

**CITY OF LAKEPORT**  
*California*

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**Annual Financial Report**  
**June 30, 2010**

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# MARCELLO & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

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2701 Cottage Way, Suite 30 / Sacramento, California / 916.979.9079

### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor  
Members of the City Council  
City of Lakeport, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lakeport, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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. 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.

The City has not presented management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

The schedule of funding progress and budgetary comparison information on pages 28 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor  
Members of the City Council  
City of Lakeport, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements on pages 31 through 39 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Marullo & Company*

Certified Public Accountants  
Sacramento, California  
December 22, 2010

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF LAKEPORT**  
**Statement of Net Assets**  
**Government-wide Financial Statements**  
**June 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 2,980,367	\$ 2,449,154	\$ 5,429,521
Receivables	813,497	220,984	1,034,481
Prepaid expenses	-	97,854	97,854
Notes receivable	1,878,708	-	1,878,708
Land held for resale	407,964	-	407,964
Capital assets not being depreciated	827,102	1,775,403	2,602,505
Capital assets, net of depreciation	5,044,768	16,541,958	21,586,726
Deferred charges	290,215	188,448	478,663
Restricted cash with fiscal agent	3,404,217	-	3,404,217
Total assets	<u>15,646,838</u>	<u>21,273,801</u>	<u>36,920,639</u>
<b>LIABILITIES</b>			
Accounts payable	181,302	99,647	280,949
Accrued liabilities	132,924	38,611	171,535
Interest payable	102,406	99,280	201,686
Deposits payable	-	205,700	205,700
Deferred revenue	26,833	-	26,833
Noncurrent liabilities:			
Due within one year	181,641	219,075	400,716
Due in more than one year	5,907,458	10,099,227	16,006,685
Total liabilities	<u>6,532,564</u>	<u>10,761,540</u>	<u>17,294,104</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(308,329)	8,215,696	7,907,367
Unrestricted	9,422,603	2,296,565	11,719,168
Total net assets	<u>\$ 9,114,274</u>	<u>\$ 10,512,261</u>	<u>\$ 19,626,535</u>

*The accompanying notes are an integral part of these financial statements*

**CITY OF LAKEPORT**  
**Statement of Activities**  
**Government-wide Financial Statements**  
**Year Ended June 30, 2010**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges	Operating	Capital	Primary Government		
		for	Grants and	Grants and	Governmental	Business-type	Total
	Services	Contributions	Contributions	Activities	Activities		
<b>Governmental Activities</b>							
General government	\$ 3,364,170	\$ 574,774	\$ 391,804	\$ -	\$ (2,397,592)	\$ (2,397,592)	
Public safety	1,830,624	103,068	122,586	-	(1,604,970)	(1,604,970)	
Public works, streets, planning	735,385	1,875	165,386	391,021	(177,103)	(177,103)	
Parks and recreation	322,502	-	-	-	(322,502)	(322,502)	
Interest on long-term debt	302,138	-	-	-	(302,138)	(302,138)	
Total governmental activities	<u>6,554,819</u>	<u>679,717</u>	<u>679,776</u>	<u>391,021</u>	<u>(4,804,305)</u>	<u>(4,804,305)</u>	
<b>Business-type Activities</b>							
Water utility	1,356,420	1,241,526	-	-	\$ (114,894)	(114,894)	
Sewer utility	2,475,742	1,716,116	-	-	(759,626)	(759,626)	
Total business-type activities	<u>3,832,162</u>	<u>2,957,642</u>	<u>-</u>	<u>-</u>	<u>(874,520)</u>	<u>(874,520)</u>	
Total primary government	<u>\$ 10,386,981</u>	<u>\$ 3,637,359</u>	<u>\$ 679,776</u>	<u>\$ 391,021</u>	<u>(4,804,305)</u>	<u>(5,678,825)</u>	
<b>General Revenue</b>							
Sales tax					934,870	934,870	
Property taxes					2,546,908	2,875,760	
Transient occupancy taxes					88,966	88,966	
Franchise fee					113,405	113,405	
Use of money and property					58,349	99,460	
Other revenue					502,692	502,692	
Totals					<u>4,245,190</u>	<u>4,615,153</u>	
<b>Change in Net Assets</b>					(559,115)	(504,557)	(1,063,672)
<b>Net Assets</b>							
Beginning					9,125,051	20,141,869	
Prior period adjustment-notes rec.					548,338	548,338	
Beginning, as restated					<u>9,673,389</u>	<u>20,690,207</u>	
End of year					<u>\$ 9,114,274</u>	<u>\$ 19,626,535</u>	

The accompanying notes are an integral part of these financial statements

**FUND FINANCIAL STATEMENTS**

**CITY OF LAKEPORT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	General	Redevelopment	Redevelopment	Other	Total
		Agency	Agency	Governmental	Governmental
			Debt Service	Funds	Funds
<b>Assets</b>					
Cash and investments	\$ 871,489	\$ 133,271	\$ -	\$ 1,975,607	\$ 2,980,367
Accrued interest	5,726	-	-	-	5,726
Taxes receivable	67,165	15,776	-	-	82,941
Other receivables	371,163	-	-	353,667	724,830
Interfund loans	610,192	-	-	-	610,192
Land held for resale	-	407,964	-	-	407,964
Notes receivable	-	25,983	-	1,852,725	1,878,708
Restricted assets:					
cash with fiscal agent	-	-	3,404,217	-	3,404,217
<b>Total assets</b>	<b>\$ 1,925,735</b>	<b>\$ 582,994</b>	<b>\$ 3,404,217</b>	<b>\$ 4,181,999</b>	<b>\$ 10,094,945</b>
<b>Liabilities</b>					
Accounts payable	\$ 51,888	\$ 118,539	\$ -	\$ 10,875	\$ 181,302
Accrued expenses	120,196	9,659	-	3,069	132,924
Deferred revenue	26,833	25,983	-	1,852,725	1,905,541
Interfund loans	-	-	-	610,192	610,192
<b>Total liabilities</b>	<b>198,917</b>	<b>154,181</b>	<b>-</b>	<b>2,476,861</b>	<b>2,829,959</b>
<b>Fund Balance</b>					
Reserved for debt service	-	-	3,404,217	-	3,404,217
Reserved for land held for sale	-	407,964	-	-	407,964
Unreserved, reported in:					
General fund	1,726,818	-	-	-	1,726,818
Special revenue funds	-	-	-	975,207	975,207
Capital project funds	-	20,849	-	729,931	750,780
<b>Total fund balances</b>	<b>1,726,818</b>	<b>428,813</b>	<b>3,404,217</b>	<b>1,705,138</b>	<b>7,264,986</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,925,735</b>	<b>\$ 582,994</b>	<b>\$ 3,404,217</b>	<b>\$ 4,181,999</b>	<b>\$ 10,094,945</b>

*The accompanying notes are an integral part of these financial statements*

**CITY OF LAKEPORT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2010**

**Total Fund Balances - Governmental Funds (page 5)** \$ 7,264,986

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

**Deferred Expenses**

Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period during which the debt is outstanding. The costs are reported as expenditures of current financial resources in governmental funds. 290,215

**Capital Assets**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds balance sheet:

Governmental capital assets	8,116,977
Accumulated depreciation	(2,245,107)

**Interest Expense**

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (102,406)

**Notes Receivable**

In governmental funds, other long-term assets are not available to pay for current-period expenditures and, therefore, are offset by deferred revenue. 1,878,708

**Long-term Obligations**

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds balance sheet:

Accrued compensated absences	(381,315)
Lease payable	(247,784)
Bonds payable	(5,460,000)
	(5,460,000)

**Net Assets - Governmental Activities (page 3)** \$ 9,114,274

*The accompanying notes are an integral part of these financial statements*

**CITY OF LAKEPORT**  
**Statement of Revenue, Expenditures, and Change in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2010**

	General	Redevelopment Agency	Redevelopment Agency Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Intergovernmental revenue	\$ 190,117	\$ -	\$ -	\$ 880,680	\$ 1,070,797
Taxes	2,725,933	762,568	-	195,649	3,684,150
Licenses and permits	155,282	-	-	-	155,282
Fines and penalties	20,536	-	-	-	20,536
Use of money and property	16,017	3,353	24,827	14,152	58,349
Charge for services	502,023	-	-	1,875	503,898
Other revenue	345,749	6,243	-	150,700	502,692
Total revenue	<u>3,955,657</u>	<u>772,164</u>	<u>24,827</u>	<u>1,243,056</u>	<u>5,995,704</u>
<b>Expenditures</b>					
Current -					
General government	1,411,507	1,091,350	4,120	1,313,582	3,820,559
Public safety	1,996,983	-	-	-	1,996,983
Public works and streets	623,625	-	-	189,305	812,930
Parks and recreation	259,125	-	-	-	259,125
Capital outlay	171,077	287,297	-	130,266	588,640
Debt service -					
Principal retirement	71,509	-	50,000	-	121,509
Interest	-	-	276,544	-	276,544
Total expenditures	<u>4,533,826</u>	<u>1,378,647</u>	<u>330,664</u>	<u>1,633,153</u>	<u>7,876,290</u>
Excess of Revenue over (under) Expenditures	<u>(578,169)</u>	<u>(606,483)</u>	<u>(305,837)</u>	<u>(390,097)</u>	<u>(1,880,586)</u>
<b>Other Financing Sources and (Uses)</b>					
Proceeds from capital lease	319,292	-	-	-	319,292
Operating transfers in	154,026	-	334,412	267,800	756,238
Operating transfers (out)	(231,137)	(334,412)	-	(190,689)	(756,238)
Total other	<u>242,181</u>	<u>(334,412)</u>	<u>334,412</u>	<u>77,111</u>	<u>319,292</u>
<b>Change in Fund Balances</b>	(335,988)	(940,895)	28,575	(312,986)	(1,561,294)
Fund balances-beginning	2,062,806	1,369,708	3,375,642	1,648,552	8,456,708
Prior period adjustment	-	-	-	369,572	369,572
Fund balances-restated	<u>2,062,806</u>	<u>1,369,708</u>	<u>3,375,642</u>	<u>2,018,124</u>	<u>8,826,280</u>
Fund balances-end of year	<u>\$ 1,726,818</u>	<u>\$ 428,813</u>	<u>\$ 3,404,217</u>	<u>\$ 1,705,138</u>	<u>\$ 7,264,986</u>

The accompanying notes are an integral part of these financial statements

**CITY OF LAKEPORT**  
**Reconciliation of the Statement of Revenue, Expenditures, and Change in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2010**

**Change in Fund Balances - Governmental Funds (page 7)** \$ (1,561,294)

Amounts reported for governmental activities in the Statement of Net Assets are difference because of the following:

**Notes Receivable**

Repayment of long-term receivables are treated as revenue in the governmental funds, but the repayment reduces long-term receivables in the Statement of Net Assets. Issuance of long-term receivables are treated as expenditures in the governmental funds, but the issuance increases long-term receivables in the Statement of Net Assets.

Net change of loans 491,800

**Capital Assets**

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are added back to fund balances 1,061,516  
 Depreciation expense is not reported in governmental funds (221,963)

**Long-term Obligations**

The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenue or expenditures in the governmental funds (net change):

Interest payable (9,912)  
 Compensated absences (105,797)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Proceeds from capital lease are subtracted from fund balance (319,292)  
 Repayment of debt principal is added back to fund balance 121,509  
 Amortization expense of issuance costs (15,682)

**Change in Net Assets - Governmental Activities (page 4)** \$ (559,115)

*The accompanying notes are an integral part of these financial statements*

**CITY OF LAKEPORT**  
**Proprietary Funds**  
**Statement of Net Assets**  
**June 30, 2010**

<b>Assets</b>	<b>Business-type Activities</b>		<b>Total Enterprise Funds</b>
	<b>Water</b>	<b>Sewer</b>	
<b>Current assets:</b>			
Cash and investments	\$ 908,209	\$ 1,540,945	\$ 2,449,154
Receivables	93,745	127,239	220,984
Prepaid expenses	48,927	48,927	97,854
Total current assets	1,050,881	1,717,111	2,767,992
<b>Noncurrent assets:</b>			
Capital assets not being depreciated	40,170	1,735,233	1,775,403
Capital assets, net of depreciation	4,201,480	12,340,478	16,541,958
Deferred charges	-	188,448	188,448
Total noncurrent assets	4,241,650	14,264,159	18,505,809
Total assets	5,292,531	15,981,270	21,273,801
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	71,734	27,913	99,647
Accrued payroll and benefits	16,172	22,439	38,611
Interest payable	2,272	97,008	99,280
Customer deposits	205,700	-	205,700
Compensated absences, current	2,500	4,500	7,000
Revenue bonds, current	57,075	55,000	112,075
Tax assessment bonds, current	-	100,000	100,000
Total current liabilities	355,453	306,860	662,313
<b>Noncurrent liabilities:</b>			
Compensated absences	6,019	15,170	21,189
Revenue bonds, net	3,143,038	2,955,000	6,098,038
Tax assessment bonds, net	-	3,980,000	3,980,000
Total noncurrent liabilities	3,149,057	6,950,170	10,099,227
Total liabilities	3,504,510	7,257,030	10,761,540
<b>Net Assets</b>			
Investment in capital assets, net of related debt	1,041,537	7,174,159	8,215,696
Unrestricted	746,484	1,550,081	2,296,565
Total net assets	\$ 1,788,021	\$ 8,724,240	\$ 10,512,261

*The accompanying notes are an integral part of these financial statements*

**CITY OF LAKEPORT**  
**Proprietary Funds**  
**Statement of Revenue, Expenses, and Change in Net Assets**  
**Year Ended June 30, 2010**

	<u>Business-type Activities</u>		<u>Total Enterprise Funds</u>
	<u>Water</u>	<u>Sewer</u>	
<b>Operating Revenue</b>			
Charges for services	\$ 1,241,526	\$ 1,694,573	\$ 2,936,099
Other income	-	21,543	21,543
Total operating revenue	<u>1,241,526</u>	<u>1,716,116</u>	<u>2,957,642</u>
<b>Operating Expenses</b>			
Salaries and benefits	637,074	836,804	1,473,878
Utility Costs	131,159	121,354	252,513
Materials, supplies and service costs	252,225	540,787	793,012
Travel and training	5,794	6,538	12,332
Other	18,176	4,190	22,366
Amortization	-	6,853	6,853
Depreciation	143,205	624,355	767,560
Total operating expenses	<u>1,187,633</u>	<u>2,140,881</u>	<u>3,328,514</u>
<b>Operating Income (Loss)</b>	<u>53,893</u>	<u>(424,765)</u>	<u>(370,872)</u>
<b>Nonoperating Revenue (Expenses)</b>			
Property tax assessments	-	328,852	328,852
Use of money and property	10,041	31,070	41,111
Interest expense	(168,787)	(334,861)	(503,648)
Total nonoperating revenue (expenses)	<u>(158,746)</u>	<u>25,061</u>	<u>(133,685)</u>
<b>Change in Net Assets</b>	(104,853)	(399,704)	(504,557)
Net Assets - beginning	1,892,874	9,123,944	11,016,818
Net Assets - end of year	<u>\$ 1,788,021</u>	<u>\$ 8,724,240</u>	<u>\$ 10,512,261</u>

*The accompanying notes are an integral part of these financial statements*

**CITY OF LAKEPORT**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended June 30, 2010**

<b>CASH FLOWS PROVIDED BY (USED FOR)</b>	<b>Business-type Activities</b>		<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Enterprise Funds</b>
<b>Operating Activities</b>			
Cash received from customers	\$ 1,252,286	\$ 1,715,778	\$ 2,968,064
Cash paid to suppliers of goods and services	(360,733)	(713,395)	(1,074,128)
Cash paid for employee compensation	(639,412)	(812,710)	(1,452,122)
Net cash provided (used)	252,141	189,673	441,814
<b>Noncapital &amp; Related Financing Activities</b>			
Property tax assessments	-	328,852	328,852
<b>Capital &amp; Related Financing Activities</b>			
Purchase of capital assets	-	(24,439)	(24,439)
Principal payments on capital debt	(138,272)	(145,000)	(283,272)
Interest paid on capital debt	(223,862)	(358,566)	(582,428)
Net cash provided (used)	(362,134)	(528,005)	(890,139)
<b>Investing Activities</b>			
Collection of investment earnings	10,041	31,070	41,111
<b>Net Increase (Decrease) in Cash</b>	(99,952)	21,590	(78,362)
Cash and cash equivalents - beginning	1,008,161	1,519,355	2,527,516
Cash and cash equivalents - end of year	\$ 908,209	\$ 1,540,945	\$ 2,449,154
<b>Operating Activities Analysis</b>			
Operating Income (Loss) (page 10)	\$ 53,893	\$ (424,765)	\$ (370,872)
Reconciliation adjustments:			
Depreciation, a noncash expense	143,205	624,355	767,560
Amortization, a noncash expense	-	6,853	6,853
(Increase) decrease in trade receivables	14,712	(338)	14,374
(Increase) decrease in prepaid expenses	(35)	(8,827)	(8,862)
Increase (decrease) in accounts payable	46,656	(31,699)	14,957
Increase (decrease) in accrued liabilities	3,101	11,642	14,743
Increase (decrease) in compensated absences	(5,439)	12,452	7,013
Increase (decrease) in customer deposits	(3,952)	-	(3,952)
Net cash provided (used)	\$ 252,141	\$ 189,673	\$ 441,814

*The accompanying notes are an integral part of these financial statements*

**CITY OF LAKEPORT**  
**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Funds**  
**June 30, 2010**

	<u>Special Deposits</u>	<u>Storm Drainage</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 163,019	\$ 395,109	\$ 558,128
Total Assets	<u>\$ 163,019</u>	<u>\$ 395,109</u>	<u>\$ 558,128</u>
<b>Liabilities</b>			
Refundable deposits and trust liabilities	\$ 163,019	\$ 395,109	\$ 558,128
Total Liabilities	<u>\$ 163,019</u>	<u>\$ 395,109</u>	<u>\$ 558,128</u>

*The accompanying notes are an integral part of these financial statements*

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the City as follows:

- Note 1 - Defining the Reporting Entity
- Note 2 - Summary of Significant Accounting Policies
- Note 3 - Stewardship, Compliance, and Accountability
- Note 4 - Cash and Investments
- Note 5 - Interfund Transactions
- Note 6 - Capital Assets
- Note 7 - Long-term Obligations
- Note 8 - Defined Benefit Pension Plan
- Note 9 - Post-Retirement Health Care Benefits
- Note 10 - Risk Management
- Note 11 - Commitments and Contingencies
- Note 12 - New Pronouncements
- Note 13 - Subsequent Events

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 1 - Defining the Reporting Entity**

The City of Lakeport (the City) was incorporated in 1888 under the laws of the State of California. Lakeport operates under a Council-Manager form of government. The City provides a full range of municipal services to its citizens including public safety, public works, planning and building regulation, recreation and parks, water and sewer services.

These financial statements present the financial status of the City and its component units. The component units discussed in the following paragraph are included in the City's financial statements because the City is financially accountable for their operations.

The Redevelopment Agency of the City of Lakeport (the Agency) was established by the City as a separate legal entity in accordance with state law. The purpose of the Agency is to encourage new investment and reinvestment within legally designated redevelopment areas in partnership with property owners.

The Municipal Sewer District No. 1 was established as a separate legal entity to obtain funding and construct a new sewage treatment plant and pumping stations in 1965. In later years an assessment district was formed for the purpose of financing needed improvements and expansion of the wastewater system.

Although the component units are legally separate from the City, they are reported on a blended basis as part of the primary government because their boards consist of members of the City Council. The component units' financial statements may be obtained from the City.

**Note 2 - Summary of Significant Accounting Policies**

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below:

**A. Government-wide and Fund Financial Statements**

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of *interfund activity* has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) changes to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributors 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.

The accounts of the City are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

In the fund financial statements in this report, the various funds are grouped into generic funds within three broad fund types. They are as follows:

**Governmental Funds**

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

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 2 - Summary of Significant Accounting Policies**

*Capital Projects Funds* are used to account for revenue and expenditures restricted to the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

*Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, governmental fund long-term debt, both principal and interest.

Proprietary Funds

*Enterprise Funds* are used to account for operations that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges. The City accounts for the operation of its water and sewer utility funds on this basis.

Fiduciary Funds

*Agency Funds* are used to account for assets administered by the City in a trustee capacity or as an agent for other governments, and other funds. Agency funds are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations.

*Trust Funds* are used to account for assets held by the government in a trustee capacity.

B. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

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

In the fund financial statements, all governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Revenue is recognized when they become both measurable and available to finance the expenditures of the current period (susceptible to accrual). Major revenue sources susceptible to accrual include substantially all property taxes, taxpayer-assessed taxes (such as sales and use, utility users, business license, transient occupancy, franchise fees and gas taxes), interest, special assessments levied, state and federal grants and charges for current services. Revenue from licenses, permits, fines and forfeits is recorded as received. Expenditures are recorded when the related fund liability is incurred.

Fiduciary fund revenue and expenses or expenditures (as appropriate) is recognized on the basis consistent with the fund's accounting measurement objective.

All governmental funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

The government-wide financial statements, as well as the proprietary funds financial statements, are accounted for on a flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund operating statements present increases (revenue) and decreases (expenses) in net total assets.

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 2 - Summary of Significant Accounting Policies**

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statement to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

C. Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires the use of 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 amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Investments

Cash and investments held in the City's investment pool are reported as cash and investments since "funds" can spend cash at any time without prior notice or penalty. All investments with fiscal agents are also considered cash equivalents if they are liquid. Investments are stated at fair value.

E. Receivables and Payables

Balances representing lending/borrowing transactions between funds outstanding at the end of the fiscal year are reported as either "due to/due from other funds" (amounts due within one year), "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions), or "loans to/from other funds" (long-term lending/borrowing transactions as evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable Governmental Funds to indicate they are not available for appropriation, and are not expendable available financial resources.

Property, sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net assets. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available. The City considers these taxes available if they are received during the period when settlement of prior fiscal year accounts payable and payroll charges normally occur.

Grants, entitlements or shared revenue is recorded as receivables and revenue in the general, special revenue and capital project funds when they are received or susceptible to accrual. Notes receivables represent the aggregate of individual loans, secured by property liens in favor of the City, made through the Community Development Block Grant (CDBG) housing programs. When repaid, these amounts are designated for purposes allowed under the CDBG reuse guidelines.

F. Allowance for Doubtful Accounts

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

G. Prepaid Expenses

The prepaid expenses consist of expendable supplies held for consumption and are recorded as expenses when consumed. Materials and supplies used by governmental funds are recorded as expenditures at the time they are purchased or obtained.

H. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are stated at historical cost, when available and at estimated replacement cost when original cost was not available. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from five to fifty years. Donated assets are stated at estimated market value at the date of donation. Capital leases are recorded at the present value of future minimum lease payments. Related assets are classified as capital assets and depreciated.

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 2 - Summary of Significant Accounting Policies**

I. Compensated Absences

Compensated absences represent the vested portion of accumulated vacation and sick leave. In governmental funds, the cost of vacation and sick leave benefits is recognized when payments are made to employees. Upon separation, 100% of accrued vacation leave is paid. In proprietary funds, a long-term liability for such benefits has been recorded.

J. Deferred Revenue

Deferred revenue in governmental funds primarily represents funds under the City's housing rehabilitation and business assistance program. The program consists of long-term deferred payment loans of grant funds received from the State, which were reported as grant revenue in the year received, and expenditures in the year the loans were made. Principal and interest payments, which are receivable at June 30, are offset by an equal amount of deferred revenue. Such payments will be recognized as revenue when received.

K. Long-term Obligations

In both the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums, issuance costs and discounts are deferred and amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

L. Net Assets

The City's net assets are classified as follows:

- Invested in capital assets - represents the City's total investment in capital assets, net of any related debt.
- Restricted net assets - include resources that the City is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted net assets - represent resources derived from sources without spending restrictions. These resources are used for transactions relating the general operations of the City, and may be used at the discretion of the governing board to meet current expenses for any purpose.

M. Property Taxes

Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

*Property Valuations* - are established by the Lake County Assessor for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII-A of the State Constitution (Proposition 13, adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.

*Tax Levies* - are limited to 1% of full assessed value which results in a tax rate of \$1.00 per \$100 assessed valuation under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

*Tax Levy Dates* - are attached annually on January 1, proceeding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

*Tax Collections* - are the responsibility of the county's tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments:

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 2 - Summary of Significant Accounting Policies (concluded)**

The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments. The City has elected to receive the City's portion of the property taxes from the county under the county Teeter Bill program. Under this program, the City receives 100% of the City's share of the levied property taxes in periodic payments with the county assuming responsibility for the delinquencies.

*Property Tax Administration Fees* - the State of California FY 90-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes.

*Tax Levy Apportionments* - due to the nature of the City-wide maximum levy, it is not possible to identify general-purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county's auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three fiscal years prior to fiscal year 1979.

**Note 3 - Stewardship, Compliance, and Accountability**

Budgetary Information

The City follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at special scheduled sessions which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is adopted by minute action of the City Council.
4. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by minute action during the fiscal year. The City Manager may authorize transfers from one object or purpose to another within the same department, and between departments within the General Fund. All appropriations lapse at year end.

Deficit Fund Equity

At June 30, 2010, certain funds had deficit fund equity balances as follows:

Fund	Deficit Balance
<i>Special Revenue Funds</i>	
Lakeport Housing	\$ 234,276
2007 Home Grant	99,992
2009 Home Grant	104
<i>Capital Project Funds</i>	
Safe Routes to School	2,050
Forbes Street Project	7,349

Revenue Limitations Imposed By California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters.

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 4 - Cash and Investments**

The City follows the practice of pooling cash and investments of all funds except for restricted funds required to be held by outside custodians, fiscal agents or trustees under the provisions of bond indentures. Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and investments	\$ 5,429,521
Cash and investments with fiscal agent	3,404,217
Statement of Fiduciary Assets and Liabilities	
Cash and investments	558,128
	<u>\$ 9,391,866</u>
Cash and Investments consist of the following:	
Deposits with financial institutions	\$ 1,813,974
Money market mutual funds	679,114
US Government Securities	2,786,022
Investment with Local Agency Investment Fund	4,112,756
	<u>\$ 9,391,866</u>

Collateral and Categorization Requirements

At fiscal year end, the City's carrying amount of demand deposits was \$1,813,974 and the bank account balance was \$2,160,429. The difference of \$346,455 represented outstanding checks and deposits in transit. Of the total bank deposit balance, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC) and \$1,910,429 was collateralized in accordance with California Government Code Section 53600 – 53609.

Investment Policy

The table below identifies the investment types that are authorized under provisions of the City's investment policy adopted August 16, 2005 (subsequently updated July 6, 2010), and in accordance with Section 53601 of the California Government Code. The table also identifies certain provisions of the investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Rating
U.S. Treasury Securities	5 years	None	None	None
U.S. Government Securities	5 years	None	None	None
Bankers Acceptances	270 days	30%	None	None
Certificates of Deposit	5 years	30%	None	None
Negotiable Certificates of Deposit	5 years	30%	None	None
Repurchase Agreements	30 days	None	None	None
Commercial Paper	31 to 180 days	15-30%	None	A1/P1
Corporate Medium-term Notes	5 years	30%	None	A
Mutual funds	None	15%	None	two/three
Passbook Savings	N/A	None	None	None
Local Agency Investment Fund	N/A	\$10m	None	None

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 4 - Cash and Investments (continued)**

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Lakeport manages its exposure to interest rate risk is by investing in LAIF; whose underlying securities have staggered maturities; is generally due on demand; which provides cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy limits credit risk by requiring compliance with the California Government Code for investment of public funds, as described in detail above.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any single issuer beyond that stipulated by the California government code. Investments in any one issuer that represent 5% or more of total investments at June 30, 2010 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Yield</u>	<u>Concentration</u>
Local Agency Investment Fund	\$ 4,112,756	7.2 months	0.56%	44%
Money Market Mutual Funds	679,114	on demand	0.01%	7%
Demand Deposits (checking)	1,813,974	on demand	0.60%	19%
U.S. Government Securities	2,786,022	7 days	0.00%	30%

Custodial Credit Risk

The credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California government code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The California government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2010, the City had \$1,910,429 in financial institutions that was not covered by the FDIC, but was covered by collateralized securities of the financial institutions where the deposits were maintained.

The credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California government code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 4 - Cash and Investments (concluded)**

Participation in an External Investment Pool

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute, and is chaired by the State Treasurer who is responsible for the day to day administration of LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the City's position in the LAIF pool. The State Treasurer determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. As of June 30, 2010, the City's investment in LAIF was \$4,112,756. The total amount invested by all public agencies at that date was \$23.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2010 had a balance of \$69.4 billion. Financial Statements of LAIF and PMIA may be obtained from the California Treasurer's web site at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

**Note 5 - Interfund Transactions**

<u>Interfund Loans</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 610,192	\$ -
Special Revenue Funds:		
Lakeport Housing Program fund	-	234,276
2007 Home Grant	-	99,992
2009 Home Grant	-	104
Capital Project Funds:		
Forbes Creek Trail	-	91,814
Safe Routes to School	-	2,050
Forbes Street Project	-	181,956
	<u>\$ 610,192</u>	<u>\$ 610,192</u>

With City Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made expenditure on behalf of another fund. Transfers between funds during the fiscal year ended June 30, 2010 were as follows:

<u>Interfund Transfers</u>	<u>Amounts Transferred in</u>	<u>Amounts Transferred Out</u>
General Fund	\$ 154,026	\$ 231,137
Special Revenue Funds:		
Gas tax funds	-	89,208
Westshore Pool Grant	-	33,681
Business Loan Stabilization	200,000	-
State Transportation	-	67,800
Capital Project Funds:		
Redevelopment agency fund	-	334,412
Forbes Creek Trail	9,800	-
Lakeshore Storm Damage	7,000	-
Safe Routes to School	51,000	-
Debt Service Fund:		
Redevelopment Debt Service fund	334,412	-
	<u>\$ 756,238</u>	<u>\$ 756,238</u>

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 6 - Capital Assets**

Governmental-type capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<i><u>Non-depreciable Assets</u></i>				
Land	\$ 399,546	\$ -	\$ -	\$ 399,546
Construction-in-progress	-	427,556	-	427,556
	<u>399,546</u>	<u>427,556</u>	<u>-</u>	<u>827,102</u>
<i><u>Depreciable Assets</u></i>				
Buildings	2,619,229	-	-	2,619,229
Improvements	3,042,030	96,019	-	3,138,049
Vehicles	994,656	537,941	-	1,532,597
	6,655,915	633,960	-	7,289,875
<i><u>Accumulated Depreciation</u></i>	<u>(2,023,144)</u>	<u>(221,963)</u>	<u>-</u>	<u>(2,245,107)</u>
	<u>4,632,771</u>	<u>411,997</u>	<u>-</u>	<u>5,044,768</u>
Total capital assets, net	<u>\$ 5,032,317</u>	<u>\$ 839,553</u>	<u>\$ -</u>	<u>\$ 5,871,870</u>

Business-type capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<i><u>Non-depreciable Assets</u></i>				
Land - water utility	\$ 40,170	\$ -	\$ -	\$ 40,170
Land - sewer utility	1,735,233	-	-	1,735,233
	<u>1,775,403</u>	<u>-</u>	<u>-</u>	<u>1,775,403</u>
<i><u>Depreciable Assets</u></i>				
Water utility	6,487,066	-	-	6,487,066
Sewer utility	21,999,424	24,439	-	22,023,863
	28,486,490	24,439	-	28,510,929
<i><u>Accumulated Depreciation</u></i>	<u>(11,201,411)</u>	<u>(767,560)</u>	<u>-</u>	<u>(11,968,971)</u>
Depreciable assets, net	<u>17,285,079</u>	<u>(743,121)</u>	<u>-</u>	<u>16,541,958</u>
Total capital assets, net	<u>\$19,060,482</u>	<u>\$ (743,121)</u>	<u>\$ -</u>	<u>\$18,317,361</u>

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 7 - Long-term Obligations**

Water Revenue Bonds

2002 Refunding Loan Agreement of the 1993 Water Revenue Bonds, total refunding issue \$873,577, WestAmerica Bank. Semi-annual principal and interest payments of approximately \$41,000, annual interest at 5.1%, due May 1 and November 1 each year, secured by water fund revenue, maturing in year 2017.

*Balance due* \$ 507,113

Water Revenue Bonds

Series 2000 COPS, USDA Rural Development, total issue \$3,050,000. Annual principal and interest payments of approximately \$105,000, interest payable semi-annually at 4.75%, due February 1 and August 1 each year, secured by water fund revenue, maturing in year 2039.

*Balance due* \$ 2,693,000

Sewer District Improvement Bonds

Series 1993-1, USDA Rural Development, total issue \$5,196,270. Annual principal and interest payments of approximately \$115,000, interest payable semi-annually at 5%, due March 1 and September 1 each year, secured by Municipal Sewer District No. 1 revenue from the South Assessment District 91-1 area, maturing in year 2032.

*Balance due* \$ 4,080,000

2004 Series A Bonds

2004 Series A, total issue \$1,070,000. Annual principal is due on September 1 and interest payments are semi-annually at 5.25%, due September 1 and March 1 each year, secured by Redevelopment Agency property tax revenue, maturing in year 2035.

*Balance due* \$ 1,050,000

2004 Series B Bonds

2004 Series B, total issue \$1,170,000. Annual principal is due on September 1 and interest payments are semi-annually at 5.31%, due September 1 and March 1 each year, secured by Redevelopment Agency property tax revenue, maturing in year 2035.

*Balance due* \$ 1,000,000

2008 Series Bonds

2008 Series, total issue \$3,425,000. Annual principal is due on September 1 and interest payments are semi-annually at 5.31%, due September 1 and March 1 each year, secured by Redevelopment Agency property tax revenue, maturing in year 2038.

*Balance due* \$ 3,410,000

2007 Series A Bonds

2007 Series A, total issue \$3,060,000. Annual principal is due on September 1 and interest payments are semi-annually at 5.31%, due September 1 and March 1 each year, secured by Wastewater fund revenue, maturing in year 2037.

*Balance due* \$ 3,010,000

Capital Lease

The City entered into a lease-purchase agreement with Auto Leasing Specialists, LLC for the acquisition of six police vehicles. Future minimum lease payments with the present value of the minimum lease payments at June 30, 2010 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Obligation</u>
2011	\$ 71,509
2012	71,509
2013	71,509
2014	71,509
Total lease payments	<u>286,036</u>
Less interest	<u>(38,252)</u>
Present value of future lease payments	<u>\$ 247,784</u>

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 7 - Long-term Obligations (continued)**

Changes in long-term obligations comprise the following:

	Beginning Balance	Additions	Reductions	End of Year	Due within One Year
<u>Governmental Activities</u>					
Bonds payable	\$ 5,510,000	\$ -	\$ 50,000	\$ 5,460,000	\$ 50,000
Capital lease	-	319,293	71,509	247,784	56,641
Compensated absences	275,519	105,796	-	381,315	75,000
Total	<u>\$ 5,785,519</u>	<u>\$ 425,089</u>	<u>\$ 121,509</u>	<u>\$ 6,089,099</u>	<u>\$ 181,641</u>
<u>Business-type Activities</u>					
Revenue bonds	\$ 6,398,385	\$ -	\$ 188,272	\$ 6,210,113	\$ 112,075
Tax assessment bonds	4,175,000	-	95,000	4,080,000	100,000
Compensated absences	21,176	7,013	-	28,189	7,000
Total	<u>\$ 10,594,561</u>	<u>\$ 7,013</u>	<u>\$ 283,272</u>	<u>\$ 10,318,302</u>	<u>\$ 219,075</u>

Issuance costs for the 2004 Series A & B bonds and the 2008 RDA bonds in the amount of \$342,065 are being amortized over the life of the related debt in the amount of \$15,682 per year. Accumulated amortization at June 30, 2010 was \$51,850.

Issuance costs for the 2007 Series A bonds and in the amount of \$205,580 are being amortized over the life of the related debt in the amount of \$6,853 per year. Accumulated amortization at June 30, 2010 was \$17,132.

Various bond indentures contain limitations and restrictions, which in the opinion of management, the City is in compliance with.

Future debt service requirements on long-term debt (not including capital leases) are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 50,000	\$ 274,456	\$ 212,075	\$ 490,044
2011	50,000	272,145	265,023	477,681
2012	55,000	269,732	280,124	464,721
2013	60,000	267,086	290,884	451,144
2014	60,000	264,288	306,314	436,941
2015-2019	355,000	1,271,709	1,570,193	1,934,558
2020-2024	820,000	1,127,981	1,685,000	1,601,877
2025-2029	1,165,000	881,428	2,149,000	1,116,814
2030-2034	1,535,000	535,946	2,098,000	560,386
2035-2039	1,310,000	131,442	1,433,500	159,065
Total	<u>\$ 5,460,000</u>	<u>\$ 5,296,213</u>	<u>\$ 10,290,113</u>	<u>\$ 7,693,231</u>

Deferred Debt Issuance Costs

Bond issuance costs are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 8 - Defined Benefit Pension Plan**

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS annual financial report may be obtained from their Executive Office, 400 "P" Street, Sacramento, California 95814.

Funding Status and Progress

Non-public safety participants are required to contribute 7% of their annual covered salary, while public safety employees are required to contribute 9% of their annual covered salary. The City makes the contributions required of city employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current 2009-2010 rate was 16.768% for non-public safety employees (miscellaneous plan) and 26.896% for public safety employees (safety plan), of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

The City's annual pension cost of \$507,886 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included:

- a 7.75% investment rate of return (net of administrative expenses)
- projected annual salary increases of 3.25% to 14.45% depending on age, service, and type of employment
- an inflation rate of 3%
- a payroll growth rate of 3.25%
- individual salary growth - a merit scale varying by duration of employment coupled with an assumed annual inflation growth rate of 3% and an annual production growth of 0.25%

The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). The Schedule of Funding Progress on page 28 shows that both plans were underfunded as of June 30, 2009. Information for the year ending June 30, 2010 has not been released by the Plan Actuary.

The contribution rate for normal cost is determined using the entry-age normal actuarial cost method, a projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued. Significant actuarial assumptions used in the 2008 and 2009 valuations to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

Historic Trend Information

Three-year trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007-08	\$ 501,863	100%	\$-0-
2008-09	\$ 507,320	100%	\$-0-
2009-10	\$ 507,886	100%	\$-0-

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 9 - Post-Retirement Health Care Benefits**

Plan Description

The City provides certain health care benefits to qualified retired employees until they become eligible for Medicare benefits. Employees of the City may become eligible for these benefits when they reach normal retirement age while working for the City based upon years of service.

Funding Policy

The City recognizes the cost of providing these benefits by expensing their monthly insurance premiums. Other postemployment benefits paid by the City for the year totaled \$380,589.

Funded Status and Funding Progress

The City has not obtained an actuarial valuation report nor determined the unfunded actuarial accrued liability.

**Note 10 - Risk Management**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1978, the City joined together with other cities to form the Redwood Empire Municipal Insurance Fund (REMIF), a public City risk pool currently operating as a common risk management and insurance program for 16 member cities. The City pays an annual premium to REMIF for its workers' compensation, general liability and property coverage.

The coverage pays up to \$10,000 for property losses, \$10,000 for liability losses, and \$5,000 for workers' compensation losses. The City has excess insurance purchased by REMIF, except liability, which is pooled with the California Joint Powers Insurance Authority (a self funded risk sharing pool). The excess insurance limits are \$10,000 to \$295 million for property losses (except auto physical which is a maximum of \$1,000,000); \$10,000 to \$15 million for all liability losses; and \$5,000 to \$300,000 for workers' compensation losses. At June 30, 2010, the City determined that it need not accrue liability or revenues for purposes of funding the City's potential future claim liabilities. REMIF issues a separate comprehensive annual financial report. Copies of that report may be obtained from REMIF at Post Office Box 885, Sonoma, California 95476.

**Note 11 - Commitments and Contingencies**

The City receives funding from a number of federal, state and local grant programs, principally the Community Development Block Grants. These programs are subject to financial and compliance review by grantors. Accordingly, the City's compliance with applicable grant requirements will be determined at some future date. Expenditures, if any, which may be disallowed by the granting agencies, cannot be determined at this time. The City does not expect the undeterminable amounts of disallowed expenditures, if any, to materially affect the financial statements. Receipt of these federal, state and local grant revenues is not assured in the future.

**Note 12 - New Pronouncements**

In March 2009, the GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." This statement initially distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with long-term notes receivable or inventory, and other amounts that are classified as spendable based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Restricted - amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.
- Committed - amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority.

**CITY OF LAKEPORT**  
**Notes to Financial Statements**  
**June 30, 2010**

**Note 12 - New Pronouncements (continued)**

- Assigned - amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed.
- Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The new standard also clarifies the definitions of individual governmental fund types. It also specifies how economic stabilization or "rainy day" amounts should be reported. Because of the specific nature of these accounts, the statement considers stabilization amount as *specific purposes*. Stabilization amounts should be reported in the general fund as restricted or committed if they meet the appropriate criteria. Only if the resources in the stabilization arrangement derive from a restricted or committed revenue source could a stabilization fund be reported as a special revenue fund.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by this statement. The capital projects fund type was clarified for better alignment with the needs of financial statement users and prepares. Definitions are as follows:

- General fund - account for and report all financial resources and uses not accounted for and reported in another fund.
- Special revenue funds - account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Capital projects funds - account for and report financial resources that are restricted, committed, or assigned to the expenditure for capital outlays, including the acquisition of construction of capital facilities and other capital assets.
- Debt service funds - account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
- Permanent funds - account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

The requirements of this statement are effective for fiscal periods beginning after June 15, 2010 with earlier implementation encouraged.

**Note 13 - Subsequent Events**

The management of the City has reviewed the results of operations for the period from its year end June 30, 2010 through December 22, 2010, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

Redevelopment Agencies

In July 2009, the California Legislature passed ABX4-26 as part of the State's budget package which requires redevelopment agencies to remit approximately \$2.05 billion in redevelopment revenues back to the State. Under ABX4-26, each redevelopment agency must contribute a proportionate share of revenue to the newly created Supplemental Educational Revenue Augmentation Fund (SERAF). The bill authorizes redevelopment agencies, from July 1, 2009, to June 30, 2010, to suspend all or part of its required 20% allocation to its Low and Moderate Income Housing Fund in order to make the required payments. The Housing Fund must be repaid by June 30, 2015. If the agency fails to repay the Housing Fund, the required allocation of tax increment to the Housing Fund is increased to 25% for most agencies as long as the project area continues to receive tax increment. This will result in the delay or elimination of many affordable housing projects where redevelopment funding is a key funding component. In October 2009, the California Redevelopment Association and two of its members filed a lawsuit to challenge the constitutionality of the bill. A ruling was not in favor for California redevelopment agencies and the Lakeport RDA was forced to pay the State \$313,005 in fiscal year 2009-10.

**REQUIRED SUPPLEMENTARY INFORMATION**

*(unaudited)*

**CITY OF LAKEPORT**  
**Schedule of Funding Progress (CalPERS cost sharing pool)**  
**Defined Benefit Pension Plan**  
**Year Ended June 30, 2010**

**Pooled Report Format**

Since the City has less than 100 active members in each plan, it is required by CalPERS to participate in a risk pool. The following actuary valuation reports the activity of the risk pool as a whole, and not the specific activity of individual members such as the City of Lakeport.

<b><u>Miscellaneous Plan - 2.5% at 55 Risk Pool</u></b>	<b>Actuarial Valuation Date - Year Ended</b>		
	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>June 30, 2009</b>
Actuarial Liabilities (AL)	\$ 1,315,454,361	\$ 1,537,909,933	\$ 1,840,961,558
Actuarial Value of Assets (AVA)	\$ 1,149,247,298	\$ 1,337,707,835	\$ 1,588,231,847
Unfunded Liabilities (UL)	\$ 166,207,063	\$ 200,202,098	\$ 252,729,711
Funded Ratio (AVA/AL)	87.4%	87.0%	86.3%
Annual Covered Payroll	\$ 289,090,187	\$ 333,307,600	\$ 325,449,207
UL As a % of Payroll	57.5%	60.1%	77.7%
<b><u>Safety Plan - 2% at 50 Risk Pool</u></b>			
Actuarial Liabilities (AL)	\$ 462,354,459	\$ 504,295,839	\$ 440,333,381
Actuarial Value of Assets (AVA)	\$ 403,484,775	\$ 438,674,996	\$ 368,645,673
Unfunded Liabilities (UL)	\$ 58,869,684	\$ 65,620,843	\$ 71,687,708
Funded Ratio (AVA/AL)	87.3%	87.0%	83.7%
Annual Covered Payroll	\$ 72,308,836	\$ 77,903,428	\$ 60,158,108
UL As a % of Payroll	81.4%	84.2%	119.2%

*Note - Details of the defined benefit pension plan can be found in Note 8 of the financial statements.*

**CITY OF LAKEPORT**  
**Note to Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2010**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to the close of each fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed revenue and expenditures.
- Public hearings are conducted at City Council meetings to obtain taxpayer comments prior to adoption of the budget in June.
- Prior to July 1, the budget is legally adopted for all governmental fund types through Council approved budget.
- The City Manager is authorized to transfer budget amounts within and between funds as deemed desirable and necessary in order to meet the City's needs; however, revisions that alter the total expenditures must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for the governmental type funds.
- Budgets for the governmental type funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented are as originally adopted and as further amended by the City Council.

**CITY OF LAKEPORT**  
**Budgetary Comparison Information**  
**General Fund**  
**Year Ended June 30, 2010**

<b>Resources (Inflows)</b>	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Intergovernmental revenue	\$ 221,507	\$ 221,507	\$ 190,117	\$ (31,390)
Taxes	2,907,334	2,907,334	2,725,933	(181,401)
Licenses and permits	146,950	146,950	155,282	8,332
Fines and penalties	25,000	25,000	20,536	(4,464)
Use of money and property	18,302	18,302	16,017	(2,285)
Charge for services	496,769	496,769	502,023	5,254
Other revenue	190,357	190,357	345,749	155,392
Proceeds from capital lease	-	-	319,292	319,292
Transfers in from other funds	-	-	154,026	154,026
Amounts Available for Appropriation	<u>4,006,219</u>	<u>4,006,219</u>	<u>4,428,975</u>	<u>422,756</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	1,454,609	1,454,609	1,411,507	43,102
Public safety	1,876,770	1,876,770	1,996,983	(120,213)
Public works, streets, and planning	908,101	908,101	623,625	284,476
Parks and recreation	278,639	278,639	259,125	19,514
Capital projects/outlay	-	-	171,077	(171,077)
Debt service	-	-	71,509	(71,509)
Transfers out to other funds	-	-	231,137	(231,137)
Total Charges to Appropriations	<u>4,518,119</u>	<u>4,518,119</u>	<u>4,764,963</u>	<u>(246,844)</u>
<b>Surplus (Deficit)</b>	<u>\$ (511,900)</u>	<u>\$ (511,900)</u>	<u>\$ (335,988)</u>	<u>\$ 175,912</u>

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF LAKEPORT**  
**Other Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2010**

Parkland Dedication Fund	2105 Gasoline Tax	2106 Gasoline Tax	2107 Gasoline Tax	2107.5 Gasoline Tax	TDA Non- Transit	Lakeport Housing Program	Economic RLF Re-use	RDA Low/ Moderate Housing
\$ 38,350	\$ -	\$ -	\$ -	\$ -	\$ 114,090	\$ -	\$ 58,168	\$ 547,813
-	2,446	1,983	3,297	2,000	-	-	-	3,944
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	98,387	544,524	428,264
<u>\$ 38,350</u>	<u>\$ 2,446</u>	<u>\$ 1,983</u>	<u>\$ 3,297</u>	<u>\$ 2,000</u>	<u>\$ 114,090</u>	<u>\$ 98,387</u>	<u>\$ 602,692</u>	<u>\$ 980,021</u>

**ASSETS**

Cash and investments  
Receivables  
Internal loans  
Notes receivable  
Total Assets

**LIABILITIES**

Accounts payable  
Salaries and benefits payable  
Deferred revenue  
Internal loans  
Total Liabilities

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 280	\$ 1,008
-	-	-	-	-	-	-	-	3,069
-	-	-	-	-	-	98,387	544,524	428,264
-	-	-	-	-	-	234,276	-	-
-	-	-	-	-	-	<u>332,663</u>	<u>544,804</u>	<u>432,341</u>

**FUND BALANCES**

Debt service  
Capital project funds  
Special revenue funds  
Total Fund Balances

-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
38,350	2,446	1,983	3,297	2,000	114,090	(234,276)	57,888	547,680
<u>38,350</u>	<u>2,446</u>	<u>1,983</u>	<u>3,297</u>	<u>2,000</u>	<u>114,090</u>	<u>(234,276)</u>	<u>57,888</u>	<u>547,680</u>

**Total Liabilities and Fund Balances**

<u>\$ 38,350</u>	<u>\$ 2,446</u>	<u>\$ 1,983</u>	<u>\$ 3,297</u>	<u>\$ 2,000</u>	<u>\$ 114,090</u>	<u>\$ 98,387</u>	<u>\$ 602,692</u>	<u>\$ 980,021</u>
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**CITY OF LAKEPORT**  
**Other Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2010**

	Traffic Congestion Relief	Housing Revolving	Westshore Pool Grant	FEMA-1646	2007 Home Grant	Emergency Housing Assistance	Economic RLF Reuse	Business Loan Stabilization Program
<b>ASSETS</b>								
Cash and investments	\$ 76,908	\$ 11,450	\$ -	\$ 41,381	\$ -	\$ 48,844	\$ 1,160	\$ 106,192
Receivables	12,872	-	-	-	-	-	-	-
Internal loans	-	-	-	-	-	-	-	-
Notes receivable	-	141,570	-	-	564,980	-	-	75,000
<b>Total Assets</b>	<b>\$ 89,780</b>	<b>\$ 153,020</b>	<b>\$ -</b>	<b>\$ 41,381</b>	<b>\$ 564,980</b>	<b>\$ 48,844</b>	<b>\$ 1,160</b>	<b>\$ 181,192</b>

<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ 684	\$ -	\$ 101	\$ -	\$ 230	\$ -	\$ 1,223
Salaries and benefits payable	-	-	-	-	-	-	-	-
Deferred revenue	-	141,570	-	-	564,980	-	-	75,000
Internal loans	-	-	-	-	99,992	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>142,254</b>	<b>-</b>	<b>101</b>	<b>664,972</b>	<b>230</b>	<b>-</b>	<b>76,223</b>

<b>FUND BALANCES</b>								
Debt service	-	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-	-
Special revenue funds	89,780	10,766	-	41,280	(99,992)	48,614	1,160	104,969
<b>Total Fund Balances</b>	<b>89,780</b>	<b>10,766</b>	<b>-</b>	<b>41,280</b>	<b>(99,992)</b>	<b>48,614</b>	<b>1,160</b>	<b>104,969</b>

<b>Total Liabilities and Fund Balances</b>	<b>\$ 89,780</b>	<b>\$ 153,020</b>	<b>\$ -</b>	<b>\$ 41,381</b>	<b>\$ 564,980</b>	<b>\$ 48,844</b>	<b>\$ 1,160</b>	<b>\$ 181,192</b>
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**CITY OF LAKEPORT**  
**Other Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2010**

	2009 Home Grant	Tenth Street Drainage	Lakeport Blvd. Improvement	South Main Improvement	Indian Gaming Fund	Prop 1B Fund	State Transportation Fund	Parkside Traffic Mitigation	Bevins Street Maintenance
<b>ASSETS</b>									
Cash and investments	\$ -	\$ 83,983	\$ 115,157	\$ 61,039	\$ 105,639	\$ 156,455	\$ 333,167	\$ 17,108	\$ 22,144
Receivables	-	-	-	-	-	-	53,355	-	-
Internal loans	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	-	-
Total Assets	\$ -	\$ 83,983	\$ 115,157	\$ 61,039	\$ 105,639	\$ 156,455	\$ 386,522	\$ 17,108	\$ 22,144
<b>LIABILITIES</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Internal loans	104	-	-	-	-	-	-	-	-
Total Liabilities	104	-	-	-	-	-	-	-	-
<b>FUND BALANCES</b>									
Debt service	-	-	-	-	-	-	-	-	-
Capital project funds	-	83,983	115,157	61,039	105,639	156,455	386,522	17,108	22,144
Special revenue funds	(104)	-	-	-	-	-	-	-	-
Total Fund Balances	(104)	83,983	115,157	61,039	105,639	156,455	386,522	17,108	22,144
Total Liabilities and Fund Balances	\$ -	\$ 83,983	\$ 115,157	\$ 61,039	\$ 105,639	\$ 156,455	\$ 386,522	\$ 17,108	\$ 22,144

**CITY OF LAKEPORT**  
**Other Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2010**

	Forbes Creek Trail	Lakeshore Storm Damage	Safe Routes to School	Forbes St. Project	SWRCB Grant	Total Other Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ -	\$ 8,816	\$ -	\$ -	\$ 27,743	1,975,607
Receivables	91,814	-	-	181,956	-	353,667
Internal loans	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	1,852,725
Total Assets	\$ 91,814	\$ 8,816	\$ -	\$ 181,956	\$ 27,743	\$ 4,181,999
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 7,349	\$ -	\$ 10,875
Salaries and benefits payable	-	-	-	-	-	3,069
Deferred revenue	-	-	-	-	-	1,852,725
Internal loans	91,814	-	2,050	181,956	-	610,192
Total Liabilities	91,814	-	2,050	189,305	-	2,476,861
<b>FUND BALANCES</b>						
Debt service	-	-	-	-	-	-
Capital project funds	-	8,816	(2,050)	(7,349)	27,743	975,207
Special revenue funds	-	-	-	-	-	729,931
Total Fund Balances	-	8,816	(2,050)	(7,349)	27,743	1,705,138
Total Liabilities and Fund Balances	\$ 91,814	\$ 8,816	\$ -	\$ 181,956	\$ 27,743	\$ 4,181,999

**CITY OF LAKEPORT**  
**Other Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2010**

	Parkland Dedication Fund	2105 Gasoline Tax	2106 Gasoline Tax	2107 Gasoline Tax	2107.5 Gasoline Tax	TDA Non- Transit	Lakeport Housing Program	Economic RLF Re-use
<b>REVENUES</b>								
Intergovernmental revenues	\$ -	\$ 26,992	\$ 23,567	\$ 37,398	\$ 2,000	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-
Use of money and property	235	107	89	144	7	593	5,267	809
Charges for services	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	53,809
Total Revenues	235	27,099	23,656	37,542	2,007	593	5,267	54,618
<b>EXPENDITURES</b>								
General government	15,485	-	-	-	-	-	-	170,679
Streets	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	15,485	-	-	-	-	-	-	170,679
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(15,250)	27,099	23,656	37,542	2,007	593	5,267	(116,061)
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers (out)	-	(26,751)	(23,427)	(37,023)	(2,007)	-	-	-
Total Other Financing Sources (Uses)	-	(26,751)	(23,427)	(37,023)	(2,007)	-	-	-
<b>CHANGES IN FUND BALANCES</b>	(15,250)	348	229	519	-	593	5,267	(116,061)
<b>FUND BALANCES - BEGINNING</b>	53,600	2,098	1,754	2,778	2,000	113,497	(239,543)	173,949
<b>FUND BALANCES - END OF YEAR</b>	\$ 38,350	\$ 2,446	\$ 1,983	\$ 3,297	\$ 2,000	\$ 114,090	\$ (234,276)	\$ 57,888

**CITY OF LAKEPORT**  
**Other Governmental Funds**  
**Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2010**

	RDA Low/ Moderate Housing	Traffic Congestion Relief	Housing Revolving Fund	Westshore Pool Grant Fund	FEMA-1646 Fund	2007 Grant
<b>REVENUES</b>						
Intergovernmental revenues	\$ -	\$ 56,891	\$ -	\$ -	\$ -	\$ 244,666
Taxes	195,649	-	-	-	-	-
Use of money and property	187	210	100	81	180	1,322
Charges for services	-	-	-	-	-	-
Other revenue	11,265	-	52,026	33,600	-	-
Total Revenues	207,101	57,101	52,126	33,681	180	245,988
<b>EXPENDITURES</b>						
General government	591,149	-	66,699	-	311	329,499
Streets	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total Expenditures	591,149	-	66,699	-	311	329,499
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(384,048)</b>	<b>57,101</b>	<b>(14,573)</b>	<b>33,681</b>	<b>(131)</b>	<b>(83,511)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	(33,681)	-	-
Total Other Financing Sources (Uses)	-	-	-	(33,681)	-	-
<b>CHANGES IN FUND BALANCES</b>	<b>(384,048)</b>	<b>57,101</b>	<b>(14,573)</b>	<b>-</b>	<b>(131)</b>	<b>(83,511)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>931,728</b>	<b>32,679</b>	<b>25,339</b>	<b>-</b>	<b>41,411</b>	<b>(16,481)</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 547,680</b>	<b>\$ 89,780</b>	<b>\$ 10,766</b>	<b>\$ -</b>	<b>\$ 41,280</b>	<b>\$ (99,992)</b>

**CITY OF LAKEPORT**  
**Other Governmental Funds**  
**Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2010**

	Emergency Housing Assistance	Economic RLF Reuse	Business Loan Stabilization Program	2009 Home Grant	Tenth Street Drainage	Lakeport Blvd. Improvement
<b>REVENUES</b>						
Intergovernmental revenues	\$ 32,145	-	\$ -	-	\$ -	\$ -
Taxes	-	-	-	-	-	-
Use of money and property	173	10	129	-	516	708
Charges for services	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total Revenues	32,318	10	129	-	516	708
<b>EXPENDITURES</b>						
General government	6,320	-	95,160	-	-	-
Streets	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total Expenditures	6,320	-	95,160	-	-	-
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	25,998	10	(95,031)	-	516	708
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	200,000	-	-	-
Operating transfers (out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	200,000	-	-	-
<b>CHANGES IN FUND BALANCES</b>	25,998	10	104,969	-	516	708
<b>FUND BALANCES - BEGINNING</b>	22,616	1,150	-	(104)	83,467	114,449
<b>FUND BALANCES - END OF YEAR</b>	\$ 48,614	\$ 1,160	\$ 104,969	\$ (104)	\$ 83,983	\$ 115,157

**CITY OF LAKEPORT**  
**Other Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2010**

	South Main Improvement	Indian Gaming Fund	Prop 1B Fund	State Transportation Fund	Parkside Traffic Mitigation	Bevins Street Maintenance	Forbes Creek Trail
<b>REVENUES</b>							
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 117,251	\$ -	\$ -	\$ 91,814
Taxes	-	-	-	-	-	-	-
Use of money and property	365	473	670	1,572	72	90	-
Charges for services	-	-	-	-	-	1,875	-
Other revenue	-	-	-	-	-	-	-
Total Revenues	365	473	670	118,823	72	1,965	91,814
<b>EXPENDITURES</b>							
General government	-	-	-	-	-	-	-
Streets	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	96,019
Total Expenditures	-	-	-	-	-	-	96,019
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	365	473	670	118,823	72	1,965	(4,205)
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in	-	-	-	-	-	-	9,800
Operating transfers (out)	-	-	-	(67,800)	-	-	-
Total Other Financing Sources (Uses)	-	-	-	(67,800)	-	-	9,800
<b>CHANGES IN FUND BALANCES</b>	365	473	670	51,023	72	1,965	5,595
<b>FUND BALANCES - BEGINNING</b>	60,674	105,166	155,785	335,499	17,036	20,179	(5,595)
<b>FUND BALANCES - END OF YEAR</b>	\$ 61,039	\$ 105,639	\$ 156,455	\$ 386,522	\$ 17,108	\$ 22,144	\$ -

**CITY OF LAKEPORT**  
**Other Governmental Funds**  
**Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2010**

	Lakeshore Storm Damage	Safe Routes to School	Forbes St. Project	SWRCB Grant	Other Governmental Funds
<b>REVENUES</b>					
Intergovernmental revenues	\$ -	\$ -	\$ 181,956	\$ 66,000	\$ 880,680
Taxes	-	-	-	-	195,649
Use of money and property	20	-	-	23	14,152
Charges for services	-	-	-	-	1,875
Other revenue	-	-	-	-	150,700
Total Revenues	20	-	181,956	66,023	1,243,056
<b>EXPENDITURES</b>					
General government	-	-	-	38,280	1,313,582
Streets	-	-	189,305	-	189,305
Capital outlay	-	34,247	-	-	130,266
Total Expenditures	-	34,247	189,305	38,280	1,633,153
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	20	(34,247)	(7,349)	27,743	(390,097)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	7,000	51,000	-	-	267,800
Operating transfers (out)	-	-	-	-	(190,689)
Total Other Financing Sources (Uses)	7,000	51,000	-	-	77,111
<b>CHANGES IN FUND BALANCES</b>	7,020	16,753	(7,349)	27,743	(312,986)
<b>FUND BALANCES - BEGINNING</b>	1,796	(18,803)	-	-	2,018,124
<b>FUND BALANCES - END OF YEAR</b>	\$ 8,816	\$ (2,050)	\$ (7,349)	\$ 27,743	\$ 1,705,138

