

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CITY OF LAKEPORT, CALIFORNIA  
FISCAL YEAR ENDED JUNE 30, 2014



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF LAKEPORT, CALIFORNIA  
FISCAL YEAR ENDED JUNE 30, 2014

PREPARED BY  
FINANCE DEPARTMENT  
CITY OF LAKEPORT

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## INTRODUCTORY SECTION

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# CITY OF LAKEPORT

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



December 30, 2014

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

We are pleased to submit the City of Lakeport's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This report is prepared in accordance with state law, generally accepted accounting principles (GAAP), and the best management practices for financial reporting as defined by the Government Finance Officers' Association (GFOA). California law requires that a financial 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 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 City management. 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. 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 auditor.

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.

As the City did not expend over \$500,000 of federal money during this reporting period, it was not required to conduct a broader, federally mandated OMB Circular A-133 "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.

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 include 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, 2014, 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, 2014, are presented fairly in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

### **Profile of the City of Lakeport**

The City of Lakeport is a partial service city (as opposed to full service) in that it provides most typical municipal functions, including public safety (police), public works, community development and parks and recreation. In addition, the City provides water and wastewater services. It does not provide library or fire protection, as those are activities of the County of Lake and the Lakeport Fire Protection District, respectively. It operates in a council-manager form of government, whereby the council serves as the legislative body and the City Manager its executive.

Incorporated on April 30, 1888 as a general law city, Lakeport serves as the administrative seat for the County of Lake and with a residential population of more than 4,807<sup>1</sup> in a 2.4 square-mile area, Lakeport is graced with a strong business base and a well-established residential community.



Lakeport is a travel and recreation-oriented destination and fortunate to have a large area serving 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, including Main Street renovations, façade improvements, events and promotions. The City's permanent retail trade area population is approximately 35,000 people with 45,000 within a 10-mile radius. Lakeport's historic downtown area is the center of commercial

activity within the community, and it is a California Main Street City. There are also commercial areas along Lakeport Boulevard, Parallel Drive, Eleventh Street, North High Street, and South Main Street.

In Lakeport, the total labor force is approximately 2,320<sup>2</sup>. Unemployment in Lakeport is approximately 9.7%, down from 11.7% in 2013. 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 largest employment sectors in the Lakeport area are: government (federal, state, local); education; and the service and retail trades. The agricultural and construction sectors are important and the transportation/public utilities, wholesale trade, finance/insurance/real estate and manufacturing sectors round out the employment picture. Some of the larger employers in the primary trade area include Sutter Lakeside Community Hospital, Lakeport Skilled Nursing Center, PG&E, Lake County Record Bee, Konocti Vista Casino, the City of Lakeport and the County of Lake.

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<sup>1</sup> 2014 California Department of Finance, Demographic Research Unit, E-1 Population Estimates for Cities, Counties, and the State, May 1, 2014

<sup>2</sup> 2013 California Employment Development Department, Labor Market Information Division, <http://www.labormarketinfo.edd.ca.gov>

Approximately 45% of all jobs in the county are located in the Lakeport area.

The City is committed to providing high quality services in an economical manner. For fiscal year 2013-14, the City's efforts were focused in the following areas:

- Facilities and Infrastructure – Rehabilitation of the water and sewer system; public rights-of-way, including Hartley Street, First through Third Streets, and Estep Street; and pedestrian safety improvements at Twentieth Street were several of the projects of significant importance to the City.
- Economic Development – Promoting economic development (recruitment and retention of businesses) continued to be one of the City's key operational priorities. The City Manager worked closely with staff and the business community to maintain a strong regional and local economic environment.

This report includes all funds of the City and its blended component units: the Successor Agency to 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 special assessments. Budgetary control is legally maintained at the fund level. 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.

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 Council through its own policy. The Mayor conducts the Council meetings and represents the City in ceremonial occasions.

The City Council serves as the policy board for the municipality. It 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.

### **Current Economic Conditions and Outlook**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. Understanding that property and sales taxes generate the City's largest two sources of revenue, it is important to look at the economy in the context of people's wherewithal for producing general fund tax revenues.

Lake County suffered immensely from the Great Recession, but has begun a slow recovery. The recovery is evidenced by slight improvements in the unemployment rate, consumer spending (through sales tax analysis), building permits, and planning work. The housing market, while starting to show signs of life, continues to experience decreasing assessed valuation rates, but foreclosure rates have improved significantly.

Unemployment rates in Lake County continued to be higher than the national average at 6.1% in June of 2014, but this is down slightly from the prior year<sup>3</sup>. Foreclosures in Lakeport continue to be an issue, but have significantly declined from the past two years. This can be attributed to several factors. First, fewer homes are being foreclosed on by the banks. Second, when foreclosed homes hit the market, they are being purchased more quickly. They do not sit on the market as long as in previous years.

The City's economic development efforts and implementation of revised financial policies help to promote Lakeport's long-term fiscal stability. This was a cornerstone in management's approach to debt structuring, capital improvement planning, labor negotiations, and service delivery.

As mentioned earlier, the City's principal general fund revenue sources are sales tax and property taxes. These sources are expected to grow modestly, averaging of 3-5% per year for the next five years. A one-time spike in sales tax is expected in fiscal year 2016 as the state winds down the triple flip. Property taxes are expected to remain relatively flat in FY 2014-15 but stronger than in the unincorporated areas of Lake County. We believe that the housing market will continue to move forward positively.

As part of its path toward maintaining fiscal sustainability, the City may rely on one-time uses of its reserves to ensure the best possible level of service

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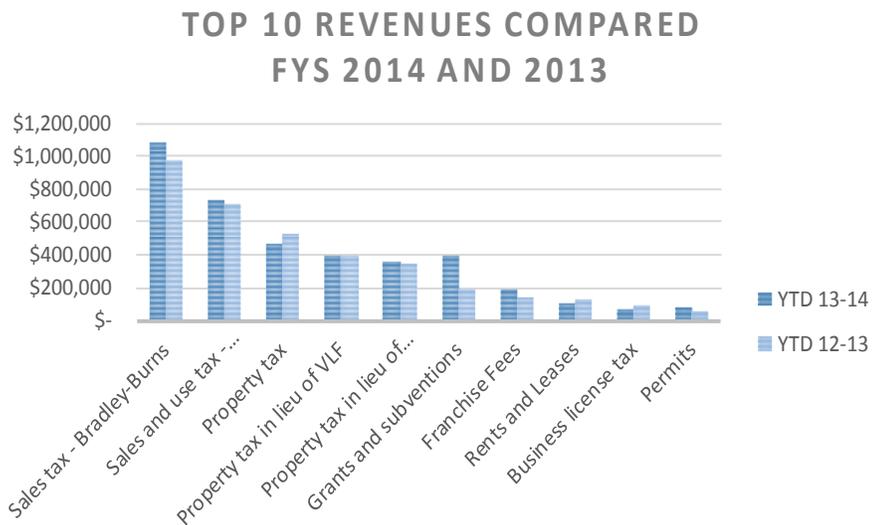
<sup>3</sup> 2013 California Employment Development Department, Labor Market Information Division, <http://www.labormarketinfo.edd.ca.gov>

to its citizen. The City Manager recommended its use in FY 2014-15 resulting from a general fund surplus in FY 2013-14.

**General Revenues - Top Ten:**

The City’s top ten revenue sources account for approximately 81% of total general fund income. Focusing on these sources can provide an excellent understanding of the City’s revenue position.

Overall, these key revenues performed better in 2014 than in 2013. The strongest performers were sales tax and subventions. The following chart demonstrates this comparison:



**Sales Tax.** The City collects sales tax from two sources: normal Bradley-Burns sales taxes - which are shared between City, county, and the state – and a ½ cent sales and use tax, commonly referred to as Measure I and devoted entirely to the City. Both tax sources are general taxes and can be used for any regular, general governmental purpose.

Overall, sales taxes receipts are up 10.6% from a year ago due in part to stronger retail sales in the City’s automotive sector. An additional bump was due to one-time allotments from the state as it winds down the triple flip of 2004. Measure I collections also were stronger than anticipated and up from last year for similar reasons, although Triple Flip adjustments do not apply to this revenue source.

**Top Ten Revenues Compared  
General Fund**

	YTD 13-14	YTD 12-13	Percent Change
Sales tax - Bradley-Burns	\$1,078,173	\$ 974,855	10.6%
Sales and use tax - Measure I	736,947	702,889	4.8%
Property tax	463,869	525,079	-11.7%
Property tax in lieu of VLF	396,570	395,960	0.2%
Property tax in lieu of sales tax	358,753	343,753	4.4%
Grants and subventions	393,619	184,475	113.4%
Franchise Fees	193,921	136,288	42.3%
Rents and Leases	106,033	123,467	-14.1%

**Property Tax.** Though the housing market is beginning to recover modestly, the increase observed here is, in part, due to the reallocation of former redevelopment funds, which were remitted by the City to the County and redistributed to local taxing agencies. Slightly less than 10.5% of property taxes paid by property owners within the City is allocated to the City. The majority is distributed to local schools and the County of Lake.

Receipts came in lower than anticipated as the county continues to process Prop 8 (1978) property value adjustments. Economically, the City experienced a surge in residential property sales during 2011 and 2012, driving home values upward, but that trend has cooled in recent months. This revenue source is down further compared to a year ago due to last year's one-time spike in property tax from the dissolution of the Lakeport Redevelopment Agency.

**Property Tax in Lieu of VLF (Vehicle License Fee).** These are property tax shares allocated to cities and counties beginning in FY 04-05 as compensation for the state's take of Vehicle License Fees (VLF). Collections are slightly lower than a year ago. This revenue source typically mirrors regular property tax collections.

This revenue source typically follows regular property tax collections and is up just slightly from a year ago.

**Property Tax in Lieu of Sales Tax (Triple Flip).** This is a mechanism used to repay the state fiscal recovery bonds pursuant to Prop 57 of 2004. Under the Triple Flip, the local sales and use tax rate is reduced from 1.00% to 0.75% with the 0.25% diverted to repay state fiscal recovery bonds. Cities and counties are reimbursed for the lost revenue from a shift of property tax revenue. The 4.4% increase from this period last year follows the same pattern we are seeing in Bradley-Burns and Measure I sales tax sources.

**Grants and subventions.** The City receives several grants and subventions to fund public safety activities: CHRP, COPS, RSTP, and Indian Gaming. Revenue from RSTP included 4 years of uncollected funds totaling \$261,293, which was recognized entirely this year. The normal annual RSTP allocation is around \$65,000. The federal CHRP grant has been closed out, which funded a single officer in the Police Department. It remains a possibility that a new CHRP grant can be secured in FY 14-15.

**Franchise Fees.** This includes revenues from franchise fees paid by PG&E, MediaCom (Cable), and Lakeport Disposal. The large increase this year is related mostly to a change in accounting and reporting, whereby the franchise fees for residential trash collection are included. Previously that revenue was reported elsewhere in the general fund.

**Rents and Leases.** This is revenue collected from leasing properties to private parties and other funds/agencies, i.e. water, and sewer enterprises. This revenue source is lower than last year due to timing differences in payments received and an accounting correction.

**Business License Tax.** Businesses that operate within City limits are required to obtain a business license. A tax is assessed for the privilege of doing so, the proceeds of which are available for unrestricted use in the general fund. Receipts are down significantly from a year ago partly due to timing differences of payments received but also from fewer businesses registering with the City.

**Permits.** Fees collected from the issuance of building and planning permits are up from last year and exceeding budget estimates due to increased building and planning activity.

The City anticipates nominal revenue growth for the next five years, short of securing new sources of revenue. The City is pursuing annexation of the South Main Street area, which is estimated to be 90% built out and may generate sales tax revenue sufficient to ensure an adequate level of service provision to that area and the rest of the City.

***Business-type Activities:***

The City provides two enterprise services: water and sewer, housed administratively within the Public Works Department. Through the collection of fees and charges, these funds should collect revenues sufficient enough to finance costs associated with administration, operations, capital improvements (CIP), and debt service.

Water and sewer activities are accounted for like a business in the private sector using the full accrual basis. This is starkly different than governmental fund accounting, which uses the modified accrual basis and is concerned only with current spendable resources, what we call fund balance.

Drawing comparisons of information between the two methods can be challenging.

Here we present the activities of the water and sewer enterprise funds in terms of working capital. Working capital is defined as the difference between current assets and current liabilities, which is closely approximate to the definition of fund balance in governmental funds. In other words, it's the resources available to meet ongoing operating, debt service, and capital activities in the near term. Non-cash expenses - typically part of full accrual accounting - are excluded from this presentation.

**Water Enterprise.** Rate adjustments went into effect January 1, 2013. Monthly operations and maintenance (O&M) revenue from rates and other sources (excluding expansion activities) reflects this, and the increase from a year ago is in line with the most recent rate analysis estimates.

Expenditures overall are up from the year prior, driven by personnel and operating costs. Primary increases consisted of healthcare, retirement, and costs associated with managing USDA projects. Operating expenses related to service demands, which were higher due to drought conditions, were responsible primarily for increases in this area. Debt service was down due to timing differences in payments as were capital expenditures not related to USDA projects.

**Water O&M**

**Revenue, Expenditures, and Changes in Working Capital**

	6/30/2014	6/30/2013	Percent Change
Revenues			
Operating	\$ 1,690,781	\$ 1,470,681	15.0%
Non-operating	734	8,182	-91.0%
Total	1,691,515	1,478,863	114.4%
Expenditures			
Operating:			
Salaries and benefits	748,673	695,924	7.6%
Materials, supplies and service costs	519,722	481,142	8.0%
Total	1,268,395	1,177,066	7.8%
Non-operating:			
Debt service	251,430	257,430	-2.3%
CIP	82,798	128,357	-35.5%
Total	334,228	385,787	-13.4%
Total expenditures	1,602,623	1,562,853	2.5%
Revenue over (under) expenditures	\$ 88,892	\$ (83,990)	
Working capital, beginning	\$ 511,272	\$ 595,262	-14.1%
Change in working capital	1,581	(83,990)	101.9%
Working capital, ending	\$ 512,853	\$ 511,272	0.3%

**Sewer Enterprise.** Rate adjustments for sewer went into effect July 1, 2013. Monthly O&M revenue from rates and other sources (excluding expansion and assessment district administration) reflects this adjustment, and the increase from a year ago is in line with the most recent rate analysis estimates.

Expenditures overall are up from the year prior due to increased capital projects and personnel costs. Primary increases consisted of healthcare and retirement costs. Debt service was up this year compared to last due to timing differences in payments.

**Sewer O&M  
Revenue, Expenditures, and Changes in Working Capital**

	6/30/2014	6/30/2013	Percent Change
Revenues			
Operating	\$ 2,114,594	\$ 1,728,143	22.4%
Non-operating	34,038	40,156	-15.2%
Total	<u>2,148,632</u>	<u>1,768,299</u>	121.5%
Expenditures			
Operating:			
Salaries and benefits	843,976	756,355	11.6%
Materials, supplies and service costs	618,426	608,901	1.6%
Total	<u>1,462,402</u>	<u>1,365,256</u>	7.1%
Non-operating:			
Debt service	202,754	172,964	17.2%
CIP	85,384	83,809	1.9%
Total	<u>288,138</u>	<u>256,773</u>	12.2%
Total expenditures	<u>1,750,540</u>	<u>1,622,029</u>	7.9%
Revenue over (under) expenditures	<u>\$ 398,092</u>	<u>\$ 146,270</u>	
Working capital, beginning	\$ 1,229,621	\$ 1,083,351	13.5%
Change in working capital	<u>223,882</u>	<u>146,270</u>	53.1%

**Major Initiatives**

The City is two years into its largest capital improvement project in recent memory. Over \$8 million in loan and grant funding from the USDA – Rural Development are being expended to make significant improvements to the water and sewer infrastructure, addressing its most critical needs. The project in total is expected to be completed in 2016. The rate structures for water and sewer, adjusted by the City Council in 2012 will meet the debt service

needs for this financing as well as leave capacity for further financing of capital projects for water and sewer.

Remaining unspent bond proceeds in the amount of \$2 million from the City's former redevelopment agency are schedule for use in mid-2015 for the rehabilitation of roads, infrastructure, and public right-of-way of Downtown Main Street. These monies will help to



stimulate the local economy by making central Main Street more attractive to local shoppers through enhancing the aesthetic appeal and vibrancy of the



City's business and retail center. Improved pedestrian and bicycle amenities are a key aspect of the capital plan, which will draw greater foot traffic to downtown. And this all will complement well

the summertime activities City residents enjoy foster an even stronger sense of community well-being and civic pride.

### Relevant Financial Policies

City Management has adopted a series of financial policies meant to guide its use and reporting of revenues. Some of the more germane policies as related to this report include the following:

- All current operating expenditures will be paid for with current revenues, unless the use of reserves is approved by the City Council.
- Revenues will be conservatively estimated.
- Intergovernmental assistance in the form of grants and loans will be used to finance only:
  - Those capital improvements which can be maintained and operated over time; or
  - Operating programs that can either be sustained over time or have a limited horizon.
- A minimum fund balance reserve in the General Fund will be maintained at all times. The minimal, optimal level required for this reserve will be 25% of the General Fund operating budget. The reserve will be drawn down as a funding source of last resort and used only after other reserve accounts have been accessed.
- The unappropriated fund balance in the General Fund will be maintained at a level sufficient to provide adequate working capital and to accommodate required adjustments to other reserve accounts, including the reserves for advances to other funds, deposits and prepaid items.
- In general, one-time revenues will be used only to support capital or other non-recurring expenditures. One-time revenues may be used for operating programs only after an examination determines if they are subsidizing an imbalance between operating revenues and expenditures; and then only if a long-term forecast shows that the operating deficit will not continue.
- The City invests all idle cash as determined by analysis of anticipated cash flow needs. Specific emphasis will be placed on future cash requirements when selecting maturity dates to avoid forced liquidations and the potential corresponding loss of investment earnings.
- The General Fund currently does not have any general obligation bonds and does not anticipate issuing such debt.
- When the City finances capital projects by issuing bonds or acquiring loans, it will pay back those obligations within a period that is consistent with the useful life of the project.
- The City requires an annual audit of the books of account, financial records, inventories and reports of all City officers and employees involved in the handling of financial matters by a qualified independent auditor.

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 Comprehensive 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. We would like to express our appreciation to Joseph Arch, CPA; Brett Jones, CPA; Jaymin Patel, and Tika Koshiyam-Diaz of JJACPA, Inc. and to the members of the Finance and Administration Departments who assisted and contributed to its development.

We also would like to thank members of the City Council 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,



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Margaret Silveira  
City Manager



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Daniel Buffalo, MPA, CPA, CGMA  
Finance Director

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City of Lakeport, California

## LIST OF OFFICIALS

June 30, 2014

### CITY COUNCIL

LAKEPORT REDEVELOPMENT SUCCESSOR AGENCY BOARD OF DIRECTORS

CITY OF LAKEPORT MUNICIPAL SEWER DISTRICT BOARD OF DIRECTORS

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Kenny Parlet	Mayor
Martin Scheel	Mayor Pro Tem
Stacey Mattina	Council Member
Thomas Engstrom	Council Member
Marc Spillman	Council Member

### MANAGEMENT TEAM

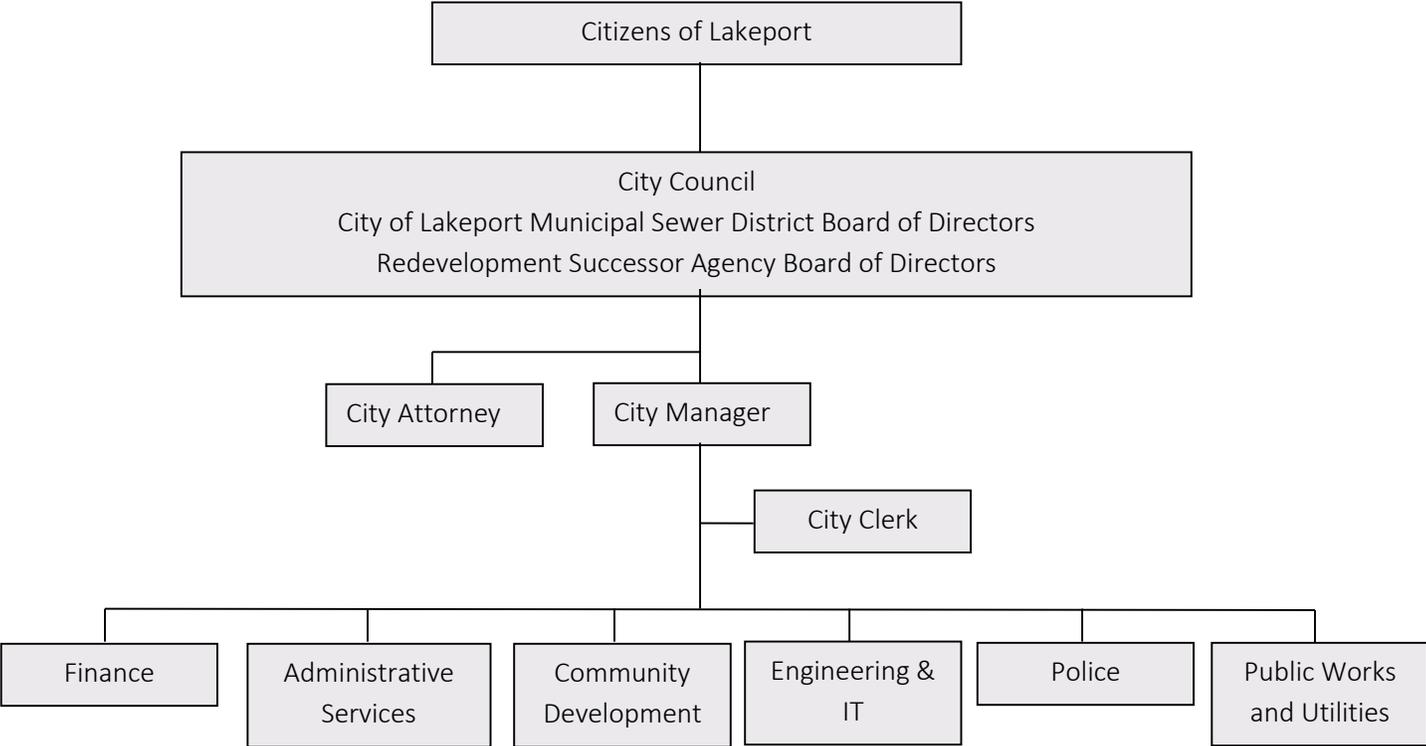
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Margaret Silveira	City Manager
David Ruderman	City Attorney
Janel Chapman	City Clerk
Brad Rasmussen	Chief of Police
Daniel Buffalo	Finance Director
Kelly Buendia	Administrative Services Director
Mark Brannigan	Public Works Director
Scott Harter	City Engineer
Andrew Britton	Planning Services Manager



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# City Organizational Chart



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FINANCIAL SECTION

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**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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary information of the City of Lakeport, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *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, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information and the budgetary comparison information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of a Matter*

#### *Change in Accounting Principles*

As discussed in Note 1.Q to the basic financial statements, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014.

#### *Other Matters*

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and trend data on post-employment benefits on pages 3–21 and 87 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 sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, which includes the combining and individual nonmajor fund financial statements and budgetary comparison schedules and the other information, which includes introductory and statistical sections and the continuing disclosures for debt issues are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections and the continuing disclosures for debt issues have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

December 30, 2014

*JJACPA, Inc.*  
JJACPA, Inc.  
Dublin, CA

## MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (REQUIRED SUPPLEMENTARY INFORMATION)

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, 2014. 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 \$23.29 million (net position) as of June 30, 2014. Of this amount, nearly \$3.47 million (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's net position in total decreased by \$2.3 million during the fiscal year 2013-14, compared to an increase of \$820,972 in fiscal year 2012-13. The majority of the decrease in 2013-14 was due to the transfer of unspent bond proceeds and land held for resale from the City to the Lakeport Redevelopment Successor Agency.
- The City's general fund saw increased revenues from tax sources in the amount of \$131,023. Prudent spending by City department contributed to cost savings, further benefiting the City's net position.
- Fund balances for governmental funds (i.e., the general fund, its reserve, and special revenue funds) are reported to be \$7.22 million, as of year-end close, June 30, 2014.
- Of the \$7.22 million in total governmental fund balance, \$1.83 million is classified as unrestricted (committed, assigned, or unassigned) and generally is available at the City's discretion.

### OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is presented in three 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 (MD&A), 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; and
- 3) **Statistical section**, which includes financial, demographic, and economic information on the City and surrounding community, such as assessed and actual value of taxable property, direct and

overlapping tax rates, principal property tax payers, and principal sales tax remitters, and direct and overlapping debt.

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 (former) 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 Position and the Statement of Activities. The Statement of Net Position 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)
- Roads and infrastructure (road maintenance, city engineer and public works,)
- Sanitation (administration of the franchise waste hauler, Lakeport Disposal)
- Housing and support programs (emergency housing assistance, CDBG and HOME grants, etc.)
- Redevelopment/Economic development
- Public safety (i.e. police)
- Parks, buildings, and grounds (including recreation – i.e., Westshore Pool)
- Interest on Long-Term Debt (primarily associated with capital leases and former redevelopment bonds).

The Statement of Activities explains in detail the change in Net Position for the year. It demonstrates how the City's net position changed during the fiscal year 2013-14 as compared to 2012-13. As was stated earlier, the City's net position decreased by \$2.31 million, 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 position. This decrease was the result of the extraordinary loss of unspent

bond proceeds and land held for resale from the City back to the Lakeport Redevelopment Successor Agency. 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 Position and the Statement of Activities are separated into governmental activities and business-type activities in order to provide a clear summary of the two.

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 Position and the Statement of Activities.

The Statement of Net Position 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 (former) Lakeport Redevelopment Agency, a separate legal entity for which the City is financially responsible. As of February 1, 2012, the Lakeport Redevelopment Agency was dissolved and a successor agency was established to handle the remaining affairs and obligations of the former agency. The City of Lakeport elected to be that successor agency. Upon dissolution, the assets and liabilities of the former agency were transferred to a private-purpose trust fund, which is not reported on the government-wide statements, but is presented in the fund-based statements using the full accrual basis of accounting.

- **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 (Supplementary Information, page 88) 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, 2014, the City's major funds were as follows:

GOVERNMENTAL FUNDS:

- General fund

PROPRIETARY FUNDS:

- Water enterprise fund
- Sewer enterprise fund

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

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 Net Position. 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; retiree health (OPEB) administration, successor agency activities for the former redevelopment agency, 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.

## 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 46-87 of this report.

## Other Supplementary Information

In addition to the basic financial statements and the accompanying notes, this report also presents other required supplementary information concerning post-employment benefit trend data, as well as other supplementary information, including combined statements, which illustrate the condition and activities of all non-major governmental funds. This information can be found beginning on page 88 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

### Net Position Comparison June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>						
Current assets:						
Cash and investments:						
Available for operations	\$ 2,901,473	\$ 4,112,020	\$ 1,755,841	\$ 1,246,039	\$ 4,657,314	\$ 5,358,059
Restricted	-	109,039	3,193,878	1,724,489	3,193,878	1,833,528
Receivables	961,619	1,367,687	602,894	654,136	1,564,513	2,021,823
Prepaid expenses	695	-	80,595	80,595	81,290	80,595
Internal balances	700,000	-	(700,000)	-	-	-
Noncurrent assets:						
Notes receivable	3,019,418	3,518,377	150,000	496,096	3,169,418	4,014,473
Land held for resale	-	407,964	-	-	-	407,964
Plant, property and equipment:						
Capital assets not being depreciated	652,983	652,983	3,141,268	2,475,403	3,794,251	3,128,386
Capital assets, net of depreciation	5,406,982	5,645,684	14,497,352	15,237,603	19,904,334	20,883,287
Total assets	<u>13,643,170</u>	<u>15,813,754</u>	<u>22,721,828</u>	<u>21,914,361</u>	<u>36,364,998</u>	<u>37,728,115</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	230,280	153,495	539,680	155,812	769,960	309,307
Accrued payroll liabilities	101,727	94,886	59,769	49,914	161,496	144,800
Interest payable	-	-	189,176	148,307	189,176	148,307
Deposits payable	-	-	24,208	25,445	24,208	25,445
Compensated absences	27,854	10,000	13,025	6,000	40,879	16,000
Due within one year	-	67,461	405,920	370,469	405,920	437,930
Intergovernmental payable	-	-	35,483	67,901	35,483	67,901
Noncurrent liabilities:						
Compensated absences	250,687	282,266	117,230	85,005	367,917	367,271
Due in more than one year	-	-	10,506,467	10,193,258	10,506,467	10,193,258
Net OPEB obligation	407,787	295,754	159,691	109,661	567,478	405,415
Total liabilities	<u>1,018,335</u>	<u>903,862</u>	<u>12,050,649</u>	<u>11,211,772</u>	<u>13,068,984</u>	<u>12,115,634</u>
<b>NET POSITION</b>						
Net investment in capital assets	6,059,965	6,298,667	6,726,230	7,291,398	12,786,195	13,590,065
Restricted	3,795,864	7,387,998	3,253,357	2,193,571	7,049,221	9,581,569
Unrestricted, as restated (Note 1, section Q)	2,769,006	1,223,227	691,592	1,217,620	3,460,598	2,440,847
Total net position	<u>\$12,624,835</u>	<u>\$14,909,892</u>	<u>\$10,671,179</u>	<u>\$10,702,589</u>	<u>\$23,296,014</u>	<u>\$25,612,481</u>

Net investment in capital assets of \$12.78 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.). This does not include elements of infrastructure that comprise of a network, such as water, sewer, and storm water pipes in the ground or public right-of-way elements, such as streets and sidewalks. These elements will be inventoried, capitalized and reported in future years. 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.

Restricted net position of \$7.04 million primarily comprise of cash and cash-equivalents for use as prescribed by an outside entity, such as a grantor, bond holder, covenant, or other restricting entity or instrument, or are in the form of long-term notes receivable and are unavailable for spending.

Unrestricted net position of \$3.46 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.). The City's net position as of June 30, 2014, was over \$23.3 million, a decrease of \$2.31 million. The decrease is attributed to the loss of unspent redevelopment bond proceeds and land held for resale to the Lakeport Redevelopment Successor Agency; however, increased revenues in the general and enterprise funds as well as cost savings by City departments helped to diminish the loss significantly.

The change in net position for the fiscal years ended June 30, 2014 and 2013 are as follows. This information is presented in greater detail than that found on the Statement of Activities or Changes in Fund Balance to allow the reader to gain a more in-depth understanding of the sources and uses of revenue.

**Changes in Net Position  
FY 2013 to FY 2014**

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 500,436	\$ 3,808,961	\$ 4,309,397	\$ 541,563	\$ 3,153,208	\$ 3,694,771
Grants and contributions:						
Operating	579,485	-	579,485	199,490	-	199,490
Capital	-	-	-	429,315	37,916	467,231
General revenues:						
Property taxes and assessments						
	463,872	361,394	825,266	532,204	426,173	958,377
Transient occupancy taxes	94,776	-	94,776	84,752	-	84,752
Sales and use tax	2,371,095	-	2,371,095	2,176,408	-	2,176,408
Franchise taxes	276,560	-	276,560	225,495	-	225,495
Business license and other taxes	65,262	-	65,262	95,244	-	95,244
Motor vehicle in lieu	396,571	-	396,571	395,961	-	395,961
Use of money and property	204,776	38,200	242,976	194,298	40,760	235,058
Other general	140,555	-	140,555	323,767	644,921	968,688
Total revenues	<u>5,093,388</u>	<u>4,208,555</u>	<u>9,301,943</u>	<u>5,198,497</u>	<u>4,302,978</u>	<u>9,501,475</u>
<b>Expenses:</b>						
Governmental activities:						
General government	829,787	-	829,787	886,996	-	886,996
Community development	242,360	-	242,360	283,439	-	283,439
Roads and infrastructure	1,225,866	-	1,225,866	1,151,051	-	1,151,051
Sanitation	451,773	-	451,773	439,479	-	439,479
Housing and support programs	133,680	-	133,680	18,412	-	18,412
Redevelopment/economic development	82,017	-	82,017	10,797	-	10,797
Public safety	1,664,228	-	1,664,228	1,541,750	-	1,541,750
Parks and recreation	326,735	-	326,735	381,779	-	381,779
Interest and fiscal charges	4,048	-	4,048	7,866	-	7,866
Business-type activities:						
Water	-	1,759,261	1,759,261	-	1,595,811	1,595,811
Wastewater	-	2,480,706	2,480,706	-	2,363,123	2,363,123
Total expenses	<u>4,960,494</u>	<u>4,239,967</u>	<u>9,200,461</u>	<u>4,721,569</u>	<u>3,958,934</u>	<u>8,680,503</u>
Increase (decrease) in net position before transfers	132,894	(31,412)	101,482	476,928	344,044	820,972
Transfers	(2,417,954)	-	(2,417,954)	-	-	-
Change in net position	<u>(2,285,060)</u>	<u>(31,412)</u>	<u>(2,316,472)</u>	<u>476,928</u>	<u>344,044</u>	<u>820,972</u>
Net position:						
Beginning of year, as restated (Note 1Q)	14,909,895	10,702,591	25,612,486	14,432,967	10,526,437	24,959,404
End of year	<u>\$12,624,835</u>	<u>\$10,671,179</u>	<u>\$23,296,014</u>	<u>\$14,909,895</u>	<u>\$10,870,481</u>	<u>\$25,780,376</u>

Overall the City maintained a stable fiscal structure in 2014-15 through the exercise of conservative revenue estimations and careful use of appropriations. This contributed to an increase in net position – government-wide – of \$101,482 (before transfers). As referenced several times throughout this report, a transfer of \$2.4 million was made from the City to the Lakeport Redevelopment Successor Agency per an order from the California State Controller, which resulted from the requirements of the former redevelopment agency’s dissolution process. Ultimately \$2 million of this transfer will be used by the City in a capital project in Lakeport to revitalize sections of Main Street near its economic center. The

remaining \$400K in the form of land held for resale has been reserved by the Oversight Board to the Lakeport Redevelopment Successor Agency for future use.

Program revenues were up from last year due to increases to water, sewer, and trash fees. Operating grants were higher due to the City's involvement in grant-driven housing activities, as well as subventions from state and federal sources for public safety. Most general revenues were higher in 2013-14 than the previous year, as well, most notably sales tax, which is a primary revenue source for the City. Property tax was down comparatively to a year ago, which was more a function of the return of a regular property tax allocation following the 2012-13 slug of property tax from the dissolution of the redevelopment agency.

Most financial resources were employed in regular operations, supporting immediate service delivery needs. Total expenses were relatively similar to those in 2012-13 with the exception of higher personnel costs related to health insurance and pension obligations. The impact of these increases was dampened by savings from personnel attrition and unfilled staffing vacancies.

Significant progress was made in business-type activities toward capital projects to rehabilitate water and sewer infrastructure identified as most in need of repair or replacement. These project are funded by low-interest, long term loans and grants from USDA Rural Development and are supported by the current rate structure for water and sewer adopted in 2012. Capital expenditures toward these projects will be even more significant in the next fiscal year.

## ACTIVITIES

Governmental and business-type activity expenses of the City for the year totaled \$9.2 million. Governmental activities totaled \$4.96 million or 54% of total expenses. Business-type activities incurred \$4.23 million of expenses during the fiscal year. Public safety costs represented 33% of total governmental activities expenses (excluding the extraordinary loss of unspent bond proceeds and land held for resale), followed by roads and infrastructure, and general government.

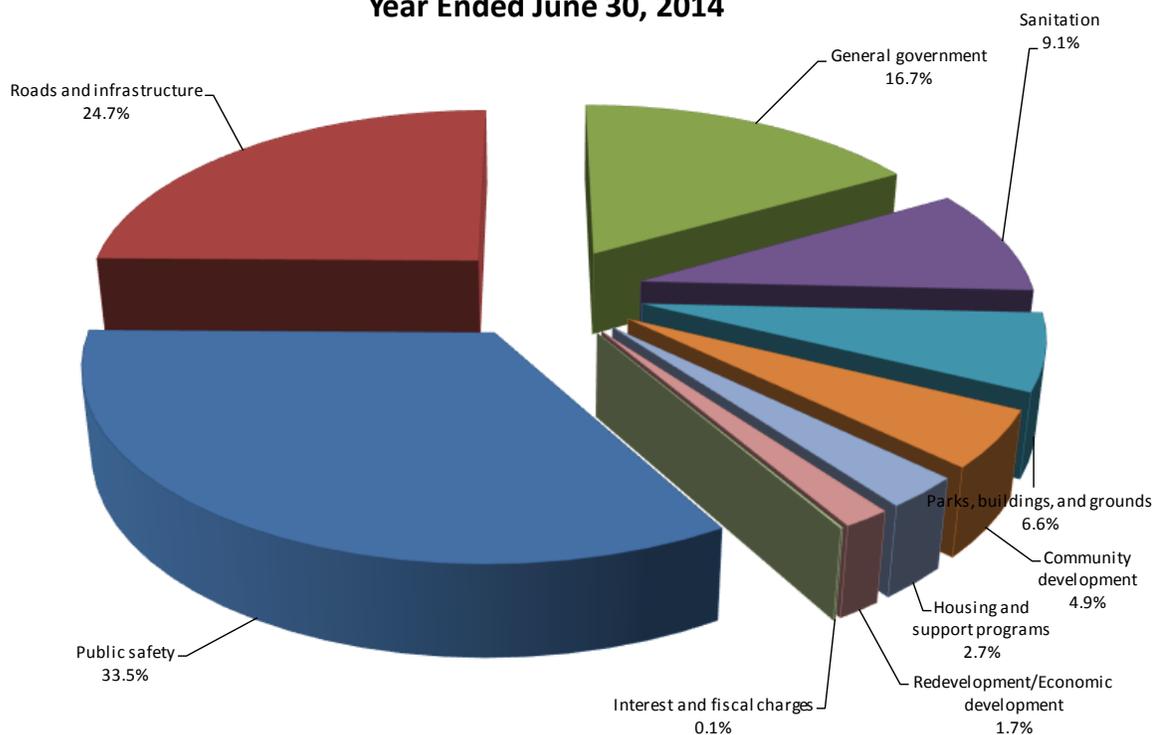
## Governmental Activities (Expenses)

The most significant expenses incurred by the City are providing public safety services (33% of governmental expenses). Roads and infrastructure include depreciation expense associated with assets assigned to governmental functions, such as buildings, equipment, and vehicles. From highest to lowest, costs directly associated with governmental activities were as follows:

### Governmental Activities - Expenses

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Public safety	\$ 1,664,228	\$ 1,455,990	\$ 1,541,750	\$ 1,349,838
Roads and infrastructure	1,225,866	952,121	1,151,051	1,151,051
General government	829,787	781,337	886,996	868,387
Sanitation	451,773	(15,578)	439,479	(71,235)
Parks, buildings, and grounds	326,735	325,975	381,779	381,779
Community development	242,360	219,959	283,439	263,624
Housing and support programs	133,680	74,704	18,412	(401,188)
Redevelopment/Economic development	82,017	82,017	10,797	1,082
Interest and fiscal charges	4,048	4,048	7,866	7,866
<b>Total</b>	<b>\$ 4,960,494</b>	<b>\$ 3,880,573</b>	<b>\$ 4,721,569</b>	<b>\$ 3,551,204</b>

### Expenses by Function - Governmental Activities Year Ended June 30, 2014



## Governmental Activities (Revenues)

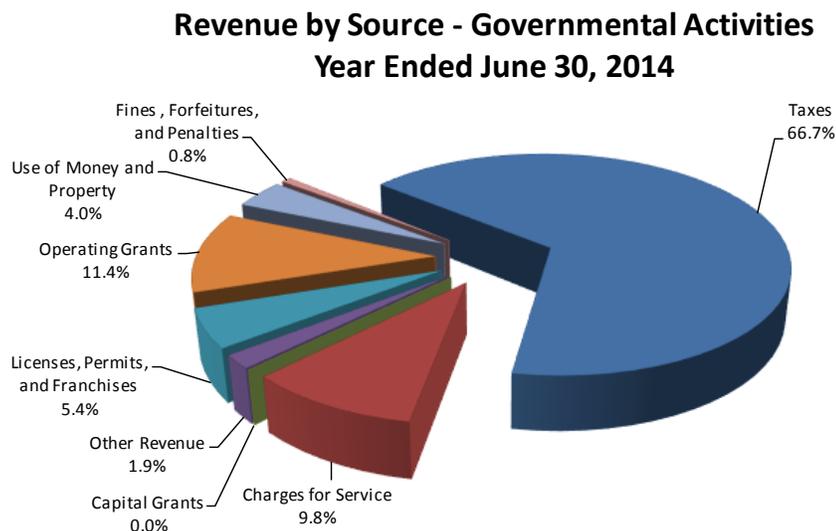
Significant revenues for the City came from taxes (67%), which included property taxes, sales taxes (Bradley-Burns and Measure I transactions and use taxes), franchise fees, transient occupancy taxes, and tax increment. Revenues overall were higher than estimated.

From highest to lowest, revenues directly associated with governmental collections were as follows. This information is presented in greater detail than that found on the Statement of Activities or Changes in Fund Balance to allow the reader to gain a more in-depth understanding of the sources and uses of revenue.

### Governmental Activities - Revenues

	2014	2013
	Total	Total
	Revenues	Revenues
Taxes	\$ 3,396,576	\$ 3,284,569
Charges for Service	500,436	541,560
Capital Grants	-	429,315
Other Revenue	96,885	305,488
Licenses, Permits, and Franchises	276,560	225,495
Operating Grants	579,485	199,490
Use of Money and Property	204,776	194,298
Fines , Forfeitures, and Penalties	38,670	18,279
Total	<u>\$ 5,093,388</u>	<u>\$ 5,198,494</u>

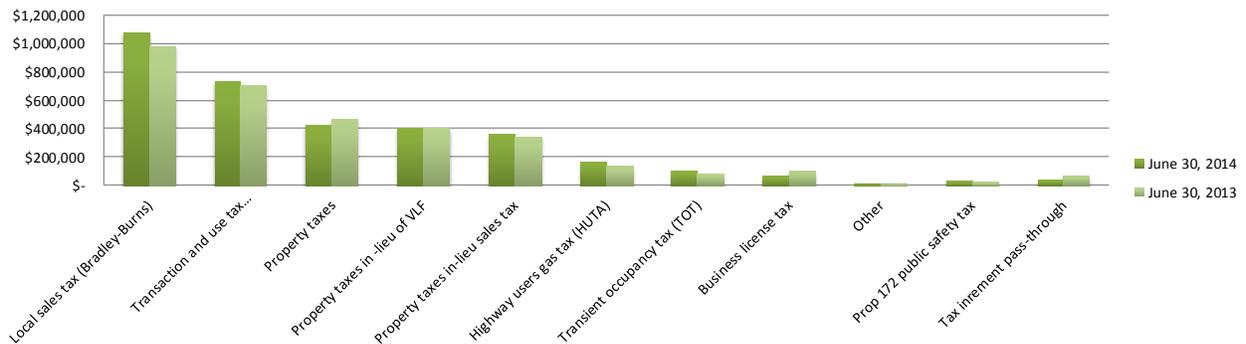
Governmental revenues in total were lower in 2014 than 2013 primarily due to reduced grant-driven housing activity. Most other revenues, including those derived from taxes were higher due to nominal increases in sales tax and property taxes.



**Taxes by Source - Governmental  
Two-Year Comparison**

	Fiscal Year Ended		Increase (Decrease)
	June 30, 2014	June 30, 2013	
Local sales tax (Bradley-Burns)	\$ 1,078,173	\$ 974,855	\$ 103,318
Transaction and use tax (Measure I)	736,948	702,889	34,059
Property taxes	428,309	465,770	(37,461)
Property taxes in -lieu of VLF	396,571	395,960	611
Property taxes in-lieu sales tax	358,753	343,753	15,000
Highway users gas tax (HUTA)	165,892	134,334	31,558
Transient occupancy tax (TOT)	94,776	84,752	10,024
Business license tax	65,262	95,215	(29,953)
Other	5,000	29	4,971
Prop 172 public safety tax	31,329	20,577	10,752
Tax inrement pass-through	35,563	66,435	(30,872)
	<u>\$ 3,396,576</u>	<u>\$ 3,284,569</u>	<u>\$ 112,007</u>

**Tax Sources Compared  
2014 and 2013**



## Business-type Activities

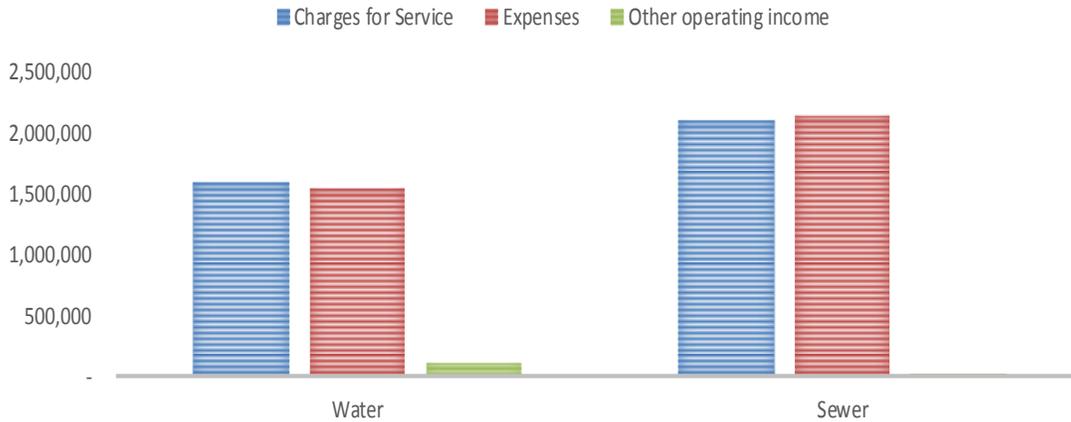
In the fiscal year ended June 30, 2014, business-type activities decreased the City's net position by \$31,412. Increased revenues from rates is helping to better the net position of both enterprises.

Water revenues from fees and charges were up from the previous fiscal year by 8.25% resulting from a rate increase in 2013 that is being phased in over five years. Sewer revenues from fees and charges also were up by over 25.26% due to a similar rate increase. Expenses in both enterprises increased due to rising costs of pension and healthcare premium costs – as well as costs associated with filling vacant positions – which (coupled with non-cash expenses, such as depreciation) contributed to a net operating loss in water of \$65,614. The sewer enterprise realized a net increase of \$34,202. This includes revenue from expansion activities, non-operating activities (such as interest earnings and expenses), lease revenue, or property tax assessments.

### Operating Condition of Enterprise Activities Two-Year Comparison

Operating expenses	For the Year Ended		Increase (Decrease)	% Change
	June 30, 2014	June 30, 2013		
Water	\$ 1,543,382	\$ 1,447,862	\$ 95,520	6.60%
Sewer	2,139,785	2,077,386	62,399	3.00%
	<u>\$ 3,683,167</u>	<u>\$ 3,525,248</u>	<u>\$ 157,919</u>	<u>4.29%</u>
<b>Charges for service</b>				
Water	\$ 1,591,963	\$ 1,470,683	\$ 121,280	8.25%
Sewer	2,107,549	1,682,523	425,026	25.26%
	<u>3,699,512</u>	<u>3,153,206</u>	<u>546,306</u>	<u>14.77%</u>
Other operating revenue				
Water	98,819	211,936	(113,117)	-53.37%
Sewer	10,630	432,985	(422,355)	-97.54%
	<u>109,449</u>	<u>644,921</u>	<u>(535,472)</u>	<u>-489.24%</u>
Total operating revenue				
Water	\$ 1,690,782	\$ 1,682,619	\$ 8,163	0.49%
Sewer	\$ 2,118,179	\$ 2,115,508	\$ 2,671	0.13%
	<u>\$ 3,808,961</u>	<u>\$ 3,798,127</u>	<u>\$ 10,834</u>	<u>0.28%</u>
Non-operating revenue				
Water	\$ 2,865	\$ 40,261	\$ (37,396)	-92.88%
Sewer	396,729	464,588	(67,859)	-14.61%
	<u>\$ 399,594</u>	<u>\$ 504,849</u>	<u>\$ (105,255)</u>	<u>-26.34%</u>
Non-operating expenses				
Water	\$ 215,879	\$ 147,949	\$ 67,930	45.91%
Sewer	340,921	285,737	55,184	19.31%
	<u>\$ 556,800</u>	<u>\$ 433,686</u>	<u>\$ 123,114</u>	<u>22.11%</u>
<b>Change in net position</b>				
Water	\$ (65,614)	\$ 127,069	\$ (192,683)	-151.64%
Sewer	34,202	216,973	(182,771)	-84.24%
	<u>\$ (31,412)</u>	<u>\$ 344,042</u>	<u>\$ (375,454)</u>	<u>1195.26%</u>

## OPERATING EXPENSES AND REVENUE BUSINESS-TYPE ACTIVITIES FISCAL YEAR ENDED JUNE 30, 2014



### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The City's investment in capital assets for its governmental and business-type activities at June 30, 2014 amounted to \$23.69 million (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 \$1.12 million.

#### Capital Assets, net of depreciation Two-Year Comparison

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 652,983	\$ 652,983	\$ 2,475,403	\$ 2,475,403	\$ 3,128,386	\$ 3,128,386
Construction in Progress	-	-	665,865	-	665,865	-
Buildings and improvements	5,044,296	1,585,427	14,239,731	15,077,661	19,284,027	16,663,088
Vehicles and equipment	362,686	4,060,257	257,621	159,942	620,307	4,220,199
<b>Total Capital Assets, Net</b>	<b>\$6,059,965</b>	<b>\$6,298,667</b>	<b>\$17,638,620</b>	<b>\$17,713,006</b>	<b>\$23,698,585</b>	<b>\$24,011,673</b>

Additional information on the City's capital assets can be found in Notes 6, along with the City's capitalization policies in Note 1 in the notes to the basic financial statements. Reasons for the change in capital assets included the purchase of the real property for the water enterprise, the capitalization of a water main extension, and the completion of construction in progress.

## Long-Term Liabilities

The City's outstanding long-term liabilities, including bonds, loans payable, and compensated absences totaled \$11.32 million as of June 30, 2014. This amount includes the recognition of a loan for the purchase of park land, a loan from Mendocino College for the installation of a water main, and an interfund loan between the general fund and water enterprise fund for the purchase of land necessary for the preservation of a critical water source for the City.

### Long-term Obligations Two-Year Comparison

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital Lease - Police Cars	\$ -	\$ 67,461	\$ -	\$ -	\$ -	\$ 67,461
Series 2013 Water Revenue Notes - Bank of Nevada	-	-	1,675,275	-	1,675,275	-
2002 Refunding Loan - West America Bank	-	-	-	326,912	-	326,912
Water Revenue Bonds, Series 2000 COPS	-	-	2,551,500	2,601,000	2,551,500	2,601,000
Water Main Extension Loan (Mendocino College)	-	-	225,612	300,815	225,612	300,815
Sewer District Improvement Bonds, 1993-1	-	-	2,780,000	2,840,000	2,780,000	2,840,000
2007 Series A Bond	-	-	3,680,000	3,795,000	3,680,000	3,795,000
Compensated Absences	278,541	292,266	130,255	91,005	408,796	383,271
	<u>\$ 278,541</u>	<u>\$ 359,727</u>	<u>\$ 11,042,642</u>	<u>\$ 9,954,732</u>	<u>\$ 11,321,183</u>	<u>\$ 10,314,459</u>

Additional information on the City's outstanding long-term liabilities can be found in Note 7.

## FUND FINANCIAL ANALYSIS

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.

**GOVERNMENTAL FUNDS**

As of June 30, 2014, the City’s governmental fund balance was \$7.22 million, of which \$1.82 was unrestricted and available for use. 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 8.

**General Fund Financial Condition**

The City’s general fund is its primary source of discretionary resources for the provision of service deemed necessary and desirable by the citizens of Lakeport and the City Council. It realized a net surplus of \$352,445 (8.4% of expenditures) through a combination of expenditure control by City departments, deferment of appropriated capital projects, and higher than anticipated revenues. Its fund balance decreased, however, by \$18,749 due to the transfer of land held for resale back to the Lakeport Redevelopment Successor Agency.

Per City Council policy, net cash assets held by the general fund at year end are considered reserves and classified as committed and assigned fund balance. Though the general fund balance was \$3.31 million - this includes resources not available for spending, such as short and long-term interfund loans receivable - cash assets set aside for future use and reserves totaled \$2.2 million. This constitutes approximately 51% of total expenditures in the general fund for the fiscal year.

Other governmental funds reported a net decrease in fund balance of \$1.95 million, primarily due to the transfer to the redevelopment successor agency mentioned earlier. 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.

**Fund Surpluses - Governmental Funds**

Major Fund	Balance
General fund	\$ 3,313,489
Other governmental funds	3,915,251
Total	<u>\$ 7,228,740</u>

Governmental funds reported \$1.6 million in nonspendable fund balance in fiscal year 2013-14. This is comprised mostly of long-term housing and business loans/notes receivable that are unavailable to meet current obligations. However, it also includes \$700,000 to the City's water enterprise fund.

The balance of \$3.79 million in restricted fund balance - those financial resources can be spent only on specific activities as defined by outside entities (e.g. a grantor, state agency, statute, etc.) – is found primarily on special revenue funds; however \$23,003 is held in the general fund as asset forfeiture amounts received for law enforcement purposes.

Committed fund balance consists of revenue stabilization amounts in the general fund, established by policy and resolution of the City Council.

Assigned fund balance consists of the general fund reserve and several select capital projects earmarked by the City Council.

The remaining amount of (\$386,708) of unassigned fund balance consists of negative fund equity in several special revenue funds.

## PROPRIETARY FUNDS

### Enterprise Fund - Water

The net position of the water enterprise fund decreased by \$65,614 in fiscal year 2013-14, primarily due to increased personnel costs in the form of pension and healthcare premiums. Operating revenues exceeded operating expenses by \$147,400, while non-operating expenses outpaced revenues (property taxes and interest of water loans and bonds) by \$213,014. The water enterprise operating and maintenance (O&M) and expansion funds are reported as one in these statements.

Ending net position at June 30, 2014 for the water enterprise funds was \$2.08 million, of which a deficit \$366,781 was unrestricted. This deficit is the result of the recognition of the \$700,000 loan from the general fund for the purchase of land as unrestricted net position as opposed to net investment in capital assets. Once funding from USDA is received, the loan will be reclassified accordingly.

### Enterprise Fund - Sewer

The net position of the sewer enterprise fund increased by \$34,208. Operating revenue was less than operating expenses, resulting in a net decrease of \$21,603. Non-operating revenues and expenses had a positive impact to net position by \$55,808. The sewer enterprise consists of three funds to account for O&M, sewer expansion fund activities, and debt service for the CLMSD 91-1 assessment district. Net

positions 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 position at June 30, 2013 was restated as the City implemented GASB 65 and recognized the elimination of bond issuance costs from the 2007 Series A issue. This resulted in a decrease of net position of \$167,890. As of June 30, 2014, ending net position of the sewer enterprise was \$8.58 million, of which \$1.05 million was unrestricted and available for future use.

**Proprietary Fund  
Two-year Comparison**

	Enterprise Comparison				Total Enterprise Funds	
	Water		Sewer		June 30, 2014	June 30, 2013
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013		
Operating revenue	1,690,782	1,682,619	2,118,179	2,115,508	3,808,961	3,798,127
Operating expenses	1,543,382	1,447,862	2,139,785	2,077,386	3,683,167	3,525,248
Operating income (loss)	147,400	234,757	(21,606)	38,122	125,794	272,879
Nonoperating revenue (expenses)	(213,014)	(107,688)	55,808	178,851	(157,206)	71,163
Net income	(65,614)	127,069	34,202	216,973	(31,412)	344,042
Net position						
Net investment in capital assets	1,256,231	1,449,387	5,469,999	5,842,011	6,726,230	7,291,398
Restricted:						
Assessment district	-	-	847,443	873,035	847,443	873,035
Debt service	115,762	-	231,000	-	346,762	-
Depreciation reserve	26,469	-	68,432	-	94,901	-
Capital purposes	847,779	-	-	-	847,779	-
Expansion activities	203,127	420,089	913,345	900,447	1,116,472	1,320,536
Unrestricted	(366,781)	278,725	1,058,373	1,106,785	691,592	1,385,510
Total Net Position	\$ 2,082,587	\$ 2,148,201	\$ 8,588,592	\$ 8,722,278	\$ 10,671,179	\$ 10,870,479

## BUDGETARY COMPARISON

A comparison of budget to actual for major governmental funds is presented in the fund financial statements. These statements and the notes are presented as additional information to show that appropriations are being spent as authorized by the City Council. Budgetary control for the City rests at the fund level.

### General Fund

The original budget estimated \$4.47 million in revenues. It remained unchanged when management reviewed it at mid-year. Revenues in the general fund ultimately were reported \$194,797 higher than was budgeted due to higher tax collections, fees from permits and franchises, and revenues from intergovernmental sources.

#### General Fund Budgetary Comparison June 30, 2014

Revenues	Original Estimate	Final Estimate	Actual Revenue	Variance Positive (Negative)
General Fund				
Taxes	\$ 3,125,502	\$ 3,125,502	\$ 3,199,355	\$ 73,853
Licenses, permits, and franchises	180,073	180,073	276,560	96,487
Fines, forfeitures, and penalties	15,000	15,000	38,670	23,670
Use of money and property	133,088	133,088	124,359	(8,729)
Intergovernmental revenue	340,967	340,967	437,986	97,019
Charges for service	560,474	560,474	500,436	(60,038)
Other revenue	124,350	124,350	96,885	(27,465)
Total	\$ 4,479,454	\$ 4,479,454	\$ 4,674,251	\$ 194,797
Expenditures	Original Appropriation	Final Appropriation	Actual Expenditure	Variance Positive (Negative)
General Fund				
General government	\$ 736,843	\$ 774,750	\$ 710,131	\$ 64,619
Community development	317,040	317,040	244,321	72,719
Roads and infrastructure	1,199,498	1,232,491	811,380	421,111
Sanitation	447,592	447,592	451,773	(4,181)
Housing and support programs	27,193	27,193	12,882	14,311
Redevelopment/Economic development	54,000	54,000	48,057	5,943
Public safety	1,712,227	1,747,227	1,643,153	104,074
Parks, buildings, and grounds	409,664	422,814	328,600	94,214
Debt service:				
Principal retirement	67,461	67,461	67,461	-
Interest	4,048	4,048	4,048	-
Total	\$ 4,975,566	\$ 5,094,616	\$ 4,321,806	\$ 772,810

The largest change to appropriations during the year was an increase in general governmental. The City Attorney budget was increased to account for additional litigation costs. The next largest change was to the Police Department budget to allow for the purchase of additional equipment. The amount passed through to the franchise trash hauler, Lakeport Disposal, was higher than budget estimates; however, these amounts are simply collections that are passed through to the company. Deferment or cancellation of capital projects - including road work - resulted in a significantly positive variance of \$421,111. This

was the largest budgetary variance in the general fund. Frugal departmental spending and capitalizing on costs savings from staff attrition rounded out remaining variances, as total expenditures in the fund were \$772,810 less than appropriated.

The combined effect (before transfers were considered) was a surplus of \$352,445 in the general fund. After transfers and extraordinary items were considered, fund balance decreased \$18,749, the reasons for which were described earlier.

Budgets to actual information was not presented for proprietary funds (water and sewer enterprise), as this is not a GAAP requirement of GASB. However, such information can be provided upon request.

## ECONOMIC OUTLOOK

Continuing its recovery in fiscal year 2013-14, the local and national economy grew slowly. Unemployment continued to decline as consumer confidence rose. The Lake County Region lagged behind the rest of the state but made progress. Though the local job market remains anemic, we see local businesses continuing to manage their recovery from 2008 and grow. The success of these businesses is vital to the City's fiscal health.

Additionally, foreclosure inventory continues its decline through the housing market, and home values are rising. We expect to see revenues from property-related taxes increase as a result.

The state's impact on, and relationship with, local government will continue to impose barriers to economic growth within the City and in unincorporated Lake County as a result of realignment and more draconian regulatory requirements on local government and small business.

Maintaining and growing revenue streams to the City remains a high priority for staff. Existing sources – predominately sales and property taxes – are stable, and our estimates for the future will continue to be conservative. Expenses related to personnel (primarily in health premium and pension costs) are increasing at a substantial, though manageable, pace. We continue to look to find cost saving measures to help offset these expenses. The challenge remains providing the highest level and quality of service that the community needs, expects and deserves.

## REQUESTS FOR INFORMATION

This Comprehensive 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.

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## Government-Wide Financial Statements

The Statement of Net Position reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position of all City Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these are followed by a total column which presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. The City's Business-Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City, the Lakeport Redevelopment Agency and the City of Lakeport Municipal Sewer District, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for their activities.

City of Lakeport, California  
Statement of Net Position  
Government-Wide Financial Statements  
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments:			
Available for operations	\$ 2,901,473	\$ 1,755,841	\$ 4,657,314
Restricted cash	-	3,193,878	3,193,878
Receivables (net allowance for uncollectables)	961,619	602,894	1,564,513
Inventory and prepaids	695	80,595	81,290
Internal balances	700,000	(700,000)	-
Notes receivable	3,019,418	150,000	3,169,418
Capital assets not being depreciated:			
Land	652,983	2,475,403	3,128,386
Construction in progress	-	665,865	665,865
Capital assets, net of accumulated depreciation:			
Buildings and improvements	5,044,296	14,239,731	19,284,027
Machinery, equipment, and vehicles	362,686	257,621	620,307
Total assets	<u>13,643,170</u>	<u>22,721,828</u>	<u>36,364,998</u>
<b>LIABILITIES</b>			
Accounts payable	230,280	539,680	769,960
Accrued payroll liabilities	101,727	59,769	161,496
Interest payable	-	189,176	189,176
Deposits payable	-	24,208	24,208
Compensated absences, current	27,854	13,025	40,879
Due within one year	-	405,920	405,920
Intergovernmental payable	-	35,483	35,483
Compensated absences, noncurrent	250,687	117,230	367,917
Due in more than one year	-	10,506,467	10,506,467
OPEB obligation, net	407,787	159,691	567,478
Total liabilities	<u>1,018,335</u>	<u>12,050,649</u>	<u>13,068,984</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,059,965	6,726,230	12,786,195
Restricted:			
Law enforcement	140,433	-	140,433
Housing programs	2,219,030	-	2,219,030
Economic development programs	487,036	-	487,036
Transportation infrastructure	949,365	-	949,365
Assessment district	-	847,443	847,443
Debt service reserve	-	346,762	346,762
Depreciation reserve	-	94,901	94,901
Capital purposes	-	847,779	847,779
Expansion activities	-	1,116,472	1,116,472
Unrestricted	2,769,006	691,592	3,460,598
Total net position	<u>\$ 12,624,835</u>	<u>\$ 10,671,179</u>	<u>\$ 23,296,014</u>

The accompanying notes are integral part of these financial statements.

City of Lakeport, California  
Statement of Activities  
Government-Wide Financial Statements  
Year Ended June 30, 2014

FUNCTION/PROGRAMS	Program Revenue				Net (Expenses) Revenue and Change in Net Position		
	Expenses	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	\$ 829,787	\$ 4,085	\$ 44,365	\$ -	\$ (781,337)	\$ -	\$ (781,337)
Community development	242,360	22,401	-	-	(219,959)	-	(219,959)
Roads and infrastructure	1,225,866	-	273,745	-	(952,121)	-	(952,121)
Sanitation	451,773	467,351	-	-	15,578	-	15,578
Housing and support programs	133,680	-	58,976	-	(74,704)	-	(74,704)
Redevelopment/Economic development	82,017	-	-	-	(82,017)	-	(82,017)
Public safety	1,664,228	6,599	201,639	-	(1,455,990)	-	(1,455,990)
Parks, buildings, and grounds	326,735	-	760	-	(325,975)	-	(325,975)
Interest	4,048	-	-	-	(4,048)	-	(4,048)
Total government activities	<u>4,960,494</u>	<u>500,436</u>	<u>579,485</u>	<u>-</u>	<u>(3,880,573)</u>	<u>-</u>	<u>(3,880,573)</u>
<b>BUSINESS ACTIVITIES</b>							
Water utility	1,759,261	1,690,782	-	-	-	(68,479)	(68,479)
Sewer utility	2,480,706	2,479,573	-	-	-	(1,133)	(1,133)
Total business-type activities	<u>4,239,967</u>	<u>4,170,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,612)</u>	<u>(69,612)</u>
Total primary government	<u>\$ 9,200,461</u>	<u>\$ 4,670,791</u>	<u>\$ 579,485</u>	<u>\$ -</u>	<u>(3,880,573)</u>	<u>(69,612)</u>	<u>(3,950,185)</u>
<b>GENERAL REVENUE</b>							
Sales taxes					2,371,095	-	2,371,095
Property taxes					860,443	-	860,443
Transient and other taxes					165,038	-	165,038
Licenses, and Franchises					276,560	-	276,560
Fines, Forfeitures, and Penalties					38,670	-	38,670
Use of Money and Property					204,776	38,200	242,976
Other Revenue					96,885	-	96,885
Total general revenues					<u>4,013,467</u>	<u>38,200</u>	<u>4,051,667</u>
<b>TRANSFERS</b>							
Transfer to fiduciary activities					(2,417,954)	-	(2,417,954)
Total general revenue and transfers					<u>1,595,513</u>	<u>38,200</u>	<u>1,633,713</u>
<b>CHANGES IN NET POSITION</b>					(2,285,060)	(31,412)	(2,316,472)
<b>NET POSITION</b>							
Beginning, as restated (Note 1, section Q)					14,909,895	10,702,591	25,612,486
End of Year					<u>\$ 12,624,835</u>	<u>\$ 10,671,179</u>	<u>\$ 23,296,014</u>

The accompanying notes are integral part of these financial statements.

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## Fund Financial Statements

Major funds are defined generally as having significant activities or balances in the current year. The funds described below were determined to be Major Governmental Funds by the City for fiscal 2013. Individual non-major funds may be found in the Supplemental section.

### GOVERNMENTAL FUNDS

#### **GENERAL FUND**

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds, and the related expenditures. The major revenue sources for this Fund are property taxes, sales taxes, franchise fees, business licenses, unrestricted revenues from the state, fines and forfeitures and interest income. Expenditures are made for community development, public safety, public works, and other services.

City of Lakeport, California  
Balance Sheet  
Governmental Funds  
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 1,593,490	\$ 1,307,983	\$ 2,901,473
Receivables, net of allowance for uncollectables:			
Interest	645	587	1,232
Taxes	473,862	22,468	496,330
Notes	269	3,019,149	3,019,418
Grants	24,837	81,233	106,070
Other	346,329	11,658	357,987
Prepays	695	-	695
Due from other funds	80,993	-	80,993
Advances to other funds	1,087,209	-	1,087,209
Land held for resale	-	-	-
Total assets	<u>\$ 3,608,329</u>	<u>\$ 4,443,078</u>	<u>\$ 8,051,407</u>
<b>LIABILITIES</b>			
Accounts payable	170,654	59,626	230,280
Accrued payroll liabilities	101,727	-	101,727
Due to other funds	-	80,992	80,992
Advances from other funds	-	387,209	387,209
Total liabilities	<u>272,381</u>	<u>527,827</u>	<u>800,208</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable revenue - business license tax	22,459	-	22,459
Total deferred inflow or resources	<u>22,459</u>	<u>-</u>	<u>22,459</u>
<b>FUND BALANCE</b>			
Nonspendable:			
Loans receivable	269	515,675	515,944
Long-term interfund advances	1,087,209	-	1,087,209
Restricted:			
Law enforcement	23,003	117,430	140,433
Housing programs	-	2,219,030	2,219,030
Economic development programs	-	487,036	487,036
Transportation infrastructure	-	949,365	949,365
Committed:			
Revenue stabilization	181,604	-	181,604
Assigned:			
Capital projects	250,000	-	250,000
General reserves	1,137,178	-	1,137,178
Subsequent year's budget: appropriation of fund balance	634,226	-	634,226
Housing and community programs	-	13,424	13,424
Unassigned (deficit)	-	(386,709)	(386,709)
Total Fund Balance	<u>3,313,489</u>	<u>3,915,251</u>	<u>7,228,740</u>
Total Liabilities and Fund Balance	<u>\$ 3,608,329</u>	<u>\$ 4,443,078</u>	<u>\$ 8,051,407</u>

City of Lakeport, California  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position Governmental Funds  
 June 30, 2014

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 7,228,740

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

**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:

Land \$ 652,983

Depreciable capital assets:

Buildings and improvements \$ 5,044,296

Machinery, equipment, and vehicles \$ 362,686

**DEFERRED INFLOW OF RESOURCES**

Payment of City business licenses and other deferred items that have not been earned but are accrued. \$ 22,458

**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 - compensated absences \$ (27,854)

Accrued compensated absences \$ (250,687)

Net OPEB Obligation \$ (407,787)

**NET POSITION - GOVERNMENTAL ACTIVITIES** \$ 12,624,835

The accompanying notes are integral part of these financial statements.

City of Lakeport, California  
Statement of Revenue, Expenditures, and Change in Fund Balances  
Governmental Funds  
Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUE</b>			
Taxes:			
Sales	\$ 2,173,874	\$ 197,221	\$ 2,371,095
Property	860,443	-	860,443
Transient Occupancy	94,776	-	94,776
Business licenses	65,262	-	65,262
Other taxes	5,000	-	5,000
Licenses, permits, and franchises	276,560	-	276,560
Fines, forfeitures, and penalties	38,670	-	38,670
Use of money and property	124,359	80,417	204,776
Intergovernmental revenue	437,986	141,499	579,485
Charges for service	500,436	-	500,436
Other revenue	96,885	-	96,885
Total revenue	<u>4,674,251</u>	<u>419,137</u>	<u>5,093,388</u>
<b>EXPENDITURES</b>			
Current:			
General government:			
Council	68,948	-	68,948
Administration	162,520	-	162,520
Attorney	111,691	-	111,691
Finance	88,836	-	88,836
Non-departmental	278,136	-	278,136
Community development:			
Planning	130,805	-	130,805
Building	113,516	-	113,516
Roads and infrastructure:			
Public works	687,464	137,495	824,959
Engineering and information technology	123,916	(527)	123,389
Sanitation	451,773	-	451,773
Housing and support programs	12,882	122,759	135,641
Economic development	48,057	35,921	83,978
Public safety	1,643,153	23,036	1,666,189
Parks, buildings, and grounds	328,600	96	328,696
Capital outlay	-	7,641	7,641
Debt service:			
Principal retirement	67,461	-	67,461
Interest	4,048	-	4,048
Total expenditures	<u>4,321,806</u>	<u>326,421</u>	<u>4,648,227</u>
Excess of revenue over (under) expenditures	<u>352,445</u>	<u>92,716</u>	<u>445,161</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	37,747	977	38,724
Transfers out	(977)	(37,747)	(38,724)
OTHER TRANSFERS			
Transfer to private purpose trust fund	(407,964)	(2,009,990)	(2,417,954)
Total other	<u>(371,194)</u>	<u>(2,046,760)</u>	<u>(2,417,954)</u>
Net change in fund balance	(18,749)	(1,954,044)	(1,972,793)
Fund balance - beginning	3,332,238	5,869,295	9,201,533
Fund balance - ending	<u>\$ 3,313,489</u>	<u>\$ 3,915,251</u>	<u>\$ 7,228,740</u>

The accompanying notes are integral part of these financial statements.

City of Lakeport, California  
 Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2014

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS** \$(1,972,793)

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

**CAPITAL ASSETS**

Governmental funds report capital outlays as expenditures in the governmental funds, but they are capitalized and depreciated in the government-wide statements.

The net effect of various miscellaneous transactions involving capital assets is to decrease net assets (9,583)  
 Depreciation expense - Roads and infrastructure (271,838)

**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.

Compensated Absences 13,727  
 OPEB Expense (112,034)

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

Debt principal 67,461

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES** \$ (2,285,060)

The accompanying notes are integral part of these financial statements.

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City of Lakeport, California  
 General Fund  
 Statement of Revenue, Expenditures, and Change in Fund Balances – Budget and Actual  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Taxes:				
Sales	\$ 2,082,002	\$ 2,082,002	\$ 2,173,874	\$ 91,872
Property	903,500	903,500	860,443	(43,057)
Transient Occupancy	70,000	70,000	94,776	24,776
Business licenses	70,000	70,000	65,262	(4,738)
Other taxes	-	-	5,000	5,000
Licenses, permits, and franchises	180,073	180,073	276,560	96,487
Fines, forfeitures, and penalties	15,000	15,000	38,670	23,670
Use of money and property	133,088	133,088	124,359	(8,729)
Intergovernmental revenue	340,967	340,967	437,986	97,019
Charges for service	560,474	560,474	500,436	(60,038)
Other revenue	124,350	124,350	96,885	(27,465)
<b>Total revenue</b>	<b>4,479,454</b>	<b>4,479,454</b>	<b>4,674,251</b>	<b>194,797</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
Council	77,744	77,744	68,948	8,796
Administration	178,938	178,938	162,520	16,418
Attorney	75,303	113,210	111,691	1,519
Finance	105,258	105,258	88,836	16,422
Non-departmental	299,600	299,600	278,136	21,464
Community development:				
Planning	205,408	205,408	130,805	74,603
Building	111,632	111,632	113,516	(1,884)
Roads and infrastructure:				
Public works	777,582	803,375	687,464	115,911
Engineering and information technology	421,916	429,116	123,916	305,200
Sanitation	447,592	447,592	451,773	(4,181)
Housing and support programs	27,193	27,193	12,882	14,311
Economic development	54,000	54,000	48,057	5,943
Public safety	1,712,227	1,747,227	1,643,153	104,074
Parks, buildings, and grounds	409,664	422,814	328,600	94,214
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	67,461	67,461	67,461	-
Interest	4,048	4,048	4,048	-
<b>Total expenditures</b>	<b>4,975,566</b>	<b>5,094,616</b>	<b>4,321,806</b>	<b>772,810</b>
Excess of revenue over (under) expenditures	(496,112)	(615,162)	352,445	967,607
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	246,900	246,900	37,747	(209,153)
Transfers out	-	-	(977)	(977)
TRANSFERS				
Transfer to private purpose trust fund	-	-	(407,964)	(407,964)
<b>Total other</b>	<b>246,900</b>	<b>246,900</b>	<b>(371,194)</b>	<b>(618,094)</b>
Net change in fund balance	(249,212)	(368,262)	(18,749)	349,513
Fund balance - beginning	3,332,238	3,332,238	3,332,238	-
<b>Fund balance - ending</b>	<b>\$ 3,083,026</b>	<b>\$ 2,963,976</b>	<b>\$ 3,313,489</b>	<b>\$ 349,513</b>

The accompanying notes are integral part of these financial statements.

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## PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City maintains two enterprise funds: water and sewer.

### **WATER ENTERPRISE FUND**

Chapter 13.04 of the Lakeport Municipal Code provides the authority for City to operate water system. Revenues (fees and charges) are collected to pay for service (water) received.

### **SEWER ENTERPRISE FUND**

Chapter 13.20 of the Lakeport Municipal Code provides the authority for the City to operate sewer system. Revenues (fees and charges) are collected to pay for availability of collection, transportation, treatment, and disposal system. In addition, grazing lease payments, LACOSAN payments for flows, tax revenues, FEMA storm damage reimbursement, OES storm damage reimbursement, and insurance rebates have been credited to this fund.

### **INTERNAL SERVICE FUND**

Established to account for the risk management activities of the City, primarily premium payments for liability insurance, which is charged to the general, water enterprise, and sewer enterprise funds.

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City of Lakeport, California  
Statement of Net Position  
Proprietary Funds  
June 30, 2014

	Business-Type Activities			Governmental Activities
	Water	Sewer	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 335,748	\$ 1,420,093	\$ 1,755,841	\$ -
Restricted cash and investments	1,460,242	1,733,636	3,193,878	-
Receivables:				
Accounts, net	270,242	311,823	582,065	-
Taxes	-	19,141	19,141	-
Interest	653	1,035	1,688	-
Assessments	-	-	-	-
Inventory	65,778	14,817	80,595	-
Total current assets	<u>2,132,663</u>	<u>3,500,545</u>	<u>5,633,208</u>	<u>-</u>
Noncurrent assets:				
Notes receivable	46,500	103,500	150,000	-
Capital assets not being depreciated:				
Land	740,170	1,735,233	2,475,403	-
Construction in progress	485,958	179,907	665,865	-
Capital assets, depreciable:				
Buildings and improvements	7,066,266	21,795,196	28,861,462	-
Machinery, equipment, and vehicles	397,915	387,010	784,925	-
less accumulated depreciation	(2,981,691)	(12,167,344)	(15,149,035)	-
Total noncurrent assets	<u>5,755,118</u>	<u>12,033,502</u>	<u>17,788,620</u>	<u>-</u>
Total Assets	<u>7,887,781</u>	<u>15,534,047</u>	<u>23,421,828</u>	<u>-</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	380,065	159,615	539,680	-
Accrued payroll and benefits	28,516	31,253	59,769	-
Customer deposits	4,149	20,059	24,208	-
Compensated absences, current	6,234	6,791	13,025	-
Due within one year	220,920	185,000	405,920	-
Interest payable	65,749	123,427	189,176	-
Intergovernmental payable	35,483	-	35,483	-
Total current liabilities	<u>741,116</u>	<u>526,145</u>	<u>1,267,261</u>	<u>-</u>
Noncurrent liabilities:				
Compensated absences	56,107	61,123	117,230	-
Advances from other funds	700,000	-	700,000	-
Due after one year	4,231,467	6,275,000	10,506,467	-
OPEB obligation, net	76,504	83,187	159,691	-
Total noncurrent liabilities	<u>5,064,078</u>	<u>6,419,310</u>	<u>11,483,388</u>	<u>-</u>
Total liabilities	<u>5,805,194</u>	<u>6,945,455</u>	<u>12,750,649</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,256,231	5,469,999	6,726,230	-
Restricted:				
Assessment district	-	847,443	847,443	-
Debt service reserve	115,762	231,000	346,762	-
Depreciation reserve	26,469	68,432	94,901	-
Capital purposes	847,779	-	847,779	-
Expansion activities	203,127	913,345	1,116,472	-
Unrestricted	<u>(366,781)</u>	<u>1,058,373</u>	<u>691,592</u>	<u>-</u>
Total Net Position	<u>\$ 2,082,587</u>	<u>\$ 8,588,592</u>	<u>\$ 10,671,179</u>	<u>\$ -</u>

The accompanying notes are integral part of these financial statements.

City of Lakeport, California  
Statement of Revenue, Expenses, and Changes in Net Position  
Proprietary Funds

	Business-Type Activities			Governmental Activities
	Water	Sewer	Total Enterprise Funds	Internal Service Fund
<b>OPERATING REVENUE</b>				
Charges for service:				
Metered water sales	\$ 1,591,963	\$ -	\$ 1,591,963	\$ -
Sewer services	-	2,107,549	2,107,549	-
Expansion fees	-	10,630	10,630	-
Risk management	-	-	-	232,823
Other operating income	98,819	-	98,819	-
Total operating revenue	<u>1,690,782</u>	<u>2,118,179</u>	<u>3,808,961</u>	<u>232,823</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	772,372	870,308	1,642,680	-
Materials, supplies and service costs	462,386	558,242	1,020,628	-
Other operating costs	82,741	89,918	172,659	-
Premiums	-	-	-	232,823
Depreciation	225,883	621,317	847,200	-
Total operating expenses	<u>1,543,382</u>	<u>2,139,785</u>	<u>3,683,167</u>	<u>232,823</u>
Operating income (loss)	<u>147,400</u>	<u>(21,606)</u>	<u>125,794</u>	<u>-</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Property tax and special assessments	-	361,394	361,394	-
Investment earnings	2,865	5,123	7,988	-
Lease revenue	-	30,000	30,000	-
Interest and fiscal charges	(215,879)	(340,921)	(556,800)	-
Other	-	212	212	-
Total nonoperating revenue (expense)	<u>(213,014)</u>	<u>55,808</u>	<u>(157,206)</u>	<u>-</u>
NET INCOME	(65,614)	34,202	(31,412)	-
BEGINNING NET POSITION, as restated (Note 1Q)	<u>2,148,201</u>	<u>8,554,390</u>	<u>10,702,591</u>	<u>-</u>
ENDING NET POSITION	<u>\$ 2,082,587</u>	<u>\$ 8,588,592</u>	<u>\$ 10,671,179</u>	<u>\$ -</u>

The accompanying notes are integral part of these financial statements.

City of Lakeport, California  
Statement of Cash Flows  
Proprietary Funds

CASH FLOWS PROVIDED BY (USED FOR)	Business-type Activities			Governmental Activities
	Water	Sewer	Total	
			Enterprise Funds	Internal Service Fund
<b>OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,712,895	\$ 2,106,779	\$ 3,819,674	\$ -
Cash received from interfund charges for risk management	-	-	-	232,823
Cash paid to suppliers of goods and services	(239,820)	(602,017)	(841,837)	(232,823)
Payments to City of Lakeport employees	(749,156)	(794,389)	(1,543,545)	-
Net cash provided (used)	<u>723,919</u>	<u>710,373</u>	<u>1,434,292</u>	<u>-</u>
<b>NONCAPITAL &amp; RELATED FINANCING ACTIVITIES</b>				
Property tax and assessments	-	430,515	430,515	-
Net cash provided (used)	<u>-</u>	<u>430,515</u>	<u>430,515</u>	<u>-</u>
<b>CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(514,134)	(234,356)	(748,490)	-
Proceeds from notes receivable	107,023	239,073	346,096	-
Proceeds from water revenue notes	1,400,000	-	1,400,000	-
Principal paid on capital debt	(239,088)	(175,000)	(414,088)	-
Interest paid on capital debt	(165,879)	(312,934)	(478,813)	-
Net cash provided (used)	<u>587,922</u>	<u>(483,217)</u>	<u>104,705</u>	<u>-</u>
<b>INVESTING ACTIVITIES</b>				
Investment income received	3,518	6,158	9,676	-
Net cash provided (used)	<u>3,518</u>	<u>6,158</u>	<u>9,676</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,315,359	663,829	1,979,188	-
Cash and cash equivalents-beginning	480,631	2,489,900	2,970,531	-
Cash and cash equivalents-end of year	<u>\$ 1,795,990</u>	<u>\$ 3,153,729</u>	<u>\$ 4,949,719</u>	<u>\$ -</u>
Presentation in Statement of Net Position:				
Cash and investments	\$ 335,748	\$ 1,420,093	\$ 1,755,841	\$ -
Cash and investments - restricted	1,460,242	1,733,636	3,193,878	-
Total cash and investments	<u>\$ 1,795,990</u>	<u>\$ 3,153,729</u>	<u>\$ 4,949,719</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>				
Operating Income (Loss)	\$ 147,400	\$ (21,606)	\$ 125,794	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization, a noncash expense	225,883	621,317	847,200	-
(Increase) decrease in accounts receivable	26,058	(14,108)	11,950	-
Increase (decrease) in accounts payable	337,725	46,143	383,868	-
Increase (decrease) in accrued liabilities	4,688	5,167	9,855	-
Increase (decrease) in customer deposits	(3,945)	2,708	(1,237)	-
Increase (decrease) in compensated absences	(5,170)	44,420	39,250	-
Increase (decrease) in intergovernmental payable	(32,418)	-	(32,418)	-
Increase (decrease) in net OPEB obligation	23,698	26,332	50,030	-
Net cash provided (used)	<u>\$ 723,919</u>	<u>\$ 710,373</u>	<u>\$ 1,434,292</u>	<u>\$ -</u>

The accompanying notes are integral part of these financial statements.

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2014

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## FIDUCIARY FUNDS

These funds account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

### PRIVATE PURPOSE TRUST FUND

#### **REDEVELOPMENT NON-HOUSING HOUSING SUCCESSOR PRIVATE PURPOSE TRUST FUND**

Resources held for the benefit of the state from the dissolution of the Lakeport Redevelopment Agency's non-housing functions.

### AGENCY FUNDS

#### **SPECIAL DEPOSIT AGENCY FUND**

Resources held for outside parties that are not available for spending by the City.

#### **OTHER POST-EMPLOYMENT BENEFITS (OPEB) AGENCY FUND**

Resources for other post-employment benefits (OPEB) are managed and maintained in this fund. This includes City contributions to retiree health (medical, dental, vision, etc.).

City of Lakeport, California  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014

	Private Purpose Trust Funds RDA Successor	Agency Funds
<b>ASSETS</b>		
Cash and investments	\$ 286,863	\$ 440,728
Restricted cash and investments	2,315,069	-
Receivables:		
Notes	20,935	-
Interest	795	-
Other	6,813	-
Land held for resale	407,964	-
Total Assets	<u>3,038,439</u>	<u>440,728</u>
<b>LIABILITIES</b>		
Accounts payable	3,452	1,923
Enforceable obligations:		
Accrued administrative liabilities	7,956	-
Bonds payable	5,245,000	-
OPEB Obligation	-	7,631
Refundable deposits and trust liabilities	-	431,174
Total liabilities	<u>5,256,408</u>	<u>440,728</u>
<b>NET POSITION (DEFICIT)</b>		
Restricted - debt service reserve	300,000	-
Held in trust for benefit of the State	407,964	-
Held in trust for outstanding obligations	(2,925,933)	-
Total net position (deficit)	<u>\$ (2,217,969)</u>	<u>\$ -</u>

City of Lakeport, California  
Statement of Changes in Fiduciary Net Position  
Fiduciary Activities  
Year Ended June 30, 2014

	Private Purpose Trust Funds RDA Successor
<b>ADDITIONS</b>	
Property tax	\$ 545,281
Investment earnings	3,489
Other	166,187
Transfers in from governmental activities	<u>2,417,954</u>
Total additions	3,132,911
<b>DEDUCTIONS</b>	
Administrative costs	249,453
Enforceable obligations	2,974
Interest and amortization expense	<u>266,968</u>
Total deductions	519,395
 CHANGE IN FIDUCIARY NET POSITION	 2,613,516
<b>NET POSITION (deficit)</b>	
Beginning of year, as restated (Note 1, section Q)	<u>(4,831,485)</u>
End of year	<u>\$ (2,217,969)</u>

The accompanying notes are integral part of these financial statements.

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CITY OF LAKEPORT, CALIFORNIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS INDEX  
June 30, 2014

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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## Notes to the Basic Financial Statements

### NOTE 1 - 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. Defining the reporting entity

The City of Lakeport 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, and 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 Agency was dissolved on February 1, 2013 by the State Legislature and California Governor, Jerry Brown.

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.

#### B. 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.

## Notes to the Basic Financial Statements (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Funds

**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

## Notes to the Basic Financial Statements (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

departments and agencies under the primary government. Currently the City does not use an internal service fund.

#### 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
- Capital Projects Fund
- Water
- Sewer

#### C. 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.

## Notes to the Basic Financial Statements (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

#### D. 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.

## Notes to the Basic Financial Statements (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. 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.

#### F. 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 position. 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.

#### G. Allowance for Doubtful Accounts

Management has elected to record bad debts using the allowance method in which amounts are recorded based upon actual experience.

## Notes to the Basic Financial Statements (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### H. Prepaid Expenses

The prepaid expenses consist of expendables 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 purchases or obtained.

#### I. 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 Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The City capitalizes assets with an original cost greater than \$5,000 and with a useful lifespan longer than three years. 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

## Notes to the Basic Financial Statements (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***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.

#### J. 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.

#### K. Deferred Inflow of Resources

Deferred inflow of resources in governmental funds primarily represents business license taxes collected but unavailable for spending until the next fiscal year.

#### L. Long-term Liabilities

In both the governmental-wide financial statements and proprietary fund financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable statement of net position. 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.

#### M. Equity Classification

##### ***Government-Wide Statements***

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

Net investment in capital assets – 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 position – consists of net position 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.

## Notes to the Basic Financial Statements (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted net position – all other net position 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, done typically through resolution during the budget process.

#### ***Assigned Fund Balance –***

- Amounts constrained by the City to be used for a specific purpose but are neither restricted nor committed. Intent is expressed by the City Council or its designee, the City Manager, and may be changed at the discretion of the City Council or the City Manager. This category includes encumbrances; nonspendables – when it is the City’s intent to use proceeds or collections for a specific purpose; and residual fund balances, if any of special revenue, capital projects and debt services funds which have not been restricted or committed.

## Notes to the Basic Financial Statements (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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).

#### N. 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.

## Notes to the Basic Financial Statements (Continued)

### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

#### O. 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.

#### P. Reclassifications

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

#### Q. Restatement

Due to the City's adoption of GASB 65, net position was restated at June 30, 2014. Bond issuance costs are expensed and no longer amortized annually. The following is a reconciliation of the total net position as previously reported at July 1, 2013, to the restated net position.

#### **Reconciliation of Net Position**

	Total Net Position
<b>Proprietary - Sewer Fund</b>	
Net position at June 30, 2013	\$ 8,722,280
Adjustments:	
Adoption of GASB 65, debt issuance costs, sewer	(167,890)
Total adjustments	<u>(167,890)</u>
Net position at June 30, 2014, as restate for adoption of GASB 65	<u>\$ 8,554,390</u>
<b>Fiduciary</b>	
Net position at June 30, 2013	\$ (4,588,316)
Adjustments:	
Adoption of GASB 65, debt issuance costs, redevelopment successor agency	(243,169)
Total adjustments	<u>(243,169)</u>
Net position at June 30, 2014, as restate for adoption of GASB 66	<u>\$ (4,831,485)</u>

## Notes to the Basic Financial Statements (Continued)

### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### R. 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. If use of fund balance is recommended by the City Manager, resources to be used will be in the following order:
  - i. unassigned fund balance
  - ii. assigned
  - iii. committed
3. 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.
4. Prior to July 1, the budget is to be adopted by resolution of the City Council.
5. From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various City funds and 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 fund, and between departments within the General Fund. All appropriations lapse at year end unless encumbered and carried forward upon the approval of the City Manager.

Budgets are adopted for all fund types but are not necessarily reported on a basis consistent with generally accepted accounting principles. Funds which report activities related to long-term notes receivable are budgeted to reflect principal payments received as revenue, but such recognition is not considered revenue when reported in the CAFR; rather, principal payments are applied against notes receivable and re-characterized from nonspendable fund balance to either restricted, committed, or assigned. A reconciliation in those respective budget to actual schedules is provided to account for this.

Budgeted amounts presented are as originally adopted and as further amended by the City Council.

## Notes to the Basic Financial Statements (Continued)

### NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### 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 3 - 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, 2014 are classified in the accompanying financial statements as follows:

#### Cash and Investments

	Maturities (in years)			Deposits	Fair Market Value
	<1	1 to 2	>2		
<u>Cash equivalents and investments pooled</u>					
Pooled cash, at fair value					
Cash in bank	\$ -	\$ -	\$ -	\$ 3,539,268	\$ 3,539,268
Petty cash	-	-	-	400	400
Total pooled items	-	-	-	3,539,668	3,539,668
Pooled investments, at fair value					
<u>Interest obligations</u>					
	<u>Par</u>	<u>Rate</u>			
		- 0.010% Money market	409,899	-	409,899
State of California Local Agency Investment Fund	-	-	-	6,944,284	6,944,284
Total pooled investments - interest obligations	409,899	-	-	6,944,284	7,354,183
Total cash equivalents and investments pooled	\$ 409,899	\$ -	\$ -	\$ 10,483,952	\$ 10,893,851

#### Amounts reported in:

Governmental activities	\$ 2,901,473
Business-type activities	1,755,841
Business-type activities - restricted	3,193,878
Fiduciary activities	727,591
Fiduciary activities - restricted	2,315,069
<b>Total</b>	<b>\$ 10,893,852</b>

## Notes to the Basic Financial Statements (Continued)

### NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

#### Collateral and Categorization Requirements

At the fiscal year end, the City's carrying amount of demand deposits was \$1,101,079 and the bank account balance was \$1,264,026. The difference of \$163,347 represented outstanding checks and deposits in transit. Of the total deposit balance, \$250,000 was insured by Federal Depository Insurance Corporation (FDIC), the remaining amount of \$1,101,079 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

## Notes to the Basic Financial Statements (Continued)

### NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that 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, 2014 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Yield</u>	<u>Concentration</u>
Local Agency Investment Fund (LAIF)	6,944,284	0.22%	94.43%
Money market mutual funds	409,899	0.01%	5.57%
<b>Total Funds</b>	<b>\$7,354,183</b>	<b>0.12%</b>	<b>100.00%</b>
	Weighted Yield	0.21%	

#### 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*

### NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

## Notes to the Basic Financial Statements (Continued)

*City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.*

At June 30, 2014, the City had \$470,824 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, 2014, the City's investment in LAIF was \$6,704,904. The total amount invested by all public agencies at that date was \$21.89 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2014 has a balance of \$62.68 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).

Notes to the Basic Financial Statements (Continued)

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2014:

**Accounts Receivable and Due from other Governments**

	Receivables	Allowance	Net
Governmental Activities			
Due from other governments:			
Sales taxes	\$ 461,532	\$ -	\$ 461,532
Property taxes	34,798	-	34,798
Grants	106,070	-	106,070
Other	296,651	-	296,651
Accounts receivable:			
Administrative citations	1,000	(1,000)	-
Trash accounts	62,568	-	62,568
	<u>\$ 962,619</u>	<u>\$ (1,000)</u>	<u>\$ 961,619</u>
Business-type activities			
Due from other governments	\$ 20,829	-	\$ 20,829
Accounts	640,804	(58,739)	582,065
	<u>\$ 661,633</u>	<u>\$ (58,739)</u>	<u>\$ 602,894</u>

These amounts resulted in the following concentrations in receivables:

**Concentration of Receivables**

Other governments	58.8%
Individuals/businesses	41.2%

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

## Notes to the Basic Financial Statements (Continued)

### NOTE 5 - 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, 2014, consisted of the following:

<b>Loans and Notes Receivable</b>	Beginning 7/1/2013	Additions	Deletions	Ending 6/30/2014
Major governmental funds:				
General fund	\$ 12,749	\$ -	\$ (12,480)	\$ 269
Nonmajor governmental funds:				
Special revenue funds				
CDBG Housing Loan fund notes receivable (old)	98,504	-	(2,735)	95,769
CDBG Business Loan PI notes receivable	309,005	63,680	(56,590)	316,095
Low-Mod Housing Fund	459,614	-	(28,884)	430,730
CDBG Housing Loan PI notes receivable	285,422	17,741	-	303,163
Emergency Housing Assistance Fund	1,354	5,281	-	6,635
Business Stabilization Loan fund notes receivable	62,575	-	(5,106)	57,469
CDBG Housing Grant Fund	431,133	-	(75,331)	355,802
HOME Program Income fund notes receivable	1,410,791	-	(13,617)	1,397,174
2012 HOME Grant	-	56,312	-	56,312
Total governmental funds	<u>3,071,147</u>	<u>143,014</u>	<u>(194,743)</u>	<u>3,019,418</u>
Major enterprise funds:				
Water	155,320	-	(108,820)	46,500
Sewer	344,370	-	(240,870)	103,500
Total enterprise funds	<u>499,690</u>	<u>-</u>	<u>(349,690)</u>	<u>150,000</u>
Total loans/notes receivable	<u>\$ 3,570,837</u>	<u>\$ 143,014</u>	<u>\$ (544,433)</u>	<u>\$ 3,169,418</u>

Notes to the Basic Financial Statements (Continued)

NOTE 6 - CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2014, was as follows:

<b>Capital Assets Governmental</b>	Balance 7/1/2013	Additions	Deletions	Transfers/ Reclassifications	Balance 6/30/2014
<u>Governmental activities:</u>					
Nondepreciable assets:					
Land	\$ 652,983	\$ -	\$ -	\$ -	\$ 652,983
Total nondepreciable assets	652,983	-	-	-	652,983
Depreciable assets:					
Buildings and structures	2,695,592	-	-	-	2,695,592
Improvements/CIP	4,474,786	-	-	-	4,474,786
Vehicles	1,532,597	33,137	-	-	1,565,734
Total depreciable assets	8,702,975	33,137	-	-	8,736,112
Total	9,355,958	33,137	-	-	9,389,095
Accumulated depreciation:					
Buildings and structures	(1,110,166)	(54,930)	-	-	(1,165,096)
Improvements/CIP	(846,605)	(114,381)	-	-	(960,986)
Vehicles	(1,100,521)	(102,527)	-	-	(1,203,048)
Total accumulated depreciation	(3,057,292)	(271,838)	-	-	(3,329,130)
Net depreciable assets	5,645,683	(238,701)	-	-	5,406,982
Total governmental capital assets, net	\$ 6,298,666	\$ (238,701)	\$ -	\$ -	\$ 6,059,965

Depreciation expense of \$271,838 was allocated to roads and infrastructure in the Statement of Activities.

## Notes to the Basic Financial Statements (Continued)

### NOTE 6 – CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended June 30, 2014, was as follows:

#### Capital Assets

##### Business-type

	Balance July 1, 2013	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2014
<b>Business-type activities</b>					
Nondepreciable assets:					
Land	\$ 2,475,403	\$ -	\$ -	\$ -	\$ 2,475,403
Construction in progress	-	665,865	-	-	665,865
Total nondepreciable assets	2,475,403	665,865	-	-	3,141,268
Depreciable assets:					
Buildings and structures	1,839,904	-	-	-	1,839,904
Improvements, non-building	27,003,887	-	-	-	27,003,887
Machinery and equipment	125,517	-	-	-	125,517
Vehicles and equipment	552,459	106,950	-	-	659,409
Total depreciable assets	29,521,767	106,950	-	-	29,628,717
Total	31,997,170	772,815	-	-	32,769,985
Accumulated depreciation:					
Buildings and structures	(606,128)	(36,478)	-	-	(642,606)
Improvements, non-building	(13,160,002)	(778,819)	-	-	(13,938,821)
Machinery and equipment	-	(20,920)	-	-	(20,920)
Vehicles and equipment	(518,034)	(10,984)	-	-	(529,018)
Total accumulated depreciation	(14,284,164)	(847,200)	-	-	(15,131,365)
Net depreciable assets	15,237,603	(740,250)	-	-	14,497,352
Total Business-type capital assets, net	\$ 17,713,006	\$ (74,385)	\$ -	\$ -	\$ 17,638,620

Depreciation expense of \$225,883 was allocated to the water enterprise and \$621,317 was allocated to the sewer enterprise for a total of \$847,200 in the fiscal year.

## Notes to the Basic Financial Statements (Continued)

### NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014.

#### Long-term Obligations

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental Activities</b>					
Capital Lease - Police Cars	\$ 67,461	\$ -	\$ (67,461)	\$ -	\$ -
Compensated Absences	292,266	291,239	(304,964)	278,541	27,854
Total	<u>\$ 359,727</u>	<u>\$ 291,239</u>	<u>\$ (372,425)</u>	<u>\$ 278,541</u>	<u>\$ 27,854</u>
<b>Business-Type Activities</b>					
Series 2013 Water Revenue Notes - Bank of Nevada	\$ -	\$ 1,789,662	\$ (114,387)	\$ 1,675,275	\$ 89,834
2002 Refunding Loan - West America Bank	326,912	-	(326,912)	-	-
Water Revenue Bonds, Series 2000 COPS	2,601,000	-	(49,500)	2,551,500	51,500
Water Main Extension Loan (Mendocino College)	300,815	-	(75,203)	225,612	79,586
Wastewater Revenue Bonds, 2007 Series A Bond	2,840,000	-	(60,000)	2,780,000	65,000
1993 CLMSD Sewer District Assessment Bonds	3,795,000	-	(115,000)	3,680,000	120,000
Compensated Absences	91,005	136,193	(96,943)	130,255	13,025
Total	<u>\$ 9,954,732</u>	<u>\$ 1,925,855</u>	<u>\$ (837,945)</u>	<u>\$ 11,042,642</u>	<u>\$ 418,945</u>

#### GOVERNMENTAL ACTIVITIES

##### Capital Lease

The City entered into a lease-purchase agreement with Auto Leasing Specialists, LLC in 2009 for the acquisition of ten police vehicles. The lease ended in 2014, and the City exercised its bargain purchase option.

*Balance due*    \$                    -

#### BUSINESS-TYPE ACTIVITIES

##### Series 2013 Water Revenue Notes – Bank of Nevada

Water revenue notes used as interim financing until draws can begin against USDA grant and loan funding. Semi-annual principal and interest payments vary depending on draws, made at an annual interest rate of 1.99%, are due March 19 and September 19 each year. Payments are secured by water fund revenue.

*Balance due*    \$    1,675,277

##### 1998 Water Project Loan

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*    \$    2,551,500

## Notes to the Basic Financial Statements (Continued)

### NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

#### Water Main Extension Loan (Mendocino College)

The City financed a water main extension project in part through a loan with Mendocino College. The total obligation is \$360,512. The term of the loan is 5 years with final payment to be made by January 1, 2017.

*Balance due*    \$        225,612

#### Wastewater Revenue Bonds, 2007 Series A

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*    \$        2,780,000

#### 1993 CLMSD Sewer District Assessment 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*    \$        3,680,000

### **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.

Governmental activities recognized \$291,239 in accrued vacation, sick, and other paid time off earned by City employees in the fiscal year. The accrual increased the compensated absence total to \$583,505, of which \$304,964 was used, resulting in an ending balance of \$278,541 for the fiscal year. Much of the use was attributed to cash payouts of eligible time related to several employee separations. Management expects \$27,854 will be used by employees in the next fiscal year related to this activity.

Business-type activities recognized \$136,193 in accrued vacation, sick, and other paid time off earned by City employees in the fiscal year. The accrual increased the compensated absence total to \$227,198, of which \$96,943 was used, resulting in an ending balance of \$130,255 for the fiscal year. Similar to governmental activities, much of the use was attributed to cash payouts of eligible time related to several employee separations. Management expects \$13,025 to be used by employees in the next fiscal year related to this activity.

Total compensated absences had a balance of \$408,796 at June 30, 2014; of that amount, \$40,879 is expected to be paid within a year.

## Notes to the Basic Financial Statements (Continued)

### NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

#### Future Debt Service

Future debt service for Business-type activities at June 30, 2014 is as follows for all debt except compensated absences and claims liabilities:

#### Debt Service Schedule Business-type

Year Ending June 30,	Business-type Activities					
	2013 Water Revenue Note Bank of Nevada		1998 Water Project Loan Series 2000 USDA Rural Dev		1993 CLMSD Assessment Bond Series 1993-1 (91-1)	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 89,834	\$ 41,398	\$ 51,500	\$ 119,973	\$ 120,000	\$ 181,000
2016	91,594	56,964	54,000	117,467	125,000	174,875
2017	1,493,847	29,728	57,000	114,831	135,000	168,375
2018	-	-	59,500	112,064	140,000	161,500
2019	-	-	62,500	109,167	145,000	154,375
2020-2024	-	-	359,000	507,325	850,000	651,500
2025-2029	-	-	452,500	401,387	1,085,000	411,375
2030-2034	-	-	571,000	261,493	1,080,000	111,250
2035-2039	-	-	719,500	127,787	-	-
2040-2044	-	-	165,000	3,919	-	-
Total	\$ 1,675,275	\$ 128,090	\$ 2,551,500	\$ 1,875,413	\$ 3,680,000	\$ 2,014,250
Due within one year	\$ 89,834	\$ 41,398	\$ 51,500	\$ 119,973	\$ 120,000	\$ 181,000
Due after one year	1,585,441	86,692	2,500,000	1,755,440	3,560,000	1,833,250
Total	\$ 1,675,275	\$ 128,090	\$ 2,551,500	\$ 1,875,413	\$ 3,680,000	\$ 2,014,250

Year Ending June 30,	Wastewater Revenue Bond Series 2007A CSCDA		Water Main Extension Loan Mendocino College		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 65,000	\$ 125,060	79,586	-	\$ 405,920	\$ 467,431
2016	65,000	122,460	79,586	-	415,180	471,766
2017	70,000	119,760	66,440	-	1,822,287	432,694
2018	70,000	116,960	-	-	269,500	390,524
2019	75,000	114,060	-	-	282,500	377,602
2020-2024	425,000	518,138	-	-	1,634,000	1,676,963
2025-2029	525,000	412,363	-	-	2,062,500	1,225,125
2030-2034	655,000	276,908	-	-	2,306,000	649,651
2035-2039	830,000	102,125	-	-	1,549,500	229,912
2040-2044	-	-	-	-	165,000	3,919
Total	\$ 2,780,000	\$ 1,907,833	\$ 225,612	\$ -	\$ 10,912,387	\$ 5,925,585
Due within one year	\$ 65,000	\$ 125,060	\$ 79,586	\$ -	\$ 405,920	\$ 467,431
Due after one year	2,715,000	1,782,773	146,026	-	10,506,467	5,458,154
Total	\$ 2,780,000	\$ 1,907,833	\$ 225,612	\$ -	\$ 10,912,387	\$ 5,925,585

Notes to the Basic Financial Statements (Continued)

NOTE 8 - NET POSITION/FUND BALANCES

**Restricted Net Position Detail**

	Governmental Activities	Business-type Activities
<b>Restricted for:</b>		
Law enforcement	\$ 140,433	\$ -
Housing programs	2,219,030	-
Economic development programs	487,036	-
Transportation infrastructure	949,365	-
Assesment district debt service	-	847,443
Debt service reserve	-	346,762
Depreciation reserve	-	94,901
Capital purposes	-	847,779
Expansion activities	-	1,116,472
Total	<u>\$ 3,795,864</u>	<u>\$ 3,253,357</u>

- **Law enforcement** - comprised of asset forfeiture money and subventions received from the state for the use in police activities.
- **Housing programs** - consists of cash and notes receivable expressly reserved for the use in providing housing for low and moderate income residents.
- **Economic development programs** - consists primarily of loan receivables for business assistance.
- **Transportation infrastructure** - to finance transportation projects funded by state and federal sources.
- **Assessment district debt service** - consists of funds held for the repayment of the Series 1993 bond. The funds are restricted by a bond covenant.
- **Debt service reserve** - the amount of funds in the water and sewer enterprise to fund a reserve, per the loan requirements of USDA rural development.
- **Depreciation reserve** - the amount of funds in the water and sewer enterprise to fund depreciation accounts toward capital asset replacement, per the loan requirements of USDA rural development.
- **Capital purposes** – remaining portion of funds drawn down from Bank of Nevada for capital items related to the USDA water project.
- **Expansion activities** – resources restricted by enabling legislation (ordinance) in the water and sewer enterprises for use in expanding the infrastructure in those systems to increase capacity.

Notes to the Basic Financial Statements (Continued)

NOTE 8 - NET POSITION/FUND BALANCES (CONTINUED)

**Fund Balance Detail**

**Nonspendable**

Land held for resale	\$ -
Loans/Notes receivable	515,944
Long-term interfund advances	1,087,209
Total nonspendable	<u>1,603,153</u>

**Restricted**

Law enforcement	140,433
Housing programs	2,219,030
Economic development programs	487,036
Transportation infrastructure	949,365
Total restricted	<u>3,795,864</u>

**Committed**

Revenue stabilization	181,604
Total committed	<u>181,604</u>

**Assigned**

Capital projects	250,000
General reserves	1,137,178
Subsequent year's budget: appropriation of fund balance	634,226
Housing and community programs	13,424
Total assigned	<u>2,034,828</u>

**Unassigned**

Parkland and housing fund deficits	<u>(386,709)</u>
	<u>(386,709)</u>
Total fund balance	<u>\$ 7,228,740</u>

The following describe the purpose of each nonspendable, restricted, committed, assigned and unassigned category used by the City. The City considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

## Notes to the Basic Financial Statements (Continued)

### NOTE 8 - NET POSITION/FUND BALANCES (CONTINUED)

#### Nonspendable

- **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.
- **Long-term interfund advances** – cash transfers to special revenue funds to provide financing for those activities. This also includes a loan from the general fund to the water fund for a capital purchase, reported on the statement face as an internal balance.

#### Restricted

- **Law enforcement** – comprised of asset forfeiture money and subventions received from the state for the use in police activities.
- **Housing programs** – consists of cash and notes receivable expressly reserved for the use in providing housing for low and moderate income residents.
- **Economic development programs** – consists primarily of loan receivables for business assistance.
- **Transportation infrastructure** – reserved in special revenue funds to finance transportation projects funded by state and federal sources.

#### Committed

- **Revenue stabilization** – rainy day fund established by policy and resolution of the City Council.

#### Assigned

- **Capital projects** – funds committed by the City Council from the general fund for the replacement of docks, an infrastructure improvement project.
- **General reserves** – funds identified as operating reserves, as recommended by the City Manager and adopted by the City Council.
- **Subsequent year's budget: appropriation of fund balance** – amount appropriated from prior budgetary surpluses in the general fund to finance one-time uses, primarily capital projects.
- **Housing and community development programs** – funds reserved for use in emergency housing and business assistance.

#### Unassigned

- **Parkland and housing fund deficits** – deficit fund balances in two special revenue funds.

#### Fund Deficits

Deficit fund balances consisted of the following:

## Notes to the Basic Financial Statements (Continued)

### NOTE 8 - NET POSITION/FUND BALANCES (CONTINUED)

#### Non-major Special Revenue Funds

Fund Name	Fund Number	Deficit Amount	Discussion/Explanation
Parkland Dedication Fund	202	\$(175,140)	Deficit resulted from a large payment to the Witt loan in fiscal year 2013. Financing for that payment came from advance from the general fund and be repaid from park dedication fees.
Lakeport Housing Program	209	\$(115,800)	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.

**Excess of Expenditures and Transfers over Appropriations:** Expenditures and transfers exceeded appropriations for the year ended June 30, 2014, for the following funds. Expenditures were covered by available fund balance.

#### Excess Expenditures

	Final Budget	Total Expenditures and Transfers	Excess Expenditures over Appropriations
<b>Governmental Activities</b>			
<b>Non-major funds:</b>			
<b>Special revenue:</b>			
Lakeport Housing Programs	-	2,529	(2,529)
Low-mod Housing Fund	-	18,539	(18,539)
CDBG Economic Development Grant 2010	-	978	(978)
CDBG Housing Grant 2011	-	71,513	(71,513)
Home Program Income	-	13,043	(13,043)
Forbes Creek Trail Fund	-	96	(96)
Total special revenue	-	106,698	(106,698)
<b>Capital projects:</b>			
General capital projects	1,500,000	2,009,990	(509,990)
Total capital projects	1,500,000	2,009,990	(509,990)
Total excess expenditures	\$ 1,500,000	\$ 2,116,688	\$ (616,688)

Most expenditures were non-cash in nature and were recognized to adjust note receivable balances or to close out funds. The transfer of \$2,009,990 out of the capital projects fund was in response to the order by the California State Controller to return assets to the Lakeport Redevelopment Successor Agency, as previously detailed in this report. The City Council recognized this transfer, but it was not formally implemented in the budget.

Notes to the Basic Financial Statements (Continued)

NOTE 9 - INTERFUND TRANSACTIONS AND INTERFUND BORROWING

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 2014 were as follows:

**Interfund Transactions**

	Transferred In	Transferred Out
<b>Governmental Funds</b>		
<b>Major funds:</b>		
Fund: 110 - GENERAL FUND	\$ 37,747	\$ 408,941
Fund: 130 - GENERAL CAPITAL PROJECTS	-	2,009,990
Total major funds	<u>37,747</u>	<u>2,418,931</u>
<b>Non-major funds:</b>		
<b>Special revenue funds:</b>		
Fund: 203 - 2105 GAS TAX FUND	-	9,391
Fund: 237 - BUSINESS LOAN RLF	977	11,782
Fund: 238 - CDBG HOUSING GRANT 2010	-	15,814
Fund: 413 - PROP 40 PER CAPITA GRANT	-	760
Total non-major funds	<u>977</u>	<u>37,747</u>
<b>Fiduciary Funds</b>		
Fund: 705 - RDA SUCCESSOR PRIVATE PURPOSE TRUST	<u>2,417,954</u>	-
Total proprietary funds	<u>2,417,954</u>	-
Total Transfers	<u>\$ 2,456,678</u>	<u>\$ 2,456,678</u>

Transfers were made to close out old funds and accounts that were no longer in use and to reimburse the general fund for program-related general administrative costs. The transfer to the private purpose trust fund was at the order of the California State Controller, as detailed earlier in this report.

**Notes to the Basic Financial Statements (Continued)**

NOTE 9 – INTERFUND TRANSACTIONS AND INTERFUND BORROWING (CONTINUED)

Interfund borrowing is primarily for the purpose of providing cash to various special revenue funds for the purposes of making capital purchases or in an anticipation of reimbursable grant funding.

**Interfund Borrowing and Internal Balances**

<u>Borrowing Fund (Due To)</u>			<u>Lending Fund (Due From)</u>		
<u>Fund Number</u>	<u>Fund Name</u>	<u>Amount</u>	<u>Fund Number</u>	<u>Fund Name</u>	<u>Amount</u>
413	Prop 40 Per Capita Grant	10,189	110	General Fund	10,189
409	Forbes Creek Trail Fund	11,828	110	General Fund	11,828
240	2012 HOME Grant	58,976	110	General Fund	58,976
Total Due To		<u>\$ 80,993</u>	Total Due From		<u>\$ 80,993</u>

<u>Borrowing Fund (Advances To)</u>			<u>Lending Fund (Advances From)</u>		
<u>Fund Number</u>	<u>Fund Name</u>	<u>Amount</u>	<u>Fund Number</u>	<u>Fund Name</u>	<u>Amount</u>
202	Parkland Dedication Fund	175,140	110	General Fund	175,140
209	Lakeport Housing Fund	212,069	110	General Fund	212,069
501	Water Enterprise	700,000	110	General Fund	700,000
Total Advances To		<u>\$ 1,087,209</u>	Total Advances From		<u>\$ 1,087,209</u>

Total Interfund Borrowing		<u>\$ 1,168,202</u>	Total Interfund Borrowing		<u>\$ 1,168,202</u>
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Interfund Capital Purchase Loan from General Fund

The City general fund financed the capital purchase of the Green Ranch to secure a critical drinking water source. This loan is reflected in the Statement of Net Position as an internal balance. The term of the loan is 3 years with final payment to be made by June 30, 2015.

*Balance due*    \$ 700,000

## Notes to the Basic Financial Statements (Continued)

### NOTE 10 - 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.

## Notes to the Basic Financial Statements (Continued)

### NOTE 10 - RISK MANAGEMENT (CONTINUED)

#### Risk Management Coverage

Amount	Coverage Provider	Payment Source
General Liability Claims:		
\$0 - \$5,000	Self-insured retention	City funds
5,001 - 500,000	Public Agency Risk Sharing Authority	Shared risk pool
500,001 - 9,500,000	California Affiliated Risk Management Authorities	Shared risk pool
5,000,001 - 15,000,000	Commercial reinsurance	
15,000,001 - 25,000,000	California Affiliated Risk Management Authorities	Shared risk pool
Workers' Compensation Claims:		
\$0 - \$5,000	Self-insured retention	City funds
5,001 - 300,000	Public Agency Risk Sharing Authority	Shared risk pool
300,000 +	Local Agency Workers' Compensation Excess Pool	Shared risk pool
5,000,001 - 50,000,000	Commercial reinsurance	
50,000,001 - 300,000,000	Insurance	
Property Insurance Claims		
\$0 - \$10,000	Deductible	City funds
10,001 - 300,000,000	REMIF coverage of declared value	Shared risk pool

The City did not have any settlements which exceeded its liability coverage. The City does not have any accrued liability or reserves for fiscal year 2013.

The following is a summary of the most recent financial statements of REMIF as of and for the fiscal year ended June 30, 2013:

#### REMIF Equity

Total assets	\$ 18,509,517
Total liabilities	15,282,603
Members' equity	<u>\$ 3,226,914</u>
Net operating revenues	\$ 8,660,771
Total operating expenses	10,792,515
Operating income (loss)	<u>\$ (2,131,744)</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.

## Notes to the Basic Financial Statements (Continued)

### NOTE 11 - 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 2013-14 rate was 22.552% for non-safety employees (miscellaneous plan) and 40.969% for public safety employees (safety plan), of annual covered payroll.

These contribution rates are scheduled to change to 23.637% and 40.798% respectively in fiscal year 2014-15 and 24.7% and 40.798% respectively in fiscal year 2015-16. 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 \$627,022 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. For safety personnel, the valuation was adjusted in November 2012 to account for a plan amendment.

The actuarial assumptions included:

- ✓ An 7.50% investment rate of return (net of administrative expenses)
- ✓ Projected annual salary increases of 3.30% to 14.20% depending on age, service, and type of employment
- ✓ An inflation rate of 2.75%
- ✓ A payroll growth rate of 3.00%
- ✓ Individual salary growth- a merit scale varying by duration of employment coupled with an assumed annual inflation growth rate of 2.75% and an annual production growth of 0.25%

**Notes to the Basic Financial Statements (Continued)**

**NOTE 11 - PUBLIC EMPLOYEE RETIREMENT PLAN (CONTINUED)**

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 PERS Cost	Percentage of Annual PERS Cost Contributed	Net PERS Obligation
Miscellaneous	2011-12	\$ 371,469	100.00%	\$ -
	2012-13	\$ 364,488	100.00%	\$ -
	2013-14	\$ 360,055	100.00%	\$ -
Safety	2011-12	\$ 205,800	100.00%	\$ -
	2012-13	\$ 213,862	100.00%	\$ -
	2013-14	\$ 266,947	100.00%	\$ -

## Notes to the Basic Financial Statements (Continued)

### NOTE 12 - POST-RETIREMENT HEALTHCARE BENEFITS

#### Plan Description

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

#### Funding Policy

The City recognizes the cost of providing these benefits by expensing their monthly insurance premiums. Other postemployment benefits paid by the City for the year totaled \$338,509.

The plan provisions and benefits are summarized below:

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

#### **OPEB Eligibility Summary**

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Number of retirees receiving benefits	38
Number of current employees eligible to receive benefits	29
	<hr/>
	67

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#### 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.

**Notes to the Basic Financial Statements (Continued)**

NOTE 12 - POST RETIREMENT HEALTHCARE BENEFITS (CONTINUED)

Funded Status and Funding Progress

The funded status of the Plan as of June, 2013 the Plan’s most recent actuarial valuation date, was as follows:

**OPEB Obligations Schedule**

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Annual required contribution	\$ 500,573
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>500,573</u>
City portion of current premiums paid	(338,509)
Benefit payments made outside of trust	-
Increase in net OPEB obligation	<u>162,064</u>
Net OPEB obligation – beginning of year	405,414
Net OPEB obligation – end of year	<u><u>\$ 567,478</u></u>

Actuarial accrued liability (AAL)	\$ 7,784,325
Actuarial value of Plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ 7,784,325
Funded ratio (actuarial value of Plan assets/AAL)	0%
Covered payroll (active Plan participants)	\$ 1,396,416
UAAL as a percentage of covered payroll	557%

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2014 and the two preceding fiscal years were as follows:

**Three Year OPEB Trend Information**

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 429,581	70%	\$ 275,566
2012-13	\$ 429,581	68%	\$ 405,415
2013-14	\$ 500,573	68%	\$ 567,478

## Notes to the Basic Financial Statements (Continued)

### NOTE 12 - POST RETIREMENT HEALTHCARE BENEFITS (CONTINUED)

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

ACTUARIAL COST METHOD: Entry age normal. The allocation of OPEB cost is based on years of service. We used the level percentage of payroll method to allocate OPEB cost over years of service.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The present value of future benefits and present value of future normal costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the normal cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

AMORTIZATION METHODS: We used a level percent, closed 30 year amortization period for the initial UAAL. We used a level percent, open 30 year amortization period for any residual UAAL.

SUBSTANTIVE PLAN: As required under GASB 43 and 45, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Lakeport regarding practices with respect to employer and employee contributions and other relevant factors.

In the June 30, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included the following:

- ✓ An 5.0% investment rate of return (net of administrative expenses)
- ✓ Healthcare cost trend rate of 4.0%
- ✓ An inflation rate of 2.75%
- ✓ A payroll growth rate of 2.75%

## Notes to the Basic Financial Statements (Continued)

### NOTE 13 - 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. 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.

Other than what has been identified in restricted net position or the discussion of fund balance in Note 8 above, there are no additional commitments or encumbrances in any major or non-major funds.

### NOTE 14 - SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Lakeport that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2441 (2012).

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the

## Notes to the Basic Financial Statements (Continued)

### NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2013. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City included in the fund financial statements as Former Redevelopment Agency Special Revenue Fund and Low/Moderate Income Housing Fund.

After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

#### **Loans and Notes Receivable**

Through the City's various housing rehabilitation funds and first-time home buyer's 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. Some of these loans were transferred to the successor agency and are reported in the respective trust fund.

Notes to the Basic Financial Statements (Continued)

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

Loans and notes receivable for the fiscal year 2014 consisted of the following:

**Redevelopment Successor Private Purpose Trust**

**Notes Receivable**

	Beginning July 1, 2013	Additions	Deletions	Ending June 30, 2014
Redevelopment Fascade Enhancement Loans	\$ 20,935	\$ -	\$ -	\$ 20,935
Total loans/notes receivable	<u>\$ 20,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,935</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

**Redevelopment Successor Private Purpose Trust**

**Debt Service Activity**

	Balance July 1, 2013	Transfers/ Additions	Retirements	Balance June 30, 2014	Due Within One Year
<b>Trust Activities:</b>					
2004 Series A RDA Tax Exempt Bond	\$ 1,050,000	\$ -	\$ -	\$ 1,050,000	\$ -
2004 Series B RDA Tax Exempt Bond	880,000	-	(45,000)	835,000	45,000
2008 Tax Allocation Bond	3,375,000	-	(15,000)	3,360,000	15,000
<b>Total trust fund debt</b>	<u>\$ 5,305,000</u>	<u>\$ -</u>	<u>\$ (60,000)</u>	<u>\$ 5,245,000</u>	<u>\$ 60,000</u>

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

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* \$ 835,000

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* \$ 3,360,000

Notes to the Basic Financial Statements (Continued)

NOTE 14 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

Future debt service for Fiduciary Activities at June 30, 2014, is as follows:

**Debt Service Schedule**

**Redevelopment Successor Agency, Private Purpose Trust**

Year Ending June 30,	Fiduciary Activities			
	2004 RDA Tax Exempt Bond Series A		2004 RDA Tax Exempt Bond Series B	
	Principal	Interest	Principal	Interest
2015	\$ -	\$ 55,125	\$ 45,000	\$ 44,991
2016	-	55,125	50,000	42,512
2017	-	55,125	50,000	39,832
2018	-	55,125	55,000	37,018
2019	-	55,125	55,000	34,070
2020-2024	-	275,625	335,000	118,422
2025-2029	200,000	264,863	245,000	21,046
2030-2034	575,000	150,281	-	-
2035-2039	275,000	14,569	-	-
2040-2044	-	-	-	-
Total	<u>\$ 1,050,000</u>	<u>\$ 980,963</u>	<u>\$ 835,000</u>	<u>\$ 337,891</u>
Due within one year	\$ -	\$ 55,125	\$ 45,000	\$ 44,991
Due after one year	1,050,000	925,838	790,000	292,900
Total	<u>\$ 1,050,000</u>	<u>\$ 980,963</u>	<u>\$ 835,000</u>	<u>\$ 337,891</u>

Year Ending June 30,	2008 Tax Allocation Bond Redevelopment Agency		Total	
	Principal	Interest	Principal	Interest
	2015	15,000	164,171	\$ 60,000
2016	15,000	163,628	65,000	261,265
2017	15,000	163,061	65,000	258,018
2018	20,000	162,373	75,000	254,516
2019	15,000	161,665	70,000	250,860
2020-2024	380,000	772,268	715,000	1,166,315
2025-2029	640,000	652,778	1,085,000	938,687
2030-2034	885,000	462,063	1,460,000	747,972
2035-2039	1,375,000	192,026	1,650,000	206,595
2040-2044	-	-	-	-
Total	<u>\$ 3,360,000</u>	<u>\$ 2,894,033</u>	<u>\$ 5,245,000</u>	<u>\$ 4,348,515</u>
Due within one year	\$ 15,000	\$ 164,171	\$ 60,000	\$ 264,287
Due after one year	3,345,000	2,729,862	5,185,000	4,084,228
Total	<u>\$ 3,360,000</u>	<u>\$ 2,894,033</u>	<u>\$ 5,245,000</u>	<u>\$ 4,348,515</u>

## Notes to the Basic Financial Statements (Continued)

### NOTE 15 - NEW PRONOUNCEMENTS

The GASB has issued Statement No. 65, "Item Previously Reported as Assets and Liabilities." This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City implemented this statement in fiscal year 2012-13.

The GASB has issued Statement No. 66, "Technical Corrections – 2013." The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The implementation of this Statement did not have an effect on these financial statements.

The GASB has issued Statement No. 67, "Financial Reporting for Pension Plans." The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for the periods beginning after June 15, 2013. The implementation of this Statement will not have an effect on these financial statements.

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for non-employer governments that have a legal obligations to contribute to those plans. This Statement will be effective for the periods beginning after June 15, 2014. The City will implement this Statement in fiscal year 2014-15.

The GASB has issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement will be effective for government combinations and disposals occurring in financial reporting periods beginning after December 15, 2013. The City will implement this Statement in fiscal year 2014-15.

**Notes to the Basic Financial Statements (Continued)**

NOTE 15 – NEW PRONOUNCEMENTS (CONTINUED)

The GASB has issued Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.: The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement will be effective for periods beginning after June 15, 2013. The City will implement this Statement in fiscal year 2014-15.

**NOTE 16 - SUBSEQUENT EVENTS**

Draw on Bank of Nevada water revenue note:

On September 2, 2014, the City made a quarterly draw from its account with Bank of Nevada in the amount of \$1,300,000. Per the terms of the loan agreement, the Bank adjusted the amortization schedule accordingly. The revised future debt service schedule is presented below:

**Debt Service Schedule  
Business-type**

Year Ending June 30,	Business-type Activities 2013 Water Revenue Note Bank of Nevada	
	Principal	Interest
2015	\$ 89,834	\$ 41,398
2016	91,594	56,964
2017	2,793,847	27,798
Total	<u>\$ 2,975,275</u>	<u>\$ 126,160</u>
Due within one year	\$ 89,834	\$ 41,398
Due after one year	2,885,441	84,762
Total	<u>\$ 2,975,275</u>	<u>\$ 126,160</u>

## OTHER REQUIRED SUPPLEMENTARY INFORMATION

### Trend Data on Post-Employment Benefits Other Post-employment Benefits Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
N/A <sup>1</sup>	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2011 <sup>2</sup>	\$0	\$ 6,863,624	\$ 6,863,624	0%	\$2,884,993	238%
6/30/2013 <sup>3</sup>	\$0	\$ 7,784,325	\$ 7,784,325	0%	\$1,396,416	557%

<sup>1</sup> The City's first actuarial valuation was performed for 6/30/2011

<sup>2</sup> The 6/30/11 Actuarial Accrued Liability was calculated using a discount rate of 5%.

<sup>3</sup> The 6/30/13 Actuarial Accrued Liability was calculated using a discount rate of 5%.

COMBINING NON-MAJOR GOVERNMENTAL FUNDS

## **NON-MAJOR SPECIAL REVENUE FUNDS**

### **PARKLAND DEDICATION FUND**

State law and General Plan provide for new development to fund expansion of park system to compensate for added demand of growth. Fees are collected at time of recordation of parcel and subdivision maps. (See Section 16.16.040 Lakeport Municipal Code).

### **GAS TAX FUND**

Established to account for revenues and expenditures on road-related projects in the City of Lakeport. Financing is provided by the City's share of the statewide tax on gasoline and other fuels.

### **PROP 172 PUBLIC SAFETY FUND**

A city or county that received Prop 172 funds must place the revenues in a special revenue fund to be expended only on public safety services as defined in Government Code Section 30052. Maintenance of effort provision in the statute requires the City to maintain funding levels to public safety functions.

### **LAKEPORT HOUSING FUND**

A special revenue fund established for the provision of affordable housing.

### **CDBG ECONOMIC DEVELOPMENT PROGRAM INCOME FUND**

This fund receives payments on prior year's business loans. Expenditures from this fund must comply with adopted reuse plan. \$5,000 is allocated for economic development activities and \$5,000 for administrative support provided by planning staff.

### **BSCC Law Enforcement Subvention**

This fund reports the receipt of state subvention from the Board of State and Community Corrections (BSCC) appropriated to local municipal law enforcement agencies for specified police activities.

### **LOW-MOD HOUSING FUND**

This fund tracked the housing activities of the former redevelopment agency.

### **CDBG HOUSING PROGRAM INCOME FUND**

This fund is used for reinvestment into housing programs from program income generated by past housing grants, (i.e., CDBG, HOME Grant, etc.)

### **EMERGENCY HOUSING LOAN FUND**

Emergency and special assistance funds from federal CDBG funds restricted for housing.

### **MICRO ENTERPRISE REVOLVING LOAN FUND**

Business loans to micro businesses that meet the Target Income Group (TIG) requirement 233.

### **BUSINESS STABILIZATION LOAN FUND**

This fund was used to administer loans to local businesses facing financial hardship.

## **NON-MAJOR SPECIAL REVENUE FUNDS (continued)**

### **2009 HOME GRANT FUND**

This fund was used to track expenditures related to the 2009 HOME grant.

### **PTA GRANT #09-PTAG-6504 FUND**

This fund was used to track expenditures related the planning and technical assistance (PTA) grant of 2011.

### **CDBG 2010 ECONOMIC DEVELOPMENT GRANT FUND**

Fund set up to track activities funded by new economic development grant from CDBG. Potential activities could include business support, stabilization, and other assistance. This is a two-year grant award.

### **CDBG 2010 HOUSING GRANT FUND**

Fund set up to track activities funded by a new housing grant from CDBG. Potential activities could include home rehabilitation and relocation assistance. This is a two-year grant award.

### **HOME PROGRAM INCOME FUND**

Fund to track all home loans made by the City using HOME 2007 and 2009 grant awards. Income received is in this fund consists of principal and interest payments made by borrowers.

### **TENTH STREET DRAINAGE FUND**

Restricted fund/set aside by developer of Willow Tree Shopping Center.

### **LAKEPORT BLVD IMPROVEMENT FUND**

Special assessment of developer to mitigate traffic impacts of K-Mart (now Bruno's) development in 1987.

### **SOUTH MAIN STREET IMPROVEMENT FUND**

Special assessment of developer to mitigate traffic impacts of K-Mart.

### **PARKSIDE TRAFFIC MITIGATION FUND**

Traffic mitigation fees are required as a mitigation measure for Parkside Subdivision.

### **FORBES CREEK TRAIL FUND**

To construct a non-motorized trail in Westside Park around the perimeter of the park consistent with the Westside Park Master Plan. Funds provided by the State Parks and Recreation Department through the Recreational Trails (RT) program.

### **LAKESHORE STORM DAMAGE REPAIR FUND**

On Lakeshore Boulevard from 75' south of Sayre Street north through Jones Street; clear concrete debris from below the existing sea wall, reinforce the embankment with sheet pile and backfill the wall. Repair the roadway, curb, and gutter failure by cutting out failed sections and replacing the base rock and AC paving. Funds provided by the Federal government through Caltrans' administration of the Emergency Relief (ER) program.

## **NON-MAJOR SPECIAL REVENUE FUNDS**

### **SAFE ROUTES TO SCHOOL FUND**

State-legislated Program designed to increase the Number of children who walk or bicycle to school by funding projects that remove the barriers that currently prevent them from doing so. Those barriers include lack of infrastructure, unsafe infrastructure, lack of programs that promote walking and bicycling through education/encouragement programs aimed at children, parents, and the community.

### **PROP 40 PER CAPITA GRANT FUND**

When resources are available for projects involving recreation, parks, and community betterment, and in the event the City engages in a project that qualifies for Prop 40 reimbursement, funds are accounted for here.

### **STORM DRAINAGE FUND**

Assessments are made against larger properties to pay for prior and future storm drain projects. See Chapter 3.16 Lakeport Municipal Code.

### **LAKESHORE BLVD HSIPL (SAFETY)**

Special revenue fund established to account for expenditure related to the federal highway funding.

## **NON-MAJOR CAPITAL PROJECTS FUNDS**

### **GENERAL CAPITAL PROJECTS**

This fund is used to track specific capital projects funded from various other governmental and fiduciary funds. Most notably this fund is used to account for the Downtown Main Street revitalization project.

City of Lakeport, California  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014

	SPECIAL REVENUE			
	Parkland Dedication	HUTA Gas Tax	Prop 172 Public Safety	Lakeport Housing
<b>ASSETS</b>				
Cash and Investments	\$ -	\$ 319,341	\$ 27,815	\$ -
Receivables:				
Interest	-	115	-	-
Taxes	-	16,992	5,476	-
Notes	-	-	-	95,769
Grants	-	-	-	-
Other	-	-	-	500
Total assets	<u>\$ -</u>	<u>\$ 336,448</u>	<u>\$ 33,291</u>	<u>\$ 96,269</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 51,123	\$ 7,872	\$ -
Due to other funds	-	-	-	-
Advances from other funds	175,140	-	-	212,069
Total liabilities	<u>175,140</u>	<u>51,123</u>	<u>7,872</u>	<u>212,069</u>
<b>FUND BALANCE</b>				
Nonspendable:				
Loans receivable	-	-	-	95,769
Restricted:				
Law enforcement	-	-	25,419	-
Housing programs	-	-	-	-
Economic development programs	-	-	-	-
Transportation infrastructure	-	285,325	-	-
Assigned:				
Housing and community assistance	-	-	-	-
Unassigned	(175,140)	-	-	(211,569)
Total Fund Balance	<u>(175,140)</u>	<u>285,325</u>	<u>25,419</u>	<u>(115,800)</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 336,448</u>	<u>\$ 33,291</u>	<u>\$ 96,269</u>

City of Lakeport, California  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014

	SPECIAL REVENUE			
	Economic PI	BSCC Law Enforcement Grant	Low-Mod Housing Fund	Housing PI
<b>ASSETS</b>				
Cash and Investments	\$ 161,504	\$ 91,978	\$ 19,634	\$ 7,565
Receivables:				
Interest	58	33	7	3
Taxes	-	-	-	-
Notes	316,095	-	430,730	303,163
Grants	-	-	-	-
Other	7,583	-	2,383	-
Total assets	<u>\$ 485,240</u>	<u>\$ 92,011</u>	<u>\$ 452,754</u>	<u>\$ 310,731</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 16	\$ -	\$ -	\$ 88
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>16</u>	<u>-</u>	<u>-</u>	<u>88</u>
<b>FUND BALANCE</b>				
Nonspendable:				
Loans receivable	-	-	-	-
Restricted:				
Law enforcement	-	92,011	-	-
Housing programs	-	-	452,754	310,643
Economic development programs	485,224	-	-	-
Transportation infrastructure	-	-	-	-
Assigned:				
Housing and community assistance	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>485,224</u>	<u>92,011</u>	<u>452,754</u>	<u>310,643</u>
Total Liabilities and Fund Balance	<u>\$ 485,240</u>	<u>\$ 92,011</u>	<u>\$ 452,754</u>	<u>\$ 310,731</u>

City of Lakeport, California  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014

	SPECIAL REVENUE			
	Emergency Housing	Microenterprise PI	Business Stabilization	PTA Grant #09-PTAG-6504
<b>ASSETS</b>				
Cash and Investments	\$ 7,537	\$ 1,811	\$ 5,431	\$ -
Receivables:				
Interest	2	1	2	-
Taxes	-	-	-	-
Notes	6,635	-	57,469	-
Grants	-	-	-	-
Other	-	-	452	-
Total assets	<u>\$ 14,174</u>	<u>\$ 1,812</u>	<u>\$ 63,354</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>				
Nonspendable:				
Loans receivable	6,635	-	57,469	
Restricted:				
Law enforcement	-	-	-	
Housing programs	-	-	-	
Economic development programs	-	1,812	-	
Transportation infrastructure	-	-	-	
Assigned:				
Housing and community assistance	7,539	-	5,885	-
Unassigned	-	-	-	-
Total Fund Balance	<u>14,174</u>	<u>1,812</u>	<u>63,354</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 14,174</u>	<u>\$ 1,812</u>	<u>\$ 63,354</u>	<u>\$ -</u>

City of Lakeport, California  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014

	SPECIAL REVENUE			
	CDBG 2010 ED	CDBG 2010 Housing	HOME Program Income	2012 HOME Grant
<b>ASSETS</b>				
Cash and Investments	\$ -	\$ -	\$ 1,039	\$ 527
Receivables:				
Interest	-	127	-	-
Taxes	-	-	-	-
Notes	-	355,802	1,397,174	56,312
Grants	-	-	-	59,217
Other	-	-	740	-
Total assets	<u>\$ -</u>	<u>\$ 355,929</u>	<u>\$ 1,398,953</u>	<u>\$ 116,056</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 527
Due to other funds	-	-	-	58,976
Advances from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,503</u>
<b>FUND BALANCE</b>				
Nonspendable:				
Loans receivable	-	355,802	-	-
Restricted:				
Law enforcement	-	-	-	-
Housing programs	-	127	1,398,953	56,553
Economic development programs	-	-	-	-
Transportation infrastructure	-	-	-	-
Assigned:				
Housing and community assistance	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>-</u>	<u>355,929</u>	<u>1,398,953</u>	<u>56,553</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 355,929</u>	<u>\$ 1,398,953</u>	<u>\$ 116,056</u>

City of Lakeport, California  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014

	SPECIAL REVENUE			
	Tenth Street Drainage	Lakeport Blvd Improvement	South Main Improvement	Parkside Traffic Mitigation
<b>ASSETS</b>				
Cash and Investments	\$ 84,925	\$ 116,449	\$ 61,693	\$ 17,196
Receivables:				
Interest	31	42	22	6
Taxes	-	-	-	-
Notes	-	-	-	-
Grants	-	-	-	-
Other	-	-	-	-
Total assets	<u>\$ 84,956</u>	<u>\$ 116,491</u>	<u>\$ 61,715</u>	<u>\$ 17,202</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>				
Nonspendable:				
Loans receivable	-	-	-	-
Restricted:				
Law enforcement	-	-	-	-
Housing programs	-	-	-	-
Economic development programs	-	-	-	-
Transportation infrastructure	84,956	116,491	61,715	17,202
Assigned:				
Housing and community assistance	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>84,956</u>	<u>116,491</u>	<u>61,715</u>	<u>17,202</u>
Total Liabilities and Fund Balance	<u>\$ 84,956</u>	<u>\$ 116,491</u>	<u>\$ 61,715</u>	<u>\$ 17,202</u>

City of Lakeport, California  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014

	SPECIAL REVENUE			
	Parallel/Bevins form Maintenance	Forbes Creek Trail	Lakeshore Storm Damage	Safe Routes to Schools
<b>ASSETS</b>				
Cash and Investments	\$ 19,880	\$ -	\$ 9,319	\$ -
Receivables:				
Interest	7	-	3	-
Taxes	-	-	-	-
Notes	-	-	-	-
Grants	-	11,828	-	-
Other	-	-	-	-
Total assets	<u>\$ 19,887</u>	<u>\$ 11,828</u>	<u>\$ 9,322</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	11,828	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>11,828</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>				
Nonspendable:				
Loans receivable	-	-	-	-
Restricted:				
Law enforcement	-	-	-	-
Housing programs	-	-	-	-
Economic development programs	-	-	-	-
Transportation infrastructure	19,887	-	9,322	-
Assigned:				
Housing and community assistance	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>19,887</u>	<u>-</u>	<u>9,322</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 19,887</u>	<u>\$ 11,828</u>	<u>\$ 9,322</u>	<u>\$ -</u>

City of Lakeport, California  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014

	SPECIAL REVENUE		
	Prop 40 Per Capita Grant	Storm Drainage Fund	Lakeshore Blvd HSIPL (Safety)
<b>ASSETS</b>			
Cash and Investments	\$ -	\$ 353,545	\$ 794
Receivables:			
Interest	-	128	-
Taxes	-	-	-
Notes	-	-	-
Grants	10,188	-	-
Other	-	-	-
Total assets	<u>\$ 10,188</u>	<u>\$ 353,673</u>	<u>\$ 794</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	10,188	-	-
Advances from other funds	-	-	-
Total liabilities	<u>10,188</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>			
Nonspendable:			
Loans receivable	-	-	-
Restricted:			
Law enforcement	-	-	-
Housing programs	-	-	-
Economic development programs	-	-	-
Transportation infrastructure	-	353,673	794
Assigned:			
Housing and community assistance	-	-	-
Unassigned	-	-	-
Total Fund Balance	<u>-</u>	<u>353,673</u>	<u>794</u>
Total Liabilities and Fund Balance	<u>\$ 10,188</u>	<u>\$ 353,673</u>	<u>\$ 794</u>

City of Lakeport, California  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014

	<u>Capital Projects General Capital</u>	<u>Total Other Governmental</u>
Cash and Investments	\$ -	\$ 1,307,983
Receivables:		
Interest	-	587
Taxes	-	22,468
Notes	-	3,019,149
Grants	-	81,233
Other	-	11,658
	<u>\$ -</u>	<u>\$ 4,443,078</u>
Accounts payable	\$ -	\$ 59,626
Due to other funds	-	80,992
Advances from other funds	-	387,209
	<u>-</u>	<u>527,827</u>
Nonspendable:		
Loans receivable	-	515,675
Restricted:		
Law enforcement	-	117,430
Housing programs	-	2,219,030
Economic development programs	-	487,036
Transportation infrastructure	-	949,365
Assigned:		
Housing and community assistance	-	13,424
Unassigned	-	(386,709)
	<u>-</u>	<u>3,915,251</u>
	<u>\$ -</u>	<u>\$ 4,443,078</u>

City of Lakeport, California  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2014

	SPECIAL REVENUE			
	Parkland Dedication	HUTA Gas Tax	Prop 172 Public Safety	Lakeport Housing
REVENUE				
Taxes:				
Sales	\$ -	\$ 165,892	\$ 31,329	\$ -
Use of money and property	-	505	3	501
Intergovernmental revenue	-	-	-	-
Total revenue	<u>-</u>	<u>166,397</u>	<u>31,332</u>	<u>501</u>
EXPENDITURES				
Current:				
Roads and infrastructure:				
Public works	-	137,495	-	-
Engineering and information technology	-	-	-	-
Sanitation	-	-	-	-
Housing and support programs	-	-	-	2,529
Economic development	-	-	-	-
Public safety	-	-	8,036	-
Parks, buildings, and grounds	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>137,495</u>	<u>8,036</u>	<u>2,529</u>
Excess of revenue over (under) expenditures	<u>-</u>	<u>28,902</u>	<u>23,296</u>	<u>(2,028)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(9,391)	-	-
OTHER TRANSFERS				
Transfer to private purpose trust	-	-	-	-
Total other	<u>-</u>	<u>(9,391)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	19,511	23,296	(2,028)
Fund balance - beginning	(175,140)	265,814	2,123	(113,772)
Fund balance - ending	<u>\$ (175,140)</u>	<u>\$ 285,325</u>	<u>\$ 25,419</u>	<u>\$ (115,800)</u>

City of Lakeport, California  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2014

	SPECIAL REVENUE			
	Economic PI	BSCC Law Enforcement Gran	Low-Mod Housing Fund	Housing PI
REVENUE				
Taxes:				
Sales	\$ -	\$ -	\$ -	\$ -
Use of money and property	65,336	145	5,355	(600)
Intergovernmental revenue	-	69,312	-	-
Total revenue	<u>65,336</u>	<u>69,457</u>	<u>5,355</u>	<u>(600)</u>
EXPENDITURES				
Current:				
Roads and infrastructure:				
Public works	-	-	-	-
Engineering and information technology	-	-	-	-
Sanitation	-	-	-	-
Housing and support programs	-	-	18,539	14,712
Economic development	34,943	-	-	-
Public safety	-	15,000	-	-
Parks, buildings, and grounds	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>34,943</u>	<u>15,000</u>	<u>18,539</u>	<u>14,712</u>
Excess of revenue over (under) expenditures	<u>30,393</u>	<u>54,457</u>	<u>(13,184)</u>	<u>(15,312)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
OTHER TRANSFERS				
Transfer to private purpose trust	-	-	-	-
Total other	-	-	-	-
Net change in fund balance	<u>30,393</u>	<u>54,457</u>	<u>(13,184)</u>	<u>(15,312)</u>
Fund balance - beginning	454,831	37,554	465,938	325,955
Fund balance - ending	<u>\$ 485,224</u>	<u>\$ 92,011</u>	<u>\$ 452,754</u>	<u>\$ 310,643</u>

City of Lakeport, California  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2014

	SPECIAL REVENUE			
	Emergency Housing	Microenterprise PI	Business Stabilization	PTA Grant #09-PTAG-6504
<b>REVENUE</b>				
Taxes:				
Sales	\$ -	\$ -	\$ -	\$ -
Use of money and property	6,180	3	327	-
Intergovernmental revenue	-	-	-	-
Total revenue	<u>6,180</u>	<u>3</u>	<u>327</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
Roads and infrastructure:				
Public works	-	-	-	-
Engineering and information technology	-	-	-	-
Sanitation	-	-	-	-
Housing and support programs	-	-	-	-
Economic development	-	-	-	-
Public safety	-	-	-	-
Parks, buildings, and grounds	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures	<u>6,180</u>	<u>3</u>	<u>327</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>OTHER TRANSFERS</b>				
Transfer to private purpose trust	-	-	-	-
Total other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>6,180</u>	<u>3</u>	<u>327</u>	<u>-</u>
Fund balance - beginning	7,994	1,809	63,027	-
Fund balance - ending	<u>\$ 14,174</u>	<u>\$ 1,812</u>	<u>\$ 63,354</u>	<u>\$ -</u>

City of Lakeport, California  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2014

	SPECIAL REVENUE			
	CDBG 2010 ED	CDBG 2010 Housing	HOME Program Income	2012 HOME Grant
REVENUE				
Taxes:				
Sales	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	559	1,055	-
Intergovernmental revenue	-	-	-	58,976
Total revenue	<u>-</u>	<u>559</u>	<u>1,055</u>	<u>58,976</u>
EXPENDITURES				
Current:				
Roads and infrastructure:				
Public works	-	-	-	-
Engineering and information technology	-	-	-	-
Sanitation	-	-	-	-
Housing and support programs	-	71,513	13,043	2,423
Economic development	978	-	-	-
Public safety	-	-	-	-
Parks, buildings, and grounds	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>978</u>	<u>71,513</u>	<u>13,043</u>	<u>2,423</u>
Excess of revenue over (under) expenditures	<u>(978)</u>	<u>(70,954)</u>	<u>(11,988)</u>	<u>56,553</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	977	-	-	-
Transfers out	(11,782)	(15,814)	-	-
OTHER TRANSFERS				
Transfer to private purpose trust	-	-	-	-
Total other	<u>(10,805)</u>	<u>(15,814)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(11,783)</u>	<u>(86,768)</u>	<u>(11,988)</u>	<u>56,553</u>
Fund balance - beginning	11,783	442,697	1,410,941	-
Fund balance - ending	<u>\$ -</u>	<u>\$ 355,929</u>	<u>\$ 1,398,953</u>	<u>\$ 56,553</u>

City of Lakeport, California  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2014

	SPECIAL REVENUE			
	Tenth Street Drainage	Lakeport Blvd Improvement	South Main Improvement	Parkside Traffic Mitigation
REVENUE				
Taxes:				
Sales	\$ -	\$ -	\$ -	\$ -
Use of money and property	134	184	97	27
Intergovernmental revenue	-	-	-	-
Total revenue	<u>134</u>	<u>184</u>	<u>97</u>	<u>27</u>
EXPENDITURES				
Current:				
Roads and infrastructure:				
Public works	-	-	-	-
Engineering and information technology	-	-	-	-
Sanitation	-	-	-	-
Housing and support programs	-	-	-	-
Economic development	-	-	-	-
Public safety	-	-	-	-
Parks, buildings, and grounds	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures	<u>134</u>	<u>184</u>	<u>97</u>	<u>27</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
OTHER TRANSFERS				
Transfer to private purpose trust	-	-	-	-
Total other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>134</u>	<u>184</u>	<u>97</u>	<u>27</u>
Fund balance - beginning	84,822	116,307	61,618	17,175
Fund balance - ending	<u>\$ 84,956</u>	<u>\$ 116,491</u>	<u>\$ 61,715</u>	<u>\$ 17,202</u>

City of Lakeport, California  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2014

	SPECIAL REVENUE			
	Parallel/Bevins Storm Maintenance	Forbes Creek Trail	Lakeshore Storm Damage	Safe Routes to Schools
REVENUE				
Taxes:				
Sales	\$ -	\$ -	\$ -	\$ -
Use of money and property	31	-	14	-
Intergovernmental revenue	-	-	-	-
Total revenue	<u>31</u>	<u>-</u>	<u>14</u>	<u>-</u>
EXPENDITURES				
Current:				
Roads and infrastructure:				
Public works	-	-	-	-
Engineering and information technology	-	-	-	-
Sanitation	-	-	-	-
Housing and support programs	-	-	-	-
Economic development	-	-	-	-
Public safety	-	-	-	-
Parks, buildings, and grounds	-	96	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>96</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures	<u>31</u>	<u>(96)</u>	<u>14</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
OTHER TRANSFERS				
Transfer to private purpose trust	-	-	-	-
Total other	-	-	-	-
Net change in fund balance	<u>31</u>	<u>(96)</u>	<u>14</u>	<u>-</u>
Fund balance - beginning	19,856	96	9,308	-
Fund balance - ending	<u>\$ 19,887</u>	<u>\$ -</u>	<u>\$ 9,322</u>	<u>\$ -</u>

City of Lakeport, California  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2014

	SPECIAL REVENUE		
	Prop 40 Per Capita Grant	Storm Drainage Fund	Lakeshore Blvd HSIPL (Safety)
REVENUE			
Taxes:			
Sales	\$ -	\$ -	\$ -
Use of money and property	-	560	1
Intergovernmental revenue	760	-	-
Total revenue	<u>760</u>	<u>560</u>	<u>1</u>
EXPENDITURES			
Current:			
Roads and infrastructure:			
Public works	-	-	-
Engineering and information technology	-	-	(527)
Sanitation	-	-	-
Housing and support programs	-	-	-
Economic development	-	-	-
Public safety	-	-	-
Parks, buildings, and grounds	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>(527)</u>
Excess of revenue over (under) expenditures	<u>760</u>	<u>560</u>	<u>528</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(760)	-	-
OTHER TRANSFERS			
Transfer to private purpose trust	-	-	-
Total other	<u>(760)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	560	528
Fund balance - beginning	-	353,113	266
Fund balance - ending	<u>\$ -</u>	<u>\$ 353,673</u>	<u>\$ 794</u>

City of Lakeport, California  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Non-Major Governmental Funds  
Year Ended June 30, 2014

	<u>Capital Projects General Capital</u>	<u>Total Other Governmental</u>
REVENUE		
Taxes:		
Sales	\$ -	\$ 197,221
Use of money and property	-	80,417
Intergovernmental revenue	12,451	141,499
Total revenue	<u>12,451</u>	<u>419,137</u>
EXPENDITURES		
Current:		
Roads and infrastructure:		
Public works	-	137,495
Engineering and information technology	-	(527)
Sanitation	-	-
Housing and support programs	-	122,759
Economic development	-	35,921
Public safety	-	23,036
Parks, buildings, and grounds	-	96
Capital outlay	7,641	7,641
Total expenditures	<u>7,641</u>	<u>326,421</u>
Excess of revenue over (under) expenditures	<u>4,810</u>	<u>92,716</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	977
Transfers out	-	(37,747)
OTHER TRANSFERS		
Transfer to private purpose trust	(2,009,990)	(2,009,990)
Total other	<u>(2,009,990)</u>	<u>(2,046,760)</u>
	(2,005,180)	(1,954,044)
Fund balance - beginning	2,005,180	5,869,295
Fund balance - ending	<u>\$ -</u>	<u>\$ 3,915,251</u>

NON-MAJOR GOVERNMENTAL FUND BUDGET COMPARISON SCHEDULES

City of Lakeport, California  
Gas Tax Fund (HUTA)  
Schedule of Revenue, Expenditures, and Change in Fund Balances  
Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Taxes:				
Sales	\$ 155,404	\$ 155,404	\$ 165,892	\$ 10,488
Use of money and property	600	600	505	(95)
Total revenue	<u>156,004</u>	<u>156,004</u>	<u>166,397</u>	<u>10,393</u>
<b>EXPENDITURES</b>				
Current:				
Roads and infrastructure:				
Public works	290,000	290,000	137,495	152,505
Total expenditures	<u>290,000</u>	<u>290,000</u>	<u>137,495</u>	<u>152,505</u>
Excess of revenue over (under) expenditures	<u>(133,996)</u>	<u>(133,996)</u>	<u>28,902</u>	<u>162,898</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(9,000)	(9,000)	(9,391)	(391)
Total other	<u>(9,000)</u>	<u>(9,000)</u>	<u>(9,391)</u>	<u>(391)</u>
Net change in fund balance	(142,996)	(142,996)	19,511	162,507
Fund balance - beginning	265,814	265,814	265,814	-
Fund balance - ending	<u>\$ 122,818</u>	<u>\$ 122,818</u>	<u>\$ 285,325</u>	<u>\$ 162,507</u>

City of Lakeport, California  
 Prop 172 Public Safety Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Taxes:				
Sales	\$ 20,000	\$ 20,000	\$ 31,329	\$ 11,329
Use of money and property	100	100	3	(97)
Total revenue	20,100	20,100	31,332	11,232
<b>EXPENDITURES</b>				
Current:				
Public safety	20,000	20,000	8,036	11,964
Total expenditures	20,000	20,000	8,036	11,964
Excess of revenue over (under) expenditures	100	100	23,296	23,196
Net change in fund balance	100	100	23,296	23,196
Fund balance - beginning	2,123	2,123	2,123	-
Fund balance - ending	\$ 2,223	\$ 2,223	\$ 25,419	\$ 23,196

City of Lakeport, California  
 Lakeport Housing Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Use of money and property	\$ -	\$ -	\$ 501	\$ 501
Total revenue	<u>-</u>	<u>-</u>	<u>501</u>	<u>501</u>
<b>EXPENDITURES</b>				
Current:				
Housing and support programs	-	-	2,529	(2,529)
Total expenditures	<u>-</u>	<u>-</u>	<u>2,529</u>	<u>(2,529)</u>
Excess of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>(2,028)</u>	<u>(2,028)</u>
Net change in fund balance	-	-	(2,028)	(2,028)
Fund balance - beginning	<u>(113,772)</u>	<u>(113,772)</u>	<u>(113,772)</u>	<u>-</u>
Fund balance - ending	<u>\$ (113,772)</u>	<u>\$ (113,772)</u>	<u>\$ (115,800)</u>	<u>\$ (2,028)</u>

City of Lakeport, California  
 CDBG Economic Development Program Income Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 48,200	\$ 48,200	\$ 121,926	\$ 73,726
Total revenue	48,200	48,200	121,926	73,726
<b>EXPENDITURES</b>				
Current:				
Economic development	38,500	38,500	34,943	3,557
Total expenditures	38,500	38,500	34,943	3,557
Excess of revenue over (under) expenditures	9,700	9,700	86,983	77,283
Net change in fund balance	(22,300)	(22,300)	86,983	109,283
Fund balance - beginning	454,831	454,831	454,831	-
Fund balance - ending	\$ 432,531	\$ 432,531	\$ 541,814	\$ 109,283

**Reconciliation of Net Changes in Fund Balance - Budgetary to GAAP Basis:**

<b>Net Change in Fund Balance - Budgetary Basis</b>	\$ 86,983
Principal payments received are not considered revenue for GAAP financial reporting	(56,590)
Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 30,393

**Reconciliation of Fund Balance - Budgetary to GAAP Basis:**

<b>Fund Balance - Ending - Budgetary Basis</b>	\$ 541,814
Cumulative effect of reclassification of principal payments received	(56,590)
<b>Fund Balance - Ending - GAAP Basis</b>	\$ 485,224

City of Lakeport, California  
 BSCC Law Enforcement Subvention  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ -	\$ -	\$ 145	\$ 145
Intergovernmental revenue	65,000	65,000	69,312	4,312
Total revenue	65,000	65,000	69,457	4,457
<b>EXPENDITURES</b>				
Current:				
Public safety	40,000	55,000	15,000	40,000
Total expenditures	40,000	55,000	15,000	40,000
Excess of revenue over (under) expenditures	25,000	10,000	54,457	44,457
Transfers out	(20,000)	(20,000)	-	20,000
Net change in fund balance	5,000	(10,000)	54,457	64,457
Fund balance - beginning	37,554	37,554	37,554	-
Fund balance - ending	\$ 42,554	\$ 27,554	\$ 92,011	\$ 64,457

City of Lakeport, California  
 Low-Mod Housing Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 50	\$ 50	\$ 13,997	\$ 13,947
Total revenue	50	50	13,997	13,947
<b>EXPENDITURES</b>				
Current:				
Housing and support programs	-	-	18,539	(18,539)
Total expenditures	-	-	18,539	(18,539)
Excess of revenue over (under) expenditures	50	50	(4,542)	(4,592)
<b>OTHER FINANCING SOURCES (USES)</b>				
Net change in fund balance	50	50	(4,542)	(4,592)
Fund balance - beginning	465,938	465,938	465,938	-
Fund balance - ending	\$ 465,988	\$ 465,988	\$ 461,396	\$ (4,592)

**Reconciliation of Net Changes in Fund Balance - Budgetary to GAAP Basis:**

<b>Net Change in Fund Balance - Budgetary Basis</b>	\$ (4,542)
Principal payments received are not considered revenue for GAAP financial reporting	(8,642)

Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ (13,184)
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**Reconciliation of Fund Balance - Budgetary to GAAP Basis:**

<b>Fund Balance - Ending - Budgetary Basis</b>	\$ 461,396
Cumulative effect of reclassification of principal payments received	(8,642)

<b>Fund Balance - Ending - GAAP Basis</b>	\$ 452,754
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City of Lakeport, California  
 CDBG Housing Program Income Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 3,150	\$ 3,150	\$ (600)	\$ (3,750)
Total revenue	3,150	3,150	(600)	(3,750)
<b>EXPENDITURES</b>				
Current:				
Housing and support programs	63,000	63,000	14,712	48,288
Total expenditures	63,000	63,000	14,712	48,288
Excess of revenue over (under) expenditures	(59,850)	(59,850)	(15,312)	44,538
Net change in fund balance	(37,350)	(37,350)	(15,312)	22,038
Fund balance - beginning	325,955	325,955	325,955	-
Fund balance - ending	\$ 288,605	\$ 288,605	\$ 310,643	\$ 22,038

City of Lakeport, California  
Emergency Housing Assistance  
Schedule of Revenue, Expenditures, and Change in Fund Balances  
Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ -	\$ -	\$ 7,074	\$ 7,074
Total revenue	-	-	7,074	7,074
<b>EXPENDITURES</b>				
Current:				
Housing and support programs	6,000	6,000	-	6,000
Total expenditures	6,000	6,000	-	6,000
Excess of revenue over (under) expenditures	(6,000)	(6,000)	7,074	13,074
Net change in fund balance	(6,000)	(6,000)	7,074	13,074
Fund balance - beginning	7,994	7,994	7,994	-
Fund balance - ending	\$ 1,994	\$ 1,994	\$ 15,068	\$ 13,074

**Reconciliation of Net Changes in Fund Balance - Budgetary to GAAP Basis:**

<b>Net Change in Fund Balance - Budgetary Basis</b>	\$ 7,074
Principal payments received are not considered revenue for GAAP financial reporting	(894)
Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 6,180

**Reconciliation of Fund Balance - Budgetary to GAAP Basis:**

<b>Fund Balance - Ending - Budgetary Basis</b>	\$ 15,068
Cumulative effect of reclassification of principal payments received	(894)
<b>Fund Balance - Ending - GAAP Basis</b>	\$ 14,174

City of Lakeport, California  
 CDBG Microenterprise Program Income Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ -	\$ -	\$ 3	\$ 3
Total revenue	-	-	3	3
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	-	-	3	3
Net change in fund balance	-	-	3	3
Fund balance - beginning	1,809	1,809	1,809	-
Fund balance - ending	\$ 1,809	\$ 1,809	\$ 1,812	\$ 3

City of Lakeport, California  
 Business Stabilization Loan Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ -	\$ -	\$ 5,433	\$ 5,433
Total revenue	-	-	5,433	5,433
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	-	-	5,433	5,433
Net change in fund balance	-	-	5,433	5,433
Fund balance - beginning	63,027	63,027	63,027	-
Fund balance - ending	\$ 63,027	\$ 63,027	\$ 68,460	\$ 5,433

**Reconciliation of Net Changes in Fund Balance - Budgetary to GAAP Basis:**

<b>Net Change in Fund Balance - Budgetary Basis</b>	\$ 5,433
Principal payments received are not considered revenue for GAAP financial reporting	(5,106)
Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 327

**Reconciliation of Fund Balance - Budgetary to GAAP Basis:**

<b>Fund Balance - Ending - Budgetary Basis</b>	\$ 68,460
Cumulative effect of reclassification of principal payments received	(5,106)
<b>Fund Balance - Ending - GAAP Basis</b>	\$ 63,354

City of Lakeport, California  
 2010 CDBG Economic Development Grant  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Total revenue	-	-	-	-
<b>EXPENDITURES</b>				
Current:				
Economic development	\$ -	\$ -	\$ 978	\$ (978)
Total expenditures	-	-	978	(978)
Excess of revenue over (under) expenditures	-	-	(978)	(978)
Net change in fund balance	-	-	(11,783)	(11,783)
Fund balance - beginning	11,783	11,783	11,783	-
Fund balance - ending	\$ 11,783	\$ 11,783	\$ -	\$ (11,783)

City of Lakeport, California  
 2010 CDBG Housing Grant  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ -	\$ -	\$ 559	\$ 559
Total revenue	<u>-</u>	<u>-</u>	<u>559</u>	<u>559</u>
<b>EXPENDITURES</b>				
Current:				
Housing and support programs	-	-	71,513	(71,513)
Total expenditures	<u>-</u>	<u>-</u>	<u>71,513</u>	<u>(71,513)</u>
Excess of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>(70,954)</u>	<u>(70,954)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(15,814)	(15,814)
Total other	<u>-</u>	<u>-</u>	<u>(15,814)</u>	<u>(15,814)</u>
Net change in fund balance	-	-	(86,768)	(86,768)
Fund balance - beginning	442,697	442,697	442,697	-
Fund balance - ending	<u>\$ 442,697</u>	<u>\$ 442,697</u>	<u>\$ 355,929</u>	<u>\$ (86,768)</u>

City of Lakeport, California  
HOME Program Income Fund  
Schedule of Revenue, Expenditures, and Change in Fund Balances  
Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ -	\$ -	\$ 1,055	\$ 1,055
Total revenue	-	-	1,055	1,055
<b>EXPENDITURES</b>				
Current:				
Housing and support programs	-	-	13,043	(13,043)
Total expenditures	-	-	13,043	(13,043)
Excess of revenue over (under) expenditures	-	-	(11,988)	(11,988)
Net change in fund balance	-	-	(11,988)	(11,988)
Fund balance - beginning	1,410,941	1,410,941	1,410,941	-
Fund balance - ending	\$ 1,410,941	\$ 1,410,941	\$ 1,398,953	\$ (11,988)

City of Lakeport, California  
2012 HOME Grant Fund  
Schedule of Revenue, Expenditures, and Change in Fund Balances  
Budget and Actual

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Intergovernmental revenue	\$ 470,005	\$ 470,005	\$ 58,976	\$ (411,029)
Total revenue	<u>470,005</u>	<u>470,005</u>	<u>58,976</u>	<u>(411,029)</u>
<b>EXPENDITURES</b>				
Current:				
Housing and support programs	440,005	440,005	58,735	381,270
Total expenditures	<u>440,005</u>	<u>440,005</u>	<u>58,735</u>	<u>381,270</u>
Excess of revenue over (under) expenditures	<u>30,000</u>	<u>30,000</u>	<u>241</u>	<u>(29,759)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(30,000)	(30,000)	-	30,000
Total other	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
Net change in fund balance	-	-	241	241
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241</u>	<u>\$ 241</u>

**Reconciliation of Net Changes in Fund Balance - Budgetary to GAAP Basis:**

<b>Net Change in Fund Balance - Budgetary Basis</b>	\$ 241
Loans made are not considered expenditures for GAAP financial reporting	<u>56,312</u>

Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 56,553</u>
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**Reconciliation of Fund Balance - Budgetary to GAAP Basis:**

<b>Fund Balance - Ending - Budgetary Basis</b>	\$ 241
Cumulative effect of reclassification of principal payments received	<u>56,312</u>

<b>Fund Balance - Ending - GAAP Basis</b>	<u>\$ 56,553</u>
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City of Lakeport, California  
Tenth Street Drainage Fund  
Schedule of Revenue, Expenditures, and Change in Fund Balances  
Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 300	\$ 300	\$ 134	\$ (166)
Total revenue	300	300	134	(166)
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	300	300	134	(166)
Net change in fund balance	300	300	134	(166)
Fund balance - beginning	84,822	84,822	84,822	-
Fund balance - ending	\$ 85,122	\$ 85,122	\$ 84,956	\$ (166)

City of Lakeport, California  
 Lakeport Blvd Improvement Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 400	\$ 400	\$ 184	\$ (216)
Total revenue	400	400	184	(216)
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	400	400	184	(216)
Net change in fund balance	400	400	184	(216)
Fund balance - beginning	116,307	116,307	116,307	-
Fund balance - ending	\$ 116,707	\$ 116,707	\$ 116,491	\$ (216)

City of Lakeport, California  
 South Main Street Improvement Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 240	\$ 240	\$ 97	\$ (143)
Total revenue	240	240	97	(143)
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	240	240	97	(143)
Net change in fund balance	240	240	97	(143)
Fund balance - beginning	61,618	61,618	61,618	-
Fund balance - ending	\$ 61,858	\$ 61,858	\$ 61,715	\$ (143)

City of Lakeport, California  
 Parkside Traffic Mitigation Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 20	\$ 20	\$ 27	\$ 7
Total revenue	20	20	27	7
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	20	20	27	7
Net change in fund balance	20	20	27	7
Fund balance - beginning	17,175	17,175	17,175	-
Fund balance - ending	\$ 17,195	\$ 17,195	\$ 17,202	\$ 7

City of Lakeport, California  
 Parallel/Bevins Storm Water Maintenance Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 50	\$ 50	\$ 31	\$ (19)
Total revenue	50	50	31	(19)
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	50	50	31	(19)
Net change in fund balance	50	50	31	(19)
Fund balance - beginning	19,856	19,856	19,856	-
Fund balance - ending	\$ 19,906	\$ 19,906	\$ 19,887	\$ (19)

City of Lakeport, California  
 Forbes Creek Trail Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 30	\$ 30	\$ -	\$ (30)
Total revenue	30	30	-	(30)
<b>EXPENDITURES</b>				
Current:				
Parks, buildings, and grounds	-	-	96	(96)
Total expenditures	-	-	96	(96)
Excess of revenue over (under) expenditures	30	30	(96)	(126)
Net change in fund balance	30	30	(96)	(126)
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ 30	\$ 30	\$ (96)	\$ (126)

City of Lakeport, California  
 Lakeshore Storm Damage Repair  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 20	\$ 20	\$ 14	\$ (6)
Total revenue	20	20	14	(6)
<b>EXPENDITURES</b>				
Current:				
Engineering and information technology	61,000	61,000	-	61,000
Total expenditures	61,000	61,000	-	61,000
Excess of revenue over (under) expenditures	(60,980)	(60,980)	14	60,994
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(7,000)	(7,000)	-	7,000
Total other	(7,000)	(7,000)	-	7,000
Net change in fund balance	(67,980)	(67,980)	14	67,994
Fund balance - beginning	9,308	9,308	9,308	-
Fund balance - ending	\$ (58,672)	\$ (58,672)	\$ 9,322	\$ 67,994

City of Lakeport, California  
 Prop 40 Per Capita Grant  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Intergovernmental revenue	\$ -	\$ -	\$ 760	\$ 760
Total revenue	-	-	760	760
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
Excess of revenue over (under) expenditures	-	-	760	760
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(760)	(760)
Total other	-	-	(760)	(760)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

City of Lakeport, California  
Storm Drainage Fund  
Schedule of Revenue, Expenditures, and Change in Fund Balances  
Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 500	\$ 500	\$ 560	\$ 60
Other revenue	5,000	5,000	-	(5,000)
Total revenue	5,500	5,500	560	(4,940)
<b>EXPENDITURES</b>				
Current:				
Public works	118,500	118,500	-	118,500
Total expenditures	118,500	118,500	-	118,500
Excess of revenue over (under) expenditures	(113,000)	(113,000)	560	113,560
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(9,900)	(9,900)	-	9,900
Total other	(9,900)	(9,900)	-	9,900
Net change in fund balance	(122,900)	(122,900)	560	123,460
Fund balance - beginning	353,113	353,113	353,113	-
Fund balance - ending	\$ 230,213	\$ 230,213	\$ 353,673	\$ 123,460

City of Lakeport, California  
 Lakeshore Blvd HSIPL Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ -	\$ -	\$ 1	\$ 1
Intergovernmental revenue	161,700	161,700	-	(161,700)
Total revenue	<u>161,700</u>	<u>161,700</u>	<u>1</u>	<u>(161,699)</u>
<b>EXPENDITURES</b>				
Current:				
Engineering and information technology	-	-	(527)	527
Total expenditures	<u>-</u>	<u>-</u>	<u>(527)</u>	<u>527</u>
Excess of revenue over (under) expenditures	<u>161,700</u>	<u>161,700</u>	<u>528</u>	<u>(161,172)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(14,700)	(14,700)	-	14,700
Total other	<u>(14,700)</u>	<u>(14,700)</u>	<u>-</u>	<u>14,700</u>
Net change in fund balance	147,000	147,000	528	(146,472)
Fund balance - beginning	266	266	266	-
Fund balance - ending	<u>\$ 147,266</u>	<u>\$ 147,266</u>	<u>\$ 794</u>	<u>\$ (146,472)</u>

City of Lakeport, California  
 General Capital Improvement Fund  
 Schedule of Revenue, Expenditures, and Change in Fund Balances  
 Budget and Actual

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Use of money and property	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Intergovernmental revenue	-	-	12,451	12,451
Total revenue	2,000	2,000	12,451	10,451
<b>EXPENDITURES</b>				
Current:				
Capital outlay	1,500,000	1,500,000	7,641	1,492,359
Total expenditures	1,500,000	1,500,000	7,641	1,492,359
Excess of revenue over (under) expenditures	(1,498,000)	(1,498,000)	4,810	1,502,810
<b>OTHER FINANCING SOURCES (USES)</b>				
OTHER TRANSFERS				
Transfer to private purpose trust fund	-	-	(2,009,990)	(2,009,990)
Total other	-	-	(2,009,990)	(2,009,990)
Net change in fund balance	(1,498,000)	(1,498,000)	(2,005,180)	(507,180)
Fund balance - beginning	2,005,180	2,005,180	2,005,180	-
Fund balance - ending	\$ 507,180	\$ 507,180	\$ -	\$ (507,180)

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## COMBINING FIDUCIARY FUNDS

### AGENCY FUNDS

#### **SPECIAL DEPOSIT AGENCY FUND**

Resources held for outside parties that are not available for spending by the City.

#### **OTHER POST-EMPLOYMENT BENEFITS (OPEB) AGENCY FUND**

Resources for other post-employment benefits (OPEB) are managed and maintained in this fund. This includes City contributions to retiree health (medical, dental, vision, etc.).

City of Lakeport, California  
 Combining Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2014

	Agency (\$pecial Deposits)	Agency OPEB
<b>ASSETS</b>		
Cash and investments	\$ 431,183	\$ 9,545
Total Assets	\$ 431,183	\$ 9,545
<b>LIABILITIES</b>		
Accounts payable	\$ 9	\$ 1,914
OPEB Obligation	-	7,631
Refundable deposits and trust liabilities	431,174	-
Total liabilities	\$ 431,183	\$ 9,545

City of Lakeport, California  
Combining Statement of Fiduciary Changes in Assets and Liabilities  
Agency Funds

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>Special Deposit Fund</b>				
<b>ASSETS</b>				
Cash and investments	\$ 337,552	\$ 93,631	\$ -	\$ 431,183
Total Assets	<u>\$ 337,552</u>	<u>\$ 93,631</u>	<u>\$ -</u>	<u>\$ 431,183</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 9	\$ -	\$ 9
Refundable deposits and trust liabilities	337,552	93,622	-	431,174
Total liabilities	<u>\$ 337,552</u>	<u>\$ 93,631</u>	<u>\$ -</u>	<u>\$ 431,183</u>
<b>OPEB Fund</b>				
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 542,325	\$ (532,780)	\$ 9,545
Receivables:				
Member contributions	2,890	434,115	(437,005)	-
Total Assets	<u>\$ 2,890</u>	<u>\$ 976,440</u>	<u>\$ (969,785)</u>	<u>\$ 9,545</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 1,914	\$ -	\$ 1,914
OPEB Obligation	\$ 2,890	\$ 434,115	\$ (437,005)	\$ 7,631
Total liabilities	<u>\$ 2,890</u>	<u>\$ 436,029</u>	<u>\$ (437,005)</u>	<u>\$ 9,545</u>

## STATISTICAL SECTION

# Statistical Section Index

This part of the City of Lakeport’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, footnotes, and required supplementary information says about the City's overall financial health.

## Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Net Position by Component .....	142
Changes in Net Position.....	143
Fund Balances, Governmental Funds .....	145
Changes in Fund Balances, Governmental Funds.....	146

## Revenue Capacity

These schedules contain information to help the reader assess the City's ability to generate revenues. Property taxes, sales and use taxes, charges for services, licenses, permits and fees and intergovernmental revenue are the City's most significant revenue sources.

Assessed Value and Actual Value of Taxable Property .....	147
Direct and Overlapping Tax Rates .....	148
Property Tax Collections and Levies .....	149
Principal Property Tax Payers .....	150
Schedule of Top 25 Principal Sales Tax Remitters (listed alphabetically) .....	151

## Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Assessed Value and Actual Value of Taxable Property .....	147
Direct and Overlapping Tax Rates .....	148
Property Tax Collections and Levies .....	149
Principal Property Tax Payers .....	150
Schedule of Top 25 Principal Sales Tax Remitters (listed alphabetically) .....	151

## **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Demographic and Economic Statistics.....	155
Principal Employers .....	156

## **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Full-time and Part-time City Employees by Function .....	157
Capital Asset Statistics by Function .....	158
Capital Asset Statistics by Fund .....	159

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. Information was available beginning with the year ended June 30, 2004 for the financial trend schedules.

## FINANCIAL TRENDS

City of Lakeport, California

Net Position by Component

Last Ten Fiscal Years

Fiscal Year Ended June 30, 2014

(Accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>										
Net investment in capital assets	\$ 667,694	\$ 1,987,469	\$ 2,025,765	\$ (1,397,575)	\$ (477,683)	\$ 164,086	\$ 1,278,318	\$ 6,351,939	\$ 6,298,667	\$ 6,059,965
Restricted	-	-	-	-	-	-	2,603,186	5,462,981	7,387,998	3,795,864
Unrestricted	4,361,703	4,696,882	5,473,966	9,628,227	9,602,734	8,950,188	6,790,044	2,618,047	1,223,227	2,769,006
<b>Total governmental activities net assets</b>	<b>\$ 5,029,397</b>	<b>\$ 6,684,351</b>	<b>\$ 7,499,731</b>	<b>\$ 8,230,652</b>	<b>\$ 9,125,051</b>	<b>\$ 9,114,274</b>	<b>\$ 10,671,548</b>	<b>\$ 14,432,967</b>	<b>\$ 14,909,892</b>	<b>\$ 12,624,835</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 10,981,365	\$ 10,505,065	\$ 9,968,279	(8,772,275)	\$ 8,661,222	\$ 8,215,696	\$ 7,606,438	\$ 7,509,501	\$ 7,291,398	\$ 6,726,230
Restricted	-	-	-	-	-	-	796,958	2,413,210	2,193,571	3,253,357
Unrestricted	2,351,954	2,467,006	2,053,060	20,426,147	2,355,596	2,296,565	1,838,611	603,726	1,385,510	691,592
<b>Total business-type activities net assets</b>	<b>\$ 13,333,319</b>	<b>\$ 12,972,071</b>	<b>\$ 12,021,339</b>	<b>\$ 11,653,872</b>	<b>\$ 11,016,818</b>	<b>\$ 10,512,261</b>	<b>\$ 10,242,007</b>	<b>\$ 10,526,437</b>	<b>\$ 10,870,479</b>	<b>\$ 10,671,179</b>
<b>Primary government</b>										
Invested in capital assets	\$ 11,649,059	\$ 12,492,534	\$ 11,994,044	\$ (10,169,850)	\$ 8,183,539	\$ 8,379,782	\$ 8,884,756	\$ 13,861,440	\$ 13,590,065	\$ 12,786,195
Restricted	-	-	-	-	-	-	3,400,144	7,876,191	9,581,569	7,049,221
Unrestricted	6,713,657	7,163,888	7,527,026	30,054,374	11,958,330	11,246,753	8,628,655	3,221,773	2,608,737	3,460,598
<b>Total primary government net assets</b>	<b>\$ 18,362,716</b>	<b>\$ 19,656,422</b>	<b>\$ 19,521,070</b>	<b>\$ 19,884,524</b>	<b>\$ 20,141,869</b>	<b>\$ 19,626,535</b>	<b>\$ 20,913,555</b>	<b>\$ 24,959,404</b>	<b>\$ 25,780,371</b>	<b>\$ 23,296,014</b>

City of Lakeport, California  
 Changes in Net Position  
 Last Ten Fiscal Years  
 Fiscal Year Ended June 30, 2014  
 (Accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
General government	\$ 1,473,415	\$ 1,523,316	\$ 2,261,113	\$ 2,081,007	\$ 1,935,917	\$ 3,364,170	\$ 1,955,462	\$ 737,263	\$ 886,996	\$ 829,787
Community development	-	-	-	-	-	-	357,986	267,789	283,439	242,360
Roads and infrastructure	834,351	834,517	640,174	1,832,657	1,330,038	735,385	1,476,308	1,343,900	1,151,051	1,225,866
Sanitation	-	-	-	-	-	-	-	421,013	439,479	451,773
Housing and support programs	-	-	-	-	-	-	174,126	511,366	18,412	133,680
Redevelopment/Economic development	-	-	-	-	-	-	200,195	292,702	10,797	82,017
Public safety	1,760,779	1,654,793	1,881,031	1,789,931	1,565,218	1,830,624	1,784,887	1,529,428	1,541,750	1,664,228
Parks and recreation	300,834	366,814	304,334	350,013	364,010	322,502	312,916	282,488	381,779	326,735
Interest on long term debts	102,957	115,188	125,707	121,981	315,102	302,138	308,710	358,608	7,866	4,048
Total governmental activities expenses	<u>4,472,336</u>	<u>4,494,628</u>	<u>5,212,359</u>	<u>6,175,589</u>	<u>5,510,285</u>	<u>6,554,819</u>	<u>6,570,590</u>	<u>5,744,557</u>	<u>4,721,569</u>	<u>4,960,494</u>
Business-type activities:										
Water Utility	1,428,084	1,310,220	1,334,263	1,415,436	1,370,097	1,356,420	1,412,891	1,550,266	1,595,811	1,759,261
Sewer Utility	2,130,107	2,458,320	2,504,457	2,213,478	2,631,756	2,475,742	2,288,561	2,408,438	2,363,123	2,480,706
Total business-type activities expenses	<u>3,558,191</u>	<u>3,768,540</u>	<u>3,838,720</u>	<u>3,628,914</u>	<u>4,001,853</u>	<u>3,832,162</u>	<u>3,701,452</u>	<u>3,958,704</u>	<u>3,958,934</u>	<u>4,239,967</u>
Total primary government expenses	<u>8,030,527</u>	<u>8,263,168</u>	<u>9,051,079</u>	<u>9,804,503</u>	<u>9,512,138</u>	<u>10,386,981</u>	<u>10,272,042</u>	<u>9,703,261</u>	<u>8,680,503</u>	<u>9,200,461</u>
<b>Program revenues</b>										
Governmental activities:										
Charges for services:										
General government	413,894	695,696	430,084	547,651	655,982	574,774	329,668	790	3,595	4,085
Community development	-	-	-	-	-	-	81,603	63,038	19,815	22,401
Roads and infrastructure	43,482	3,790	-	81,519	109,829	1,875	41,137	249	-	-
Sanitation	-	-	-	-	-	-	-	529,060	510,714	467,351
Housing and support programs	-	-	-	-	-	-	-	-	-	-
Redevelopment/Economic development	-	-	-	-	-	-	-	-	-	-
Public safety	26,087	-	33,831	51,146	25,197	103,068	25,000	-	7,436	6,599
Parks and recreation	-	-	35,440	60,069	18,752	-	-	25,909	-	-
Interest on long term debts	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,138,021	436,377	659,866	623,379	587,840	679,776	815,910	297,560	199,490	-
Capital grants and contributions	-	-	-	-	333,356	391,021	1,146,165	783,216	429,315	-
Total governmental activities program revenues	<u>1,621,484</u>	<u>1,135,863</u>	<u>1,159,221</u>	<u>1,363,764</u>	<u>1,730,956</u>	<u>1,750,514</u>	<u>2,439,483</u>	<u>1,699,822</u>	<u>1,170,365</u>	<u>500,436</u>
Business-type activities:										
Charges for services:										
Water utility	1,361,887	1,512,520	1,193,211	1,288,404	1,278,356	1,241,526	1,175,759	1,439,407	1,470,683	1,690,782
Sewer utility	1,458,877	1,405,314	1,346,821	1,534,988	1,668,539	1,716,116	1,623,268	1,934,271	1,682,523	2,479,573
Capital grants and contributions	-	-	-	-	-	-	-	360,389	37,916	-
Total business-type activities program revenues	<u>2,820,764</u>	<u>2,917,834</u>	<u>2,540,032</u>	<u>2,823,392</u>	<u>2,946,895</u>	<u>2,957,642</u>	<u>2,799,027</u>	<u>3,734,067</u>	<u>3,191,122</u>	<u>4,170,355</u>
Total primary government program revenues	<u>4,442,248</u>	<u>4,053,697</u>	<u>3,699,253</u>	<u>4,187,156</u>	<u>4,677,851</u>	<u>4,708,156</u>	<u>5,238,510</u>	<u>5,433,889</u>	<u>4,361,487</u>	<u>4,670,791</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	(2,850,852)	(3,358,765)	(4,053,138)	(4,811,825)	(3,779,329)	(4,804,305)	(4,131,107)	(4,044,735)	(3,551,204)	(3,880,573)
Business-type activities	(737,427)	(850,706)	(1,298,688)	(805,522)	(1,054,958)	(874,520)	(902,425)	(224,637)	(767,812)	(69,612)
Total primary government net expense	<u>(3,588,279)</u>	<u>(4,209,471)</u>	<u>(5,351,826)</u>	<u>(5,617,347)</u>	<u>(4,834,287)</u>	<u>(5,678,825)</u>	<u>(5,033,532)</u>	<u>(4,269,372)</u>	<u>(4,319,016)</u>	<u>(3,950,185)</u>

(continued)

City of Lakeport, California  
 Changes in Net Position (continued)  
 Last Ten Fiscal Years  
 Fiscal Year Ended June 30, 2014  
 (Accrual basis of accounting)

<b>General Revenues and Other Changes in Net Position:</b>	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Sales tax	1,404,214	1,143,476	1,415,564	1,775,520	1,719,441	934,870	3,752,789	1,948,376	2,176,408	2,371,095
Property taxes	936,741	1,735,132	1,973,225	2,178,210	2,030,678	2,546,908	-	435,909	532,204	860,443
Transient occupancy taxes	210,195	124,348	195,963	141,361	100,596	88,966	-	82,533	84,752	94,776
Other taxes	534,980	531,090	707,436	88,675	78,533	-	300,220	82,299	95,244	70,262
Franchise fee	-	141,585	164,623	50,536	98,219	113,405	-	131,609	225,495	276,560
Fines, forfeitures and penalties	-	-	-	-	-	-	-	-	-	38,670
Use of money and property	121,407	154,316	237,157	120,961	119,695	58,349	24,890	141,400	194,298	204,776
Other revenues	257,225	150,411	142,145	81,017	526,566	502,692	1,610,482	404,577	323,767	96,885
Sale of land held for resale	-	-	-	1,083,629	-	-	-	-	-	-
Motor vehicle in lieu	140,606	33,361	32,405	22,837	-	-	-	398,805	395,961	-
Transfer in (out)	(56,806)	-	-	-	-	-	-	-	-	(2,417,954)
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Extraordinary gain	-	-	-	-	-	-	-	4,180,646	-	-
Extraordinary loss	-	-	-	-	-	-	-	-	-	-
Total governmental activities	3,548,562	4,013,719	4,868,518	5,542,746	4,673,728	4,245,190	5,688,381	7,806,154	4,028,129	1,595,513
Business-type activities:										
Property taxes	423,330	405,678	244,378	357,214	351,668	328,852	382,917	369,133	426,173	-
Use of money and property	49,414	83,780	103,578	80,841	66,236	41,111	39,402	35,824	40,760	38,200
Other revenues	-	-	-	-	-	-	209,852	104,110	644,921	-
Transfer in (out)	56,806	-	-	-	-	-	-	-	-	-
Total business-type activities	529,550	489,458	347,956	438,055	417,904	369,963	632,171	509,067	1,111,854	38,200
Total primary government	4,078,112	4,503,177	5,216,474	5,980,801	5,091,632	4,615,153	6,320,552	8,315,221	5,139,983	1,633,713
<b>Changes in Net Position</b>										
Governmental activities	697,710	654,954	815,380	730,921	894,399	(559,115)	1,557,274	3,761,419	476,925	(2,285,060)
Business-type activities	(207,877)	(361,248)	(950,732)	(367,467)	(637,054)	(504,557)	(270,254)	284,430	344,042	(31,412)
Total primary government	\$ 489,833	\$ 293,706	\$ (135,352)	\$ 363,454	\$ 257,345	\$ (1,063,672)	\$ 1,287,020	\$ 4,045,849	\$ 820,967	\$ (2,316,472)

(concluded)

City of Lakeport, California  
Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
Fiscal Year Ended June 30, 2014  
(Modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund:</b>										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 407,964	\$ 1,541,438	\$ 1,511,439	\$ 1,087,478
Restricted	-	-	-	-	-	-	-	-	-	23,003
Committed	-	-	-	-	-	-	-	1,469,594	-	181,604
Assigned	-	-	-	-	-	-	133,000	-	1,820,799	2,021,404
Unassigned	745,955	781,232	976,707	1,538,336	2,062,806	1,726,818	2,394,002	-	-	-
<b>Total general fund</b>	<u>745,955</u>	<u>781,232</u>	<u>976,707</u>	<u>1,538,336</u>	<u>2,062,806</u>	<u>1,726,818</u>	<u>2,934,966</u>	<u>3,011,032</u>	<u>3,332,238</u>	<u>3,313,489</u>
<b>All Other Governmental Funds:</b>										
Nondisposable	175,364	-	-	568,650	1,616,106	2,286,672	2,403,921	2,858,631	2,638,922	515,675
Restricted	1,378,976	2,553,775	2,824,110	7,102,325	5,800,120	4,730,934	2,603,185	2,382,870	3,237,637	3,772,861
Committed	-	-	-	-	-	-	-	360,301	372,969	-
Assigned	1,966,964	893,292	939,444	123,204	21,975	150,274	2,041,206	297,405	7,087	-
Unassigned (deficit)	(443,932)	-	-	(309,162)	(1,044,299)	(1,629,712)	(298,002)	(321,271)	(387,416)	(386,709)
<b>Total all other governmental funds</b>	<u>3,077,372</u>	<u>3,447,067</u>	<u>3,763,554</u>	<u>7,485,017</u>	<u>6,393,902</u>	<u>5,538,168</u>	<u>6,750,310</u>	<u>5,577,936</u>	<u>5,869,199</u>	<u>3,901,827</u>
<b>Total all governmental funds</b>	<u>\$ 3,823,327</u>	<u>\$ 4,228,299</u>	<u>\$ 4,740,261</u>	<u>\$ 9,023,353</u>	<u>\$ 8,456,708</u>	<u>\$ 7,264,986</u>	<u>\$ 9,685,276</u>	<u>\$ 8,588,968</u>	<u>\$ 9,201,437</u>	<u>\$ 7,215,316</u>

City of Lakeport, California  
 Changes in Fund Balances, Governmental Funds  
 Last Ten Fiscal Years  
 Fiscal Year Ended June 30, 2014  
 (Modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues:</b>										
Taxes	\$ 3,086,130	\$ 3,764,854	\$ 4,456,811	\$ 4,183,765	\$ 4,027,467	\$ 1,070,797	\$ 3,752,789	\$ 2,943,090	\$ 3,284,569	\$ 3,396,576
Licenses, permits and franchises	161,201	110,235	94,989	177,442	62,422	3,684,150	271,243	133,754	225,495	276,560
Fines and forfeitures	26,087	32,610	33,831	51,146	23,073	155,282	28,977	28,874	18,279	38,670
Use of money and property	121,407	154,316	237,157	120,961	119,695	20,536	24,889	165,146	194,298	204,776
Intergovernmental Revenue	1,278,627	465,570	692,271	646,217	921,196	58,349	1,406,573	859,441	628,805	579,485
Charges for services	296,175	471,586	370,535	1,645,962	724,265	503,898	477,408	619,047	541,560	500,436
Other revenues	429,002	150,411	142,145	81,017	526,566	502,692	1,610,482	99,809	305,488	96,885
<b>Total revenues</b>	<b>5,398,629</b>	<b>5,149,582</b>	<b>6,027,739</b>	<b>6,906,510</b>	<b>6,404,684</b>	<b>5,995,704</b>	<b>7,572,361</b>	<b>4,849,161</b>	<b>5,198,494</b>	<b>5,093,388</b>
<b>Expenditures:</b>										
Current:										
General government	1,365,498	1,492,017	2,130,749	1,687,766	2,905,020	3,820,559	1,557,124	605,563	798,751	710,131
Community Development	-	-	-	-	-	-	327,187	267,789	295,180	244,321
Roads and Infrastructure	834,351	789,068	640,174	1,832,657	1,095,813	812,930	1,431,758	833,392	890,674	948,348
Sanitation	-	-	-	-	-	-	-	421,013	439,479	451,773
Housing and Support Programs	-	-	-	-	-	-	173,841	511,366	30,153	135,641
Redevelopment/Economic Development	-	-	-	-	-	-	-	292,702	22,538	83,978
Public Safety	1,760,779	1,592,469	1,881,031	1,789,931	1,548,492	1,996,983	1,644,841	1,529,428	1,553,491	1,666,189
Parks, Buildings and Grounds	1,063,601	310,010	304,334	350,013	300,632	259,125	312,916	291,916	484,251	328,696
Capital Outlay	50,926	459,070	370,965	-	802,423	588,640	1,261,869	192,404	-	7,641
Debt Service:										
Cost of Issuance	145,500	-	-	196,565	-	-	-	-	-	-
Principal Retirement	470,547	143,995	68,341	74,858	74,487	121,509	106,641	167,667	63,642	67,461
Interest	52,204	118,796	120,183	116,628	244,462	276,544	289,592	235,210	7,866	4,048
<b>Total expenditures</b>	<b>5,743,406</b>	<b>4,905,425</b>	<b>5,515,777</b>	<b>6,048,418</b>	<b>6,971,329</b>	<b>7,876,290</b>	<b>7,105,769</b>	<b>5,348,450</b>	<b>4,586,025</b>	<b>4,648,227</b>
<b>Reconciliation of Governmental Revenues</b>										
<b>Less Expenditures to Fund Equity:</b>										
Revenues over (under) expenditures	\$ (344,777)	\$ 244,157	\$ 511,962	\$ 858,092	\$ (566,645)	\$ (1,880,586)	\$ 466,592	\$ (499,289)	\$ 612,469	\$ 445,161
Other financing sources (uses):										
Proceeds from capital lease	-	-	-	-	-	319,292	-	-	-	-
Proceeds from issuance debt	2,240,000	160,815	-	3,425,000	-	-	-	-	-	-
Passthrough obligations	-	-	-	-	-	-	(185,826)	-	-	-
SERAF payments	-	-	-	-	-	-	(64,442)	-	-	-
Housing loans	-	-	-	-	-	-	2,082,519	408,644	-	-
Extraordinary loss	-	-	-	-	-	-	-	(1,005,662)	-	-
Transfers in	1,420,075	616,330	460,014	316,487	1,069,008	756,238	4,719,050	2,959,013	145,984	38,724
Transfers out	(1,476,881)	(616,330)	(460,014)	(316,487)	(1,069,008)	(756,238)	(5,037,235)	(2,959,013)	(145,984)	(38,724)
Total other financing sources (uses)	2,183,194	160,815	-	3,425,000	-	319,292	1,514,066	(597,018)	-	-
Net change in fund balances	\$ 1,838,417	\$ 404,972	\$ 511,962	\$ 4,283,092	\$ (566,645)	\$ (1,561,294)	\$ 1,980,658	\$ (1,096,307)	\$ 612,469	\$ (1,972,793)
Debt service as a percentage of noncapital expenditures	10%	6%	4%	3%	5%	6%	7%	8%	2%	2%

## REVENUE CAPACITY

City of Lakeport, California

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

	City			Redevelopment Agency <sup>(1)</sup>			Lakeport Muni Sewer			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
FY 04-05	404,737,150	18,999,052	423,736,202	144,159,756	11,956,726	156,116,482	404,801,790	18,999,052	423,800,842	1.000%
FY 05-06	361,094,755	20,801,874	381,896,629	160,400,492	13,233,138	173,633,630	361,154,356	20,801,874	381,956,230	1.000%
FY 06-07	396,841,109	21,218,983	418,060,092	177,691,668	13,905,903	191,597,571	396,201,244	21,218,983	417,420,227	1.000%
FY 07-08	427,866,976	22,096,881	449,963,857	190,383,560	14,536,273	204,919,833	424,838,293	22,096,881	446,935,174	1.000%
FY 08-09	440,508,705	22,218,896	462,727,601	191,805,511	13,514,491	205,320,002	435,259,358	22,218,896	457,478,254	1.000%
FY 09-10	461,342,680	23,351,118	484,693,798	195,840,993	12,547,442	208,388,435	448,021,513	23,234,048	471,255,561	1.000%
FY 10-11	459,144,772	23,783,447	482,928,219	194,025,385	11,771,588	205,796,973	446,870,845	23,674,507	470,545,352	1.000%
FY 11-12	455,541,364	22,236,704	477,778,068	192,400,353	11,521,940	203,922,293	443,491,878	22,159,164	465,651,042	1.000%
FY 12-13	452,910,303	21,526,641	474,436,944	191,684,897	11,424,888	203,109,785	441,345,784	21,454,151	462,799,935	1.000%
FY 13-14	447,316,708	21,935,830	469,252,538	188,055,169	11,642,807	199,697,976	436,126,935	21,865,440	457,992,375	1.000%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

(1) As of February 1, 2011, the Lakeport Redevelopment Agency was dissolved by the State of California. Property taxes formerly allocated to the Agency are now done so to satisfy existing debt obligations administered by its successor, the City of Lakeport.

Source: Lake County Auditor-Controller

City of Lakeport, California  
 Direct and Overlapping Tax Rates  
 Last Seven Fiscal Years  
 (Rate per \$1,000 of assessed value)

Fiscal Year	Direct Rates		Overlapping Rates		Total Tax Rate
	Basic Rate	Total Direct	Lakeport Unified High School Bond	Mendocino Community College	
FY 07-08	1.00000	1.00000	0.03434	0.01500	1.04934
FY 08-09	1.00000	1.00000	0.03434	0.01500	1.04934
FY 09-10	1.00000	1.00000	0.04275	0.02300	1.06575
FY 10-11	1.00000	1.00000	0.03767	0.02300	1.06067
FY 11-12	1.00000	1.00000	0.44340	0.02300	1.46640
FY 12-13	1.00000	1.00000	0.04261	0.00977	1.05238
FY 13-14	1.00000	1.00000	0.04628	0.02400	1.07028

Note: In 1978, California voters passed Proposition 13, which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies whose boundaries include the subject property. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of Kelseyville Unified School Bonds, Lucerne Elementary School Bond, Lake Sanitation Bonds, County Service Area #6, Callayomi Water, Clearlake Oaks Water, Konocti Unified School Bond, Middletown Unified School Bond, Upper Lake High School Bond, Lakeport Unified High School Bonds, Yuba Community College Bonds, and Mendocino Community College.

Source: Lake County Auditor-Controller

City of Lakeport, California  
 Property Tax Collections and Levies  
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year <sup>(1)</sup>	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	353,378	353,378	100%	-	353,378	100%
2006	384,350	384,350	100%	-	384,350	100%
2007	459,121	459,121	100%	-	459,121	100%
2008	496,139	496,139	100%	-	496,139	100%
2009	508,853	508,853	100%	-	508,853	100%
2010	531,708	531,708	100%	-	531,708	100%
2011	529,484	529,484	100%	-	529,484	100%
2012	523,888	523,888	100%	-	523,888	100%
2013	520,482	520,482	100%	-	520,482	100%
2014	514,329	514,329	100%	-	514,329	100%

(1) Amounts reported and collected under the Teeter Plan in which all taxes are distributed to the City in the year of the levy with the County retaining any interest or penalties on uncollected balances.

Source: Lake County Auditor-Controller

City of Lakeport, California  
 Principal Property Tax Payers  
 Most Recent Year and Six Years Ago

Property Owner	2013-14			2006-07		
	Assessed Valuation	Rank	% of Total	Assessed Valuation	Rank	% of Total
SAFEWAY INC.	\$ 16,841,600	1	22.24%	-	-	0.00%
ARTON INC	5,729,842	2	7.57%	\$ 3,140,331	6	6.79%
CALIFORNIA AVIV LLC.	6,488,364	3	8.57%	-	-	0.00%
LANY LAKEPORT LP A CALIFORNIA LIMITED PARTNERSHIP	6,007,800	4	7.93%	6,593,014	1	14.26%
BRUNOS PROPERTY MANAGEMENT, LLC	5,497,435	5	7.26%	4,139,788	4	8.95%
OFFENBACH REVOCABLE INTER VIVOS TRUST	2,697,959	6	3.56%	-	-	0.00%
HARMON MARTIN A	2,612,153	7	3.45%	2,156,066	9	4.66%
DIAS, SAMUDRA PRIYA TRUSTEE	2,123,700	8	2.80%	-	-	0.00%
SAVINGS BANK BUILDING CORPORATION	2,213,837	9	2.92%	-	-	0.00%
JACKSON AVE PROPERTIES	1,839,409	10	2.43%	988,380	-	2.14%
	<u>\$ 75,720,732</u>		<u>100.00%</u>	<u>\$ 46,245,189</u>		<u>100.00%</u>

Note: The amounts shown above include assessed value data for both the City and the Redevelopment Agency (RDA). Information prior to the years above was not maintained by the City.

Source: Lake County Auditor-Controller

City of Lakeport, California  
 Schedule of Top 25 Principal Sales Tax Remitters (listed alphabetically)  
 Current and Four Years Ago  
 Fiscal Year Ended June 30, 2014

Year ended June 30,

2014	2013	2012	2011
Bruno's Foods	Bruno's Foods	Bruno's Foods	Bruno's Foods
Burger King Restaurants	Burger King Restaurants	Burger King Restaurants	Burger King Restaurants
Chevron Services Stations	Chevron Services Stations	Chevron Services Stations	Chevron Services Stations
CVS/Pharmacy	CVS/Pharmacy	CVS/Pharmacy	Clover Hydroponics & Garden Supply
Dollar Tree Stores	Dollar Tree Stores	Dollar Tree Stores	CVS/Pharmacy
Express Service Stations	Express Service Stations	Express Service Stations	Dollar Tree Stores
Grocery Outlet	Grocery Outlet	GK Enterprises	Express Service Stations
Hillside Honda/Yamaha	Hillside Honda/Yamaha	Grocery Outlet	Grocery Outlet
K Mart Stores	K Mart Stores	Hillside Honda/Yamaha	Hillside Honda/Yamaha
Kathy Fowler Chevy Pontiac GMC	Kathy Fowler Chevy Pontiac GMC	K Mart Stores	K Mart Stores
Kathy Fowler Chrysler-Jeep-Dodge	Kathy Fowler Chrysler-Jeep-Dodge	Kathy Fowler Chevy Pontiac GMC	Kathy Fowler Chevy Pontiac GMC
Mackey Tire Center	Kentucky Fried Chicken	Kathy Fowler Chrysler-Jeep-Dodge	Kathy Fowler Chrysler-Jeep-Dodge
McDonald's Restaurant	Lake Parts	Kentucky Fried Chicken	Kentucky Fried Chicken
NAPA Auto Parts	Mackey Tire Center	Mackey Tire Center	Kragen Auto Parts
New Trend Cellular	McDonald's Restaurant	McDonald's Restaurant	Lake Parts
O'Reilly Auto Parts	New Trend Cellular	New Trend Cellular	Mackey Tire Center
Park Place Restaurant	O'Reilly Auto Parts	O'Reilly Auto Parts	McDonald's Restaurant
Renee's Café	Park Place Restaurant	Park Place Restaurant	Park Place Restaurant
Round Table Pizza	Renee's Café	Renee's Café	Renee's Café
Safeway Stores	Round Table Pizza	Round Table Pizza	Round Table Pizza
Shell Service Stations	Safeway Stores	Safeway Stores	Safeway Stores
T&T On the Lake Restaurant			
Taco Bell	Taco Bell	Taco Bell	Taco Bell
Tower Mart Service Stations	Tesoro Service Stations	Tesoro Service Stations	Tesoro Service Stations
West Lake Auto Center	Tower Mart Service Stations	Tower Mart Service Stations	Tower Mart Service Stations

Note: The lists above includes both public and private entities and therefore the dollar values have been omitted because the information is not public information. Rankings are determined by the sales dollar volume.

Source: City Finance Department

## DEBT CAPACITY

City of Lakeport, California  
 Direct and Overlapping Debt  
 Current Year  
 Fiscal Year Ended June 30, 2014

2013-14 Assessed Valuation: \$ 469,252,538

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/2014</u>
Mendocino-Lake Community College District - GO Bonds	4.93%	\$ 3,124,250.47
Lakeport Unified School District - GO Bonds	40.94%	1,715,755.94
2004 Tax Allocation Bonds Series A & B	100%	1,885,000.00
2008 Tax Allocation Bonds	100%	3,360,000.00
Sewer District Improvement Bonds, 1993-1	100%	<u>3,680,000.00</u>
 TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		 \$ 13,765,006.41
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Mendocino-Lake Community College District - Capital Lease	4.93%	<u>\$ 120,985.09</u>
 TOTAL OVERLAPPING GENERAL FUND DEBT		 \$ 120,985.09
 COMBINED TOTAL DEBT		 <u>\$ 13,885,991.50 (1)</u>

(1) Excludes tax and revenue anticipation notes, enterprise revenue and mortgage revenue bonds.

Ratios to 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.93%
Total Combined Debt	2.96%

Source: City Finance Department

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City of Lakeport, California  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 Fiscal Year Ended June 30, 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed Value	\$ 404,737,150	\$ 361,094,755	\$ 396,841,109	\$ 427,866,976	\$ 440,508,705	\$ 461,342,680	\$ 459,144,772	\$ 455,541,364	\$ 452,910,303	\$ 447,316,708
Conversion Percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted Assessed Value	101,184,288	90,273,689	99,210,277	106,966,744	110,127,176	115,335,670	114,786,193	113,885,341	113,227,576	111,829,177
Debt Limit Percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	15,177,643	13,541,053	14,881,542	16,045,012	16,519,076	17,300,351	17,217,929	17,082,801	16,984,136	16,774,377
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 15,177,643	\$ 13,541,053	\$ 14,881,542	\$ 16,045,012	\$ 16,519,076	\$ 17,300,351	\$ 17,217,929	\$ 17,082,801	\$ 16,984,136	\$ 16,774,377
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Notes: The Government Code of the State of California provides for a legal debt limit of 15% of grossed assessed secured tax valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of the assessed value for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

The City does not have any outstanding general obligation debt subject to the limit.

Source: City Finance Department

## DEMOGRAPHIC AND ECONOMIC INFORMATION

City of Lakeport, California  
 Demographic and Economic Statistics  
 Last Ten Calendar Years

Year	Population <sup>(1)</sup>	Personal Income Lake County (in thousands) <sup>(2)</sup>	Per Capita Personal Income Lake County <sup>(3)</sup>	Unemployment Rate Lake County <sup>(4)</sup>
2004	4,873	1,753,049	27,775	9.1
2005	4,826	1,804,635	28,281	8.0
2006	4,779	1,929,665	30,056	7.7
2007	4,719	2,033,293	31,732	8.5
2008	4,796	2,097,229	32,570	10.6
2009	4,758	2,033,960	31,577	15.3
2010	4,753	2,107,287	32,543	17.7
2011	4,622	2,146,801	33,375	16.7
2012	4,705	2,285,560	35,721	13.3
2013	4,713	2,392,214	37,460	11.7

Notes:

\*\* Information presented is for the Lake County Region, except for population data which relate to the City's population, since separate data is not available for the City of Lakeport.

**Sources:**

- <sup>(1)</sup> 2011 State Department of Finance
- <sup>(2)</sup> U.S. Dept. of Commerce Bureau of Economic Analysis.
- <sup>(3)</sup> U.S. Dept. of Commerce Bureau of Economic Analysis.
- <sup>(4)</sup> Bureau of Labor Statistics.

City of Lakeport, California  
 Principal Employers  
 Current and Eight Years Ago

Employer	2013-14			2006-07		
	Employees	Rank	Percentage of Top 10 Employment	Employees	Rank	Percentage of Top 10 Employment
County of Lake	832	1	24.9%	850	1	29.2%
Sutter Lakeside Hospital	370	2	11.1%	484	2	16.6%
St. Helena Hospital Clearlake (formerly Redbud)	370	4	11.1%	300	4	10.3%
Robinson Rancheria Resort & Casino	325	6	9.7%	318	3	10.9%
Calpine Corp.	280	5	8.4%	251	5	8.6%
Twin Pine Casino	263	8	7.9%	236	8	8.1%
Wal-Mart	260	7	7.8%	240	6	8.2%
Shannon Ranches Inc.	235	9	7.0%	237	7	8.1%
Harbin Hot Springs	218	10	6.5%	-	-	0.0%
Kelseyville Unified School District	195	3	5.8%	-	-	0.0%
<b>Total</b>	<b>3,348</b>		<b>100.0%</b>	<b>2,916</b>		<b>100.0%</b>

Notes:

\*\* Information presented is for the Lake County Region, Major Lake County Employers, since separate data is not available for the City of Lakeport.

Source: Lake County Economic Development Program

## OPERATING INDICATORS

City of Lakeport, California  
Full-time and Part-time City Employees by Function  
Last Ten Calendar Years  
(Fiscal year ended June 30, 2014)

Function	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government	16	15	15	21	20	21	17	18	19	19
Public safety	18	17	19	15	14	15	17	14	16	15
Public works	6	10	11	19	17	18	9	9	12	12
Parks and recreation	-	-	-	10	11	15	10	10	13	1
Utilities	12	14	14	19	16	17	9	11	6	6
Community development	6	6	6	5	5	5	9	10	6	4
Total	<u>58</u>	<u>62</u>	<u>65</u>	<u>89</u>	<u>83</u>	<u>91</u>	<u>71</u>	<u>72</u>	<u>72</u>	<u>57</u>

**Source:** City Finance Department

City of Lakeport, California  
 Capital Asset Statistics by Function  
 Last Ten Calendar Years  
 (Fiscal year ended June 30, 2014)

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	27	27	30	30	30	30	30	30	30	30
Streetlights	195	195	195	221	221	221	221	221	221	221
Parks and recreation										
Parks	4	4	4	4	4	4	4	4	4	4
Pools	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Number of treatment facilities	2	2	2	2	2	2	2	2	2	2
Sewer										
Number of pump stations	9	9	9	9	9	9	9	9	9	9

**Source:** City Police, Community Development, and Public Works Departments

City of Lakeport, California  
 Capital Asset Statistics by Fund  
 Last Eight Calendar Years  
 (Fiscal year ended June 30, 2014)

	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>								
Land	\$ 323,186	\$ 323,186	\$ 399,546	\$ 399,546	\$ 729,346	\$ 729,346	\$ 652,983	\$ 652,983
Buildings and structures	2,619,229	2,619,229	2,619,229	2,619,229	2,619,229	2,619,229	2,695,592	2,695,592
Improvements/CIP	2,115,424	2,115,424	3,042,030	3,138,049	4,465,358	4,474,786	4,474,786	4,474,786
Equipment and vehicles	994,656	994,656	994,656	1,532,597	1,532,597	1,532,597	1,532,597	1,565,734
Total	6,052,495	6,052,495	7,055,461	8,116,977	9,346,530	9,355,958	9,355,958	9,389,095
<b>Accumulated depreciation</b>								
Buildings and structures	N/A*	845,697	898,061	950,466	1,002,850	1,055,236	1,110,165	1,165,095
Improvements/CIP	N/A*	387,569	454,249	547,632	641,016	731,944	846,605	960,986
Equipment and vehicles	N/A*	632,317	670,814	747,008	823,203	997,993	1,100,521	1,203,048
Total Accumulated depreciation	1,708,021	1,865,583	2,023,124	2,245,106	2,467,069	2,785,173	3,057,291	3,329,129
Total Governmental net capital assets	4,344,474	4,186,912	5,032,337	5,871,871	6,879,461	6,570,785	6,298,667	6,059,966
<b>Business-type activities</b>								
Land	1,775,403	1,775,403	1,775,403	1,775,403	1,775,403	2,475,403	2,475,403	2,475,403
Buildings and structures	-	-	-	-	1,839,904	1,839,904	1,839,904	1,839,904
Machinery and Equipment	-	-	-	-	-	-	-	125,517
Improvements/CIP	27,063,754	27,816,969	27,816,969	27,841,409	26,222,460	26,935,912	27,129,404	27,592,627
Equipment and vehicles	669,517	669,517	669,517	669,517	537,549	547,953	552,459	659,409
Total	29,508,674	30,261,889	30,261,889	30,286,329	30,375,316	31,799,172	31,997,170	32,692,860
<b>Accumulated depreciation</b>								
Buildings and structures	387,100	423,642	460,183	496,694	533,173	569,651	1,308,599	642,606
Machinery and Equipment	-	-	-	-	-	-	-	20,920
Improvements/CIP	8,855,353	9,525,627	10,262,127	10,998,830	11,680,707	12,457,531	12,457,531	13,938,820
Equipment and vehicles	407,267	443,181	479,097	473,444	524,848	533,683	518,034	529,018
Total accumulated depreciation	9,649,720	10,392,450	11,201,407	11,968,968	12,738,728	13,560,865	14,284,164	15,131,364
Total Business-type net capital assets	\$ 19,858,954	\$ 19,869,439	\$ 19,060,482	\$ 18,317,361	\$ 17,636,588	\$ 18,238,307	\$ 17,713,006	\$ 17,561,496

\* Data not presented by category in financial statements for this reporting period.

Source: City Finance Department



**JJACPA, Inc.**

A Professional Accounting Services Corp.

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

**Independent Auditor's Report**

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison information of the City of Lakeport, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 30, 2014

*JJACPA, Inc.*  
**JJACPA, Inc.**  
**Dublin, CA**

## CONTINUING DISCLOSURE FOR DEBT ISSUES

## 2004 TAX ALLOCATION BONDS

ANNUAL INFORMATION STATEMENT FOR FISCAL YEAR ENDING ~~JUNE 30, 2014~~—BASE CUSIP: 07201T

**REDEVELOPMENT AGENCY OF THE  
CITY OF LAKEPORT  
ASSOCIATION OF BAY AREA GOVERNMENTS**

**\$25,205,000 2004 TAX ALLOCATION REVENUE BONDS  
(CALIFORNIA REDEVELOPMENT AGENCY POOL)  
SERIES A**

**\$8,875,000 2004 TAX ALLOCATION REVENUE BONDS  
(CALIFORNIA REDEVELOPMENT AGENCY POOL)  
TAXABLE SERIES B**

Pursuant to an Official Statement dated December 1, 2004, the Association of Bay Area Governments (“ABAG”) issued \$25,205,000 2004 Tax Allocation Revenue Bonds (California Redevelopment Agency Pool), Series A and \$8,875,000 2004 Tax Allocation Revenue Bonds (California Redevelopment Agency Pool), Taxable Series B (collectively, the “Bonds”). Proceeds of the Bonds were used to finance a variety of the redevelopment activities in the Redevelopment Agency of the City of Lakeport’s (the “Former Agency”) Lakeport Redevelopment Project Area (the “Project Area”). The Bonds are on parity with the Lakeport Redevelopment Project 2008 Tax Allocation Bonds (“2008 Bonds”).

Due to the dissolution of California redevelopment agencies effective February 1, 2012, the City has elected to become Successor to the Former Agency (now referred to as the “Successor Agency”). The Bonds are special obligations of ABAG and are secured by a pledge of and lien on certain payments and tax revenues, as defined within the Official Statement. The Bonds are not a debt of ABAG, the City or the State of California, or any of its political subdivisions and neither ABAG, the City or the State of California, nor any of its political subdivisions is liable. The Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limit or restriction.

This Annual Continuing Disclosure Information Statement is being provided pursuant to a covenant made by the Former Agency for the benefit of the holders of the Bonds and includes the information specified in a Continuing Disclosure Certificate. For further information and a more complete description of ABAG, the Former Agency, the City and the Bonds, reference is made to the Official Statement. The Official Statement and these financial statements may also be viewed on EMMA and the City’s website, respectively, at the following links:

<http://emma.msrb.org/MS228762-MS204070-MD396481.pdf> (Official Statement)

<http://www.cityoflakeport.com/departments/docs.aspx?deptID=75&catID=167> (Financial Statements)

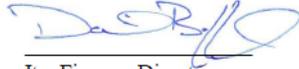
The following data will be provided in this annual information submittal and, unless otherwise noted, will be as of, or for the fiscal year ending **June 30, 2014**:

**Project Area Assessed Valuation Comparison**  
**Project Area Historical Tax Increment Revenue Comparison**  
**Project Area Historical Debt Service Coverage**  
**Project Area Major Taxpayers**  
**Project Area Assessment Appeals**  
**Project Area related Bonded Indebtedness**  
**Significant Event(s): Dissolution of Redevelopment Agencies**

**ANNUAL INFORMATION STATEMENT FOR FISCAL YEAR ENDING JUNE 30, 2014—BASE CUSIP: 07201T**

The information set forth herein has been furnished by the Successor Agency and by sources, which are believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in this Annual Continuing Disclosure Information Statement that involve estimates, forecasts, or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, the information and expressions of opinion contained herein are subject to change without notice and the delivery of this Annual Continuing Disclosure Information Statement will not, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or any other parties described herein.

Signed:



Its: Finance Director  
City of Lakeport  
Dated: June 30, 2014

ANNUAL INFORMATION STATEMENT FOR FISCAL YEAR ENDING JUNE 30, 2014—BASE CUSIP: 07201T

PROJECT AREA ASSESSED VALUATION COMPARISON

Fiscal Year	Locally Assessed Secured Value	Unsecured Value	Taxable Value	Percentage Change	Incremental Value (1)
2009-10	202,183,193	6,205,242	208,388,435	18.93%	94,017,438
2010-11	194,025,385	11,771,588	205,796,973	-1.24%	91,425,976
2011-12	192,400,353	11,521,940	203,922,293	-0.91%	89,551,296
2012-13	191,684,897	11,424,888	203,109,785	-0.40%	88,738,788
2013-14	188,055,169	11,642,307	199,697,476	-1.68%	85,326,479

(1) Base Value: \$ 114,370,997  
Source: County of Lake

PROJECT AREA HISTORICAL TAX INCREMENT REVENUE COMPARISON

Fiscal Year	Total Assessed Value over "Base" (1)	Tax Increment Revenues	Less Property Tax Admin. Fees	Less Housing Set Aside	Less AB 1290 Pass Throughs	Pledged Tax Revenues
2009-10	94,017,438	978,544	20,327	195,649	191,705	570,863
2010-11	91,425,976	914,255	20,436	182,851	182,851	528,117
2011-12	89,551,296	895,507	22,124	179,101	179,101	515,180
2012-13	88,738,788	887,383	20,495	-	177,477	689,411
2013-14	85,326,479	853,265	17,653	-	170,653	664,959

(1) Base Value: \$ 114,370,997  
Source: County of Lake

PROJECT AREA HISTORICAL DEBT SERVICE COVERAGE

Fiscal Year	Pledged Tax Revenues	2004 Bonds Debt Service	2008 Bonds Debt Service	Combined Annual Debt Service	Debt Service Coverage
2009-10	570,863	145,353	181,190	326,543	175%
2010-11	528,117	148,591	175,865	324,456	163%
2011-12	515,180	146,567	175,577	322,144	160%
2012-13	689,411	144,543	180,187	324,730	212%
2013-14	664,959	147,393	179,693	327,086	203%

Source: County of Lake

ANNUAL INFORMATION STATEMENT FOR FISCAL YEAR ENDING JUNE 30, 2014—BASE CUSIP: 07201T

PROJECT AREA MAJOR TAXPAYERS

Name	Use Code	Secured Value	Total Value	Percent of Total Value
Brunos Property Management	Com, Retail	5,365,285	5,365,285	2.84%
DGM Realty	Commercial	5,703,949	5,703,949	3.02%
Shoreline Center LTD	Com, Residential	6,490,888	6,490,888	3.44%
Butcher Derek R Kelly L Trustee	Res, Triplex or more	6,007,800	6,007,800	3.18%
Jackson ave Properties, LLC	Com, Trailer or MH Park	5,472,590	5,472,590	2.90%
Savings Bank Building Corp	Com, Bank	3,106,718	3,106,718	1.64%
Dias Samudra Priya Trustee	Com, Hotel-Motel	2,607,923	2,607,923	1.38%
Sloan William H Jr. June E Trust	Com, Office	2,688,568	2,688,568	1.42%
Tristar Properties LP	Commercial	2,588,658	2,588,658	1.37%
Oak Hill Properties LLC	Com, Trailer or MH Park	2,126,700	2,126,700	1.13%
		42,159,079	42,159,079	22.32%
Total Project Area Assessed Value (Secured only, No HOX) of:		188,906,048		
Source: County of Lake; MuniServices, LLC				
Unsecured Values not available				

PROJECT AREA ASSESSMENT APPEALS

Property Owners	Original Roll Value	Applicant's Opinion of Value	Potential Value Reduction
There are no current pending or resolved appeals within the RDA			
	Total \$	- \$	- \$
Source: MuniServices, LLC			

PROJECT AREA RELATED BONDED INDEBTEDNESS

	Principal Outstanding	Underlying Rating (1)	Insured Rating (1)
2004 Tax Allocation Bonds, Series A Due 9/1/35	1,050,000		
2004 Tax Allocation Bonds, Series B Due 9/1/35	845,000		
2008 Tax Allocation Bonds Due 9/1/38	3,375,000	A- (S&P)	
Source: City of Lakeport			
(1) Information from rating agencies regarding the ratings actions may be obtained from such rating agencies. Also, see "Material Event Notice" posted on April 15, 2014 regarding Moody's Investors			
(2) See "Material Event Notice" posted on April 15, 2014 regarding insurance company rating changes.			

**ANNUAL INFORMATION STATEMENT FOR FISCAL YEAR ENDING JUNE 30, 2014—BASE CUSIP: 07201T**

**SIGNIFICANT EVENT: DISSOLUTION OF REDEVELOPMENT AGENCIES**

On December 29, 2011 the California Supreme Court issued its opinion on the California Redevelopment Association Lawsuit in regards to Assembly Bill X1 26 and Assembly Bill X1 27. As a result of the decision, all California redevelopment agencies are dissolved as of February 1, 2012. Please view the event notice on EMMA in its entirety for further clarification. Notice of this event can be viewed online at MSRB's EMMA document repository at the following address:

<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=ER477768>

After the Court's decision, AB 1484 was enacted by the State Legislature and Governor as a clean-up to the budget trailer bill AB x1 26. Together, these bills are necessary to implement provisions of the State's budget acts for fiscal years 2011-12 and 2012-13. In compliance with this new legislation, the City has elected to serve as "Successor Agency" to the former redevelopment agency, as defined in the bills. Please view the bills for further details.

The full language of AB X126 can be viewed at the following URL:

[http://www.leginfo.ca.gov/cgi-bin/postquery?bill\\_number-abx1\\_26&sess=PREV&house=B&author-blumenfeld](http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number-abx1_26&sess=PREV&house=B&author-blumenfeld)

The full language of AB 1484 can be viewed at the following URL:

[http://www.leginfo.ca.gov/cgi-bin/postquery?bill\\_number-ab\\_1484&sess=PREV&house=B&author-committe\\_on\\_budget](http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number-ab_1484&sess=PREV&house=B&author-committe_on_budget)

Each successor agency is responsible for drafting a Recognized Obligation Payment Schedule ("ROPS") delineating the enforceable obligations of the former RDA payable through June 30, 2012 and their source of payment, and then additional ROPS every six months thereafter. ROPS are subject to the approval of the local oversight board, County Auditor-Controller, and Department of Finance. The Successor Agency to the Lakeport Redevelopment Agency's schedule can be accessed by the link below.

<http://www.cityoflakeport.com/departments/docs.aspx?deptID=75&catID=205>

## 2008 TAX ALLOCATION BONDS

ANNUAL INFORMATION STATEMENT FOR FISCAL YEAR ENDING JUNE 30, 2014—BASE CUSIP: 512031

**REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT  
LAKEPORT REDEVELOPMENT PROJECT  
2008 TAX ALLOCATION BONDS  
(BANK QUALIFIED)  
(CITY OF LAKEPORT / LAKE COUNTY, CALIFORNIA)**

Pursuant to an Official Statement dated May 22, 2008, the Redevelopment Agency of the City of Lakeport (the "Agency") issued its \$3,425,000 2008 Tax Allocation Bonds (the "Bonds"). The proceeds of the Bonds were used by the Agency to fund redevelopment activities within the Project Area. Proceeds of the Bonds were also used to fund a reserve fund and pay costs of issuance of the Bonds. Due to the dissolution of California redevelopment agencies effective February 1, 2012, the City has elected to become Successor to the Former Agency (now referred to as the "Successor Agency"). The Bonds are on parity with Agency's portion of the Association of Bay Area Governments ("ABAG") \$25,205,000 2004 Tax Allocation Revenue Bonds (California Redevelopment Agency Pool), Series A and \$8,875,000 2004 Tax Allocation Revenue Bonds (California Redevelopment Agency Pool), Taxable Series B (collectively, the "2004 Bonds")

This Annual Information Statement is being provided pursuant to a covenant made by the Agency for the benefit of the holders of the Bonds and includes the information specified in a Continuing Disclosure Certificate. For further information and more complete description of the Agency and the Bonds, reference is made to the Official Statement. The audited financial statements for the Agency will be separately filed with Electronic Municipal Marketplace Access (EMMA) and are hereby incorporated by reference into this Annual Information Statement. The Official Statement and these financial statements may also be viewed on EMMA and the City's website, respectively, at the following links:

<http://emma.msrb.org/MS270852-MS267272-MD528235.pdf> (Official Statement)

<http://www.cityoflakeport.com/departments/docs.aspx?deptID=75&catID=167> (Financial Statements)

The following data will be provided in this annual information submittal and, unless otherwise noted, will be as of, or for the fiscal year ending **June 30, 2014**:

**Project Area Assessed Valuation Comparison**  
**Project Area Historical Tax Increment Revenue Comparison**  
**Project Area Historical Debt Service Coverage**  
**Project Area Major Taxpayers**  
**Project Area Assessment Appeals**  
**Project Area related Bonded Indebtedness**  
**Significant Event(s): Dissolution of Redevelopment Agencies**

The information set forth herein has been furnished by the Successor Agency and by sources, which are believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in this Annual Continuing Disclosure Information Statement that involve estimates, forecasts, or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, the information and expressions of opinion contained herein are subject to change without notice and the delivery of this Annual Continuing Disclosure Information Statement will not, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or any other parties described herein.

Signed:



Its: Finance Director  
City of Lakeport  
Dated: June 30, 2014

ANNUAL INFORMATION STATEMENT FOR FISCAL YEAR ENDING JUNE 30, 2014—BASE CUSIP: 512031

PROJECT AREA ASSESSED VALUATION COMPARISON

Fiscal Year	Locally Assessed Secured Value	Unsecured Value	Taxable Value	Percentage Change	Incremental Value (1)
2009-10	202,183,193	6,205,242	208,388,435	18.93%	94,017,438
2010-11	194,025,385	11,771,588	205,796,973	-1.24%	91,425,976
2011-12	192,400,353	11,521,940	203,922,293	-0.91%	89,551,296
2012-13	191,684,897	11,424,888	203,109,785	-0.40%	88,738,788
2013-14	188,055,169	11,642,307	199,697,476	-1.68%	85,326,479
(1) Base Value:					\$ 114,370,997
Source: County of Lake					

PROJECT AREA HISTORICAL TAX INCREMENT REVENUE COMPARISON

Fiscal Year	Total Assessed Value over "Base" (1)	Tax Increment Revenues	Less Property Tax Admin. Fees	Less Housing Set Aside	Less AB 1290 Pass Throughs	Pledged Tax Revenues
2009-10	94,017,438	978,544	20,327	195,649	191,705	570,863
2010-11	91,425,976	914,255	20,436	182,851	182,851	528,117
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2013-14	85,326,479	853,265	17,653	-	170,653	664,959
(1) Base Value:					\$ 114,370,997	
Source: County of Lake						

PROJECT AREA HISTORICAL DEBT SERVICE COVERAGE

Fiscal Year	Pledged Tax Revenues	2004 Bonds Debt Service	2008 Bonds Debt Service	Combined Annual Debt Service	Debt Service Coverage
2009-10	570,863	145,353	181,190	326,543	175%
2010-11	528,117	148,591	175,865	324,456	163%
2011-12	515,180	146,567	175,577	322,144	160%
2012-13	689,411	144,543	180,187	324,730	212%
2013-14	664,959	147,393	179,693	327,086	203%
Source: County of Lake					

ANNUAL INFORMATION STATEMENT FOR FISCAL YEAR ENDING JUNE 30, 2014-BASE CUSIP: 512031

PROJECT AREA MAJOR TAXPAYERS

Name	Use Code	Secured Value	Total Value	Percent of Total Value
Brunos Property Management	Com, Retail	5,365,285	5,365,285	2.84%
DGM Realty	Commercial	5,703,949	5,703,949	3.02%
Shoreline Center LTD	Com, Residential	6,490,888	6,490,888	3.44%
Butcher Derek R Kelly L Trustee	Res, Triplex or more	6,007,800	6,007,800	3.18%
Jackson ave Properties, LLC	Com, Trailer or MH Park	5,472,590	5,472,590	2.90%
Savings Bank Building Corp	Com, Bank	3,106,718	3,106,718	1.64%
Dias Samudra Priya Trustee	Com, Hotel-Motel	2,607,923	2,607,923	1.38%
Sloan William H Jr. June E Trust	Com, Office	2,688,568	2,688,568	1.42%
Tristar Properties LP	Commercial	2,588,658	2,588,658	1.37%
Oak Hill Properties LLC	Com, Trailer or MH Park	2,126,700	2,126,700	1.13%
		42,159,079	42,159,079	22.32%
Total Project Area Assessed Value (Secured only, No HOX) of:		188,906,048		
Source: County of Lake, MuniServices, LLC				
Unsecured Values not available				

PROJECT AREA ASSESSMENT APPEALS

Property Owners	Original Roll Value	Applicant's Opinion of Value	Potential Value Reduction
There are no current pending or resolved appeals within the RDA			
	Total \$	- \$	- \$
Source: MuniServices, LLC			

PROJECT AREA RELATED BONDED INDEBTEDNESS

	Principal Outstanding	Underlying Rating (1)	Insured Rating (1)
2004 Tax Allocation Bonds, Series A			
Due 9/1/35	1,050,000		
2004 Tax Allocation Bonds, Series B			
Due 9/1/35	845,000		
2008 Tax Allocation Bonds			
Due 9/1/38	3,375,000	A- (S&P)	
Source: City of Lakeport			
(1) Information from rating agencies regarding the ratings actions may be obtained from such rating agencies. Also, see "Material Event Notice" posted on April 15, 2014 regarding Moody's Investors			
(2) See "Material Event Notice" posted on April 15, 2014 regarding insurance company rating changes.			

**ANNUAL INFORMATION STATEMENT FOR FISCAL YEAR ENDING JUNE 30, 2014–BASE CUSIP: 512031**

**SIGNIFICANT EVENT: DISSOLUTION OF REDEVELOPMENT AGENCIES**

On December 29, 2011 the California Supreme Court issued its opinion on the California Redevelopment Association Lawsuit in regards to Assembly Bill X1 26 and Assembly Bill X1 27. As a result of the decision, all California redevelopment agencies are dissolved as of February 1, 2012. Please view the event notice on EMMA in its entirety for further clarification. Notice of this event can be viewed online at MSRB's EMMA document repository at the following address:

<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=ER477768>

After the Court's decision, AB 1484 was enacted by the State Legislature and Governor as a clean-up to the budget trailer bill AB x1 26. Together, these bills are necessary to implement provisions of the State's budget acts for fiscal years 2011-12 and 2012-13. In compliance with this new legislation, the City has elected to serve as "Successor Agency" to the former redevelopment agency, as defined in the bills. Please view the bills for further details.

The full language of AB X126 can be viewed at the following URL:

[http://www.leginfo.ca.gov/cgi-bin/postquery?bill\\_number-abx1\\_26&sess=PREV&house=B&author-blumenfeld](http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number-abx1_26&sess=PREV&house=B&author-blumenfeld)

The full language of AB 1484 can be viewed at the following URL:

[http://www.leginfo.ca.gov/cgi-bin/postquery?bill\\_number-ab\\_1484&sess=PREV&house=B&author-committe\\_on\\_budget](http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number-ab_1484&sess=PREV&house=B&author-committe_on_budget)

Each successor agency is responsible for drafting a Recognized Obligation Payment Schedule ("ROPS") delineating the enforceable obligations of the former RDA payable through June 30, 2012 and their source of payment, and then additional ROPS every six months thereafter. ROPS are subject to the approval of the local oversight board, County Auditor-Controller, and Department of Finance. The Successor Agency to the West Sacramento Redevelopment Agency's schedule can be accessed by the link below.

<http://www.cityoflakeport.com/departments/docs.aspx?deptID=75&catID=205>

## 2007 WASTEWATER REVENUE BONDS

ANNUAL INFORMATION STATEMENT FOR FISCAL YEAR ENDING JUNE 30, 2014—BASE CUSIP: 130792

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
WASTEWATER REVENUE BONDS  
SERIES 2007A  
(CITY OF LAKEPORT / LAKE COUNTY, CALIFORNIA)**

Pursuant to an Official Statement dated January 3, 2008, the California Statewide Communities Development Authority (the "Authority") issued its \$4,660,000 Wastewater Revenue Bonds Series 2007A (the "Bonds"). The proceeds of the Bonds were used by the City of Lakeport (the "City") to fund wastewater system improvements. Proceeds of the Bonds were also used to fund a reserve fund for the Bonds and pay costs of issuance of the Bonds.

This Annual Information Statement is being provided pursuant to a covenant made by the City for the benefit of the holders of the Bonds and includes the information specified in a Continuing Disclosure Certificate. For further information and more complete description of the Authority, the City and the Bonds, reference is made to the Official Statement. The audited financial statements for the City of Lakeport will be separately filed with Electronic Municipal Marketplace Access (EMMA) and are hereby incorporated by reference into this Annual Information Statement. The official statement and these financial statements may also be viewed on EMMA and the City's website, respectively, at the following links:

<http://emma.msrb.org/MS267027-MS242335-MD473067.pdf> (Official Statement)

<http://www.cityoflakeport.com/departments/docs.aspx?deptID=75&catID=167> (Financial Statements)

The following data will be provided in this annual information submittal and, unless otherwise noted, will be as of, or for the fiscal year ending **June 30, 2014**:

**Number of Connections**  
**Revenues by Class of User**  
**Largest Users**  
**Projected Operating Results**

The information set forth herein has been furnished by the City and by sources, which are believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in this Annual Continuing Disclosure Information Statement that involve estimates, forecasts, or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, the information and expressions of opinion contained herein are subject to change without notice and the delivery of this Annual Continuing Disclosure Information Statement will not, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described herein.

Signed:



Its: Finance Director  
City of Lakeport  
Dated: June 30, 2014

ANNUAL INFORMATION STATEMENT FOR FISCAL YEAR ENDING JUNE 30, 2014—BASE CUSIP: 130792

NUMBER OF CONNECTIONS

Meter Size	Number of Connections
5/8"	-
3/4"	2,219
1"	52
1 1/2"	49
2"	40
3"	8
4"	2
6"	3
8"	-

Source: City of Lakeport

REVENUES BY CLASS OF USER

User Class	Service Charge Revenue	% of Total Revenue
Single & Multi-Family Residential	1,482,551	70%
Commercial / Industrial	635,631	30%
<b>Total</b>	<b>\$ 2,118,182</b>	

Source: City of Lakeport

LARGEST USERS

User	Business	Service Charge Revenue	% of Total Revenue
Commercial	Kmart	53,533	2.53%
Mobile Home Park	TGJ Summitt	25,628	1.21%
Commercial	Fairgrounds Village	29,910	1.41%
Mobile Home Park	Clear Lake Marina	27,239	1.29%
Mobile Home Park	TGJ Summitt	20,830	0.98%
Commercial	Pacific Regency	20,005	0.94%
Mobile Home Park	Aqua Village	16,557	0.78%
Commercial	Rocky Point Care	14,681	0.69%
Commercial	Bruce Mc Kinney	9,847	0.46%
Commercial	Bruno's	9,058	0.43%

Source: City of Lakeport

ANNUAL INFORMATION STATEMENT FOR FISCAL YEAR ENDING JUNE 30, 2014-BASE CUSIP: 130792

PROJECTED OPERATING RESULTS

<u>Revenues:</u>	
User charges	2,118,182
Use of money and property	39,004
Other	212
Total revenues	<u>2,118,182</u>
Operating expenses	<u>1,518,468</u>
	2,153,939
System net revenues	<u>\$ 599,714</u>
<u>Debt service:</u>	
Series 2007A Bonds	187,560
Total debt service	<u>\$ 187,560</u>
Debt Service Coverage	319.75%
<u>Source: City of Lakeport</u>	

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