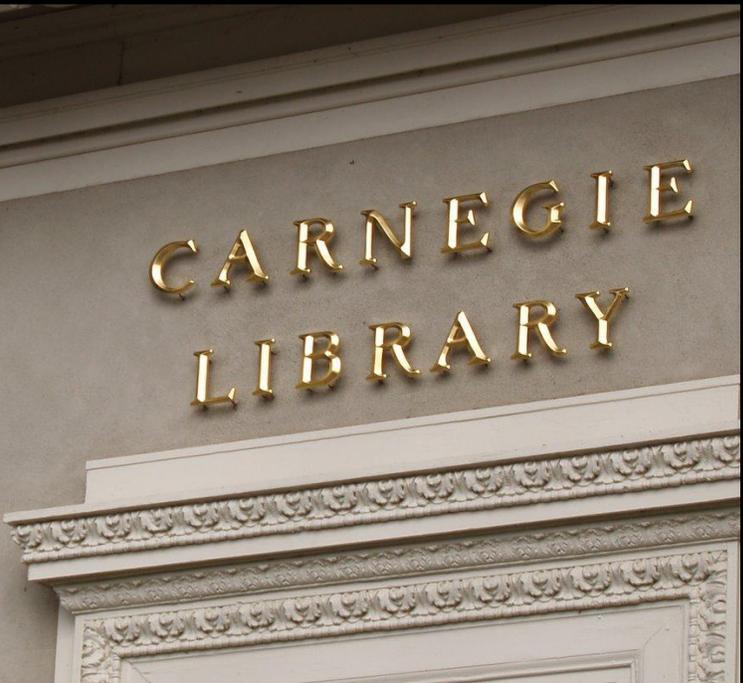


# ANNUAL FINANCIAL REPORT

CITY OF LAKEPORT, CALIFORNIA  
FISCAL YEAR ENDED JUNE 30, 2011



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# ANNUAL FINANCIAL REPORT

CITY OF LAKEPORT, CALIFORNIA  
FISCAL YEAR ENDED JUNE 30, 2011

PREPARED BY  
FINANCE DEPARTMENT

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City of Lakeport, California  
Annual Financial Report  
For the Year Ended June 30, 2011

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# CITY OF LAKEPORT

*Over 100 years of community  
pride, progress and service*



To the Honorable Mayor and members of the City Council and citizens of the City of Lakeport:

We are pleased to submit the City of Lakeport's Annual Financial Report for the fiscal year ended June 30, 2011. Best management practices and Council policy dictate that this report be prepared annually and audited by a licensed certified public accountant within a reasonable period of time following the year end. These financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to external users (non-management employees), who includes the citizens of the City of Lakeport, City staff, creditors, investors, and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

The City's financial statements have been audited by JJACPA, Inc., a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2011, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion, which states that the City's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit," designed to meet the special needs of federal grantor agencies. The standards governing Single Audit

engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## Profile of the City of Lakeport

The City of Lakeport operates under a Council-Manager form of government and provides municipal services that include public safety, public works, community development and parks and recreation. In addition, the City provides water and wastewater in the form of enterprise activities. This report includes all funds of the City of Lakeport and its blended component units: the Lakeport Redevelopment Agency and the City of Lakeport Municipal Sewer District (CLMSD), for which the City is financially accountable.

The City Council establishes annual budgets for the general fund, proprietary funds, and all special revenue funds, with a possible exception for certain special revenue funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City of Lakeport was incorporated on April 30, 1888 as a general law city. With a population of more than 4,700 in a 2.4 square-mile area, Lakeport is graced with a strong business base and a well established residential community.

The Lakeport City Council consists of five members, elected at-large to four-year overlapping terms. Council members must be residents of the City. The positions of Mayor and Mayor Pro Tem are chosen by the City Council through policy direction determined by the City Council. The Mayor conducts the Council meetings and represents the City on ceremonial occasions.

The City Council serves as the policy board for the municipality. As an elected Board of Directors, the City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan. The City Council appoints the City Manager, City Attorney, City Clerk, and all members of advisory boards and commissions.

Lakeport is travel and recreation oriented and is fortunate to have a large area which serves as a hub for recreational activities for Lake County.

The Lakeport business environment is positive and well organized. Driven by an active chamber of commerce, local businesses are community oriented and engaged in City-business partnerships. Improvements and programs include renovations, façade improvements, Main Street events and promotions, and the adoption of a redevelopment plan area.

In Lakeport, the total labor force is approximately 2,170. Unemployment in Lakeport is approximately 16.5 %. Within ten miles, there is a diverse labor force specializing in such occupations as sales, technical and professional services, education and government services, and other specialties.

The City of Lakeport is committed to providing high quality services in an economical manner. For fiscal year 2010-11, the City's efforts were focused in the following areas:

Facilities and Infrastructure – Rehabilitation of roadways and public right-of-ways, including Lakeport Boulevard, High Street, Forbes Street, and sections of Main Street and water and sewer infrastructure replacement and maintenance was of significant importance to the City.

Redevelopment – Façade enhancement projects, right-of-way improvements, and planning and engineering progress for downtown Main Street revitalization efforts were of high priority for Redevelopment and Community Development staff, as well as the City Manager.

Economic Development – Promoting economic development (recruitment and retention of businesses) continued to be one of the City's key operational priorities. The City Manager works closely with staff and the development community to ensure the redevelopment and development of key sites.

## Current Economic Conditions and Outlook

The City's economic development efforts and implementation of revised financial policies help to promote Lakeport's long-term fiscal stability. At the direction of the City Manager, staff has conducted a systematic review of operations, resulting (in some cases) in departmental restructuring and the refocusing on basic public services. In support of this effort, City staff have accepted a furlough to ease costs during this difficult economic period, and City operational hours have been reduced by two full days every month. These operational analyses and reforms are intended to provide short-term remedies to decreasing revenues and rising costs and establish a framework to promote long-term savings to the City, ensuring long-term stability.

The City's principle general fund revenue sources are sales tax and property taxes. For FY 2010-11 general Bradley-Burns sales tax revenues declined by over 3.4%. This was offset slightly by a higher transaction and use tax, otherwise known as Measure I. Property taxes were down by 6.5% from last year.

Sales tax is projected to increase by 1-3% for FY 2011-12, and increase by an average of 2-3% per year for the next five years after that. The City is aggressively pursuing annexation of the South Main Street area, which is estimated to be 90% built out and may generate significant sales tax revenue to ensure an adequate level of service provision to that area and the rest of the City. Property taxes are expected to remain relatively flat in FY 2011-12 with possibly a slight increase, suggesting that home sales have begun to move forward as foreclosure properties pass through the system.

The City of Lakeport anticipates minimal revenue growth for the next five years. As part of its path toward fiscal recovery and sustainability, it may rely on one-time uses of its reserves to ensure the best possible level of service to its citizens.

## Financial Information

During the past fiscal year, there were significant changes to the financial policies and operations of the Finance Department. These changes were meant to bring the accounting functions and financial management processes of the Department in conformity with GAAP and best management practices. Information concerning significant accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

## Acknowledgements

The preparation of this Annual Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department, the City's Management Team, and the auditing firm of JJACPA, Inc. I would like to express my appreciation to Joseph Arch, CPA; Brett Jones; Brian Modrak; and Lori Hammarlund of JJACPA, Inc. and to the members of the Finance Department who assisted and contributed to its preparation.

I would also like to thank members of the City Council, the City Manager, and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully submitted,



Daniel Buffalo, MPA

Finance Director

City of Lakeport  
List of Officials  
June 30, 2011

**CITY COUNCIL**

**LAKEPORT REDEVELOPMENT AGENCY BOARD  
OF DIRECTORS**

**CITY OF LAKEPORT MUNICIPAL SEWER  
DISTRICT BOARD OF DIRECTORS**

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Suzanne Lyons	Mayor
Stacey Mattina	Mayor Pro Tem
Robert Rumpfelt	Council Member
Thomas Engstrom	Council Member
Roy Parmentier	Council Member

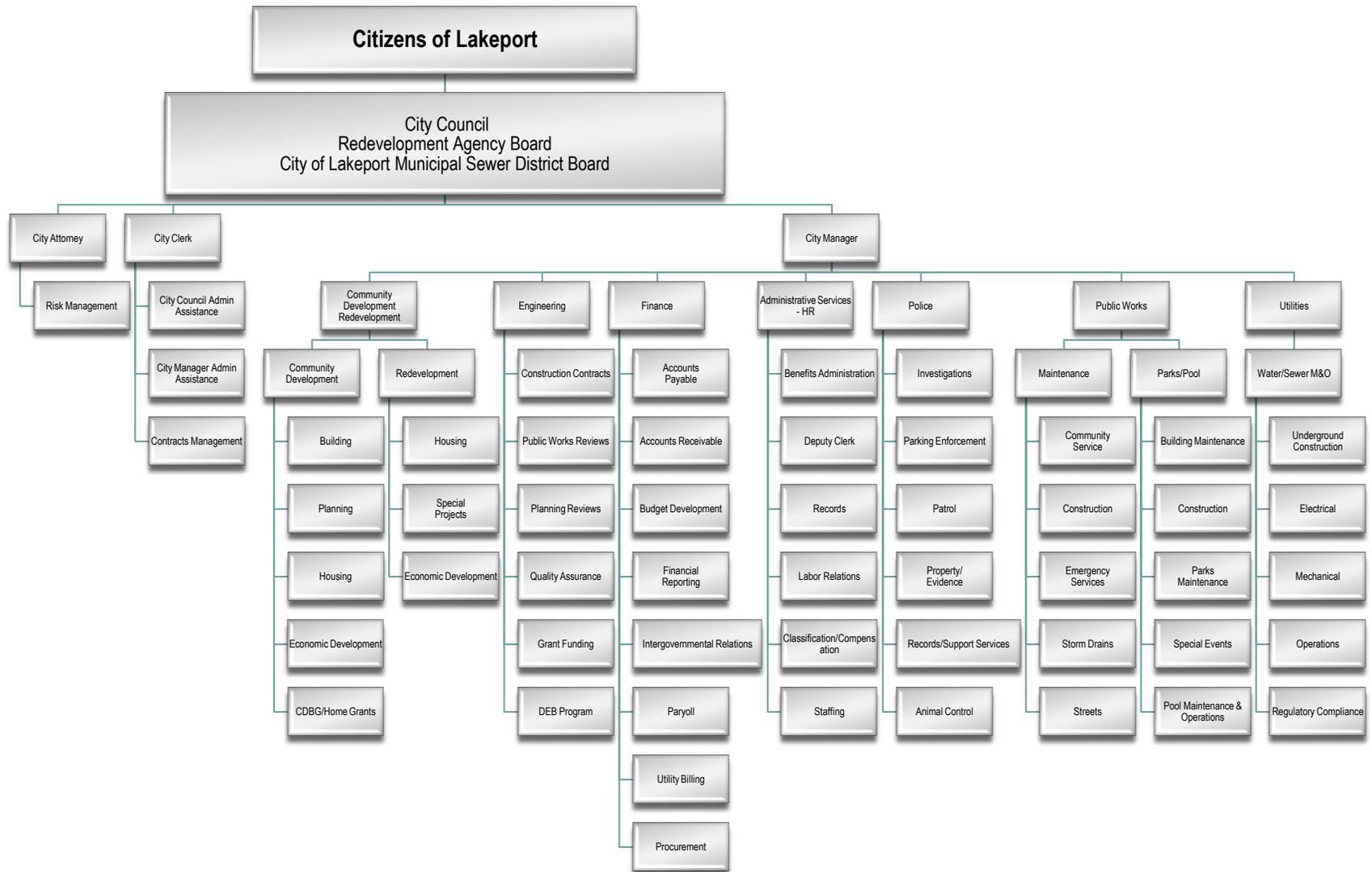
**MANAGEMENT TEAM**

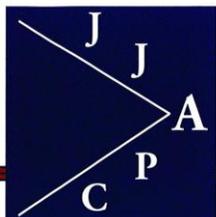
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Margaret Silveira	City Manager
Steven Brookes	City Attorney
Janel Chapman	City Clerk
Brad Rasmussen	Chief of Police
Daniel Buffalo	Finance Director
Richard Knoll	Community Development/Redevelopment Director
Kelly Buendia	Administrative Services Director
Scott Harter	City Engineer
Mark Brannigan	Utilities Director
Douglas Grider	Public Works Director



# City Organizational Chart





JJACPA, Inc.

A Professional Accounting Services Corp.

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
of the City of Lakeport  
Lakeport, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeport, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management; our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As discussed in Note 10 to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of implementation of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011.

To the Honorable Mayor and City Council  
of the City of Lakeport  
Lakeport, California  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, which includes the combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules 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 when considered in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*JJACPA, Inc.*

March 14, 2012

JJACPA, Inc

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## Management Discussion and Analysis (MD&A)

The following discussion provides readers of the City of Lakeport's financial statements a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the Independent Auditor's Report, the basic financial statements, and the accompanying notes.

### FINANCIAL HIGHLIGHTS

- City assets exceeded its liabilities by nearly \$21 million (net assets) as of June 30, 2011. Of this amount, nearly \$8.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- City net assets in total increased by \$1.29 million during the fiscal year, compared to a decrease of \$1.06 million in fiscal year 2009/2010. This was the result of the recognition of housing and economic development loans issued by the City, higher than anticipated revenues for the year, significant cost-cutting measures put in place by city management.
- Fund balances for City governmental funds (i.e., the general fund and its reserve, redevelopment funds, and special revenue funds) are reported to be \$9.6 million, as of year-end close, June 30, 2011.
- Of the \$9.6 million in total governmental fund balance, \$2.1 million is classified as unassigned and available at the City's discretion.

### OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is presented in two major parts:

- 1) **Introductory section**, which includes the Transmittal Letter and general information, and
- 2) **Financial section**, which includes the Management's Discussion and Analysis, the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements along with the notes to these financial statements and Combining and Individual Fund Financial Statements and Schedules

This discussion and analysis is intended to serve as an introduction to the financial section. The statements of this section are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to that found in the basic statements.

The City of Lakeport is presented as the primary government and reporting entity. The City of Lakeport Redevelopment Agency and the City of Lakeport Municipal Sewer District (CLMSD) are legally separate entities, but are for reporting purposes considered component units of the City. All three entities (the City and the component units) are reported herein on a blended basis, as opposed to a discrete presentation.

## The Government-wide Financial Statements

The government-wide financial statements provide an overview of the City's activities and are comprised of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on the full-accrual basis, similar to that used by private sector entities. The Statement of Activities provides information about all of the City's revenues and all of its expenses, also on the full-accrual basis, with the emphasis on measuring net revenues or expenses of each the City's major functions, which have been categorized as follows:

- General Government (e.g., administration, finance and accounting, human resources, legal, city clerk, etc.)
- Community Development (planning, building, storm water management)
- Engineering and Public Works – Roads (city engineer, public works, Westshore Pool)
- Housing and Support Programs
- Redevelopment/Economic Development
- Public Safety (i.e. police)
- Parks, Buildings, and Grounds
- Interest on Long-Term Debt

The Statement of Activities explains in detail the change in Net Assets for the year. It demonstrates how the City's net assets changed during the fiscal year 2010/11 as compared to 2009/10. As was stated earlier, the City's net assets increased by \$1.29, which includes costs associated with depreciation and other non-budgeted items that may not have an effect on cash or current financial resources but do affect net assets. The statement presents expenses first categorized by function or activity. This is done so that a direct connection can be made to the cost of providing that service or function for the entire year. The statement then presents how that activity was financed using funds other than those that can be used for any purpose (i.e. taxes, fines, investment earning, etc.). This is an attempt to demonstrate how self-sufficient that activity was during the year. The remainder is the net expense covered by general revenues.

All of the City's activities are grouped into either governmental activities or business-type activities, as explained below. The amounts in the Statement of Net Assets and the Statement of Activities are separated into governmental activities and business-type activities in order to provide a clear summary of these two activities for the City.

Government-wide financial statements, prepared on the accrual basis, measure the flow of all economic resources of the City. There are two basic statements presented here: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets and the Statement of Activities present information about the following:

- **Governmental Activities**—all of the City's basic services are considered to be governmental activities. These services are supported by general city revenues, such as taxes, and by specific program revenues such as user fees and charges.

The City's governmental activities also include the activities of the Lakeport Redevelopment Agency, a separate legal entity for which the City is financially responsible.

- **Business-type Activities**—The City’s enterprise activities of water and wastewater are reported in this area. Unlike governmental activities, these services are supported by charges paid by users based on the amount of the service they use.

## **Fund Financial Statements**

The fund financial statements report the City’s operations in more detail than the entity-wide statements and focus primarily on the short-term activities of the City’s general fund and other major funds. The fund financial statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Because the focus of fund statements is narrower than that of the government-wide, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impacts of the City’s near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statements of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Major funds account for the major financial activities of the City and are presented individually, while the activities of non-major funds are presented in summary, with subordinate schedules presenting the detail for each. Major funds are explained below.

The fund financial statements provide detailed information about each of the City’s most significant funds, termed major funds. The concept of major funds, and the determination of which are major, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules (Other Supplementary Information, page 80) present the detail of these non-major funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City’s activities.

For the fiscal year ended June 30, 2011, the City’s major funds are as follows:

### **GOVERNMENTAL FUNDS:**

- General Fund
- Redevelopment Debt Service Fund
- RDA Low/Mod Housing Fund
- RDA Capital Projects Fund

### **PROPRIETARY FUNDS:**

- Water Enterprise Fund
- Wastewater Enterprise Fund

For the fiscal year ended June 30, 2011, the City adopted annual appropriated budgets for all governmental funds.

Both of the City’s enterprise funds (water and sewer) are reported as proprietary funds. Enterprise and internal service fund financial statements are prepared on the full-accrual basis, and include all of their assets and liabilities, current and long-term.

The City does not employ an internal service fund as of June 30, 2011; however, a fund is planned for the succeeding year to manage costs associated with retiree health. Since that fund will provide goods and services only to the City's governmental and business-type activities, its activities will be reported only in total at the fund level. Internal service funds may not be major funds because their revenues are derived from other city funds. These revenues are eliminated in the government-wide financial statements and any related profits or losses are returned to the activities which created them, along with any residual net assets of the internal service fund.

The City adopts an annual appropriated budget for all governmental and proprietary funds. Budgetary comparison statements for the general fund and all major governmental funds are presented and included in the basic financial statements, as required by GASB 34. Proprietary budget comparison statements are not required or presented.

### **Fiduciary Statements**

The City's fiduciary activities are reported in the separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations. The fiduciary statement provides financial information about the activities of special deposits, such as police asset forfeitures and holdings, and for certain other entities, for which the City acts solely as an agent. They provide information about the cash balances and activities of these funds. These statements are separate, and their balances excluded, from the City's basic financial statements.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found on pages 42–77 of this report. Required Supplementary Information follows the notes on Page 83.

### **Other Supplementary Information**

In addition to the basic financial statements and the accompanying notes, this report also presents combined statements, which illustrate the condition and activities of all non-major funds.

### **Combining and Individual Fund Financial Statements and Schedules**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 84-95 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed net assets for both governmental and business-type activities.

Net Assets Comparison  
June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
<b>ASSETS</b>						
Current:						
Cash and Investments:						
Available for operations	\$ 3,568,332	\$ 2,980,367	\$ 2,626,212	\$ 2,449,154	\$ 6,194,544	\$ 5,429,521
Restricted	2,875,304	3,404,217	-	-	2,875,304	3,404,217
Receivables	685,503	813,497	254,134	220,984	939,637	1,034,481
Prepaid Expenses	-	-	60,898	97,854	60,898	97,854
Notes Receivable	2,403,921	1,878,708	-	-	2,403,921	1,878,708
Land Held for Resale	407,964	407,964	-	-	407,964	407,964
Plant, property and equipment						
Capital Assets Not Being Depreciated	729,346	827,102	1,775,403	1,775,403	2,504,749	2,602,505
Capital Assets, Net of Depreciation	6,150,115	5,044,768	15,811,095	16,541,958	21,961,210	21,586,726
Deferred Charges	268,000	290,215	165,321	188,448	433,321	478,663
Total Assets	<u>17,088,485</u>	<u>15,646,838</u>	<u>20,693,063</u>	<u>21,273,801</u>	<u>37,781,548</u>	<u>36,920,639</u>
<b>LIABILITIES</b>						
Current:						
Accounts Payable	99,779	181,302	22,656	99,647	122,435	280,949
Accrued Liabilities	104,712	132,924	58,189	38,611	162,901	171,535
Interest Payable	121,524	102,406	257,504	99,280	379,028	201,686
Deposits Payable	-	-	29,880	205,700	29,880	205,700
Compensated absences	6,000	-	9,249	-	15,249	-
Deferred Revenue	51,256	26,833	-	-	51,256	26,833
Noncurrent Liabilities:						
Compensated absences	286,093	-	93,517	-	379,610	-
Due Within One Year	110,040	181,641	220,023	219,075	330,063	400,716
Due in More Than One Year	5,491,103	5,907,458	9,810,037	10,099,227	15,301,140	16,006,685
Net OPEB Obligation	146,429	-	-	-	146,429	-
Total Liabilities	<u>6,416,936</u>	<u>6,532,564</u>	<u>10,501,055</u>	<u>10,761,540</u>	<u>16,917,991</u>	<u>17,294,104</u>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	1,278,318	(308,329)	7,606,438	8,215,696	8,884,756	7,907,367
Restricted	2,603,186	-	796,958	-	3,400,144	-
Unrestricted	6,790,044	9,422,603	1,838,612	2,296,565	8,628,656	11,719,168
Total Net Assets	<u>\$ 10,671,548</u>	<u>\$ 9,114,274</u>	<u>\$ 10,242,008</u>	<u>\$ 10,512,261</u>	<u>\$ 20,913,556</u>	<u>\$ 19,626,535</u>

In essence, the City's net worth, as of June 30, 2011, was nearly \$21 million, an increase of \$1.29 million. The increase primarily is attributed to the recognition of housing and business loans previously recorded under a different classification as well as significant cost reduction measures implemented by management. This includes all assets of the City, the Redevelopment Agency, and the water and sewer enterprises.

The change in net assets for the fiscal years ended June 30, 2011 and 2010 are as follows:

	2011			2010		
	Govern- mental	Business- type	Total	Govern- mental	Business- type	Total
	Activities	Activities		Activities	Activities	
Revenues:						
Program revenues:						
Charges for services	\$ 477,408	\$ 2,799,027	\$ 3,276,435	\$ 679,717	\$ 2,957,642	\$ 3,637,359
Grants and contributions:						
Operating	815,910	-	815,910	679,776	-	679,776
Capital	1,146,165	-	1,146,165	391,021	-	391,021
General revenues:						
Property taxes and assessments	2,008,630	382,917	2,391,547	2,546,908	328,852	2,875,760
Transient occupancy taxes	68,827	-	68,827	88,966	-	88,966
Sales and use tax	1,547,458	-	1,547,458	934,870	-	934,870
Franchise taxes	271,243	-	271,243	113,405	-	113,405
Utility users tax	-	-	-	-	-	-
Other taxes	133,311	-	133,311	-	-	-
Motor vehicle in lieu	23,541	-	23,541	-	-	-
Use of money and property	24,889	39,403	64,292	58,349	41,111	99,460
Other general	1,610,482	209,852	1,820,334	502,692	-	502,692
Loss on sale of capital assets	-	-	-	-	-	-
Total revenues	8,127,864	3,431,199	11,559,063	5,995,704	3,327,605	9,323,309
Expenses:						
Governmental activities:						
General government	1,955,462	-	1,955,462	3,364,170	-	3,364,170
Community development	357,986	-	357,986	-	-	-
Engineering and Public Works	1,476,308	-	1,476,308	735,385	-	735,385
Housing and Support Programs	174,126	-	174,126	-	-	-
Redevelopment/Economic Development	200,195	-	200,195	-	-	-
Public safety	1,784,887	-	1,784,887	1,830,624	-	1,830,624
Parks and recreation	312,916	-	312,916	322,502	-	322,502
Interest and fiscal charges	308,710	-	308,710	302,138	-	302,138
Business-type activities:						
Water	-	1,412,891	1,412,891	-	1,356,420	1,356,420
Wastewater	-	2,288,561	2,288,561	-	2,475,742	2,475,742
Total expenses	6,570,590	3,701,452	10,272,042	6,554,819	3,832,162	10,386,981
Excess (Deficiency) of revenues over expenditures before transfers	1,557,274	(270,253)	1,287,021	(559,115)	(504,557)	(1,063,672)
Transfers	-	-	-	-	-	-
Change in net assets	1,557,274	(270,253)	1,287,021	(559,115)	(504,557)	(1,063,672)
Net assets:						
Beginning of year	9,114,274	10,512,261	19,626,535	9,673,389	11,016,818	20,690,207
End of year	\$ 10,671,548	\$ 10,242,008	\$ 20,913,556	\$ 9,114,274	\$ 10,512,261	\$ 19,626,535

Capital assets of \$8.88 million include land, buildings and related improvements, utility plants (water and sewer), machinery, equipment, vehicles, and infrastructure (roads and public rights-of-way, water and sewer lines, etc.). The City uses these assets to provide services to its citizens; they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt associated with these assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted assets of \$8.6 million include cash and cash equivalents and may be used to meet the City's ongoing obligations to citizens, creditors, and City-imposed designations (e.g. reserves, pending litigations, contingencies, capital projects, special grant and revenue programs and projects, etc.).

### Expenses

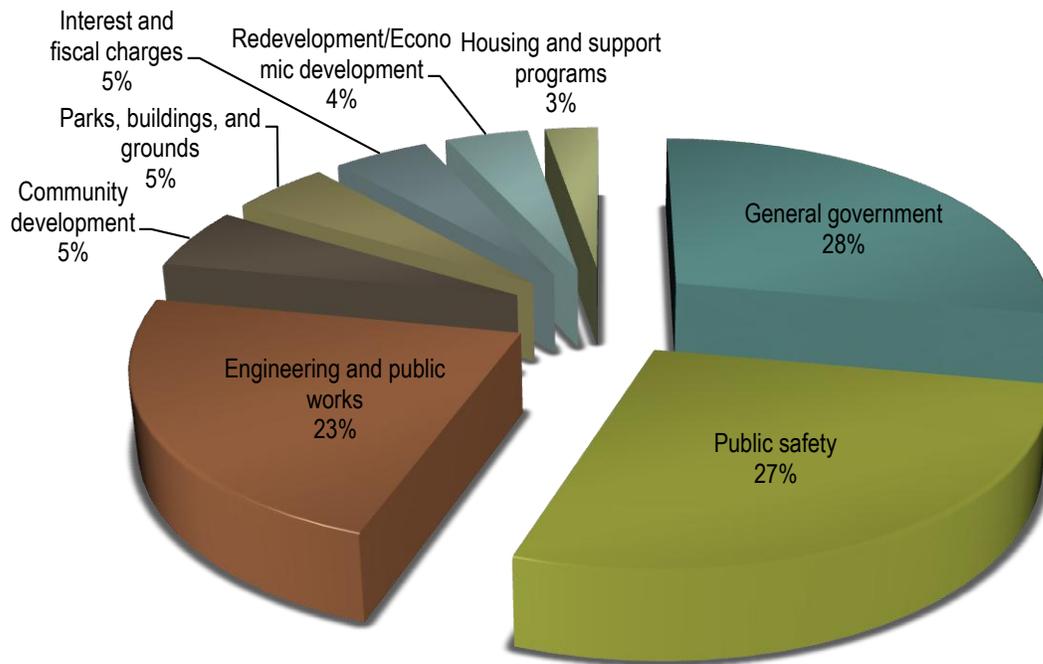
Governmental and business-type activity expenses of the City for the year totaled \$6.57 million. Governmental activity expenses totaled \$1.9 million or 28% of total expenses. Business-type activities incurred \$3.7 million of expenses during the fiscal year. Public safety costs represented 27% of total governmental activities expenses. Public works and community development costs represented the largest, combined expense for governmental activities.

### Governmental Activities

The most significant expenses incurred by the City are providing general government services (28%); however this amount includes depreciation, a non-cash expense. Excluding depreciation leaves the provision of public safety as being the most significant cost for the City. From highest to lowest, costs directly associated with governmental activities were as follows:

	Governmental Activities			
	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 1,955,462	\$ 1,570,826	\$ 3,364,170	\$ 2,397,592
Public safety	1,784,887	1,556,018	1,830,624	1,604,970
Engineering and public works	1,476,308	844,508	735,385	177,103
Community development	357,986	276,383	-	-
Parks, buildings, and grounds	312,916	312,916	322,502	322,502
Interest and fiscal charges	308,710	308,710	302,138	302,138
Redevelopment/Economic development	200,195	185,445	-	-
Housing and support programs	174,126	(923,700)	-	-
<b>Total</b>	<b>\$ 6,570,590</b>	<b>\$ 4,131,107</b>	<b>\$ 6,554,819</b>	<b>\$ 4,804,305</b>

## EXPENSES BY FUNCTION YEAR ENDED June 30, 2011



Significant revenues for the City come from taxes (46%), which included property taxes, sales taxes (Bradley-Burns and Measure I transactions and use taxes), franchise fees, transient occupancy taxes, and tax increment. Revenues overall were higher than estimated.

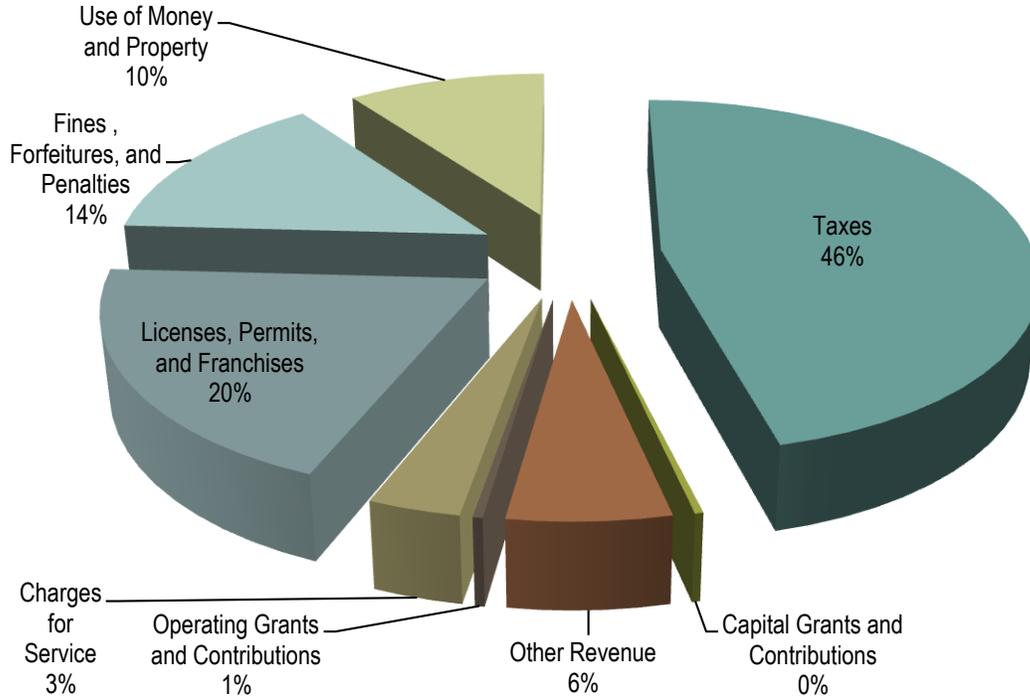
From highest to lowest, revenues directly associated with governmental collections were as follows:

Governmental Activities

	2011	2010
	Total	Total
	Revenues	Revenues
Taxes	\$ 3,752,789	\$ 3,644,208
Other Revenue	1,610,482	502,692
Capital Grants	1,146,165	391,021
Operating Grants	815,910	679,776
Charges for Service	477,408	679,717
Licenses, Permits, and Franchises	271,243	113,405
Fines , Forfeitures, and Penalties	28,977	-
Use of Money and Property	24,889	58,349
<b>Total</b>	<b>\$ 8,127,864</b>	<b>\$ 6,069,168</b>

Governmental revenues in total were higher in 2011 than 2010 because of the recognition of revenue from business and housing loans. Revenue from taxes of \$3.75 million was up 2.9% from last year, mostly due to increases in the transaction and use tax and property taxes in lieu of VLF (Vehicle License Fees).

## REVENUES BY SOURCE - GOVERNMENTAL FISCAL YEAR ENDED JUNE 30, 2011



Taxes by Source - Governmental  
Two-Year Comparison

	Fiscal Year Ended		Increase
	June 30, 2011	June 30, 2010	(Decrease)
PROPERTY TAXES-CURRENT SECURED	\$ 352,932	\$ 378,111	\$ (25,179)
PROPERTY TAXES-CURR UNSECURED	11,109	12,544	(1,435)
PROPERTY TAXES-813 SUPPLEMENT	(161)	4,269	(4,430)
PROPERTY TRANSFER TAX	11,584	13,234	(1,650)
LOCAL SALES TAX	883,042	914,377	(31,335)
PROP 172 SALES TX (PUB SAFETY)	29,264	20,493	8,771
TRANSIENT OCCUPANCY TAX	68,827	88,966	(20,139)
PROPERTY TAXES-PRIOR UNSECURED	(5,739)	6,920	(12,659)
PROPERTY TAXES-PRIOR SECURED	3,409	2,806	603
TRANSACTION USE TAX (MEASURE I)	635,152	545,605	89,547
PROPERTY IN-LIEU VLF	402,839	399,062	3,777
PROP TAXES IN-LIEU SALES TAX	277,785	268,307	9,478
PROPOSITION 1A	4,831	(42,166)	46,997
TAX INCREMENT	929,131	931,669	(2,538)
TAX INCREMENT PASS-THROUGH	25,742	26,548	(806)
HUTA GAS TAXES	123,043	73,463	49,580
	<u>\$ 3,752,789</u>	<u>\$ 3,644,208</u>	<u>\$ 108,581</u>

**Business-type Activities**

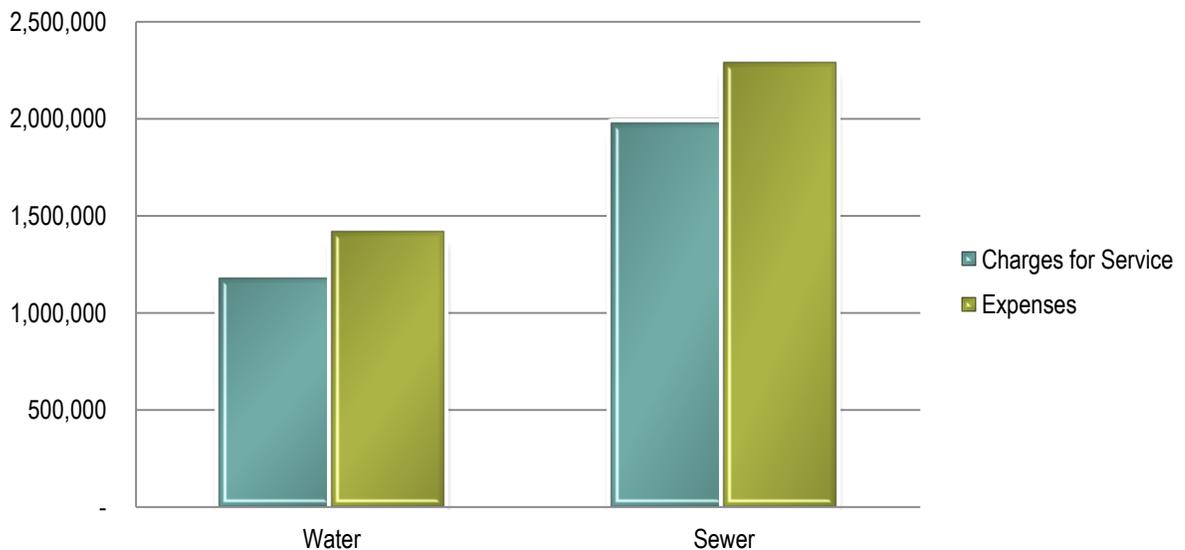
In the fiscal year ended June 30, 2011, business-type activities decreased the City's net assets by \$270,254. This was the result primarily of non-cash expenses, such as depreciation and debt expense amortization but nonetheless negatively affect the fiscal condition of both enterprises.

Revenues from rates, fees, and charges for water and sewer services were down from the previous fiscal year by 3.4% representing a combination of decreased usage and a scheduled increase in the consumer price index (CPI-u). Expenses continued to outpace revenues, contributing to an operating deficit of \$902,425, or 24.4%, primarily from depreciation. Other revenues from interest and investment income, parcel taxes, assessments, and miscellaneous sources made up the difference.

Operating Condition of Enterprise Activities  
Two-Year Comparison

Expenses for the Year Ended			Increase	%
Ended	June 30, 2011	June 30, 2010	(Decrease)	Change
Water	\$ 1,412,891	\$ 1,356,420	\$ 56,471	4.16%
Sewer	2,288,561	2,475,742	(187,181)	-7.56%
	<u>3,701,452</u>	<u>3,832,162</u>	<u>(130,710)</u>	<u>-3.53%</u>
<b>Charges for Service</b>				
	June 30, 2011	June 30, 2010	(Decrease)	Change
Water	1,175,759	1,241,526	(65,767)	-5.30%
Sewer	1,623,268	1,716,116	(92,848)	-5.41%
	<u>2,799,027</u>	<u>2,957,642</u>	<u>(158,615)</u>	<u>-5.67%</u>
Surplus (Deficit)	<u>\$ (902,425)</u>	<u>\$ (874,520)</u>	<u>\$ (27,905)</u>	<u>-3.09%</u>
Deficiency %	<u>-24.38%</u>	<u>-22.82%</u>		

**EXPENSES AND CHARGES FOR SERVICE  
BUSINESS-TYPE ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2011**



## Capital Assets and Debt Administration

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities at June 30, 2011 amounted to \$24,515,959 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, equipment, vehicles, infrastructure, and construction in progress. Depreciation expense for the year, government-wide, totaled \$1,014,847.

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 729,346	\$ 399,546	\$ 1,775,403	\$ 1,775,403	\$ 2,504,749	\$ 2,174,949
Construction in Progress	1,086,887	427,556	88,894	-	1,175,781	427,556
Buildings	2,619,229	2,619,229	1,839,904	1,839,904	4,459,133	4,459,133
Improvements - Non Buildings	3,378,472	3,138,049	26,133,566	26,133,566	29,512,038	29,271,615
Vehicles	1,532,597	1,532,597	537,459	537,459	2,070,056	2,070,056
Accumulated depreciation	(2,467,070)	(2,245,107)	(12,738,728)	(11,968,971)	(15,205,798)	(14,214,078)
Total Capital Assets, Net	<u>\$ 6,879,461</u>	<u>\$ 5,871,870</u>	<u>\$ 17,636,498</u>	<u>\$ 18,317,361</u>	<u>\$ 24,515,959</u>	<u>\$ 24,189,231</u>

Additional information on the City's capital assets can be found in Notes 7 in the notes to the basic financial statements.

### Long-term Liabilities

The City's outstanding long-term liabilities, including bonds, loans payable, and compensated absences totaled \$16,010,813 as of June 30, 2011. This amount does not include the outstanding liability for other post-employment benefits (OPEB), which consist of retiree health costs. That information is presented in Note 14.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital Lease - Police Cars	\$ 191,143	\$ 247,784	\$ -	\$ -	\$ 191,143	\$ 247,784
2004 Series A Bonds	1,050,000	1,050,000	-	-	1,050,000	1,050,000
2004 Series B Bonds	960,000	1,000,000	-	-	960,000	1,000,000
2008 Series Bonds	3,400,000	3,410,000	-	-	3,400,000	3,410,000
Water Revenue Bonds, 2002 Refunding Loan Agreement	-	-	450,060	507,113	450,060	507,113
Water Revenue Bonds, Series 2000 COPS	-	-	2,648,000	2,693,000	2,648,000	2,693,000
Sewer District Improvement Bonds, 1993-1	-	-	4,010,000	4,113,124	4,010,000	4,113,124
2007 Series A Bond	-	-	2,922,000	2,977,000	2,922,000	2,977,000
Compensated Absences	286,093	381,315	93,517	28,189	379,610	409,504
	<u>\$ 5,887,236</u>	<u>\$ 6,089,099</u>	<u>\$ 10,123,577</u>	<u>\$ 10,318,426</u>	<u>\$ 16,010,813</u>	<u>\$ 16,407,525</u>

Additional information on the City's outstanding long-term obligations can be found in Note 9.

## FUND FINANCIAL ANALYSIS

### Governmental Funds

The City employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As was mentioned earlier, fund financial statements present information based on current financial resources and expenditures. Essentially they are snapshots of the condition of major funds in the near-term; whereas, the government-wide statements present the entire picture of the reporting entity. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. For comparison purposes, fund statements correlate well to the City's adopted budget.

As of June 30, 2011, the City's governmental fund balance was \$9,685,276, of which \$2,811,885 was nonspendable. GASB 54 established five new criteria for categorizing that balance based on its restricted and unrestricted use. The five categories are the following:

- Nonspendable fund balance
- Restricted fund balance
- Committed fund balance
- Assigned fund balance
- Unassigned fund balance.

A more detailed discussion of these new fund balance categories is presented in Note 16.

Major governmental funds reported a net surplus at June 30, 2011 of \$1,568,849, which was comprised of the following:

Major Fund	Balance
General Fund	\$ 1,208,148
Redevelopment Agency Capital Projects	1,612,392
RDA Debt Service	(2,357,967)
RDA Housing Set-Aside	1,106,276
Total	\$ 1,568,849

Other governmental funds reported a net surplus of \$411,810, primarily the result of revenue recognition for housing and business loans. These funds include special revenues and activities not significant enough to report as a major fund. Grant proceeds for operations and capital programs/projects typically are reported here.

Governmental funds reported \$2,739,597 in nonspendable funds balance in fiscal year 2010/11. This is comprised mostly of long-term housing and business loans/notes receivable that are unavailable to meet current obligations. The City's property on Bevins Court is found here as well as "Land held for resale." The City expects to dispose of this property in the near future. Special revenue funds comprise the balance of \$2,603,186 in restricted fund balance, as those financial resources can be spent only on specific activities as defined by outside entities (e.g. a grantor, state agency, statute, etc.). There is no committed fund balance as of June 30, 2011. Assigned fund balance of \$2,174,205 consists of financing allotted to road projects that were under contract but not yet completed as of the end of the fiscal year as well as redevelopment bond proceeds intended for downtown improvements. The remaining amount of \$2,096,000 of unassigned fund balance consists of available spendable resources in the

general fund and the Redevelopment Agency fund, the bulk of which, \$2,394,002, is considered reserve for the general fund.

The general fund reserve, though separately presented in the City's budget and accounted for independently in its internal account system, is part of the general fund as a whole. There is no official City policy in place to dictate its purpose or use, but generally it is meant to serve as a rainy day fund and source of financing for capital improvements. Though use of reserves was budgeted in fiscal year 2010/11, the general fund reported a budget surplus at year end and did not require its use. As a point of measure, the total unassigned fund balance (reserve) for the general fund stood at 58.8% of operational expenditures as of June 30, 2011.

## **Proprietary Funds**

### Water Fund

Net assets of the water enterprise funds decreased by \$98,730 in fiscal year 2010/11. Operating revenue exceeded operating expenses by \$71,817; however, non-operating expenses (property taxes and interest of water loans and bonds) are reported at \$170,546. The water enterprise also maintains a separate special revenue fund for water service expansion. This fund was relatively inactive; however, it is the primary source of City funding for the new water main construction to the new Mendo Lake College campus.

Ending net assets at June 30, 2011 for the water enterprise funds were \$1,689,291, of which \$615,513 was unrestricted and available for future use.

### Sewer

Net assets of the sewer enterprise funds decreased by \$171,524 in fiscal year 2010/11. Operating revenue was insufficient to cover operating expenses, resulting in a net loss of \$248,913. Non-operating expenses (property taxes and bond interest) softened the negative impact to net assets by \$77,389. The sewer enterprise also maintains two separate enterprise funds: a sewer expansion fund and a debt service fund for the CLMSD 91-1 assessment district. Net assets of those funds are restricted for expansion projects and the repayment of a sewer bond, which was issued for the construction of the CLMSD sewer facility on Linda Lane.

Ending net assets at June 30, 2011 for the sewer fund were \$8,552,716, of which \$1,223,099 was unrestricted and available for future use.

## **Budgetary Comparison**

A comparison of budget to actual for major governmental funds is presented in the fund financial statements. These statements are audited as additional assurance that appropriations are being spent as authorized by the City Council. In total, the general fund, the Redevelopment Agency Capital Projects fund, and the RDA Low-Mod Housing Set-Aside fund reported a surplus – revenues exceeded expenditures.

In general, the difference between the final budget and actual revenue and expenditures reflects increases in revenue not expected in the budget as well as a significant effort on management's part to reduce costs and control spending. Additionally, budgeted positions in several departments were not filled immediately, if at all.

### General Fund

Revenues in the general fund were reported \$278,000 higher than was budgeted, while actual expenditures were reported \$572,320 less than was appropriated. The bulk of this was due to road projects that were not completed before year-end. Frugal departmental spending provided the remaining cost savings. The combined effect (before transfers are considered) was a surplus of \$182,729, a difference of \$850,320 from budgeted estimates. After transfers are considered, the total surplus increased to \$1,208,148, a positive difference of \$936,846.

### Redevelopment Agency Capital Projects Fund

Expenditures were reported \$1,550,010 less than were appropriated. This was the result of slow progress on the downtown improvement project, which was further hampered by the state's actions against redevelopment.

### Redevelopment Debt Service Fund

This fund was established to account for the proceeds of the 2004 Series A, B and 2008 Series bonds for the RDA. In 2011 it was designated as the primary RDA fund, into which tax increment revenue would be received before being transferred to operating and capital funds. Tax increment revenue totaled \$11,901 higher than was anticipated in the budget. Principal and interest payments for the bond debt service were on par with the budget.

### RDA Low-Moderate Housing Set-Aside Fund

The primary source of revenue for this fund is the statutorily required transfer of 20% of collected tax increment from the Redevelopment Agency; however, this fund was used in conjunction with activities under the 2007 HOME grant and was reimbursed for expenditures that occurred over the last two years. These reimbursements were the primary component of the revenue collected by the fund, prior to the consideration of transfers. That, combined with the recognition of revenues from housing loans made by the fund, resulted in revenues that were \$1,004,406 higher than was budgeted, while expenditures were \$211,050 lower than what was appropriated. The fund reported a net surplus of \$1,106,276 at year end, \$994,409 higher than was expected.

Budgets to actual were not presented for proprietary funds (water and sewer enterprise) as it is not a reporting requirement under GASB 45. Such information can be provided upon request.

## **Economic Outlook**

Turning the economic corner in fiscal year 2010-2011, the national economy grew modestly, officially ending the great recession. Helped by massive government stimulus and aggressive bank bailout programs to support dysfunctional credit markets, along with consumer rebate incentives to induce spending, the US economy grew an average of three percent. The Lake County Region though lagged behind, only to rebound slightly in the final quarter. There is no certainty that economic progress will continue. The local job market remains anemic and real estate prices, although stabilizing somewhat, show few signs of a robust recovery. Finally, the state's fiscal crisis will impose many barriers to growth with great challenges in collecting additional revenue, the loss of redevelopment, and the battle over state spending cuts, which promises to be relentless.

The City's major General Fund revenue sources are sales and property taxes. Both of these revenue sources are affected by the current recession. We are estimating a 4% increase for sales tax revenue and relatively flat property tax revenue growth in fiscal year 2011/12.

The City is developing a multi-year forecasting model to project anticipated revenues and expenditures. The model will predict continued earnings through fiscal year 2014-2015.

### **Requests for Information**

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions regarding this report, or request for additional information, should be made to the Finance Director, City of Lakeport, CA, 95453.

## Government-Wide Financial Statements

CITY OF LAKEPORT  
Statement of Net Assets  
Government-wide Financial Statements  
Year Ended June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current			
Cash and Investments:			
Available for operations	\$ 3,568,332	\$ 2,626,212	\$ 6,194,543
Restricted	2,875,304	-	2,875,304
Receivables	685,503	254,134	939,637
Inventory	-	60,898	60,898
Notes Receivable	2,403,921	-	2,403,921
Land Held for Resale	407,964	-	407,964
Plant, property and equipment			
Capital Assets Not Being Depreciated	729,346	1,775,403	2,504,749
Capital Assets, Net of Depreciation	6,150,115	15,861,095	22,011,210
Deferred Charges	268,000	165,321	433,321
Total Assets	<u>17,088,484</u>	<u>20,743,063</u>	<u>37,831,547</u>
<b>LIABILITIES</b>			
Current			
Accounts Payable	99,779	22,656	122,435
Accrued Liabilities	104,712	58,189	162,901
Interest Payable	121,524	257,504	379,028
Deposits Payable	-	29,880	29,880
Compensated absences	6,000	9,249	15,249
Deferred Revenue	51,256	-	51,256
Noncurrent			
Compensated absences	286,093	93,517	379,610
Due Within One Year	110,040	220,023	330,063
Due in More Than One Year	5,491,103	9,810,037	15,301,140
Net OPEB Obligation	146,429	-	146,429
Total Liabilities	<u>6,416,936</u>	<u>10,501,055</u>	<u>16,917,991</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,278,318	7,606,438	8,884,756
Restricted	2,603,186	796,958	3,400,144
Unrestricted	6,790,044	1,838,612	8,628,656
Total Net Assets	<u>\$ 10,671,548</u>	<u>\$ 10,242,007</u>	<u>\$ 20,913,555</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, 2011

FUNCTION/PROGRAMS	Expenses	Program Revenue			Net (Expenses) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General Government	\$ 1,955,462	\$ 329,668	\$ 54,968	\$ -	\$ (1,570,826)		\$ (1,570,826)
Community Development	357,986	81,603	-	-	(276,383)		(276,383)
Engineering and Public Works - Roads	1,476,308	41,137	-	590,663	(844,508)		(844,508)
Housing and Support Programs	174,126	-	542,324	555,502	923,700		923,700
Redevelopment/Economic Development	200,195	-	14,750	-	(185,445)		(185,445)
Public Safety	1,784,887	25,000	203,868	-	(1,556,018)		(1,556,018)
Parks, Buildings, and Grounds	312,916	-	-	-	(312,916)		(312,916)
Interest on long-term debt	308,710	-	-	-	(308,710)		(308,710)
Total government activities	<u>6,570,590</u>	<u>477,408</u>	<u>815,910</u>	<u>1,146,165</u>	<u>(4,131,107)</u>		<u>(4,131,107)</u>
<b>BUSINESS ACTIVITIES</b>							
Water utility	1,412,891	1,175,759	-	-		(237,132)	(237,132)
Sewer utility	2,288,561	1,623,268	-	-		(665,293)	(665,293)
Total business-type activities	<u>3,701,452</u>	<u>2,799,027</u>	<u>-</u>	<u>-</u>		<u>(902,425)</u>	<u>(902,425)</u>
Total primary government	<u>\$ 10,272,042</u>	<u>\$ 3,276,435</u>	<u>\$ 815,910</u>	<u>\$ 1,146,165</u>	<u>(4,131,107)</u>	<u>\$ (902,425)</u>	<u>\$ (5,033,532)</u>
<b>GENERAL REVENUE</b>							
Taxes					3,752,789	382,917	4,135,706
Licenses, Permits, and Franchises					271,243	-	271,243
Fines, Forfeitures, and Penalties					28,977	-	28,977
Use of Money and Property					24,889	39,403	64,292
Other Revenue					1,610,482	209,852	1,820,334
Totals					<u>5,688,381</u>	<u>632,171</u>	<u>6,320,552</u>
<b>CHANGES IN NET ASSETS</b>							
					1,557,274	(270,254)	1,287,020
<b>NET ASSETS</b>							
Beginning					9,114,274	10,512,261	19,626,535
End of Year					<u>\$ 10,671,548</u>	<u>\$ 10,242,007</u>	<u>\$ 20,913,555</u>

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

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## Governmental Funds

CITY OF LAKEPORT  
Balance Sheet  
Major Governmental Funds  
Year Ended June 30, 2011

	General	Redevelopment Agency Capital Projects	Redevelopment Agency Debt Service	Redevelopment Agency Housing Set-Aside
<b>ASSETS</b>				
Cash and Investments	\$ 1,838,224	\$ -	\$ 745,478	\$ 49,656
Restricted cash and investments	-	2,574,534	300,770	-
Receivables:				
Interest	8,461	-	2	392
Taxes	337,600	-	-	-
Notes	-	-	-	502,949
Other	99,172	-	-	473
Advances to other funds	264,802	-	-	-
Due From Other Funds	203,499	-	-	553,140
Land Held for Resale	407,964	-	-	-
<b>Total Assets</b>	<b>3,159,722</b>	<b>2,574,534</b>	<b>1,046,250</b>	<b>1,106,610</b>
<b>LIABILITIES</b>				
Accounts Payable	68,788	-	-	9,982
Accrued Liabilities	104,712	-	-	-
Deferred Revenue	51,256	-	-	-
Advances from other funds	-	-	-	-
Due to Other Funds	-	533,329	-	-
Interfund Loans	-	-	-	-
<b>Total Liabilities</b>	<b>224,756</b>	<b>533,329</b>	<b>-</b>	<b>9,982</b>
<b>FUND BALANCE</b>				
Nonspendable:				
Land held for resale	407,964	-	-	-
Loans receivable	-	-	-	502,949
Restricted	-	-	1,046,250	593,679
Committed	-	-	-	-
Assigned	133,000	2,041,205	-	-
Unassigned	2,394,002	-	-	-
<b>Total Fund Balance</b>	<b>2,934,966</b>	<b>2,041,205</b>	<b>1,046,250</b>	<b>1,096,628</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,159,722</b>	<b>\$ 2,574,534</b>	<b>\$ 1,046,250</b>	<b>\$ 1,106,610</b>

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

Other Governmental Funds	Total Governmental Funds
\$ 934,974	\$ 3,568,332
-	2,875,304
674	9,530
28,977	366,577
1,900,972	2,403,921
209,751	309,396
-	264,802
-	756,639
-	407,964
<u>3,075,348</u>	<u>10,962,464</u>
21,009	99,779
-	104,712
-	51,256
264,802	264,802
223,310	756,639
-	-
<u>509,121</u>	<u>1,277,188</u>
-	407,964
1,900,972	2,403,921
963,257	2,603,186
-	-
-	2,174,205
(298,002)	2,096,000
<u>2,566,227</u>	<u>9,685,276</u>
<u>\$ 3,075,348</u>	<u>\$ 10,962,464</u>

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  
 to the Statement of Net Assets  
 Year Ended June 30, 2011

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 9,685,276

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.

RDA Series Bonds 268,000

**CAPITAL ASSETS**

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

Capital assets not being depreciated 729,346  
 Governmental capital assets 8,617,184  
 Accumulated depreciation (2,467,070)

**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.

Matured Interest (121,524)

**NOTES RECEIVABLE**

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

Notes receivable -

**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

Due within one year (116,040)  
 Due in more than one year (5,923,625)

**NET ASSETS - GOVERNMENTAL ACTIVITIES** \$ 10,671,548

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

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CITY OF LAKEPORT  
Statement of Revenue, Expenditures, and Change in Fund Balances  
Major Governmental Funds  
Year Ended June 30, 2011

	General	Redevelopment Agency Capital Projects	Redevelopment Agency Debt Service	Redevelopment Agency Housing Set-Aside
<b>REVENUE</b>				
Taxes	\$ 2,700,615	\$ -	\$ 743,305	\$ 185,826
Licenses, Permits, and Franchises	268,194	-	-	-
Fines , Forfeitures, and Penalties	28,977	-	-	-
Use of Money and Property	15,687	-	2,130	1,074
Intergovernmental Revenue	258,836	-	-	167,131
Charges for Service	477,408	-	-	-
Other Revenue	505,954	-	-	1,009,406
<b>Total Revenue</b>	<b>4,255,671</b>	<b>-</b>	<b>745,435</b>	<b>1,363,437</b>
<b>EXPENDITURES</b>				
<b>Current-</b>				
General Government	732,333	-	-	181,485
Community Development	245,771	-	-	75,676
Engineering and Public Works - Roads	962,160	-	-	-
Housing and Support Programs	-	-	-	-
Redevelopment/Economic Development	-	-	-	-
Public Safety	1,644,841	-	-	-
Parks, Buildings, and Grounds	201,218	-	-	-
Capital Outlay	215,111	989,248	-	-
<b>Debt service-</b>				
Principal Retirement	56,641	-	50,000	-
Interest	14,867	-	274,725	-
<b>Total Expenditures</b>	<b>4,072,942</b>	<b>989,248</b>	<b>324,725</b>	<b>257,161</b>
Excess of Revenue over (under) Expenditures	182,729	(989,248)	420,710	1,106,276
<b>OTHER FINANCING SOURCES (USES)</b>				
Pass-through obligations	-	-	-	-
SERAF payments	-	-	-	-
Housing Loans	-	-	-	-
Transfers In	1,025,419	2,601,640	337,349	-
Transfers (Out)	-	-	(3,116,026)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,025,419</b>	<b>2,601,640</b>	<b>(2,778,677)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,208,148</b>	<b>1,612,392</b>	<b>(2,357,967)</b>	<b>1,106,276</b>
<b>BEGINNING FUND BALANCES</b>	<b>1,726,818</b>	<b>428,813</b>	<b>3,404,217</b>	<b>(9,648)</b>
<b>ENDING FUND BALANCES</b>	<b>\$ 2,934,966</b>	<b>\$ 2,041,205</b>	<b>\$ 1,046,250</b>	<b>\$ 1,096,628</b>

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

Other Governmental Funds	Total Governmental Funds
\$ 123,043	\$ 3,752,789
3,049	271,243
-	28,977
5,998	24,889
980,606	1,406,573
-	477,408
95,122	1,610,482
<u>1,207,819</u>	<u>7,572,362</u>
643,306	1,557,124
5,740	327,187
469,598	1,431,758
173,841	173,841
-	-
-	1,644,841
111,698	312,916
57,510	1,261,869
-	106,641
-	289,592
<u>1,461,693</u>	<u>7,105,769</u>
<u>(253,874)</u>	<u>466,593</u>
(185,826)	(185,826)
(64,442)	(64,442)
2,082,519	2,082,519
754,642	4,719,050
(1,921,209)	(5,037,235)
<u>665,684</u>	<u>1,514,066</u>
411,810	1,980,658
<u>2,082,129</u>	<u>7,632,329</u>
<u>\$ 2,493,939</u>	<u>\$ 9,612,987</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 Statement of Activities  
 Year Ended June 30, 2011

**CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS** \$ 1,980,658

Amounts reported for governmental activities in the Statement of Net Assets are different 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 Notes (1,158,759)

**CAPITAL ASSETS**

Governmental funds report capital outlays as expenditures in the governmental funds, but the repayment reduces long-term receivables in the Statement of Net Assets. Similarly, 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.

Capital outlay 1,261,869  
 Depreciation expense - General Government (221,963)

**LONG-TERM OBLIGATIONS**

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

Interest Payable (19,118)  
 Compensated Absences (245,626)  
 Net OPEB Obligation (146,429)

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 in which the related debt is outstanding in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Debt principal 106,641

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES** \$ 1,557,274

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

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## Governmental Fund Budget Comparisons

CITY OF LAKEPORT  
General Fund  
Statement of Revenue, Expenditures, and Change in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Taxes	\$ 2,750,694	\$ 2,750,694	\$ 2,700,615	\$ (50,079)
Licenses, Permits, and Franchises	228,986	228,986	268,194	39,208
Fines , Forfeitures, and Penalties	25,660	25,660	28,977	3,317
Use of Money and Property	9,189	9,189	15,687	6,498
Intergovernmental Revenue	180,219	180,219	258,836	78,617
Charges for Service	494,435	494,435	477,408	(17,027)
Other Revenue	208,958	288,488	505,954	217,466
Total Revenue	3,898,141	3,977,671	4,255,671	278,000
<b>EXPENDITURES</b>				
<b>Current-</b>				
General Government	708,974	708,974	732,333	(23,359)
Community Development	297,439	297,439	245,771	51,668
Engineering and Public Works - Roads	1,052,764	1,046,989	962,160	84,829
Housing and Support Programs	-	-	-	-
Redevelopment/Economic Development	-	-	-	-
Public Safety	1,761,473	1,766,473	1,644,841	121,632
Parks, Buildings, and Grounds	222,308	228,083	201,218	26,865
Capital Outlay - Roads	525,796	525,796	215,111	310,685
<b>Debt Service-</b>				
Principal Retirement	56,641	56,641	56,641	0
Interest	14,867	14,867	14,867	0
Total Expenditures	4,640,262	4,645,262	4,072,942	572,320
Excess of Revenue over (under) Expenditures	(742,121)	(667,591)	182,729	850,320
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	924,280	938,893	1,025,419	86,526
Transfers Out	-	-	-	-
Total other	924,280	938,893	1,025,419	86,526
NET CHANGE IN FUND BALANCE	\$ 182,159	\$ 271,302	\$ 1,208,148	\$ 936,846

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

CITY OF LAKEPORT  
 Redevelopment Capital Projects  
 Statement of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, Permits, and Franchises	-	-	-	-
Fines , Forfeitures, and Penalties	-	-	-	-
Use of Money and Property	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Service	-	-	-	-
Other Revenue	-	-	-	-
Total Revenue	-	-	-	-
<b>EXPENDITURES</b>				
Current-	-	-	-	-
General Government	-	-	-	-
Community Development	-	-	-	-
Engineering and Public Works - Roads	-	-	-	-
Housing and Support Programs	-	-	-	-
Redevelopment/Economic Development	-	-	-	-
Public Safety	-	-	-	-
Parks, Buildings, and Grounds	-	-	-	-
Capital Outlay	2,539,258	2,539,258	989,248	1,550,010
Debt Service-	-	-	-	-
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Total Expenditures	2,539,258	2,539,258	989,248	1,550,010
Excess of Revenue over (under) Expenditures	(2,539,258)	(2,539,258)	(989,248)	1,550,010
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	3,071,522	3,071,522	2,601,640	(469,882)
Transfers Out	(532,264)	(532,264)	-	532,264
Total other	2,539,258	2,539,258	2,601,640	62,382
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,612,392</b>	<b>\$ 1,612,392</b>

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

CITY OF LAKEPORT  
Redevelopment Debt Service Fund  
Statement of Revenue, Expenditures, and Change in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Taxes	\$ 731,404	\$ 731,404	\$ 743,305	\$ 11,901
Licenses, Permits, and Franchises	-	-	-	-
Fines , Forfeitures, and Penalties	-	-	-	-
Use of Money and Property	-	-	2,130	2,130
Intergovernmental Revenue	-	-	-	-
Charges for Service	-	-	-	-
Other Revenue	-	-	-	-
Total Revenue	731,404	731,404	745,435	14,031
<b>EXPENDITURES</b>				
Current-	-	-	-	-
General Government	-	-	-	-
Community Development	-	-	-	-
Engineering and Public Works - Roads	-	-	-	-
Housing and Support Programs	-	-	-	-
Redevelopment/Economic Development	-	-	-	-
Public Safety	-	-	-	-
Parks, Buildings, and Grounds	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service-	-	-	-	-
Principal Retirement	50,000	50,000	50,000	-
Interest	275,456	275,456	274,725	731
Total Expenditures	325,456	325,456	324,725	731
Excess of Revenue over (under) Expenditures	405,948	405,948	420,710	14,762
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	575,910	575,910	337,349	(238,561)
Transfers Out	(3,071,522)	(3,071,522)	(3,116,026)	(44,504)
Total other	(2,495,612)	(2,495,612)	(2,778,677)	(283,065)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (2,089,664)</b>	<b>\$ (2,089,664)</b>	<b>\$ (2,357,967)</b>	<b>\$ (268,303)</b>

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

CITY OF LAKEPORT  
Redevelopment Low Moderate Housing Set-Aside Fund  
Statement of Revenue, Expenditures, and Change in Fund Balances  
Budget and Actual  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Taxes	\$ 182,851	\$ 182,851	\$ 185,826	\$ 2,975
Licenses, Permits, and Franchises	-	-	-	-
Fines , Forfeitures, and Penalties	-	-	-	-
Use of Money and Property	105	105	1,074	969
Intergovernmental Revenue	-	-	167,131	167,131
Charges for Service	-	-	-	-
Other Revenue	5,000	5,000	1,009,406	1,004,406
Total Revenue	187,956	187,956	1,363,437	1,175,481
EXPENDITURES				
Current-	-			
General Government	266,711	266,711	181,485	85,226
Community Development	200,000	200,000	75,676	124,324
Engineering and Public Works - Roads	-	-	-	-
Housing and Support Programs	-	-	-	-
Redevelopment/Economic Development	-	-	-	-
Public Safety	-	-	-	-
Parks, Buildings, and Grounds	-	-	-	-
Capital Outlay	1,500	1,500	-	1,500
Debt Service-				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Total Expenditures	468,211	468,211	257,161	211,050
Excess of Revenue over (under) Expenditures	(280,255)	(280,255)	1,106,276	1,386,531
OTHER FINANCING SOURCES (USES)				
Transfers In	392,122	392,122	-	(392,122)
Transfers Out	-	-	-	-
Total other	392,122	392,122	-	(392,122)
NET CHANGE IN FUND BALANCE	\$ 111,867	\$ 111,867	\$ 1,106,276	\$ 994,409

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

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## Proprietary Funds

CITY OF LAKEPORT  
Statement of Net Assets  
Proprietary Funds  
Year Ended June 30, 2011

	Business-Type Activities		Total Enterprise Funds
	Water	Sewer	
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 694,715	\$ 1,931,497	\$ 2,626,212
Accounts receivable	122,006	119,016	241,022
Taxes receivable	-	11,218	11,218
Interest receivable	1,719	175	1,894
Inventory	30,449	30,449	60,898
Total Current Assets	<u>848,889</u>	<u>2,092,355</u>	<u>2,941,244</u>
Noncurrent Assets:			
Capital Assets Not Being Depreciated	40,170	1,735,233	1,775,403
Capital Assets, Net of Depreciation	4,131,669	11,729,426	15,861,095
Deferred Charges	-	165,321	165,321
Total Noncurrent Assets	<u>4,171,839</u>	<u>13,629,980</u>	<u>17,801,819</u>
Total Assets	<u>5,020,728</u>	<u>15,722,335</u>	<u>20,743,063</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	9,282	13,374	22,656
Accrued Payroll and Benefits	35,831	22,357	58,189
Interest Payable	123,952	133,552	257,504
Customer Deposits	14,940	14,940	29,880
Compensated Absences, Current	4,443	4,806	9,249
Total Current Liabilities	<u>188,449</u>	<u>189,029</u>	<u>377,478</u>
Noncurrent Liabilities:			
Compensated Absences	44,927	48,590	93,517
Due within one year	60,023	160,000	220,023
Due after one year	3,038,037	6,772,000	9,810,037
Total Noncurrent Liabilities	<u>3,142,987</u>	<u>6,980,590</u>	<u>10,123,577</u>
Total Liabilities	<u>3,331,436</u>	<u>7,169,619</u>	<u>10,501,055</u>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	1,073,779	6,532,659	7,606,438
Restricted	-	796,958	796,958
Unrestricted	615,513	1,223,099	1,838,612
Total Net Assets	<u>\$ 1,689,291</u>	<u>\$ 8,552,716</u>	<u>\$ 10,242,007</u>

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

CITY OF LAKEPORT  
Statement of Revenue, Expenses and Change in Net Assets  
Proprietary Funds  
Year Ended June 30, 2011

	Business-Type Activities		Total Enterprise Funds
	Water	Sewer	
<b>OPERATING REVENUE</b>			
Charge for Services	\$ 1,175,759	\$ 1,623,268	\$ 2,799,027
Other Income	131,108	78,744	209,852
Total Operating Revenue	1,306,866	1,702,012	3,008,878
<b>OPERATING EXPENSES</b>			
Salaries and Benefits	676,241	771,313	1,447,554
Materials, Supplies and Service Costs	399,296	234,042	633,338
Other operating costs	16,307	295,891	312,198
Depreciation and amortization expense	143,205	649,679	792,884
Total Operating Expenses	1,235,050	1,950,925	3,185,975
Operating Income (Loss)	71,817	(248,913)	(177,097)
<b>NONOPERATING REVENUE (EXPENSES)</b>			
Property Tax Assessments	(627)	382,917	382,290
Use of Money and Property	7,295	32,108	39,403
Interest and debt service expense	(177,214)	(337,636)	(514,850)
Total Nonoperating Revenue (expense)	(170,546)	77,389	(93,157)
NET INCOME	(98,730)	(171,524)	(270,254)
BEGINNING NET ASSETS	1,788,021	8,724,240	10,512,261
ENDING NET ASSETS	\$ 1,689,291	\$ 8,552,716	\$ 10,242,007

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

CITY OF LAKEPORT  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2011

CASH FLOWS PROVIDED BY (USED FOR)	Business-type Activities		Total
	Water	Sewer	Enterprise Funds
<b>OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,278,605	\$ 1,710,235	\$ 2,988,840
Cash paid to suppliers of goods and services	(479,318)	(511,774)	(991,093)
Payments to City of Lakeport employees	(717,092)	(737,587)	(1,454,680)
Net cash provided (used)	82,194	460,874	543,068
<b>NONCAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
Property tax assessments	-	394,135	394,135
<b>CAPTIAL &amp; RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(23,394)	(15,500)	(38,894)
Principal payments on capital debt	(100,656)	(158,000)	(258,656)
Interest paid on capital debt	(177,214)	(322,890)	(500,104)
Net cash provided (used)	(301,264)	(496,390)	(797,654)
<b>INVESTING ACTIVITIES</b>			
Collection of investment earnings	5,576	31,933	37,509
<b>NET INCREASE (DECREASE) IN CASH</b>			
	(213,494)	390,552	177,057
Cash and cash equivalents-beginning	908,209	1,540,945	2,449,154
Cash and cash equivalents-end of year	\$ 694,715	\$ 1,931,497	\$ 2,626,211
<b>OPERATING ACTIVITIES ANALYSIS</b>			
Operating Income (Loss)	\$ 71,817	\$ (248,913)	\$ (177,097)
Reconciliation adjustments:			
Depreciation and amortization, a noncash expense	143,205	649,679	792,884
(Increase) decrease in accounts receivable	(28,261)	8,223	(20,038)
(Increase) decrease in inventory	18,478	18,478	36,956
Increase (decrease) in accounts payable	(62,452)	36,978	(25,474)
Increase (decrease) in accrued liabilities	(19,741)	(37,297)	(57,038)
Increase (decrease) in compensated absences	(40,852)	33,726	(7,126)
Net cash provided (used)	\$ 82,194	\$ 460,874	\$ 543,068

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

## Fiduciary Funds

CITY OF LAKEPORT  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2011

	<u>Agency Funds (Special Deposits)</u>
ASSETS	
Cash and Investments	<u>\$ 191,917</u>
Total Assets	<u><u>\$ 191,917</u></u>
LIABILITIES	
Refundable Deposits and Trust Liabilities	<u>\$ 191,917</u>
Total Liabilities	<u><u>\$ 191,917</u></u>

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

CITY OF LAKEPORT, CALIFORNIA  
**Notes to the Basic Financial Statements**  
June 30, 2011

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:

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## **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 Manager serves as the chief executive for day-to-day operations and long-term planning, including executing the policies and directives of the City Council. Department heads report directly to the City Manager and serve at his or her pleasure.

The City provides a 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 components 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 (CLMSD) was established as a separate legal entity to obtain funding to 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 systems.

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 government 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 Statement**

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) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grant and contributors that are restricted to meeting the operational or capital requirements of a particular function. 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 statement in the 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 trust of major capital projects) that are legally restricted to expenditures for specific purposes.

**Capital Project** Funds are used to account for revenue and expenditures restricted to the acquisition or 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 to, governmental long-term debt, both principal and interest.

#### Proprietary Fund

**Enterprise** Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise –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 fund on this basis.

**Internal Service** funds are used to account for operations similar to enterprise funds. The difference between the two is that internal service funds provide goods and services to departments and agencies under the primary government.

#### 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.

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and,
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The City reports the following major funds:

- General Fund
- Redevelopment Debt Service Fund
- RDA Low/Moderate Housing Fund
- Redevelopment Capital Improvement Fund

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 measurements made, regardless of the measurement focus applied.

Measurement focus is the determination of (1) which assets and which liabilities are included on a government's balance sheet and where they are reported, and (2) whether an operating statement presents information on the flow of financial resources (revenues and expenditures) or information on the flow of economic resources (revenues and expenses).

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 statement. Revenue is recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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 government 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 expenditures (as appropriate) are 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 (revenues) in net total assets.

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 from 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 amount 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

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

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

#### E. Receivable 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 measureable 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 individual loans, secured by property liens in favor of the City and the Redevelopment Agency, made through various sources,

including the Community Development Block Grant (CDBG) and federal HOME housing programs. When repaid, these amounts are designated for purposes allowed under the aforementioned reuse guidelines.

F. Allowance for Doubtful Accounts

Management has elected to record bad debts using the allowance method.

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

**Government-Wide Statements**

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized, since then these assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is recorded in the year of acquisition or in the year of disposition.

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	5 – 50 years
Roadway improvements	50 years
Sidewalks, curbs and gutters	50 years
Storm drain pipes/structures	50 years
Traffic signal devices	5 – 40 years
Landscaping	30 years
Signage	25 years
Leasehold improvements	5 years

Machinery and equipment	3 – 5 years
Vehicles	3 years

***Fund Financial Statements***

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

I. Compensated Absences

Compensated absences represent the vested portion of accumulate 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 (up to a maximum of 400 hours) and accrued comp time is paid and, depending on longevity, sick leave is paid out up to 50% of the accrued amount. In proprietary funds, a long-term liability for such benefits has been recorded.

J. Deferred Revenue

Deferred revenue in governmental funds primarily represents business license taxes collected, pool revenues collected for the next fiscal year, and funds to be collected under the City’s housing rehabilitation and business assistance programs. These programs consist 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 payments, which are receivables at June 30, are offset by an equal amount of deferred revenue. Principal and interest payments will be recognized as revenue when received.

K. Long-term Obligations

In both the governmental-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 recognized 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. Equity Classification

### **Government-Wide Statements**

Equity is classified as net assets and is displayed in three components:

Invested in capital assets, net of related debt – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – consists of net assets with constraints placed on the use by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments or law through constitutional provisions or enabling legislation.

Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### **Fund Financial Statements**

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

#### **Nonspendable Fund Balance –**

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

#### **Restricted Fund Balance –**

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (Creditors, Grantors, Contributors and Other Governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (Gas Tax).

#### **Committed Fund Balance –**

- Self imposed limitations set in place prior to the end of the period. (Encumbrances, economic contingencies and uncertainties)
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.

#### **Assigned Fund Balance –**

- Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.

### ***Unassigned Fund Balance –***

- Residual net resources
- Total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

### 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 provision 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 assessment, subsequent annual increases in valuation are limited to a maximum of two percent. However, an 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 one percent of full assessed value which results in a tax rate of one percent 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, preceding 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 Lake County Treasurer-Tax Collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments.

The First is due on November 1 of the fiscal year and is delinquent if not paid by December 10;

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. Payments 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 the 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.

N. Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

O. Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

**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 July 1 of the next fiscal year. 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 to be adopted by resolution of the City Council. In this fiscal year, a final adopted budget was not approved by the City Council and component unit governing boards until January, 2011, due to personnel issues and a transition period in the Finance Department.
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 not to exceed an aggregate amount of \$2,500 per object (account). All appropriations lapse at year end unless encumbered and carried forward upon the approval of the City Manager.
5. Budgets are adopted for all fund types and are reported on a basis consistent with generally accepted accounting principles. Budgeted amounts presented are as originally adopted and as further amended by the City Council.

Revenue Limitations Imposed by California Propositions 218 and 26

Proposition 218, approved by the voters in November 1996, regulates the City's ability to impose, increase, and extend taxes, assessments, and fees. It was enhanced further by the passage of Proposition 26 in 2010, which

revised to the definitions of taxes 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 be subject to the voter initiative process and may be rescinded in future years by the voters.

**NOTE 4 - CASH AND INVESTMENTS**

The City follows the practice of pooling cash and investments of all funds except for the 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, 2011 are classified in the accompanying financial statements as follows:

	Maturities (in years)			Deposits	Fair
	<1	1 to 2	>2		Market Value
<u>Cash equivalents and investments pooled</u>					
Pooled cash, at fair value					
Cash in bank	\$ -	\$ -	\$ -	\$ 371,603	\$ 371,603
Petty cash	-	-	-	300	300
Total pooled items	-	-	-	371,903	371,903
Pooled investments, at fair value					
<u>Interest obligations</u>					
<u>Par</u>	<u>Rate</u>				
-	0.000%	Federal Agency Securities	110,120	-	110,120
Money Market Mutual Funds					
State of California Local Agency Investment Fund	-	-	-	8,779,742	8,779,742
Total pooled investments - interest obligations	110,120	-	-	8,779,742	8,889,862
Total cash equivalents and investments pooled	\$ 110,120	\$ -	\$ -	\$ 9,151,645	\$ 9,261,765

**Amounts reported in:**

Governmental activities	\$ 3,568,332
Business-type activities	2,626,212
Governmental activities - Restricted	2,875,304
Fiduciary activities - Agency Funds	191,917
<b>Total</b>	<b>\$ 9,261,765</b>

### Collateral and Categorization Requirements

At the fiscal year end, the City's carrying amount of demand deposits was \$83,437 and the bank account balance was \$371,603. The difference of \$288,166 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC), and any amount over that would be 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Rating</u>
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 (LAIF)	N/A	\$10m	None	None

### 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 City of Lakeport manages its exposure to interest rate risk is by investing in LAIF, whose underlying securities have staggered maturities and are 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 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, 2011 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Yield</u>	<u>Concentration</u>
Local Agency Investment Fund (LAIF)	\$ 8,997,986	0.48%	94.92%
Money Market Mutual Funds	-	0.01%	0.00%
Demand Deposits (checking)	371,603	0.00%	3.92%
U.S. Government Securities	110,120	0.00%	1.16%
<b>Total Funds</b>	<b>\$ 9,479,709</b>	<b>0.12%</b>	<b>100.00%</b>
	<b>Weighted Yield</b>	<b>0.46%</b>	

### Custodial Credit Risk

The credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able recover its deposits or will not be able to recover collateral securities that are in the possession on 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 be 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, 2011, the City had \$121,603 in financial institutions that were not covered by the FDIC but were 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 counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of 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 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).

### Participation in an External Investment Pool

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF), which 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. As of June 30, 2011, the City's investment in LAIF was \$8,997,986. The total amount invested by all public agencies at that date was \$23.98 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2011 has a balance of \$67.01 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 – ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2011:

	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities			
Due from other governments	\$ 366,576	\$ -	\$ 366,576
Accounts	318,927	-	318,927
	<u>\$ 685,503</u>	<u>\$ -</u>	<u>\$ 685,503</u>
Business-type activities			
Due from other governments	\$ -	-	\$ -
Accounts	254,134	-	254,134
	<u>\$ 254,134</u>	<u>\$ -</u>	<u>\$ 254,134</u>

These amounts resulted in the following concentrations in receivables:

Other governments	39%
Individuals/businesses	61%

Amounts do not indicate a significant concentration (greater than 25%) with any single individual, business or agency.

**NOTE 6 – LOANS AND NOTES RECEIVABLE**

Through the City’s various housing rehabilitation funds, first-time home buyer’s funds, and business/economic development loan funds, the City has loaned funds to qualifying individuals and businesses. Interest rates vary depending on the terms of the loan. Interest is accrued on the loans that bear interest. The City also has loans receivable from employees for computer purchases in the General Fund.

Loans and notes receivable for the year ended June 30, 2011, consisted of the following:

	Beginning July 1, 2010	Additions	Deletions	Ending June 30, 2011
Major Governmental Funds:				
Redevelopment Agency Housing Set-Aside fund notes receivable	\$ 504,049	\$ -	\$ (1,100)	\$ 502,949
Nonmajor Special Revenue Funds:				
Special Revenue Funds				
CDBG Housing Loan fund notes receivable (old)	97,985	-	(733)	97,252
Redevelopment Agency General Fund	25,983	-	-	25,983
CDBG Business Loan fund notes receivable	544,524	-	(48,990)	495,534
CDBG Housing Loan fund notes receivable	187,923	-	-	187,923
Business Stabilization Loan fund notes receivable	75,000	-	(2,712)	72,288
HOME Program Income fund notes receivable	1,021,992	-	-	1,021,992
Total loans/notes receivable	<u>\$ 2,457,456</u>	<u>\$ -</u>	<u>\$ (53,535)</u>	<u>\$ 2,403,921</u>

The following is a summary of the loans and notes receivable outstanding as of June 30, 2011:

Redevelopment Agency Housing Set-Aside fund notes –

CSLE	\$	48,163
Hernandez		83,832
Hughes		43,636
Satre		53,922
Summerfield		7,267
Ewing		22,000
Benitez		22,630
Donahue		13,486
Poindexter		22,945
Rosencrans		6,992
Jacques		20,484
Ferrell		17,564
Megown		27,616
Davis		65,000
Gaitan		22,183
Jones		25,229
		<hr/>
	\$	502,949
		<hr/>

CDBG Housing Loan fund notes (old) –

Taylor HUD Loan - tracked by CDS	\$	62,286
CSLE		34,966
		<hr/>
	\$	97,252
		<hr/>

Redevelopment Agency general fund –

Mulhauser	\$	25,983
		<hr/>
	\$	25,983
		<hr/>

CDBG Business Loan fund –

People Services	\$	18,322
Lincoln-Leavitt		70,484
John Robertson		101,160
Locker Room( Carlos Lopez)		100,675
Chem-Dry(Carl Knipping)		51,293
Yale Bertolucci		18,300
Holiday Day Care (Michelle Holiday)		13,802
Quality Doors (Spike Young)		121,497
	\$	<u>495,534</u>

CDBG Housing Loan fund –

Bautista	\$	70,000
York		24,240
Satre		9,805
Samuelson		6,075
Pernell		6,050
Clements		25,400
McDougal		23,910
Schefcick		9,436
Jones		13,007
	\$	<u>187,923</u>

Business Stabilization Loan fund –

Kitchen Gallery	\$	50,000
Lee's Sporting Goods		22,288
	\$	<u>72,288</u>

HOME Program Income Loan fund –

York	\$	109,950
Hughes		95,000
Campbell		52,970
Bathe		64,136
Pernell		101,049
Nolan		65,445
Hatfield		136,162
Ibarra		129,005
Lucas		93,366
Faahs		41,383
Schefcick		65,390
Harris		28,928
Theis		17,122
Domagalski		22,086
		<hr/>
	\$	1,021,992

**NOTE 7 - CAPITAL ASSETS**

Governmental capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
<b><u>Governmental activities:</u></b>					
<b>Nondepreciable assets:</b>					
Land	\$ 399,546	\$ 329,800	\$ -	\$ -	\$ 729,346
<b>Total nondepreciable assets</b>	<b>399,546</b>	<b>329,800</b>	<b>-</b>	<b>-</b>	<b>729,346</b>
<b>Depreciable assets:</b>					
Buildings and structures	2,619,229	-	-	-	2,619,229
Improvements/CIP	3,565,605	1,140,176	(240,423)	-	4,465,358
Vehicles	1,532,597	-	-	-	1,532,597
<b>Total depreciable assets</b>	<b>7,717,431</b>	<b>1,140,176</b>	<b>(240,423)</b>	<b>-</b>	<b>8,617,184</b>
<b>Total</b>	<b>8,116,977</b>	<b>1,469,976</b>	<b>(240,423)</b>	<b>-</b>	<b>9,346,530</b>
<b>Accumulated depreciation:</b>					
Buildings and structures	(950,466)	(52,384)	-	-	(1,002,850)
Improvements/CIP	(547,632)	(93,384)	-	-	(641,016)
Vehicles	(747,009)	(76,194)	-	-	(823,203)
<b>Total accumulated depreciation</b>	<b>(2,245,107)</b>	<b>(221,962)</b>	<b>-</b>	<b>-</b>	<b>(2,467,069)</b>
<b>Net depreciable assets</b>	<b>5,472,324</b>	<b>918,214</b>	<b>(240,423)</b>	<b>-</b>	<b>6,150,115</b>
<b>Total net capital assets</b>	<b>\$ 5,871,870</b>	<b>\$ 1,248,014</b>	<b>\$ (240,423)</b>	<b>\$ -</b>	<b>\$ 6,879,461</b>

Business-type capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
<b><u>Business-type activities</u></b>					
<b>Nondepreciable assets:</b>					
Land	\$ 1,775,403	\$ -	\$ -	\$ -	\$ 1,775,403
<b>Total nondepreciable assets</b>	<b>1,775,403</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,775,403</b>
<b>Depreciable assets:</b>					
Buildings and structures	1,839,904	-	-	-	1,839,904
Improvements/CIP	26,133,566	88,894	-	-	26,222,460
Vehicles	537,459	-	-	-	537,459
<b>Total depreciable assets</b>	<b>28,510,929</b>	<b>88,894</b>	<b>-</b>	<b>-</b>	<b>28,599,823</b>
<b>Total</b>	<b>30,286,332</b>	<b>88,894</b>	<b>-</b>	<b>-</b>	<b>30,375,226</b>
<b>Accumulated depreciation:</b>					
Buildings and structures	(496,695)	(36,478)	-	-	(533,173)
Improvements/CIP	(10,998,830)	(681,877)	-	-	(11,680,707)
Vehicles	(473,446)	(51,402)	-	-	(524,848)
<b>Total accumulated depreciation</b>	<b>(11,968,971)</b>	<b>(769,757)</b>	<b>-</b>	<b>-</b>	<b>(12,738,728)</b>
<b>Net depreciable assets</b>	<b>16,541,958</b>	<b>(680,863)</b>	<b>-</b>	<b>-</b>	<b>15,861,095</b>
<b>Total Business-type net capital assets</b>	<b>\$ 18,317,361</b>	<b>\$ (680,863)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,636,498</b>

Depreciation expense for capital assets was charged to functions as follows:

Governmental activities	
General government	\$ 221,962
Public Safety	-
Public Works	-
Community Development	-
Parks and recreation	-
Total depreciation expense - governmental activities	<u>\$ 221,962</u>
Business-type activities	
Water	\$ 143,205
Wastewater	598,749
Stormwater	-
Total depreciation expense - business-type activities	<u>\$ 741,954</u>

**NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consisted of the following at June 30, 2011:

	Governmental Activities	Business-type Activities	Total
Accounts payable	\$ 99,779	\$ 22,656	\$ 122,435
Deposits	-	29,880	29,880
Accrued payroll and related liabilities	104,712	58,189	162,901
Total	<u>\$ 204,491</u>	<u>\$ 110,725</u>	<u>\$ 315,216</u>

These amounts resulted in the following concentrations in payables:

Vendors	39%
Customers	10%
Employees	51%

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee

## NOTE 9 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<u>Governmental Activities</u>					
Capital Lease - Police Cars	\$ 247,784	\$ -	\$ 56,641	\$ 191,143	\$ 60,040
2004 Series A Bonds	1,050,000	-	-	1,050,000	-
2004 Series B Bonds	1,000,000	-	40,000	960,000	40,000
2008 Series Bonds	3,410,000	-	10,000	3,400,000	10,000
Compensated Absences	381,315	-	95,222	286,093	6,000
Total	<u>\$ 6,089,099</u>	<u>\$ -</u>	<u>\$ 201,863</u>	<u>\$ 5,887,236</u>	<u>\$ 116,040</u>
<u>Business-Type Activities</u>					
Water Revenue Bonds, 2002 Refunding Loan Agreement	\$ 507,135	\$ -	\$ 57,075	\$ 450,060	\$ 60,023
Water Revenue Bonds, Series 2000 COPS	2,693,000	-	45,000	2,648,000	-
Sewer District Improvement Bonds, 1993-1	4,113,124	-	103,124	4,010,000	105,000
2007 Series A Bond	2,977,000	-	55,000	2,922,000	55,000
Compensated Absences	28,189	65,328	-	93,517	9,249
Total	<u>\$ 10,318,448</u>	<u>\$ 65,328</u>	<u>\$ 260,199</u>	<u>\$ 10,123,577</u>	<u>\$ 229,272</u>

### Water Revenue Bonds

2002 Refunding Loan Agreement with West America Bank of the 1993 Water Revenue Bonds, total refunding issues \$873,577. Semi-annual principal and interest payments of approximately \$41,000, at an annual interest rate of 5.1%, are due May 1 and November 1 each year. Payments are secured by water fund revenue. The obligation matures in the year 2017.

*Balance due*      \$      450,060

### Water Revenue Bonds

Series 2000 COPS bond with USDA Rural Development. Total issue \$3,050,000. Annual principal and interest payments of approximately \$105,000, at an interest rate of 4.75%, are due February 1 and August 1 each year. Payments are secured by water fund revenue. The obligation matures in the year 2039.

*Balance due*      \$      2,648,000

### Sewer District Improvement Bonds

Series 1993-1 bond with USDA Rural Development. Total issue \$5,196,270. Annual principal and interest payments of approximately \$115,000, at an interest rate of 5%, are due March 1 and September 1 each year, secured by Municipal Sewer District No.1 revenue from the South Assessment District 91-1 area. The total obligation matures in the year 2032.

*Balance due*      \$      4,010,000

### 2007 Series A Bonds

2007 Series A, total issue \$3,060,000. Annual principal is due on September 1 and interest payments at 5.31% are due September 1 and March 1 each year, which are secured by wastewater fund revenue. The total obligation matures in the year 2037.

*Balance due*      \$      2,922,000

2004 Series A Bonds

2004 Series A bond, total issue \$1,070,000. Annual principal is due on September 1 and interest payments are due semi-annually, at an interest rate of 5.25%, September 1 and March 1 each year. Payments are secured by redevelopment tax increment revenue, maturing in year 2035.

*Balance due*      \$      1,050,000

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2004 Series B Bonds

2004 Series B bond, total issue \$1,170,000. Annual principal is due on September 1 and interest payments are due semi-annually, at an annual interest rate of 5.31%, September 1 and March 1 each year. Payments are secured by redevelopment tax increment revenue, maturing in year 2035.

*Balance due*      \$      960,000

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2008 Series Bonds

2008 Series bond, total issue \$3,425,000. Annual principal is due on September 1 and interest payments are due semi-annually, at an interest rate of 5.31%, September 1 and March 1 each year. Payments are secured by redevelopment tax increment revenue, maturing in year 2038.

*Balance due*      \$      3,400,000

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Capital Lease

The City entered into a lease-purchase agreement with Auto Leasing Specialists, LLC in 2009 for the acquisition of ten police vehicles. Future minimum lease payments of \$71,509 are due each November with a present value of the minimum lease payments at June 30 2011 as follows. The total obligation of the lease ends in 2013.

*Balance due*      \$      191,143

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Changes in long-term obligations compromise the following:

Issuance costs for 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, 2011 was \$74,065.

Issuance costs for the 2007 Series A bonds are being amortized over the life of the related debt in the amount of \$6,853 per year. Accumulated amortization at June 30, 2011 was \$23,128.

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

**Compensated Absences**

The City records employee absences, such as vacation, illness, deferred overtime, and holidays, for which it is expected that employees will be paid as compensated absences. Compensated absences had a balance of \$394,859 at June 30, 2011; of that amount, \$15,249 is expected to be paid within a year.

**Net OPEB Obligation**

A net OPEB obligation is the cumulative differences between annual OPEB cost and an employer's contributions to a plan. At June 30, 2011, the City had a Net OPEB Obligation of \$146,429. See Note 14 for further discussion on OPEB.

Future debt service for Governmental activities at June 30, 2011 is as follows for all debt except compensated absences and claims liabilities:

Year Ending June 30, 2011	Governmental Activities					
	2004 RDA Tax Exempt Bond		2004 RDA Tax Exempt Bond		2008 Tax Allocation Bond	
	Series A		Series B		Redevelopment Agency	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ -	\$ 55,125	\$ 40,000	\$ 51,442	10,000	165,577
2013	-	55,125	40,000	49,418	15,000	165,187
2014	-	55,125	45,000	47,267	15,000	164,692
2015	-	55,125	45,000	44,990	15,000	164,171
2016	-	55,125	50,000	42,512	15,000	163,627
2017-2021	-	248,062	285,000	169,451	155,000	806,726
2022-2026	5,000	275,625	370,000	78,535	485,000	731,698
2027-2031	525,000	232,706	85,000	2,401	760,000	584,843
2032-2038	520,000	86,756	-	-	1,930,000	442,963
Total	\$ 1,050,000	\$ 1,118,774	\$ 960,000	\$ 486,016	\$ 3,400,000	\$ 3,389,484
Due within one year	\$ -	\$ 55,125	\$ 40,000	\$ 51,442	\$ 10,000	\$ 165,577
Due after one year	1,050,000	1,063,649	920,000	434,574	3,390,000	3,223,907
Total	\$ 1,050,000	\$ 1,118,774	\$ 960,000	\$ 486,016	\$ 3,400,000	\$ 3,389,484
Capital Lease Obligations						
Auto Leasing Specialists, LLC						
	Principal	Interest	Principal	Interest	Total	
2012	60,039	11,468	-	-	\$ 110,039	\$ 283,612
2013	63,642	7,866	-	-	118,642	277,596
2014	67,462	4,047	-	-	127,462	271,131
2015	-	-	-	-	60,000	264,286
2016	-	-	-	-	65,000	261,264
2017-2021	-	-	-	-	440,000	1,224,239
2022-2026	-	-	-	-	860,000	1,085,858
2027-2031	-	-	-	-	1,370,000	819,950
2032-2038	-	-	-	-	2,450,000	529,719
Total	\$ 191,143	\$ 23,381	\$ -	\$ -	\$ 5,601,143	\$ 5,017,655
Due within one year	\$ 60,039	\$ 11,468	\$ -	\$ -	\$ 110,039	\$ 283,612
Due after one year	131,104	11,913	-	-	5,491,104	4,734,043
Total	\$ 191,143	\$ 23,381	\$ -	\$ -	\$ 5,601,143	\$ 5,017,655

Future debt service for Business-type activities at June 30, 2011 is as follows for all debt except compensated absences and claims liabilities:

Year Ending June 30,	Business-type Activities					
	1993 Refunding Water Loan		1998 Water Project Loan		1993 CLMSD Assessment Bond	
	West America Bank		Series 2000 USDA Rural Dev		Series 1993-1 (91-1)	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 60,023	\$ 22,197	\$ -	\$ 126,848	105,000	197,875
2013	63,123	19,097	47,000	124,663	110,000	192,500
2014	66,383	15,836	49,500	122,371	115,000	186,875
2015	69,812	12,408	51,500	119,973	120,000	181,000
2016	73,418	8,802	54,000	117,467	125,000	174,875
2017-2021	117,301	6,032	313,000	545,133	735,000	770,125
2022-2026	-	-	393,500	471,593	935,000	562,375
2027-2031	-	-	496,500	356,333	1,200,000	297,250
2032-2038	-	-	1,243,000	264,912	565,000	28,625
Total	\$ 450,060	\$ 84,372	\$ 2,648,000	\$ 2,249,293	\$ 4,010,000	\$ 2,591,500
Due within one year	\$ 60,023	\$ 22,197	\$ -	\$ 126,848	\$ 105,000	\$ 197,875
Due after one year	390,037	62,175	2,648,000	2,122,445	3,905,000	2,393,625
Total	\$ 450,060	\$ 84,372	\$ 2,648,000	\$ 2,249,293	\$ 4,010,000	\$ 2,591,500

	Wastewater Revenue Bond					
	Series 2007A CSCDA				Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	55,000	132,260	-	-	\$ 220,023	\$ 479,180
2013	60,000	129,960	-	-	280,123	466,220
2014	60,000	127,560	-	-	290,883	452,642
2015	65,000	125,060	-	-	306,312	438,441
2016	65,000	122,460	-	-	317,418	423,604
2017-2021	375,000	569,300	-	-	1,540,301	1,890,590
2022-2026	460,000	478,625	-	-	1,788,500	1,512,593
2027-2031	575,000	362,377	-	-	2,271,500	1,015,960
2032-2038	1,207,000	250,010	-	-	3,015,000	543,547
Total	\$ 2,922,000	\$ 2,297,612	\$ -	\$ -	\$ 10,030,060	\$ 7,222,777
Due within one year	\$ 55,000	\$ 132,260	\$ -	\$ -	\$ 220,023	\$ 479,180
Due after one year	2,867,000	2,165,352	-	-	9,810,037	6,743,597
Total	\$ 2,922,000	\$ 2,297,612	\$ -	\$ -	\$ 10,030,060	\$ 7,222,777

### 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.

**NOTE 10 - NET ASSETS/FUND BALANCES**

Net Assets

	<u>Governmental Activities</u>
<b>Restricted for:</b>	
RDA Debt Service	\$ 1,046,250
Low and moderate income housing	\$ 593,679
Grants and special revenues	<u>\$ 963,257</u>
Total	<u>\$ 2,603,186</u>

- Restricted for RDA capital projects reflects funds that can only be spent on specific expenditures as defined by bond covenants between bond holders and the City of Lakeport Redevelopment Agency. This also includes a debt service reserve currently held by a trustee, Union Bank.
- Restricted for low and moderate income housing – represents the 20% of tax increment revenues generated by the Redevelopment Project Area to be used to increase and improve the City’s supply of low and moderate income housing as specified by the Health and Safety Code.
- Grants and special revenue funds are restricted in their use by outside entities or obligations, such as grantors, state statutes, and program income requirements for loans issued.

Fund Balance

<b>Nonspendable</b>	
Land and buildings held for resale	\$ 407,964
Loans/Notes receivable	2,403,921
<b>Total Nonspendable</b>	<u>2,811,885</u>
<b>Restricted</b>	
RDA Debt Service	1,046,250
Low and moderate income housing	593,679
Grants and special revenues	963,257
<b>Total Restricted</b>	<u>2,603,186</u>
<b>Committed</b>	
<b>Total Committed</b>	<u>-</u>
<b>Assigned</b>	
Capital improvements	2,174,205
	<u>2,174,205</u>
<b>Unassigned</b>	
Reserve and remaining	2,096,000
	<u>2,096,000</u>
<b>Total Fund Balance</b>	<u>\$ 9,685,276</u>

The following describe the purpose of each nonspendable, restricted, committed, assigned and unassigned category used by the City:

### Nonspendable

- **Land and buildings held for resale** – includes properties held for the purpose of redevelopment either through resale or conversion to public use, which do not represent available, spendable resources even though they are components of assets.
- **Loans/notes receivable** – used to segregate that portion of fund balance to indicate that long-term loans or notes receivable do not represent available, spendable resources even though they are components of assets.
- **Prepaid items** - used to segregate that portion of fund balance to indicate that prepaid amounts do not represent available, spendable resources even though they are components of assets.

### Restricted

- **RDA debt service** – represents remaining amounts held in trust and designated for projects to eliminate blight as well as a debt service reserve for the RDA 2008 tax allocation bond.
- **Low and moderate income housing** – represents the 20% of tax increment revenues generated by the Redevelopment Project Area to be used to increase and improve the City's supply of low and moderate income housing as specified by the Health and Safety Code.
- **Grants and special revenues** - restricted in their use by outside entities or obligations, such as grantors, state statutes, and program income requirements for loans issued.

### Committed

There were no committed balances at June 30, 2011.

### Assigned

- **Capital improvements** – projects involving road improvements and rehabilitation of the downtown streetscape.

### Unassigned

- **Reserve and remaining** – the City does not have an official reserve policy or guidelines for its use; however, fund balance in whole generally is considered to be the reserve.

Fund Deficits

Deficit fund balances consisted of the following:

**Nonmajor Special Revenue Funds:**

Fund Name	Fund Number	Deficit Amount	Discussion/Explanation
Parkland Dedication Fund	202	(37,049)	Deficit resulted from a large payment to the Witt loan in June. Financing for that payment will come from the general fund and be repaid from park dedication fees.
Lakeport Housing Program	209	(\$227,734)	This fund was used to acquire certain properties for the City over the last decade. Management has elected to keep this fund balance in a negative balance as income to the fund will reduce it. Financing in the interim will come from the general fund.
Sewer Assessment Bond District	301	(\$3,253,356)	This is a debt service fund and is appropriate to maintain a negative equity balance.
RDA Special Revenue Fund	212	(33,219)	Reclassification of this fund resulted in a negative fund balance as of June 30, 2011.

Expenditures and transfers exceeded appropriations for the year ended June 30, 2011, for the following funds:

Fund	Final Appropriations	Expenditures	Excess
<u>Major Governmental Funds</u>			
General Fund			
General government	\$ 708,974	\$ 732,333	\$ (23,359)
<u>Nonmajor Funds</u>			
Parkland Dedication fund	-	62,041	(62,041)
Economic RLF Re-Use fund	10,000	15,360	(5,360)
Business Stabilization Loan fund	-	4,278	(4,278)
Safe Routes to School fund	-	15,454	(15,454)
Prop 40 Per Capita Grant fund	111,500	111,698	(198)
Storm Drainage fund	-	4,350	(4,350)

**NOTE 11- INTERFUND TRANSACTIONS**

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, 2011 were as follows:

	<u>Transferred In</u>	<u>Transferred Out</u>
<b>Governmental Funds</b>		
<b>Major funds:</b>		
Fund: 110 - GENERAL FUND	\$ 1,025,419	\$ -
Fund: 213 - RDA CAPITAL PROJECTS FUND	2,601,640	-
Fund: 217 - RDA BOND REDEMPTION FUND	337,349	3,116,026
Fund: 219 - RDA LOW/MODERATE HOUSING FUND	318,185	-
Total major funds	<u>4,282,593</u>	<u>3,116,026</u>
<b>Non-major funds:</b>		
<b>Special revenue funds:</b>		
Fund: 203 - 2105 GAS TAX FUND	50,059	-
Fund: 204 - 2106 GAS TAX FUND	-	18,661
Fund: 205 - 2107 GAS TAX FUND	-	29,392
Fund: 206 - 2107.5 GAS TAX FUND	-	2,003
Fund: 208 - T D A NON-TRANSIT FUND	-	114,303
Fund: 210 - ECON RLF RE-USE FUND	-	20,000
Fund: 212 - REDEVELOPMENT AGENCY FUND	675,322	373,855
Fund: 220 - TRAFFIC CONGESTION RELIEF FUND	-	89,858
Fund: 228 - HOUSING REVOLVING LOAN (RLA)	-	10,000
Fund: 230 - FEMA-1646 STORM DAMAGE 2006	-	41,316
Fund: 231 - 2007 HOME GRANT	-	383,372
Fund: 234 - BUS LOAN STABLIZ PROG FUND	-	103,404
Fund: 235 - 2009 HOME GRANT	-	24,896
Fund: 236 - PTA Grant#09-PTAG-6504	-	8,750
Fund: 237 - BUSINESS LOAN RLF	9,400	10,000
Fund: 238 - CDBG HOUSING GRANT 2010	19,842	20,000
Fund: 404 - INDIAN GAMING FUNDS	11	105,773
Fund: 405 - PROP 1B LOCAL STREET/ROAD IMPR	5	156,597
Fund: 406 - REG STATE TRANSPORTATION FUND	4	386,868
Fund: 408 - BEVINS STREET MAINTENANCE FUND	-	22,161
Total non-major funds	<u>754,642</u>	<u>1,921,209</u>
Total Transfers	<u>5,037,235</u>	<u>5,037,235</u>

Transfers were made primarily to close out old funds and accounts that were no longer in use but had a fund balance resulting from advances from other funds that were not recorded in previous years. Other transferred included funds within the Redevelopment Agency for capital projects as well as to repay funds for advances.

## NOTE 12 – RISK MANAGEMENT

The City is an associate member of the Redwood Empire Municipal Insurance Fund (REMIF), a public entity pool comprised of fifteen northern California charter and associate member cities. REMIF is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of REMIF is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The City pays an annual premium to REMIF for its workers' compensation, general liability and property coverage.

The City of Lakeport participates in the following three REMIF programs:

### General Liability Insurance

Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Lakeport self-insures for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000, depending on the entity's deductible amount. Participating cities then share in the next \$5,000 to \$500,000 per loss occurrence. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, professional liability, and certain other coverage. REMIF is a member of the California Joint Powers Risk Management Authority, which provides REMIF with an additional \$9,500,000 liability insurance coverage over and above REMIF retention level of \$500,000.

### Worker's Compensation

Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City of Lakeport is self-insured for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000.

Losses of \$10,000 to \$300,000 are prorated among all participating cities. Losses in excess of \$300,000 are covered by excess insurance purchased by participating cities, as part of the pool, to State statutory limits.

### Property Insurance

The City participates in REMIF's property insurance program. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City of Lakeport has a deductible level of \$10,000 and a coverage limit of \$300,000,000 declared value.

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2011:

Total assets	\$ 17,941,577
Total liabilities	14,408,878
Members' equity	<u>\$ 3,532,699</u>
Total revenue	\$ 8,933,556
Total expense	10,750,502
Operating income (loss)	<u>\$ (1,816,946)</u>

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 13 - PUBLIC EMPLOYEE RETIREMENT PLAN**

### Plan Description

The City contributes to the California Public Employees Retirement System (CalPERS), 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 the Executive Office, 400 "P" Street, Sacramento, California 95814.

### Funding Status and Progress

Non-public safety participants are required to contribute eight percent of their annual covered salary, while public safety employees are required to contribute nine percent of their annual covered salary. The city makes the contributions required of city employees on their behalf and their account. The City is required to contribute at an actuarially determined rate; the 2010-2011 rate was 16.562% for non-safety employees (miscellaneous plan) and 28.011% for public safety employees (safety plan), of annual covered payroll.

Due to substantial unfunded liabilities in both plans, resulting from the economic downturn and recession of 2008, these contribution rates are scheduled to increase to 20.863% and 34.562% respectively in fiscal year 2011/2012 and 21.4% and 35.4% respectively in fiscal year 2012/2013, a total increase of 29.42%. If these changes do not return both funds to full funded status, it is possible that CalPERS will schedule additional increases to compensate. As always, the contribution requirements of plan members and the City established and may be amended by PERS.

### Annual Pension Cost

The City's annual pension cost of \$507,334 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included:

- ✓ An 7.75% investment rate of return (net of administrative expenses)
- ✓ Projected annual salary increases of 3.55% 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 City's retirement plans for non-safety and safety employees are part of the CalPERS risk pools for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, stand-alone information of the schedule of the funding progress for the City's retirement plans is no longer available or disclosed.

### Historical Trend Information

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

Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008-09	\$ 507,320	100%	\$ -
2009-10	\$ 507,886	100%	\$ -
2010-11	\$ 507,334	100%	\$ -

**NOTE 14 - 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 month insurance premiums. Other postemployment benefits paid by the City for the year totaled \$379,725.

The plan provisions and benefits are summarized below:

Benefit types provided	Medical only	Medical only
Duration of Benefits	Lifetime	Lifetime
Required Service	12 years	12 years
Minimum Age	50	50
Dependent Coverage	Yes	Yes
City Contribution %*	12-14 years of service: 40%	12-14 years of service: 40%
	15-17 years of service: 60%	15-17 years of service: 60%
	18-20 years of service: 80%	18-20 years of service: 80%
	21+ years of service: 100%	21+ years of service: 100%
City Cap	Active cap (currently a % of premium)	Active cap (currently a % of premium)

\*Applies to City contribution for active coverage. Those hired prior to 4/6/99 are entitled to the active contribution upon retirement subject only to the minimum pension eligibility requirements.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 429,581
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>429,581</u>
City portion of current premiums paid	(283,152)
Benefit payments made outside of trust	-
Increase in net OPEB obligation	<u>146,429</u>
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u><u>\$ 146,429</u></u>

The City 's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2011 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	N/A	N/A	N/A
6/30/10	N/A	N/A	N/A
6/30/11	429,581	66%	\$146,429

Measurement began with the 6/30/11 fiscal year implementation of GASB 45.

### Funded Status and Funding Progress

The funded status of the Plan as of June, 2011 the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$6,863,624
Actuarial value of Plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$6,863,624</u>
Funded ratio (actuarial value of Plan assets/AAL)	0%
Covered payroll (active Plan participants)	\$2,884,993
UAAL as a percentage of covered payroll	238%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

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

In the June 1, 2011 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5 percent investment rate of return, which is the expected long-term investment returns on plan assets, a projected salary increase assumption rate of 3 percent, and an annual healthcare cost trend rate of 4 percent. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at June 1, 2011 was thirty years.

## **NOTE 15 - COMMITMENTS AND CONTINGENCIES**

### Grants and Allocations

The City receives funding from a number of federal, state and local grant programs, principally Community Development Block Grants (CDBG). These programs are subject to financial and compliance review by grantors. Accordingly, the City's compliance with applicable grant requirements has been determined through a single audit, performed for the year ended June 30, 2011. 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.

#### Litigation

The City is involved in litigation with the Lakeport Police Officers' Association regarding a plan amendment to the officers' retirement program. The outcome of this lawsuit may have a material adverse effect on the financial condition of the City, but the exact amount of that effect is not presently determinable.

#### **NOTE 16 - NEW ACCOUNTING 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 purpose 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 spend 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 higher level of decision-making authority.

Assigned – amounts intended to be used by the government for *specific purposes* but do 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 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 definition of a governmental fund, including 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 statements 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 government or its citizenry.

The requirements of this statement were effective for fiscal periods beginning after June 15, 2010 with earlier implementation encouraged. The statements presented herein conform and comply with GASB No. 45.

The GASB has issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The implementation of this Statement did not have an effect on these financial statements.

The GASB has issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards." The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The implementation of this Statement did not have an effect on these financial statements.

The GASB has issued Statement No. 59, "Financial Instruments Omnibus." The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The City implemented this Statement in fiscal year 2010-11.

## **NOTE 17 - SUBSEQUENT EVENTS**

### Redevelopment Agencies

On June 29, 2011, the Governor signed an emergency measure (AB 26X) that eliminates Redevelopment Agencies in the State of California as they currently operate. The measure was challenged in the California Supreme Court with a decision issued on December 29, 2011 finding that the State has the authority to dissolve Redevelopment Agencies but does not have authority to condition their continued existence on required payments. The City has been appointed as the successor Agency to the Lakeport Redevelopment Agency and has filed a Recognized Obligation Payment Schedule (ROPS) with the State on March 1, 2012.

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Other Supplementary Information

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CITY OF LAKEPORT  
Schedule of Debt Service Coverage  
Water and Sewer Enterprise  
Year Ended June 30, 2011

	Water	Sewer
OPERATING INCOME (LOSS)	\$ 71,817	\$ (248,913)
Add:		
Depreciation and amortization	143,205	649,679
Interest revenue	7,295	32,108
Property taxes	-	382,137
HOPTR	-	780
Net Revenue	222,317	815,791
Debt Service:		
Principal	100,656	158,000
Interest	177,214	322,890
Total debt service	\$ 277,870	\$ 480,890
Calculated coverage	0.80	1.70

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Required Supplementary Information  
(UNAUDITED)

CITY OF LAKEPORT

Combining Balance Sheet – Non-Major Governmental Funds

Non-Major Governmental Funds

Year Ended June 30, 2011

	Parkland Dedication Special Revenue	HUTA Gas Tax Special Revenue	TDA Non-transit Special Revenue	Lakeport Housing Special Revenue
<b>ASSETS</b>				
Cash and Investments	\$ -	\$ 103,880	\$ -	\$ -
Restricted cash and investments	-	-	-	-
Receivables:				
Interest	19	-	-	-
Taxes	-	28,977	-	-
Notes	-	-	-	97,252
Other	-	-	-	-
Advances to other funds	-	-	-	-
Due From Other Funds	-	-	-	-
Land Held for Resale	-	-	-	-
<b>Total Assets</b>	<u>19</u>	<u>132,857</u>	<u>-</u>	<u>97,252</u>
<b>LIABILITIES</b>				
Accounts Payable	-	-	-	-
Accrued Liabilities	-	-	-	-
Deferred Revenue	-	-	-	-
Advances from Other Funds	37,068	-	-	227,734
Due to Other Funds	-	-	-	-
Interfund Loans	-	-	-	-
<b>Total Liabilities</b>	<u>37,068</u>	<u>-</u>	<u>-</u>	<u>227,734</u>
<b>FUND BALANCE</b>				
Nonspendable:				
Land held of resale	-	-	-	-
Loans receivable	-	-	-	97,252
Restricted	-	132,857	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(37,049)	-	-	(227,734)
<b>Total Fund Balance</b>	<u>(37,049)</u>	<u>132,857</u>	<u>-</u>	<u>(130,482)</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 19</u>	<u>\$ 132,857</u>	<u>\$ -</u>	<u>\$ 97,252</u>

CITY OF LAKEPORT  
Combining Balance Sheet (cont.)  
Non-Major Governmental Funds  
Year Ended June 30, 2011

Economic RLF Special Revenue	Redevelopment Agency Special Revenue	Traffic Congestion Special Revenue	Housing RLF Special Revenue	FEMA-1646 Special Revenue	2007 HOME Grant Special Revenue
\$ 62,017	\$ -	\$ -	\$ 32,787	\$ -	\$ -
-	-	-	-	-	-
165	187	-	9	-	-
-	-	-	-	-	-
495,534	25,983	-	187,923	-	-
-	2,367	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>557,716</u>	<u>28,537</u>	<u>-</u>	<u>220,719</u>	<u>-</u>	<u>-</u>
982	15,962	-	40	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	19,811	-	-	-	-
-	-	-	-	-	-
<u>982</u>	<u>35,773</u>	<u>-</u>	<u>40</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
495,534	25,983	-	187,923	-	-
61,200	-	-	32,756	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(33,219)	-	-	-	-
<u>556,734</u>	<u>(7,236)</u>	<u>-</u>	<u>220,679</u>	<u>-</u>	<u>-</u>
<u>\$ 557,716</u>	<u>\$ 28,537</u>	<u>\$ -</u>	<u>\$ 220,719</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAKEPORT  
Combining Balance Sheet (cont.)  
Non-Major Governmental Funds  
Year Ended June 30, 2011

Emergency Housing Special Revenue	Microenterprise RLF Special Revenue	Business Stabilization Special Revenue	2009 HOME Grant Special Revenue	PTA Grant #09-PTAG-6504 Special Revenue	Business RLF Special Revenue
\$ 44,966	\$ 3,431	\$ 1,221	\$ -	\$ -	\$ 5,404
-	-	-	-	-	-
0	-	-	-	-	-
-	-	-	-	-	-
-	-	72,288	-	-	-
-	-	-	113,955	8,750	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>44,967</u>	<u>3,431</u>	<u>73,509</u>	<u>113,955</u>	<u>8,750</u>	<u>5,404</u>
-	-	140	3,644	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	110,311	8,750	-
-	-	-	-	-	-
-	-	140	113,955	8,750	-
-	-	-	-	-	-
-	-	-	-	-	-
44,967	3,431	1,081	-	-	5,404
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>44,967</u>	<u>3,431</u>	<u>73,369</u>	<u>-</u>	<u>-</u>	<u>5,404</u>
<u>\$ 44,967</u>	<u>\$ 3,431</u>	<u>\$ 73,509</u>	<u>\$ 113,955</u>	<u>\$ 8,750</u>	<u>\$ 5,404</u>

CITY OF LAKEPORT  
Combining Balance Sheet (cont.)  
Non-Major Governmental Funds  
Year Ended June 30, 2011

CDBG 2010 Grant Special Revenue	HOME Program Income Special Revenue	Tenth Street Drainage Special Revenue	Lakeport Blvd Improvement Special Revenue	South Main Improvement Special Revenue	Indian Gaming Fund Special Revenue
\$ -	\$ -	\$ 84,228	\$ 115,493	\$ 61,206	\$ -
-	-	-	-	-	-
-	-	63	87	42	-
-	-	-	-	-	-
-	1,021,992	-	-	-	-
1,734	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,734</u>	<u>1,021,992</u>	<u>84,291</u>	<u>115,579</u>	<u>61,248</u>	<u>-</u>
241	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,493	-	-	-	-	-
-	-	-	-	-	-
<u>1,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	1,021,992	-	-	-	-
-	-	84,291	115,579	61,248	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>1,021,992</u>	<u>84,291</u>	<u>115,579</u>	<u>61,248</u>	<u>-</u>
<u>\$ 1,734</u>	<u>\$ 1,021,992</u>	<u>\$ 84,291</u>	<u>\$ 115,579</u>	<u>\$ 61,248</u>	<u>\$ -</u>

CITY OF LAKEPORT  
Combining Balance Sheet (cont.)  
Non-Major Governmental Funds  
Year Ended June 30, 2011

Prop 1B Fund Special Revenue	State Transportation Special Revenue	Parkside Traffic Mitigation Special Revenue	Bevins Street Maintenance Special Revenue	Forbes Creek Trail Special Revenue	Lakeshore Storm Damage Special Revenue
\$ -	\$ -	\$ 17,121	\$ -	\$ -	\$ 8,823
-	-	-	-	-	-
-	-	0	-	-	0
-	-	-	-	-	-
-	-	-	-	49,398	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	17,121	-	49,398	8,823
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	49,398	-
-	-	-	-	-	-
-	-	-	-	49,398	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	17,121	-	-	8,823
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	17,121	-	-	8,823
\$ -	\$ -	\$ 17,121	\$ -	\$ 49,398	\$ 8,823

CITY OF LAKEPORT  
Combining Balance Sheet (cont.)  
Non-Major Governmental Funds  
Year Ended June 30, 2011

Safe Routes to Schools Special Revenue	Forbes St Project Special Revenue	Prop 40 Per Capita Grant Special Revenue	Storm Drainage Fund Special Revenue	Other Governmental Funds
\$ -	\$ -	\$ -	\$ 394,396	\$ 934,974
-	-	-	-	-
-	-	-	102	674
-	-	-	-	28,977
-	-	-	-	1,900,972
17,503	-	16,044	-	209,751
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>17,503</u>	<u>-</u>	<u>16,044</u>	<u>394,498</u>	<u>3,075,348</u>
-	-	-	-	21,009
-	-	-	-	-
-	-	-	-	-
-	-	-	-	264,802
17,503	-	16,044	-	223,310
-	-	-	-	-
<u>17,503</u>	<u>-</u>	<u>16,044</u>	<u>-</u>	<u>509,121</u>
-	-	-	-	-
-	-	-	-	1,900,972
-	-	-	394,498	963,257
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(298,002)
<u>-</u>	<u>-</u>	<u>-</u>	<u>394,498</u>	<u>2,566,227</u>
<u>\$ 17,503</u>	<u>\$ -</u>	<u>\$ 16,044</u>	<u>\$ 394,498</u>	<u>\$ 3,075,348</u>

CITY OF LAKEPORT  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Governmental  
Non-Major Governmental Funds  
Year Ended June 30, 2011

	Parkland Dedication Special Revenue	HUTA Gas Tax Special Revenue	TDA Non-transit Special Revenue	Lakeport Housing Special Revenue
<b>REVENUE</b>				
Taxes	\$ -	\$ 123,043	\$ -	\$ -
Licenses, Permits, and Franchises	-	-	-	-
Fines , Forfeitures, and Penalties	-	-	-	-
Use of Money and Property	843	85	213	-
Intergovernmental Revenue	-	-	-	-
Charges for Service	-	-	-	-
Other Revenue	(14,201)	-	-	6,542
<b>Total Revenue</b>	<b>(13,358)</b>	<b>\$ 123,128</b>	<b>213</b>	<b>6,542</b>
<b>EXPENDITURES</b>				
<b>Current-</b>				
General Government	62,041	-	-	-
Community Development	-	-	-	-
Engineering and Public Works - Roads	-	-	-	-
Housing and Support Programs	-	-	-	-
Redevelopment/Economic Development	-	-	-	-
Public Safety	-	-	-	-
Parks, Buildings, and Grounds	-	-	-	-
Capital Outlay	-	-	-	-
Debt service-	-	-	-	-
Principal Retirement	-	-	-	-
Interest	-	-	-	-
<b>Total Expenditures</b>	<b>62,041</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>
Excess of Revenue over (under) Expenditures	<b>(75,399)</b>	<b>123,128</b>	<b>213</b>	<b>6,542</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Pass-through obligations	-	-	-	-
SERAF payments	-	-	-	-
Housing Loans	-	-	-	97,252
Transfers in	-	50,059	-	-
Transfers out	-	(50,056)	(114,303)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>\$ 3</b>	<b>(114,303)</b>	<b>97,252</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(75,399)</b>	<b>123,131</b>	<b>(114,090)</b>	<b>103,794</b>
<b>BEGINNING FUND BALANCES</b>	<b>38,350</b>	<b>9,726</b>	<b>114,090</b>	<b>(234,276)</b>
<b>ENDING FUND BALANCES</b>	<b>\$ (37,049)</b>	<b>132,857</b>	<b>\$ -</b>	<b>\$ (130,482)</b>

CITY OF LAKEPORT  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (cont.)  
Non-Major Governmental Funds  
Year Ended June 30, 2011

Economic RLF Special Revenue	Redevelopment Agency Special Revenue	Traffic Congestion Special Revenue	Housing RLF Special Revenue	FEMA-1646 Special Revenue	2007 HOME Grant Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
1,107	978	78	157	36	-
-	-	-	-	-	218,121
-	-	-	-	-	-
37,565	23,424	-	34,624	-	-
<u>38,672</u>	<u>24,402</u>	<u>78</u>	<u>34,781</u>	<u>36</u>	<u>218,121</u>
-	581,265	-	-	-	-
-	5,740	-	-	-	-
-	-	-	-	-	-
15,360	-	-	2,791	-	14,575
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	53,160	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,360</u>	<u>640,165</u>	<u>-</u>	<u>2,791</u>	<u>-</u>	<u>14,575</u>
<u>23,312</u>	<u>(615,763)</u>	<u>78</u>	<u>31,990</u>	<u>36</u>	<u>203,546</u>
-	(185,826)	-	-	-	-
-	(64,442)	-	-	-	-
495,534	-	-	187,923	-	279,818
-	675,322	-	-	-	-
(20,000)	(373,855)	(89,858)	(10,000)	(41,316)	(383,372)
<u>475,534</u>	<u>51,199</u>	<u>(89,858)</u>	<u>177,923</u>	<u>(41,316)</u>	<u>(103,554)</u>
498,846	(564,564)	(89,780)	209,913	(41,280)	99,992
57,888	557,328	89,780	10,766	41,280	(99,992)
<u>\$ 556,734</u>	<u>\$ (7,236)</u>	<u>\$ -</u>	<u>\$ 220,679</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAKEPORT  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (cont.)  
Non-Major Governmental Funds  
Year Ended June 30, 2011

Emergency Housing Special Revenue	Microenterprise RLF Special Revenue	Business Stabilization Special Revenue	2009 HOME Grant Special Revenue	PTA Grant #09-PTAG-6504 Special Revenue	Business RLF Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
34	3	135	-	-	4
-	-	-	155,338	8,750	6,000
-	-	-	-	-	-
-	2,964	3,660	544	-	-
<u>34</u>	<u>2,967</u>	<u>3,795</u>	<u>155,882</u>	<u>8,750</u>	<u>6,004</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,682	696	4,278	130,882	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,682</u>	<u>696</u>	<u>4,278</u>	<u>130,882</u>	<u>-</u>	<u>-</u>
<u>(3,648)</u>	<u>2,271</u>	<u>(483)</u>	<u>25,000</u>	<u>8,750</u>	<u>6,004</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	9,400
-	-	(103,404)	(24,896)	(8,750)	(10,000)
-	-	<u>(103,404)</u>	<u>(24,896)</u>	<u>(8,750)</u>	<u>(600)</u>
(3,648)	2,271	(103,887)	104	-	5,404
<u>48,614</u>	<u>1,160</u>	<u>104,969</u>	<u>(104)</u>	<u>-</u>	<u>-</u>
<u>\$ 44,966</u>	<u>\$ 3,431</u>	<u>\$ 1,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,404</u>

CITY OF LAKEPORT  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (cont.)  
Non-Major Governmental Funds  
Year Ended June 30, 2011

CDBG 2010 Grant Special Revenue	HOME Program Income Special Revenue	Tenth Street Drainage Special Revenue	Lakeport Blvd Improvement Special Revenue	South Main Improvement Special Revenue	Indian Gaming Fund Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	308	423	209	123
1,734	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,734</u>	<u>-</u>	<u>308</u>	<u>423</u>	<u>209</u>	<u>123</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,577	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>157</u>	<u>-</u>	<u>308</u>	<u>423</u>	<u>209</u>	<u>123</u>
-	-	-	-	-	-
-	-	-	-	-	-
19,842	1,021,992	-	-	-	11
(20,000)	-	-	-	-	(105,773)
<u>(158)</u>	<u>1,021,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(105,762)</u>
(1)	1,021,992	308	423	209	(105,639)
-	-	83,983	115,157	61,039	105,639
<u>\$ -</u>	<u>\$ 1,021,992</u>	<u>\$ 84,291</u>	<u>\$ 115,579</u>	<u>\$ 61,248</u>	<u>\$ -</u>

CITY OF LAKEPORT  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (cont.)  
Non-Major Governmental Funds  
Year Ended June 30, 2011

Prop 1B Fund Special Revenue	State Transportation Special Revenue	Parkside Traffic Mitigation Special Revenue	Bevins Street Maintenance Special Revenue	Forbes Creek Trail Special Revenue	Lakeshore Storm Damage Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
137	366	13	17	32	7
-	-	-	-	(32)	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>137</u>	<u>366</u>	<u>13</u>	<u>17</u>	<u>-</u>	<u>7</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>137</u>	<u>366</u>	<u>13</u>	<u>17</u>	<u>-</u>	<u>7</u>
-	-	-	-	-	-
-	-	-	-	-	-
5	3	-	-	-	-
(156,597)	(386,868)	-	(22,161)	-	-
<u>(156,592)</u>	<u>(386,865)</u>	<u>-</u>	<u>(22,161)</u>	<u>-</u>	<u>-</u>
(156,455)	(386,499)	13	(22,144)	-	7
<u>156,455</u>	<u>386,499</u>	<u>17,108</u>	<u>22,144</u>	<u>-</u>	<u>8,816</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,823</u>

CITY OF LAKEPORT  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (cont.)  
Non-Major Governmental Funds  
Year Ended June 30, 2011

Safe Routes to Schools Special Revenue	Forbes St Project Special Revenue	Prop 40 Per Capita Grant Special Revenue	Storm Drainage Fund Special Revenue	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 123,043
-	-	-	3,049	3,049
-	-	-	-	-
-	-	-	690	5,998
17,504	461,493	111,698	-	980,606
-	-	-	-	-
-	-	-	-	95,122
<u>17,504</u>	<u>461,493</u>	<u>111,698</u>	<u>3,739</u>	<u>1,207,819</u>
-	-	-	-	643,306
-	-	-	-	5,740
15,454	454,144	-	-	469,598
-	-	-	-	173,841
-	-	-	-	-
-	-	111,698	-	111,698
-	-	-	4,350	57,510
-	-	-	-	-
-	-	-	-	-
<u>15,454</u>	<u>454,144</u>	<u>111,698</u>	<u>4,350</u>	<u>1,461,693</u>
<u>2,050</u>	<u>7,349</u>	<u>(0)</u>	<u>(611)</u>	<u>(253,874)</u>
-	-	-	-	(185,826)
-	-	-	-	(64,442)
-	-	-	-	2,082,519
-	-	-	-	754,642
-	-	-	-	(1,921,209)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>665,684</u>
2,050	7,349	(0)	(611)	411,810
<u>(2,050)</u>	<u>(7,349)</u>	<u>-</u>	<u>395,109</u>	<u>2,082,129</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,498</u>	<u>2,493,939</u>

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