contribution rates	22.56%

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.

The Plan's actuarial valuation is as follows:

Actuarial Valuation	
Valuation Date	6/30/2003
Members included in the valuation	40
Annual covered payroll	\$ 1,995,639
Total assets at market value	\$ 1,334,224
Entry age normal accrued liability	\$ 3,569,111
Actuarial value of assets	\$ 1,334,224
Unfunded liability	\$ 2,234,887
Funded ratio	59.70%
Unfunded liability as % of covered payroll	89.29%
Required contributions:	
Risk pool's net employer normal cost	\$ 222,693
Amortization of side fund	\$ 227,597
Total employer contributions	\$ 450,290
Member contributions	\$ 135,105

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Employees Retirement System (Continued)

CALPers (Continued)

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

Employer contributions	\$	456,882
Employee contribution which included employer paid contributions	\$	137,561
Total	\$	594,443
Annual covered payroll	\$	2,024,829

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

H. 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 maybe 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 outcome 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.

Construction Commitments

On March 17, 2008 the City awarded a construction contract for the waste water treatment plant expansion project in the amount of \$28,727,000. The proposed project is the first phase of a two-phased project, which is expected to increase the plant's capability to treat waste water from 4.4 to 8.8 million gallons per day. The estimated cost of the project is approximately \$32 million. The City expects to cover these costs from sewer impact fees and the proceeds from the State revolving fund.

I. 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, 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, 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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Conduit Debt Obligations (Continued)

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 (i) to Finance the acquisition, construction, improvement and equipping of certain health facilities owned and operated by the health facility. The Certificates is due to mature on January 1, 2020.

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

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

J. Prior Period Adjustment

The fund balance (net assets) of the following funds (activities) was adjusted as of June 30, 2007 as follows:

	Statement of	Governmental Funds	
	Activities	Inmate Welfare Fund	Gas Tax Fund
Net Assets (Fund Balance), as Previously Reported	\$ 26,911,886	\$ 1,067,646	\$ 496,233
Prior Period Adjustment			
Adjust depreciation for CIP not moved to completed Infrastructure additions	(135,425) 145,884,267	-	-
To reduce revenue for amounts improperly recorded in incorrect fund	(22,137)	-	(22,137)
To correct understatement of receivables in prior year	4,055	4,055	-
Net Assets (Fund Balance) Beginning of Year, as Restated	<u>\$172,642,646</u>	<u>\$ 1,071,701</u>	<u>\$ 474,096</u>

K. Subsequent Events

On December 17, 2007, the City signed a lease-purchase agreement with Chevron Energy Solutions to install energy saving facilities within the City. The project cost is expected at \$3,367,551. In connection with this project, the City signed a 20-year lease/purchase agreement with City Capital Municipal Finance. The term of the lease is 20 years and the interest rate is 4.25%. The total lease payments at the end of the lease term will be \$4,520,668. The benefit of this project is that it is expected to have operational savings and energy savings that exceed the cost of the project by an estimated \$6,147,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DELANO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET VS. ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 4,505,029	\$ 4,505,029	\$ 6,396,491	\$ 1,891,462
Sales and other taxes	3,321,810	3,312,200	4,012,606	700,406
Licenses and permits	433,240	433,240	332,373	(100,867)
Fines and forfeitures	171,400	172,010	247,374	75,364
Investment Earnings	140,124	140,124	323,893	183,769
Intergovernmental revenues	1,916,658	1,148,333	812,898	(335,435)
Intragovernmental revenue	557,480	569,925	561,270	(8,655)
Charges for current services	309,800	309,800	517,786	207,986
Recreation	96,000	96,000	-	(96,000)
Miscellaneous revenue	4,000	4,000	64,375	60,375
Total Revenues	11,455,541	10,690,661	13,269,066	2,578,405
Expenditures				
Current				
General government	2,906,500	2,931,663	2,241,886	689,777
Public safety	7,564,441	7,794,330	7,867,023	(72,693)
Engineering	261,271	330,409	235,120	95,289
Culture and Recreation	1,012,657	965,879	1,030,062	(64,183)
Debt Service	-	42,430	111,602	(69,172)
Capital Outlay	107,193	873,427	431,914	441,513
Total Expenditures	11,852,062	12,938,138	11,917,607	1,020,531
Excess (deficiency) of revenues over (under) expenditures	(396,521)	(2,247,477)	1,351,459	(3,598,936)
Other Financing Sources (Uses)				
Transfers in	333,525	990,190	256,541	733,649
Transfers out	(675,708)	(557,579)	(402,521)	(155,058)
Total Other Financing Sources and (Uses)	(342,183)	432,611	(145,980)	578,591
Net Change in Fund Balances	(738,704)	(1,814,866)	1,205,479	(3,020,345)
Fund Balance, Beginning of Year	6,894,441	6,894,441	6,894,441	-
Fund Balance, End of Year	\$ 6,155,737	\$ 5,079,575	\$ 8,099,920	\$ (3,020,345)

**CITY OF DELANO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET VS. ACTUAL
COMMUNITY CORRECTIONAL FACILITY – SPECIAL REVENUE MAJOR FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental revenues	\$ -	\$ 7,053,068	\$ 6,754,297	\$ (298,771)
Miscellaneous revenue	-	3,500	2,629	(871)
Total Revenues	-	7,056,568	6,756,926	(299,642)
Expenditures				
Current				
Public safety	-	6,919,456	6,273,976	645,480
Total Expenditures	-	6,919,456	6,273,976	645,480
Net Change in Fund Balances	-	137,112	482,950	345,838
Fund Balance, Beginning of Year	187,498	187,498	187,498	-
Fund Balance, End of Year	\$ 187,498	\$ 324,610	\$ 670,448	\$ 345,838

**CITY OF DELANO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET VS. ACTUAL
DEVELOPER IMPACT FEES – SPECIAL REVENUE MAJOR FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Charges for services	\$ -	\$ 1,300,400	\$ 940,889	\$ (359,511)
Investment earnings	-	44,400	412,502	368,102
Total Revenues	<u>-</u>	<u>1,344,800</u>	<u>1,353,391</u>	<u>8,591</u>
Expenditures				
Current				
Capital outlay	-	262	717	(455)
Total Expenditures	<u>-</u>	<u>262</u>	<u>717</u>	<u>(455)</u>
Excess (deficiency) of revenues over (under) expenditures	-	1,344,538	1,352,674	8,136
Other Financing Sources (Uses)				
Transfers out	-	-	(633,120)	(633,120)
Net Change in Fund Balances	-	1,344,538	719,554	(624,984)
Fund Balance, Beginning of Year	<u>9,005,046</u>	<u>9,005,046</u>	<u>9,005,046</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 9,005,046</u>	<u>\$ 10,349,584</u>	<u>\$ 9,724,600</u>	<u>\$ (624,984)</u>

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

I. Schedule of Funding Status and Progress

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Projected Unit Credit	(3) Funded Rates (%) (1)/(2)	(4) Unfunded AAL (UAAL) (2)-(1)	(5) Annual Covered Payroll	(6) UAAL(%) (4)/(5)
6/30/97	\$ 8,718,608	\$ 11,814,260	73.80%	\$ 3,095,652	\$ 5,452,925	56.77%
6/30/98	\$ 10,833,579	\$ 13,569,843	79.84%	\$ 2,736,264	\$ 6,228,933	43.93%
6/30/99	\$ 12,335,703	\$ 15,112,530	81.63%	\$ 2,776,827	\$ 6,617,975	41.96%
6/30/00	\$ 11,934,102	\$ 14,499,489	82.31%	\$ 2,565,387	\$ 6,835,377	37.53%
6/30/01	\$ 11,547,511	\$ 15,606,939	73.99%	\$ 4,059,428	\$ 6,543,832	62.03%
6/30/02	\$ 11,649,634	\$ 17,970,464	64.83%	\$ 6,320,830	\$ 7,337,881	86.14%
6/30/03	\$ 12,156,501	\$ 19,736,558	61.59%	\$ 7,580,057	\$ 7,305,354	103.76%
6/30/04	\$ 14,350,746	\$ 21,702,704	66.12%	\$ 7,351,958	\$ 7,483,544	98.24%
6/30/05	\$ 15,048,284	\$ 19,633,478	76.65%	\$ 4,585,194	\$ 7,895,996	58.07%
6/30/06	\$ 16,839,790	\$ 21,484,859	78.38%	\$ 4,645,069	\$ 6,353,463	73.11%
6/30/07	\$ 19,454,948	\$ 24,767,406	78.55%	\$ 5,312,458	\$ 6,764,823	78.53%

II. Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Percentage Contributed
1998	\$ 683,469	100%
1999	\$ 992,578	100%
2000	\$ 945,688	100%
2001	\$ 855,046	92%
2002	\$ 1,163,464	108%
2003	\$ 1,251,572	100%
2004	\$ 1,496,202	95%
2005	\$ 1,599,988	101%
2006	\$ 1,181,059	98%
2007	\$ 1,153,496	105%

III. Notes to Required Supplementary Information

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

Valuation date	June 30, 2007
Actuarial cost method	Project unit credit
Amortization period	Level percent open
Remaining amortization period	12 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	8% per annum compounded annually
Projected salary increases	3.00%
*Includes inflation at	3.00%
Cost of living adjustments and post-retirement increases	2% annual rate