

CITY OF LINCOLN, CALIFORNIA

Audited Financial Statements

June 30, 2010

(This page intentionally left blank.)

CITY OF LINCOLN, CALIFORNIA

Audited Financial Statements

June 30, 2010

TABLE OF CONTENTS

Independent Auditor’s Report..... 1
Management’s Discussion and Analysis..... 3

Basic Financial Statements

Government-wide Financial Statements:
Statement of Net Assets 13
Statement of Activities..... 14

Fund Financial Statements:
Balance Sheet – Governmental Funds 16
Reconciliation of the Governmental Funds Balance Sheet to the
Government-wide Statement of Net Assets 17
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds..... 18
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances to the
Government-wide Statement of Activities 19
Statement of Revenues and Expenditures – Budget and Actual –
General Fund 20
Statement of Revenue and Expenditures – Budget and Actual –
Major Special Revenue Funds..... 21
Statement of Net Assets – Proprietary Funds..... 23
Statement of Revenues, Expenses and Changes in Fund Net
Assets – Proprietary Funds..... 25
Statement of Cash Flows – Proprietary Funds 26
Statement of Fiduciary Net Assets – Agency Funds 28
Notes to the Basic Financial Statements 29

Required Supplementary Information

Infrastructure Assets Reporting using the Modified Approach 65

Combining and Individual Fund Financial Statements and Schedules

Nonmajor Governmental Funds:
Combining Balance Sheet 67
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances 68

Nonmajor Special Revenue Funds:
Combining Balance Sheet 69
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances 71

CITY OF LINCOLN, CALIFORNIA

Audited Financial Statements

June 30, 2010

TABLE OF CONTENTS (Continued)

Combining and Individual Fund Financial Statements and Schedules (Continued)

Nonmajor Debt Service Funds:	
Combining Balance Sheet	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	74
Nonmajor Capital Projects Funds:	
Combining Balance Sheet	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	77
Nonmajor Permanent Funds:	
Combining Balance Sheet	79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	80
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets	81
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	82
Combining Statement of Cash Flows.....	83
Agency Funds:	
Combining Statement of Assets and Liabilities	85

Richardson & Company

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Lincoln, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, California, as of and for the year then ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lincoln, California's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note A to the financial statements, the City has not recorded developer-constructed infrastructure in governmental activities, business-type activities and proprietary funds. GASB Statement No. 34 requires all infrastructure capital assets be recorded as of June 30, 2007, which would increase the assets, net assets, and expenses of the governmental activities, business-type activities and proprietary funds. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities, business-type activities and proprietary funds is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, business-type activities and proprietary funds of the City of Lincoln, California, as of June 30, 2010.

As discussed in Note O, changes in accounting methodology and correction of errors resulting in the understatement of assets and net assets were discovered during the current year. Accordingly, an adjustment has been made to assets and net assets as of July 1, 2009 to correct these errors.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the City of Lincoln, California, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, Public Facility Element (PFE) Special Revenue Fund, Water Connection Special Revenue Fund and Redevelopment Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the City Council
City of Lincoln, California

In accordance with *Government Auditing Standards*, we have also issued under a separate cover our report dated February 25, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

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

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

Richardson & Company

February 25, 2011

CITY OF LINCOLN MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the City of Lincoln (City), we offer readers of the City of Lincoln's financial statements this narrative overview and analysis of the financial activities of the City of Lincoln for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Lincoln exceeded its liabilities at the close of the most recent fiscal year by \$502,410,172 (net assets). Of this amount, \$28,728,799 (unrestricted net assets) may be used to meet the City's on-going obligations to citizens and creditors.
- The City's total net assets increased by \$6,494,859 after restatements totaling \$911,706. Governmental activities increased the City's net assets by \$5,036,863 and business-type activities increased the City's net assets by \$1,457,996.
- As of June 30, 2010, the City's governmental funds reported combined ending fund balances of \$61,781,148, a decrease of \$11,020,384 in comparison with the prior year. Of this amount, \$17,991,685 or 29% is reported as unreserved fund balance, which is available for spending at the City's discretion provided they meet the legal restrictions set forth by the fund type.
- At the end of the fiscal year, unreserved fund balance of the General fund was \$4,996,002 or 35% of total General fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction of the City of Lincoln's basic financial statements. The City of Lincoln's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lincoln's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Lincoln's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Lincoln is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lincoln that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Lincoln included general government, public safety, public works and facilities, culture and recreation, urban redevelopment and housing and education. The business-type activities of the City of Lincoln included water, wastewater, solid-waste, transit and airport.

The City of Lincoln Redevelopment Agency and Lincoln Public Financing Authority, although legally separate, function for all practical purposes as departments of the City of Lincoln and, therefore, have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-15 of this report.

CITY OF LINCOLN MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lincoln, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds in the City of Lincoln can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund finance statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *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 impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Lincoln maintains 75 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Public Facility Element (PFE) special revenue fund, Water Connections special revenue fund, Redevelopment Agency special revenue fund and the Highway 65 capital project fund. All of these are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16-22 of this report.

Proprietary funds. The City of Lincoln maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statement. The City of Lincoln uses enterprise funds to account for its water, wastewater, solid-waste, transit and airport operations. *Internal service fund* is an accounting device used to accumulate and allocate costs internally among the City of Lincoln's various functions. The City of Lincoln uses the internal service fund to account for its fleet of vehicles, facility maintenance, administrative services and for its management of public services. Since all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for its water, wastewater, solid waste and airport operations, as all of these are considered to be major funds of the City of Lincoln. Data from the remaining proprietary fund is combined into a single aggregate presentation.

The basic proprietary fund financial statements can be found on pages 23-27 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are *not* available to support the City of Lincoln's own programs. Fiduciary funds are custodial in nature and therefore, the accounting used does not involve the measurement of the results of operations.

The basic fiduciary fund financial statements can be found on page 28 of this report.

**CITY OF LINCOLN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 financial statements can be found on pages 29-64 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Lincoln's infrastructure assets reported using the modified approach. The City of Lincoln adopts an annual appropriated budget for its General fund, Public Facility Element (PFE) special revenue fund, Water Connection special revenue fund and the Redevelopment Agency special revenue fund. Budgetary comparison statements have been provided for these four major funds to demonstrate compliance with this budget. The budgetary comparison statements can be found on pages 20-22 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, and fiduciary funds are presented immediately following the required supplementary information on infrastructure assets, which is found on pages 65-66.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A comparative analysis of the government-wide data has been included in this report. As noted earlier, net assets can over time serve as a useful indicator of the City's financial position. City assets exceed liabilities by \$502,410,172 at the close of the most recent fiscal year.

**Net Assets
As of June 30, 2010 and 2009**

	Governmental Activities		Business-type Activities		Total		Variance
	2010	2009	2010	2009	2010	2009	
Assets:							
Current and other assets	\$ 93,839,530	\$ 89,520,149	\$ 17,762,462	\$ 15,055,204	\$ 111,601,992	\$ 104,575,353	\$ 7,026,639
Capital assets	351,361,806	344,966,122	104,285,146	104,262,594	455,646,952	449,228,716	6,418,236
Total assets	445,201,336	434,486,271	122,047,608	119,317,798	567,248,944	553,804,069	13,444,875
Liabilities:							
Current and other liabilities	19,137,864	10,468,575	5,162,167	3,209,083	24,300,031	13,677,658	10,622,373
Long-term liabilities	37,184,636	40,175,723	3,354,105	4,035,375	40,538,741	44,211,098	(3,672,357)
Total liabilities	56,322,500	50,644,298	8,516,272	7,244,458	64,838,772	57,888,756	6,950,016
Net Assets:							
Investment in capital assets, net of related debt	316,134,425	308,606,157	101,091,339	100,630,330	417,225,764	409,236,487	7,989,277
Restricted	56,455,609	70,016,244	-	-	56,455,609	70,016,244	(13,560,635)
Unrestricted	16,288,802	5,219,572	12,439,997	11,443,010	28,728,799	16,662,582	12,066,217
Total net assets	\$ 388,878,836	\$ 383,841,973	\$ 113,531,336	\$ 112,073,340	\$ 502,410,172	\$ 495,915,313	\$ 6,494,859

By far, the largest portion of the City of Lincoln's net assets (\$417,225,764 or 83%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lincoln's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets is unrestricted net assets (\$28,728,799 or 6%) which may be used to meet the City's ongoing obligations to citizens and creditors. The remaining balance (\$56,455,609 or 11%) represents resources that are subject to external restrictions on how they may be used.

**CITY OF LINCOLN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

At the end of the current fiscal year, the City of Lincoln is able to report positive balances in all three categories of net assets for the government as a whole.

The City's net assets increased by \$6,494,859 during the current fiscal year, including a reduction of \$911,706 due to restatements of 2009 amounts. The continued growth is primarily a result of capital projects and business type activities.

Governmental activities. Governmental activities increased the City of Lincoln's net assets by \$5,036,863, thereby accounting for 78 percent of the total growth in the net assets of the City of Lincoln. Included in this amount, the restatement of net assets as shown in Note O, on page 64 resulted in a decrease to net assets in governmental activities by \$911,706.

**Changes in Net Assets
As of June 30, 2010 and 2009**

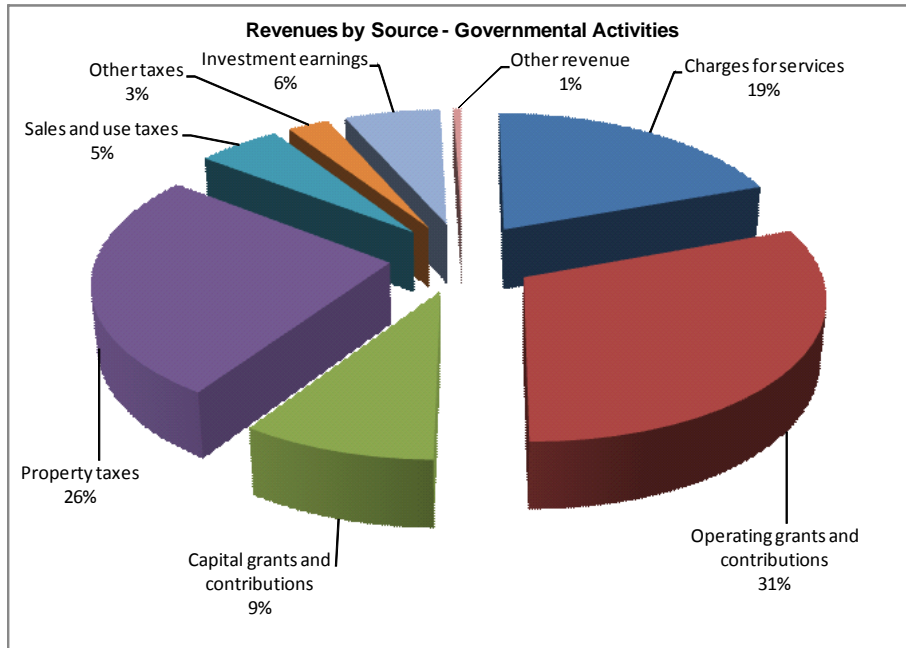
	Governmental Activities		Business-type Activities		Total		
	2010	2009	2010	2009	2010	2009	Variance
Revenues:							
Program revenues:							
Charges for services	\$ 7,207,502	\$ 7,457,334	\$ 24,114,636	\$ 24,359,130	\$ 31,322,138	\$ 31,816,464	\$ (494,326)
Operating grants and contributions	11,351,298	10,130,229	1,195,343	652,139	12,546,641	10,782,368	1,764,273
Capital grants and contributions	3,396,988	1,399,632	896,587	1,192,629	4,293,575	2,592,261	1,701,314
General Revenues:							
Property taxes	9,628,569	11,035,176	-	-	9,628,569	11,035,176	(1,406,607)
Sales & use taxes	1,971,789	1,905,089	-	-	1,971,789	1,905,089	66,700
Other local taxes	988,427	635,042	68,526	91,060	1,056,953	726,102	330,851
Investment earnings	2,261,095	995,126	(193,548)	450,245	2,067,547	1,445,371	622,176
Other revenues	192,290	219,821	237,010	217,925	429,300	437,746	(8,446)
Total revenues	36,997,958	33,777,449	26,318,554	26,963,128	63,316,512	60,740,577	2,575,935
Expenses:							
General government	2,672,943	3,103,629	-	-	2,672,943	3,103,629	(430,686)
Public safety	10,847,388	12,158,513	-	-	10,847,388	12,158,513	(1,311,125)
Public works and facilities	13,720,906	7,931,581	-	-	13,720,906	7,931,581	5,789,325
Culture and recreation	1,059,559	1,110,552	-	-	1,059,559	1,110,552	(50,993)
Education	877,314	1,162,534	-	-	877,314	1,162,534	(285,220)
Urban redevelopment and housing	1,979,294	842,254	-	-	1,979,294	842,254	1,137,040
Interest on long-term debt	1,932,458	2,079,556	-	-	1,932,458	2,079,556	(147,098)
Water	-	-	9,330,009	9,561,253	9,330,009	9,561,253	(231,244)
Sewer	-	-	5,915,385	5,491,924	5,915,385	5,491,924	423,461
Solid-waste	-	-	4,427,701	4,380,483	4,427,701	4,380,483	47,218
Transit	-	-	1,075,578	1,033,824	1,075,578	1,033,824	41,754
Airport	-	-	2,071,412	2,191,656	2,071,412	2,191,656	(120,244)
Total expenses	33,089,862	28,388,619	22,820,085	22,659,140	55,909,947	51,047,759	4,862,188
Changes in net assets before transfers	3,908,096	5,388,830	3,498,469	4,303,988	7,406,565	9,692,818	(2,286,253)
Transfers	2,040,473	1,981,900	(2,040,473)	(1,981,900)	-	-	-
Change in net assets	5,948,569	7,370,730	1,457,996	2,322,088	7,406,565	9,692,818	(2,286,253)
Net assets-Beginning	383,841,973	376,163,994	112,073,340	109,751,252	495,915,313	485,915,246	10,000,067
Prior period adjustments	(911,706)	307,249	-	-	(911,706)	307,249	(1,218,955)
Net assets-Ending	\$ 388,878,836	\$ 383,841,973	\$ 113,531,336	\$ 112,073,340	\$ 502,410,172	\$ 495,915,313	\$ 6,494,859

Key elements of the increase/decrease in revenues for governmental activities are as follows:

- Operating grants and contributions increased by \$1,221,069 or 12% mainly due to increased transit tax revenue received from the prior year and an increase in Proposition 1B funds.
- Capital grants and contributions for governmental activities increased by \$1,997,356 or 143% mainly due to an increase in grants received for public works projects such as the Markham Ravine Bridge.
- Property taxes decreased by \$1,406,607 mainly as a result of the decline in property values and decline in development activities. This is the second year in a row property tax revenues have decreased from the prior year.

**CITY OF LINCOLN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Investment earnings for governmental activities have increased by \$1,265,969. The majority of this increase is attributable to the allocation of prior year's unrealized losses that were previously recorded entirely in governmental activities, to business type activities. Also, unrealized gains on investments were higher than in the previous year.



Key elements of the increase/decrease in expenditures for governmental activities are as follows:

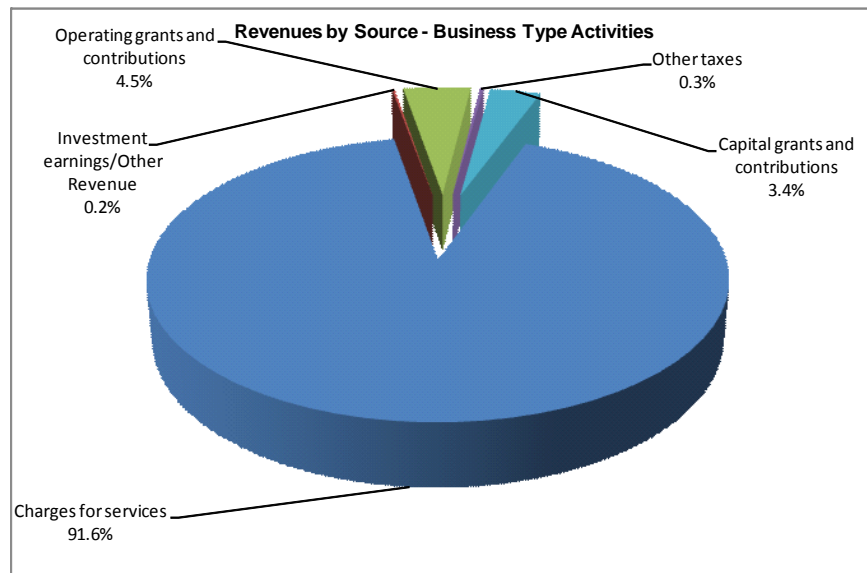
- Public safety expenses decreased by \$1,311,125 or 11%. This decrease takes spending for public safety to below 2008 levels. The decrease was primarily due to reduced salary and benefit costs as well as a reduction of other administrative costs within the Police and Fire Departments.
- Public works and facilities expenses increased by \$5,789,325 or 73%. The increase was primarily due to major construction costs for the Highway 65 capital project.
- Urban redevelopment and housing expenses increased by \$1,137,040 or 135%. The increase was primarily due to the Supplemental Educational Revenue Augmentation Fund payment made to the State during the year. There were also increased pass thru payments and property tax collection fees during the year.

Business-type activities. Business-type activities increased the City's net assets by \$1,457,996, accounting for 20% of the total growth in the City's net assets.

CITY OF LINCOLN MANAGEMENT'S DISCUSSION AND ANALYSIS

Key elements accounting for the increase and decrease in revenues and expenses for business type activities are as follows:

- Operating grants and contributions increased by \$543,204 or 83% mainly due to increased transit tax revenue received from the prior year.
- Capital grants and contributions decreased by \$296,042 or 25% mainly from reduced capital connections fees in the Water fund, Wastewater fund and Solid Waste fund. This decrease is a reflection of the decline in development activities.
- Investment earnings decreased by \$643,793 mainly from the allocation of prior year's unrealized losses from governmental activities to business type activities.
- Sewer, solid waste and transit expenses showed nominal increases from the prior year and water and airport expenses showed nominal decreases from the prior year.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Lincoln uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. 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 of Lincoln's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Lincoln's governmental funds reported combined ending fund balances of \$61,781,148, a decrease of \$11,020,384 in comparison with the prior year. \$10,103,695 of the reduction was as a result of prior year restatement of fund balance for the reclassification of fund balance reserved for long term receivables to deferred revenue. Approximately 29% of the total amount constitutes an *unreserved fund balance*, which is available for spending at the City's discretion provided they meet the legal restrictions set forth by the fund type. The remainder of

**CITY OF LINCOLN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed; \$43,789,463 is committed to pay debt service costs, water facility expansion costs and includes the amount of long-term receivables and advances to other funds that are long-term in nature and thus do not represent available spendable resources.

The General fund is the chief operating fund of the City of Lincoln. At the end of the current fiscal year the unreserved, designated fund balance of the General fund was \$2,455,751, while total fund balance ended the year at \$5,421,111. The increase in fund balance from the prior year is attributable to the allocation of net unrealized losses from prior year's being allocated to the other City funds. The entire unrealized loss was recorded in the General Fund in prior years. As a measure of the General fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total fund balance represents 39% of total General fund expenditures.

The fund balance of the City of Lincoln's General fund increased by \$2,540,251 during the current fiscal year. The following provides an explanation of revenues by source that changed significantly over the prior year:

**Revenue by Source
General Fund**

	FY 2010		FY 2009		Increase/(Decrease)	
	Amount	Percent of	Amount	Percent of	Amount	Percent
		Total		Total		
Taxes and assessments	\$ 9,615,122	61.93%	\$ 10,775,345	83.62%	\$ (1,160,223)	-10.77%
Licenses and permits	709,276	4.57%	730,530	5.67%	(21,254)	-2.91%
Fines and penalties	161,011	1.04%	207,324	1.61%	(46,313)	-22.34%
Interest and investment income	3,326,283	21.42%	(512,874)	-3.98%	3,839,157	-748.56%
Intergovernmental revenue	347,992	2.24%	698,573	5.42%	(350,581)	-50.19%
Charges for services	1,027,733	6.62%	730,771	5.67%	296,962	40.64%
Other revenues	338,025	2.18%	257,015	1.99%	81,010	31.52%
Total	\$ 15,525,442	100.00%	\$ 12,886,684	100.00%	\$ 2,638,758	-762.60%

- Taxes and assessments decreased by \$1,160,223 or 11%. The decrease was primarily due to a decline in property values.
- Interest and investment income increased by \$3,839,157 or 749%. The increase was primarily caused by the allocation of net unrealized losses from prior years being allocated to the other City funds. The entire unrealized loss was recorded in the General Fund in prior years.
- Intergovernmental revenue decreased by \$350,581 or 50%. The decrease was primarily due to a reduction of cost share revenue received in 2010 for the Twelve Bridges Library.
- Charges for services increased by \$296,962 or 41%. The increase was primarily due to an increase in special police services revenue and administration fees charged to various agency funds that were not charged in prior years.

**CITY OF LINCOLN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following provides an explanation of expenditures by function that changed significantly over the prior year:

**Expenditures by Function
General Fund**

	FY 2010		FY 2009		Increase/(Decrease)	
	Amount	Percent of	Amount	Percent of	Amount	Percent
		Total		Total		
General government	\$ 2,169,066	15.41%	\$ 2,549,112	15.95%	\$ (380,046)	-14.91%
Public safety	10,111,766	71.82%	11,301,151	70.72%	(1,189,385)	-10.52%
Public works and facilities	191,111	1.36%	253,370	1.59%	(62,259)	-24.57%
Culture and recreation	978,406	6.95%	1,063,421	6.65%	(85,015)	-7.99%
Education	628,669	4.47%	813,423	5.09%	(184,754)	-22.71%
Capital outlay	-	0.00%	-	0.00%	-	0.00%
Total	\$ 14,079,018	100.00%	\$ 15,980,477	100.00%	\$ (1,901,459)	-80.71%

- Public safety decreased by \$1,189,385 or 11%, primarily as a result of a decrease in salary and benefit costs.
- Education decreased by \$184,754 or 23%. The decrease was primarily due to reduced salary and benefit costs in the library operations.
- Other functions in the General Fund showed decreases in expenditures reflecting prudent spending.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

In preparing its budgets, the City attempts to estimate its revenues using realistic, but conservative, methods so as to budget its expenditures, appropriations and activities in a prudent manner. As a result, the City Council adopts budget adjustments during the course of the fiscal year to reflect both changed priorities and availability of revenues.

The results of the General fund for the year ended June 30, 2010, were more favorable than anticipated. Revenues were approximately \$2.7 million more than budget, which is a result of the allocation of unrealized losses to other funds as mentioned above. Overall, expenditures ended the year approximately \$1.0 million lower than budget.

**CITY OF LINCOLN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City of Lincoln's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$455,646,952 (net of accumulated depreciation). This investment in capital assets includes land, building and facilities, machinery and equipment, park facilities, and roads. Total increase in the City of Lincoln's investments in capital assets for the current fiscal year is \$6,418,236 or 1%.

**City of Lincoln's Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 10,548,712	\$ 10,548,712	\$ 1,657,650	\$ 1,657,650	\$ 12,206,362	\$ 12,206,362
Infrastructure, modified approach	100,271,960	98,104,213	59,934,299	59,934,299	160,206,259	158,038,512
Construction in progress	163,821,140	188,215,856	32,784,968	32,151,456	196,606,108	220,367,312
Buildings and structures	64,789,391	36,901,059	6,390,541	6,836,479	71,179,932	43,737,538
Machinery and equipment	2,335,774	2,861,396	3,144,814	3,288,904	5,480,588	6,150,300
Land improvement	9,594,829	8,334,886	372,874	393,806	9,967,703	8,728,692
Total	\$ 351,361,806	\$ 344,966,122	\$ 104,285,146	\$ 104,262,594	\$ 455,646,952	\$ 449,228,716

Major capital asset events during the current fiscal year included the following:

The City's construction in progress accounts ended the year with a net decrease of \$24 million. The largest contributors to construction in progress were additional costs related to the construction costs for the NID Water Treatment Plant (\$1.1 million), Highway 65 sound wall (\$1.3 million), Wastewater Treatment Plant (\$1.3 million), Twelve Bridges construction (\$1.9 million), Markham Ravine Bridge (\$1.0 million) and additional costs for the Twelve Bridges Library (\$1.1 million).

The additions to construction in progress were offset by several major capital projects that were completed and capitalized in 2010, including the Markham Ravine Bridge (\$2.2 million), the Twelve Bridges Library (\$16.4 million) and the North Area Regional Sports Complex (\$12.6 million).

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by Governmental Accounting Standard (GASB) Statement No. 34. The City has elected to use the modified approach to report its maintained road subsystem of the road network of \$100,271,960. Back in FY 02/03, the total number of City street miles was assessed at 132.03. The last assessment took place in 2008, with the total number of street miles recorded at 226.03. This is an increase of 94 miles, mainly as a result of new developments throughout the City. The City's policy relative to maintaining the street assets is to achieve a minimum PCI rating of 70 for all street segments. As of June 30, 2010, the City's maintained roadway system with a PCI rating of 70 or above made up 88% of all City streets. The estimated maintenance and preservation costs were budgeted at \$2,437,290, while actual costs were \$982,012 during the fiscal year. The City has commissioned an appraisal of other City-owned infrastructure assets. The complete valuation of the City's remaining infrastructure is anticipated to be completed during FY 10-11.

Additional information on the City of Lincoln's capital assets can be found in Note E on pages 51-53 and required supplemental information on pages 65-66 of this report.

**CITY OF LINCOLN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long-term debt. At the end of the current fiscal year, the City of Lincoln had total debt outstanding of \$43,760,929. Of this amount, \$23,115,000 was comprised of lease revenue bonds, \$14,990,000 of tax allocation revenue bonds, \$1,498,886 in postemployment benefit obligation, \$2,031,293 in capital leases, \$1,983,236 in compensated absences and \$142,514 of loans payable.

City of Lincoln's Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Lease revenue bonds	\$ 23,115,000	\$ 23,685,000	\$ -	\$ -	\$ 23,115,000	\$ 23,685,000
Tax allocation revenue bonds	13,970,000	14,540,000	1,020,000	1,270,000	14,990,000	15,810,000
OPEB	1,068,755	350,971	430,131	155,391	1,498,886	506,362
Capital leases	-	-	2,031,293	2,203,029	2,031,293	2,203,029
Loans payable	-	-	142,514	159,235	142,514	159,235
Compensated absences	1,730,535	1,735,336	252,701	247,720	1,983,236	1,983,056
Total	\$ 39,884,290	\$ 40,311,307	\$ 3,876,639	\$ 4,035,375	\$ 43,760,929	\$ 44,346,682

The City of Lincoln's total debt decreased by \$585,753 or 1% during the current fiscal year. The decrease is attributable to the debt service payments made during the year net of the increase in the post employment benefit obligation.

Additional information on the City's long-term debt can be found in Note F on pages 53-58 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City Council sets the direction of the City, allocates its resources and establishes priorities through the development and adoption of the budget. The City's annual budget therefore becomes the guide for financial expenditures, assuring the efficient and effective use of the City's resources, as well as establishing priorities.

In considering the City budget for FY 2010-2011, the City Council and management met in a number of public meetings and workshops to review revenues and expenditures to discuss direction and set priorities. During these public meetings, they used the following facts and assumptions to develop the budget:

- That the regional economy would, at best, remain stagnant during FY 2010-11.
- That the state wide economy and the state's budget problems would have impacts to the FY 2010-11 revenue for the City.
- That Placer County and the City of Lincoln would continue to see a decline in permits issued for new residential developments.
- That General fund property tax and sales tax revenues would decrease as a result of declining economic conditions in both the housing and retail industries.
- Interest income will continue to decrease, reflecting the decline in interest rates.

All of these factors are considered in preparing the City of Lincoln's budget for the 2011 fiscal year.

REQUESTS FOR INFORMATION

This financial statement is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please write to the Administrative Services Department, City of Lincoln, 600 Sixth Street, Lincoln, CA 95648.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF NET ASSETS

June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 43,569,753	\$ 10,518,746	\$ 54,088,499
Receivables (net of allowance for uncollectibles):			
Accounts receivable	2,319,648	4,987,618	7,307,266
Interest receivable	1,550,732	58,120	1,608,852
Taxes receivable	285,059	1,773	286,832
Due from other governments	5,164,012	992,580	6,156,592
Notes receivable	9,306,603	14,445	9,321,048
Internal balances	(62,416)	62,416	
Prepaid expenses and other assets	625,103	843,757	1,468,860
Inventory		58,912	58,912
Temporarily restricted cash and investments	29,631,137	224,095	29,855,232
Permanently restricted cash	371,659		371,659
Deferred charges	1,078,240		1,078,240
Capital assets:			
Not being depreciated	274,641,812	94,376,917	369,018,729
Being depreciated, net	76,719,994	9,908,229	86,628,223
TOTAL ASSETS	445,201,336	122,047,608	567,248,944
LIABILITIES			
Accounts payable and accrued expenses	6,898,349	2,700,389	9,598,738
Salaries and wages payable	438,874	73,855	512,729
Other accrued liabilities	3,791,592	1,366,785	5,158,377
Interest payable	643,280	42,614	685,894
Deposits payable	763,358	99,695	863,053
Retentions payable	347,247	14,920	362,167
Due to other governments			
Unearned revenue	3,683,411	341,375	4,024,786
Noncurrent liabilities:			
Due within one year	2,571,753	522,534	3,094,287
Due in more than one year	37,184,636	3,354,105	40,538,741
TOTAL LIABILITIES	56,322,500	8,516,272	64,838,772
NET ASSETS			
Invested in capital assets, net of related debt	316,134,425	101,091,339	417,225,764
Restricted for:			
Debt service	4,374,032		4,374,032
Capital projects	29,397,051		29,397,051
Water facility capacity expansion	21,020,422		21,020,422
Low and moderate income housing	947,010		947,010
Perpetual care:			
Expendable	371,659		371,659
Nonexpendable	144,382		144,382
Other purposes	201,053		201,053
Unrestricted	16,288,802	12,439,997	28,728,799
TOTAL NET ASSETS	\$ 388,878,836	\$ 113,531,336	\$ 502,410,172

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

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General government	\$ 2,672,943	\$ 3,787,376	\$ 1,949	
Public safety	10,847,388	592,754	221,059	
Culture and recreation	1,059,559	1,048,639	2,500	
Urban redevelopment and housing	1,979,294	174,016	551,533	
Public works and facilities	13,720,906	1,549,410	10,256,962	\$ 2,998,711
Education	877,314	55,307	317,295	398,277
Interest on long-term debt	1,932,458			
TOTAL GOVERNMENTAL ACTIVITIES	33,089,862	7,207,502	11,351,298	3,396,988
BUSINESS-TYPE ACTIVITIES:				
Water	9,330,009	11,164,332	(34,045)	518,930
Wastewater	5,915,385	6,785,503	45,000	303,832
Solid waste	4,427,701	4,842,441	5,000	73,825
Transit	1,075,578	27,941	1,179,388	
Airport	2,071,412	1,294,419		
TOTAL BUSINESS-TYPE ACTIVITIES	22,820,085	24,114,636	1,195,343	896,587
TOTAL PRIMARY GOVERNMENT	\$ 55,909,947	\$ 31,322,138	\$ 12,546,641	\$ 4,293,575

GENERAL REVENUES:

Taxes:

Property taxes

Sales and use taxes

Other taxes

Investment earnings

Other revenue

Transfers

Total General Revenues

Change in Net Assets

Net assets, beginning of year, as previously reported

Restatement

Net assets, beginning of year, as restated

Net assets, end of year

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

Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ 1,116,382		\$ 1,116,382
(10,033,575)		(10,033,575)
(8,420)		(8,420)
(1,253,745)		(1,253,745)
1,084,177		1,084,177
(106,435)		(106,435)
(1,932,458)		(1,932,458)
(11,134,074)		(11,134,074)
	\$ 2,319,208	2,319,208
	1,218,950	1,218,950
	493,565	493,565
	131,751	131,751
	(776,993)	(776,993)
	3,386,481	3,386,481
(11,134,074)	3,386,481	(7,747,593)
9,628,569		9,628,569
1,971,789		1,971,789
988,427	68,526	1,056,953
2,261,095	(193,548)	2,067,547
192,290	237,010	429,300
2,040,473	(2,040,473)	
17,082,643	(1,928,485)	15,154,158
5,948,569	1,457,996	7,406,565
383,841,973	112,073,340	495,915,313
(911,706)		(911,706)
382,930,267	112,073,340	495,003,607
\$ 388,878,836	\$ 113,531,336	\$ 502,410,172

CITY OF LINCOLN, CALIFORNIA

BALANCE SHEET – GOVERNMENTAL FUNDS

As of June 30, 2010

	Major Funds							Total Governmental Funds
	General Fund	Public Facility Element (PFE) Special Revenue Fund	Water Connections Special Revenue Fund	Redevelopment Agency Fund	Highway 65 Capital Projects Fund	Nonmajor Governmental Funds		
ASSETS								
Cash and investments	\$ 5,510,610	\$ 4,079,984	\$ 3,868	\$ 1,112,264	\$ 7,899,050	\$ 24,317,974	\$ 42,923,750	
Receivables:								
Accounts receivable	112,550	64,650		54,226		2,248,222	2,479,648	
Interest receivable	8,155	7,611	26,093	330,870	12,505	1,065,704	1,450,938	
Taxes receivable	115,374			28,965		140,720	285,059	
Due from other governments	1,236,469	3,003,280				924,263	5,164,012	
Notes receivable				3,383,320		5,923,283	9,306,603	
Due from other funds			16,512,254			8,754,358	25,266,612	
Advances to other funds		3,819,104	4,605,656			3,150,524	11,575,284	
Prepaid costs and other assets	314,537	37,792		5,683		184,615	542,627	
Restricted cash and investments	2,757	555,900				29,444,139	30,002,796	
TOTAL ASSETS	\$ 7,300,452	\$ 11,568,321	\$ 21,147,871	\$ 4,915,328	\$ 7,911,555	\$ 76,153,802	\$ 128,997,329	
LIABILITIES AND FUND BALANCE:								
LIABILITIES								
Accounts payable	\$ 253,786	\$ 5,647	\$ 127,449	\$ 13,933	\$ 5,612,548	\$ 684,884	\$ 6,698,247	
Salaries and benefits payable	281,435			8,187		38,983	328,605	
Other accrued liabilities	274,116	139,058				3,378,418	3,791,592	
Due to other funds	62,868	18,995,453			16,399	2,032,529	21,107,249	
Deposits payable	305			4,618		758,435	763,358	
Retentions payable		341,696				5,551	347,247	
Advances from other funds		10,699,318		5,097,745			15,797,063	
Deferred and unearned revenue	1,006,831	4,403,795		3,712,416		9,259,778	18,382,820	
TOTAL LIABILITIES	1,879,341	34,584,967	127,449	8,836,899	5,628,947	16,158,578	67,216,181	
FUND BALANCES								
Reserved for:								
Long-term receivables and other assets	314,537	37,792		5,683		2,232,837	2,590,849	
Advances to other funds and other long-term interfund borrowings		3,819,104	19,496,392			11,506,620	34,822,116	
Forefietures						11,205	11,205	
Capacity expansion			1,524,030				1,524,030	
Perpetual care endowment	15,000					356,659	371,659	
Debt service						4,374,032	4,374,032	
Youth program scholarships	95,572						95,572	
Unreserved, reported in:								
General fund								
Designated	2,455,751						2,455,751	
Undesignated	2,540,251						2,540,251	
Special revenue funds		(26,873,542)		(3,927,254)		14,255,046	(16,545,750)	
Capital projects funds					2,282,608	27,114,443	29,397,051	
Permanent funds						144,382	144,382	
TOTAL FUND BALANCES	5,421,111	(23,016,646)	21,020,422	(3,921,571)	2,282,608	59,995,224	61,781,148	
TOTAL LIABILITIES AND FUND BALANCE:	\$ 7,300,452	\$ 11,568,321	\$ 21,147,871	\$ 4,915,328	\$ 7,911,555	\$ 76,153,802	\$ 128,997,329	

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

CITY OF LINCOLN, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

As of June 30, 2010

Fund balances – total governmental funds	\$ 61,781,148
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds’ balance sheet	351,226,426
Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds.	14,636,706
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds’ balance sheet.	(39,372,723)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	(643,280)
Governmental funds report debt issuance costs (deferred charges) as part of debt service expenditures, whereas these amounts are deferred and amortized in the Government-wide Statement of Activities.	1,078,240
Internal service funds are used by management to charge the costs of certain activities to other funds. The assets and liabilities of the internal service funds are included in the governmental activities in the government-wide statement of net assets.	<u>172,319</u>
Net assets – governmental activities	<u><u>\$ 388,878,836</u></u>

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

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

Major Funds

	General Fund	Public Facility Element (PFE) Special Revenue Fund	Water Connections Special Revenue Fund	Redevelopment Agency Fund	Highway 65 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes and assessments	\$ 9,615,122			\$ 1,833,318		\$ 1,125,547	\$ 12,573,987
Licenses and permits	709,276					410,327	1,119,603
Fines and penalties	161,011					11,740	172,751
Use of money and property	3,326,283	\$ (1,112,737)	\$ 667,149	6,442		(647,329)	2,239,808
Program income				24,522		14,781	39,303
Intergovernmental revenues	347,992	1,866,458			\$ 49,835	3,584,676	5,848,961
Charges for services	1,027,733	1,301,458		11,200		4,043,961	6,384,352
Contributions from homeowners						1,634,852	1,634,852
Developer fees and contributions		6,646,731					6,646,731
Other revenues	338,025	5,450		100,140		56,601	500,216
TOTAL REVENUES	15,525,442	8,707,360	667,149	1,975,622	49,835	10,235,156	37,160,564
EXPENDITURES							
Current:							
General government	2,169,066			134,460		294,775	2,598,301
Public safety	10,111,766					81,096	10,192,862
Culture and recreation	978,406						978,406
Urban redevelopment and housing				1,687,577		251,130	1,938,707
Public works and facilities	191,111	79,272	154,984		5,612,548	6,081,274	12,119,189
Education	628,669	248,238					876,907
Debt service:							
Principal retirement						4,860	4,860
Interest		69,791	15,537	70,470		1,140,000	1,440,000
Capital outlay		2,262,492	1,165,737	83,019		1,767,288	1,923,086
TOTAL EXPENDITURES	14,079,018	2,659,793	1,336,258	1,975,526	5,612,548	14,552,106	40,215,249
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,446,424	6,047,567	(669,109)	96	(5,562,713)	(4,316,950)	(3,054,685)
OTHER FINANCING SOURCES (USES):							
Transfers in	1,192,637	731,924	1,780,331		6,228,488	2,402,502	12,335,882
Transfers out	(98,810)	(6,703,167)		(631,455)		(2,764,454)	(10,197,886)
TOTAL OTHER FINANCING SOURCES (USES):	1,093,827	(5,971,243)	1,780,331	(631,455)	6,228,488	(361,952)	2,137,996
NET CHANGE IN FUND BALANCES	2,540,251	76,324	1,111,222	(631,359)	665,775	(4,678,902)	(916,689)
Fund balances, beginning of year, as previously reported							
	2,880,860	(23,092,970)	19,909,200	117,631	1,616,833	71,369,978	72,801,532
Restatement							
				(3,407,843)		(6,695,852)	(10,103,695)
Fund balances, beginning of year, as restated	2,880,860	(23,092,970)	19,909,200	(3,290,212)	1,616,833	64,674,126	62,697,837
FUND BALANCES END OF YEAR	\$ 5,421,111	\$ (23,016,646)	\$ 21,020,422	\$ (3,921,571)	\$ 2,282,608	\$ 59,995,224	\$ 61,781,148

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

CITY OF LINCOLN, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

Net change in fund balances – total governmental funds \$ (916,689)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.

Capital outlay	\$ 8,442,931	
Depreciation expense	<u>(1,883,040)</u>	6,559,891

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-wide Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayment exceeded proceeds.

1,140,000

Some expenses reported in the Government-wide Statement of Activities do not require the use of current financial resources and therefore are not expenditures in the governmental funds.

Change in postemployment benefit liability	(717,784)	
Change in accrued interest payable	(1,683)	
Change in compensated absences	208,649	
Amortization of bond premiums and discounts	<u>(7,684)</u>	(518,502)

Governmental funds report debt issuance costs (deferred charges) as part of debt service expenditures, whereas these costs are deferred and amortized in the Government-wide Statement of Activities.

Amorization of issuance costs		(67,948)
-------------------------------	--	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(162,607)

Capital assets transferred to an enterprise fund from a governmental fund are reported as a capital contribution, but the governmental fund would not report the event because there has been no flow of current financial resources.

(85,697)

Internal service funds are used by management to charge the costs of certain activities to other funds. The net revenues of certain activities of internal service funds is reported with governmental activities.

121

Change in net assets – governmental activities \$ 5,948,569

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

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND

For the Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments	\$ 10,566,092	\$ 10,366,092	\$ 9,615,122	\$ (750,970)
Licenses and permits	665,000	665,000	709,276	44,276
Fines and penalties	171,250	131,250	161,011	29,761
Use of money and property	110,000	110,000	3,326,283	3,216,283
Intergovernmental revenues	362,939	348,818	347,992	(826)
Charges for services	728,550	828,550	1,027,733	199,183
Other revenues	1,336,134	405,634	338,025	(67,609)
TOTAL REVENUES	13,939,965	12,855,344	15,525,442	2,670,098
EXPENDITURES				
Current:				
General government	2,130,039	2,306,039	2,169,066	136,973
Public safety	10,812,330	10,785,750	10,111,766	673,984
Culture and recreation	1,122,778	1,138,884	978,406	160,478
Public works and facilities	130,205	130,205	191,111	(60,906)
Education	688,641	703,641	628,669	74,972
Capital outlay	15,000	15,000		15,000
TOTAL EXPENDITURES	14,900,493	15,081,019	14,079,018	1,002,001
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(960,528)	(2,225,675)	1,446,424	3,672,099
OTHER FINANCING SOURCES (USES)				
Transfers in		1,160,947	1,192,637	31,690
Transfers out		(154,152)	(98,810)	55,342
TOTAL OTHER FINANCING SOURCES (USES)		1,006,795	1,093,827	87,032
NET CHANGE IN FUND BALANCES	(960,528)	(1,218,880)	2,540,251	3,759,131
Fund balances, beginning of year	2,880,860	2,880,860	2,880,860	
FUND BALANCES END OF YEAR	\$ 1,920,332	\$ 1,661,980	\$ 5,421,111	\$ 3,759,131

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

(This page intentionally left blank.)

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –
MAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2010

	Public Facility Element (PFE) Special Revenue Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Taxes and assessments				
Use of money and property	\$ 88,500	\$ 88,500	\$ (1,112,737)	\$ (1,201,237)
Program income				
Intergovernmental revenues	3,784,934	1,989,292	1,866,458	(122,834)
Charges for services	1,355,665	932,139	1,301,458	369,319
Developer fees & contributions	6,900,000	6,900,000	6,646,731	(253,269)
Other revenues			5,450	5,450
TOTAL REVENUES	12,129,099	9,909,931	8,707,360	(1,202,571)
EXPENDITURES				
Current:				
General government				
Urban redevelopment and housing				
Public works and facilities	300	11,675	79,272	(67,597)
Education	244,150	244,150	248,238	(4,088)
Debt service:				
Interest			69,791	(69,791)
Capital outlay	13,348,526	12,889,221	2,262,492	10,626,729
TOTAL EXPENDITURES	13,592,976	13,145,046	2,659,793	10,485,253
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,463,877)	(3,235,115)	6,047,567	9,282,682
OTHER FINANCING SOURCES (USES)				
Transfers in	3,509,954	3,000,000	731,924	(2,268,076)
Transfers out		(398,913)	(6,703,167)	(6,304,254)
TOTAL OTHER FINANCING SOURCES (USES)	3,509,954	2,601,087	(5,971,243)	(8,572,330)
NET CHANGE IN FUND BALANCES	2,046,077	(634,028)	76,324	710,352
Fund balances, beginning of year	(23,092,970)	(23,092,970)	(23,092,970)	
Restatement				
Fund balance, beginning of year, as restated	<u>(23,092,970)</u>	<u>(23,092,970)</u>	<u>(23,092,970)</u>	
FUND BALANCES END OF YEAR	\$ (21,046,893)	\$ (23,726,998)	\$ (23,016,646)	\$ 710,352

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

Water Connections Special Revenue Fund				Redevelopment Agency Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 250,000	\$ 250,000	\$ 667,149	\$ 417,149	\$ 1,577,000	\$ 1,577,000	\$ 1,833,318	\$ 256,318
				88,500	38,500	6,442	(32,058)
						24,522	24,522
				9,600	9,600	11,200	1,600
						100,140	100,140
<u>250,000</u>	<u>250,000</u>	<u>667,149</u>	<u>417,149</u>	<u>1,675,100</u>	<u>1,625,100</u>	<u>1,975,622</u>	<u>350,522</u>
				134,694	134,694	134,460	(234)
131,681	131,681	154,984	(23,303)	657,230	657,230	1,687,577	1,030,347
		15,537	(15,537)			70,470	70,470
4,715,173	4,715,173	1,165,737	3,549,436	1,912,382	2,040,482	83,019	(1,957,463)
<u>4,846,854</u>	<u>4,846,854</u>	<u>1,336,258</u>	<u>3,510,596</u>	<u>2,704,306</u>	<u>2,832,406</u>	<u>1,975,526</u>	<u>(856,880)</u>
(4,596,854)	(4,596,854)	(669,109)	3,927,745	(1,029,206)	(1,207,306)	96	1,207,402
1,212,100	1,212,100	1,780,331	568,231				
	(11,341)		11,341		(58,597)	(631,455)	(572,858)
<u>1,212,100</u>	<u>1,200,759</u>	<u>1,780,331</u>	<u>579,572</u>		<u>(58,597)</u>	<u>(631,455)</u>	<u>(572,858)</u>
(3,384,754)	(3,396,095)	1,111,222	4,507,317	(1,029,206)	(1,265,903)	(631,359)	634,544
19,909,200	19,909,200	19,909,200		117,631	117,631	117,631	
				(3,407,843)	(3,407,843)	(3,407,843)	
<u>19,909,200</u>	<u>19,909,200</u>	<u>19,909,200</u>		<u>(3,290,212)</u>	<u>(3,290,212)</u>	<u>(3,290,212)</u>	
<u>\$ 16,524,446</u>	<u>\$ 16,513,105</u>	<u>\$ 21,020,422</u>	<u>\$ 4,507,317</u>	<u>\$ (4,319,418)</u>	<u>\$ (4,556,115)</u>	<u>\$ (3,921,571)</u>	<u>\$ 634,544</u>

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

As of June 30, 2010

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities
	Water Fund	Wastewater Operations Fund	Solid Waste Fund	Airport Fund			Internal Services Fund
ASSETS							
CURRENT ASSETS							
Cash and investments	\$ 3,912,540	\$ 308,593	\$ 6,297,513	\$ 100		\$ 10,518,746	\$ 646,003
Receivables:							
Accounts receivable	2,882,473	1,435,273	621,615	47,686	\$ 571	4,987,618	
Interest receivable	29,111	11,688	17,321			58,120	2,497
Taxes receivable				1,773		1,773	
Due from other governments				80,116	912,464	992,580	
Notes receivable		14,445				14,445	
Due from other funds	5,123,846	3,776,966				8,900,812	
Prepaid expenses and other assets	25,741	769,599	28,376	9,184	10,857	843,757	82,476
Inventory				58,912		58,912	
TOTAL CURRENT ASSETS	11,973,711	6,316,564	6,964,825	197,771	923,892	26,376,763	730,976
NONCURRENT ASSETS							
Advances to other funds		293,512	4,601,509			4,895,021	
Restricted cash and investments	81,884	142,211				224,095	
Capital assets:							
Not being depreciated	30,151,607	59,409,352	10	4,425,389	390,559	94,376,917	
Being depreciated	208,338	1,744,546	2,073,568	5,738,255	143,522	9,908,229	135,380
TOTAL NONCURRENT ASSETS	30,441,829	61,589,621	6,675,087	10,163,644	534,081	109,404,262	135,380
TOTAL ASSETS	42,415,540	67,906,185	13,639,912	10,361,415	1,457,973	135,781,025	866,356

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS (Continued)

As of June 30, 2010

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental
	Water Fund	Wastewater Operations Fund	Solid Waste Fund	Airport Fund			Internal Services Fund
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable	\$ 1,158,443	\$ 643,584	\$ 481,328	\$ 137,619	\$ 279,415	\$ 2,700,389	\$ 200,102
Salaries and wages payable	20,893	7,874	25,617	8,798	10,673	73,855	110,269
Other accrued liabilities	543,371	82,050	741,364			1,366,785	
Interest payable	3,821	16,183		22,610		42,614	
Due to other funds		8,651,026		4,199,822	209,327	13,060,175	
Deposits payable	81,770			17,925		99,695	
Retentions payable					14,920	14,920	
Unearned revenue	81,566	141,159	118,650			341,375	
Compensated absences, due within one year	91,420	12,480	54,541	32,442	15,293	206,176	329,459
Long-term debt, due within one year	67,934	160,000		88,424		316,358	
TOTAL CURRENT LIABILITIES	2,049,218	9,714,356	1,421,500	4,507,640	529,628	18,222,342	639,830
NONCURRENT LIABILITIES							
Advances from other funds		673,242				673,242	
Compensated absences, due in more than one year	21,838	2,736	10,754	7,643	3,554	46,525	54,207
Postemployment benefit obligation	138,404	72,988	133,767	34,765	50,207	430,131	
Non-current debt, due in more than one year	244,580	650,000		1,982,869		2,877,449	
TOTAL NONCURRENT LIABILITIES	404,822	725,724	144,521	2,025,277	53,761	3,354,105	54,207
TOTAL LIABILITIES	2,454,040	11,113,322	1,566,021	6,532,917	583,389	22,249,689	694,037
NET ASSETS							
Invested in capital assets, net of related debt	30,047,431	60,343,898	2,073,578	8,092,351	534,081	101,091,339	135,380
Unrestricted	9,914,069	(3,551,035)	10,000,313	(4,263,853)	340,503	12,439,997	36,939
TOTAL NET ASSETS	\$ 39,961,500	\$ 56,792,863	\$ 12,073,891	\$ 3,828,498	\$ 874,584	\$ 113,531,336	\$ 172,319

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

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS

For the Year Ended June 30, 2010

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental
	Water Fund	Wastewater Operations Fund	Solid Waste Fund	Airport Fund			Internal Service Funds
OPERATING REVENUES							
Charges for services	\$ 9,333,656	\$ 6,785,093	\$ 4,793,902	\$ 1,294,419	\$ 27,941	\$ 22,235,011	\$ 6,928,567
Connection fees	1,830,676	410	48,539			1,879,625	
TOTAL OPERATING REVENUES	11,164,332	6,785,503	4,842,441	1,294,419	27,941	24,114,636	6,928,567
OPERATING EXPENSES							
Salaries and benefits	1,000,431	463,877	1,225,721	412,175	447,571	3,549,775	4,675,396
General services and supplies	7,221,409	4,502,022	1,885,876	1,101,943	290,214	15,001,464	2,154,702
Support services	1,056,118	649,976	1,058,696	90,670	315,958	3,171,418	
Depreciation	41,676	244,396	257,408	341,301	21,835	906,616	86,642
TOTAL OPERATING EXPENSES	9,319,634	5,860,271	4,427,701	1,946,089	1,075,578	22,629,273	6,916,740
OPERATING INCOME (LOSS)	1,844,698	925,232	414,740	(651,670)	(1,047,637)	1,485,363	11,827
NONOPERATING REVENUES (EXPENSES)							
Taxes				68,526		68,526	
Interest revenue	(162,209)	9,200	(37,456)	(49)	(3,034)	(193,548)	(180)
Interest expense	(10,375)	(55,114)		(125,323)		(190,812)	
Intergovernmental revenues	(34,045)	45,000	5,000		1,179,388	1,195,343	
Other nonoperating revenues	56,168	146,208	4,440	29,948	246	237,010	302
TOTAL NONOPERATING REVENUES	(150,461)	145,294	(28,016)	(26,898)	1,176,600	1,116,519	122
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,694,237	1,070,526	386,724	(678,568)	128,963	2,601,882	11,949
CAPITAL CONTRIBUTIONS AND TRANSFERS							
Capital contributions	316,894				85,695	402,589	
Capital connection fees	202,036	303,832	73,825			579,693	
Transfers in	24,458	193,970	12,872		114,349	345,649	
Transfers out	(2,041,501)	(171,109)	(164,744)	(15,117)	(79,346)	(2,471,817)	(11,828)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,498,113)	326,693	(78,047)	(15,117)	120,698	(1,143,886)	(11,828)
CHANGE IN NET ASSETS	196,124	1,397,219	308,677	(693,685)	249,661	1,457,996	121
Net Assets, beginning of year	39,765,376	55,395,644	11,765,214	4,522,183	624,923	112,073,340	172,198
NET ASSETS, END OF YEAR	\$ 39,961,500	\$ 56,792,863	\$ 12,073,891	\$ 3,828,498	\$ 874,584	\$ 113,531,336	\$ 172,319

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

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2010

	Business-type Activities-Enterprise Funds				Total Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental
	Water Fund	Wastewater Operations Fund	Solid Waste Fund	Airport Fund			Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers	\$ 11,008,046	\$ 6,829,208	\$ 4,793,349	\$ 1,267,070	\$ 28,028	\$ 23,925,701	
Payments to suppliers	(6,667,180)	(4,382,518)	(1,846,692)	(1,116,078)	(40,528)	(14,052,996)	\$ (2,127,716)
Payments to employees	(905,109)	(418,116)	(1,127,796)	(401,636)	(417,827)	(3,270,484)	(4,409,957)
Receipts from interfund services provided							6,928,567
Payments for interfund transfers	(1,029,558)	(623,464)	(842,386)	(84,695)	(304,894)	(2,884,997)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,406,199	1,405,110	976,475	(335,339)	(735,221)	3,717,224	390,894
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Intergovernmental revenue received	101,890	45,000	5,000		463,113	615,003	462
Tax revenue received				67,867		67,867	
Interfund borrowings	(1,806,104)	(2,647,074)		527,364	209,327	(3,716,487)	
Transfers in from other funds	24,458	193,970	12,872		114,349	345,649	
Transfers out to other funds	(2,041,501)	(171,109)	(164,744)	(15,117)	(79,346)	(2,471,817)	(11,828)
Repayments on notes receivable		12,463				12,463	
Other revenues received	56,168	146,208	4,440	20,785	246	227,847	302
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(3,665,089)	(2,420,542)	(142,432)	600,899	707,689	(4,919,475)	(11,064)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Advances to other funds		673,242				673,242	
Repayment of advances from other funds		(1,915)	(30,014)			(31,929)	
Principal paid on long-term liabilities	(76,721)	(170,000)		(191,736)		(438,457)	
Interest paid on long-term liabilities	(12,099)	(61,308)		(103,913)		(177,320)	
Capital contributions received	316,894				85,695	402,589	
Capital connection fees received	202,036	303,832	73,825			579,693	
Payments for purchase and construction of capital assets	(140,428)	(283,820)	(48,322)	(66,040)	(375,638)	(914,248)	(8,130)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING	289,682	460,031	(4,511)	(361,689)	(289,943)	93,570	(8,130)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest received	(150,880)	10,694	(33,137)	(49)	(1,775)	(175,147)	(1,551)
NET CASH PROVIDED BY INVESTING ACTIVITIES	(150,880)	10,694	(33,137)	(49)	(1,775)	(175,147)	(1,551)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,120,088)	(544,707)	796,395	(96,178)	(319,250)	(1,283,828)	370,149
Cash and cash equivalents, beginning of year	5,114,512	995,511	5,501,118	96,278	319,250	12,026,669	275,854
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,994,424	\$ 450,804	\$ 6,297,513	\$ 100	\$ -	\$ 10,742,841	\$ 646,003
RECONCILIATION OF CASH AND CASH TO THE STATEMENT OF NET ASSETS							
Cash and investments	\$ 3,912,540	\$ 308,593	\$ 6,297,513	\$ 100	\$ -	\$ 10,518,746	\$ 646,003
Restricted cash and investments	81,884	142,211				224,095	
CASH AND CASH EQUIVALENTS	\$ 3,994,424	\$ 450,804	\$ 6,297,513	\$ 100	\$ -	\$ 10,742,841	\$ 646,003

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

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (Continued)

For the Year Ended June 30, 2010

	Business-type Activities-Enterprise Funds					Governmental Activities	
	Water Fund	Wastewater Operations Fund	Solid Waste Fund	Airport Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash							
Operating income (loss)	\$ 1,844,698	\$ 925,232	\$ 414,740	\$ (651,670)	\$ (1,047,637)	\$ 1,485,363	\$ 11,827
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:							
Depreciation and amortization	41,676	244,396	257,408	341,301	21,835	906,616	86,642
Provision for doubtful accounts	(94,867)	(43,603)	(20,277)	(3,235)		(161,982)	
Postemployment benefit accrual	89,792	47,522	84,366	21,524	31,536	274,740	
Changes in operating assets and liabilities:							
Accounts receivable	(155,178)	44,606	(20,616)	(27,349)	87	(158,450)	
Prepaid expenses	(8,678)	(4,498)	(11,481)	(3,598)	(3,941)	(32,196)	(48,976)
Inventory				(3,986)		(3,986)	
Accounts payable and accrued expenses	683,803	194,117	287,252	506	264,691	1,430,369	75,962
Salaries and benefits payable	5,530	(1,761)	13,559	(10,985)	(1,792)	4,551	265,439
Deposits payable	531			2,153		2,684	
Deferred revenue	(1,108)	(901)	(28,476)			(30,485)	
NET CASH PROVIDED (USED)							
BY OPERATING ACTIVITIES	<u>\$ 2,406,199</u>	<u>\$ 1,405,110</u>	<u>\$ 976,475</u>	<u>\$ (335,339)</u>	<u>\$ (735,221)</u>	<u>\$ 3,717,224</u>	<u>\$ 390,894</u>

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

As of June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 14,098,319
Interest receivable	22,517
Special assessment receivable	269,382
Accounts receivable	612
Restricted cash and investments	<u>13,398,025</u>
	TOTAL ASSETS \$ <u><u>27,788,855</u></u>
LIABILITIES	
Accounts payable	\$ 2,800
Due to property owners	27,719,808
Agency obligations	<u>66,247</u>
	TOTAL LIABILITIES \$ <u><u>27,788,855</u></u>

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

(This page intentionally left blank.)

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lincoln (the City) was incorporated in March 1878 under the laws and regulations of the State of California (the State). The City operates under a City Manager – Council form of government and provides the following services: public safety (Police and Fire), highways and streets, water, sewer, sanitation, airport, culture-recreation, public improvements, planning and zoning and general administrative services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements related to its proprietary operations. The more significant of these accounting policies are described below.

Reporting Entity: The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include property taxes, sales taxes, other inter-governmental revenue from state and federal sources, user fees and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Lincoln, 600 Sixth Street, Lincoln, CA 95648.

The City's reporting entity includes the following blended component units:

City of Lincoln Redevelopment Agency

The City of Lincoln Redevelopment Agency (the Agency) was formed as a separate legal entity under the Community Redevelopment Law. The City Council acts as the governing board of the Agency in concurrent session. The City Manager acts as the Redevelopment Agency's executive director. The annual budget is approved by the Redevelopment Agency's Board of Directors. The State's redevelopment process provides communities at a local level with a comprehensive tool for economic development. These tools are the powers of land assembly and site preparation for private development, the ability to finance necessary public improvements, the authority to impose conditions and restrictions for the quality of developments of an area, and the capability to broaden financing capabilities utilizing a

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

variety of public and private sources. The major source of financing to undertake redevelopment is a “tax increment.” Tax increment is the additional property taxes that are paid on the value of new development within the redevelopment project area. This increment can then be leveraged for financial investments to fund the identified projects. The redevelopment and low/moderate income housing programs of the Agency are reported as special revenue funds. The Agency has one project area.

The Agency provides services entirely for the benefit of the City. Because of this fact and the governing body consisting solely of members of the City Council, the Agency is treated as a blended component unit. Separate financial statements are issued for the Agency and are available from the City’s Administrative Services Department.

Lincoln Public Financing Authority

The Lincoln Public Financing Authority (the Authority) was formed as a joint powers authority between the City and the Agency to serve as a financing mechanism of various capital projects for the City. The City Council acts as the governing board in a concurrent session, as necessary. The bond issuance authorizations are approved by the City’s Council and the legal ability for the Authority’s debt remains with the City. The Authority provides services solely for the benefit of the City and is presented as a debt service fund. Separate financial statements are not issued for the Authority.

The above component units are included in the City’s basic financial statements using the blended method. The governing body of these component units is substantially the same as the governing body of the City and these component units provide services entirely to the City. There are no component units of the City that meet the criteria for discrete presentation.

Basis of Presentation – Government-wide Financial Statements: The government-wide financial statements (i.e. the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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 to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. 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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Fund Financial Statements: The accounts of the City are organized on the basis of funds. A fund is a separate self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. For the City, the General Fund includes such activities as public safety, culture and recreation services, public works and facilities, education and economic development services.

Public Facility Element (PFE) Fee Special Revenue Fund – The Public Facility Element (PFE) Fee Revenue Fund is used to account for the fees collected from developers and community services fees for public facilities improvements including, but not limited to, Police, Fire and City administration facilities.

Water Connections Special Revenue Fund – The Water Connections Special Revenue Fund is used to account for water connection fees collected from developers and property owners that are required by the California Government Code to be expended for capacity expansion.

Redevelopment Agency Special Revenue Fund – Redevelopment Agency Special Revenue Fund is used to account for redevelopment tax increment revenues received to provide the community with a tool for economic development.

Highway 65 Capital Projects Fund – The Highway 65 Capital Projects Fund is used to account for resources received to construct the Highway 65 Bypass and to widen Highway 65 in a timely manner to relieve the existing and future traffic congestion.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major enterprise funds:

The Water Enterprise Fund – The Water Enterprise Fund accounts for the activities of the water operating and non-operating funds of the City of Lincoln's Public Works Department. Activities include accounting for the Lincoln residents' water use, water pipeline installation and repairs, and water meter installation and repairs.

The Wastewater Enterprise Fund – The Wastewater Enterprise Fund accounts for the activities of the wastewater operating and non-operating funds of the City of Lincoln's Public Works Department. Activities include wastewater services and repair.

The Solid Waste Enterprise Fund – The Solid Waste Enterprise Fund accounts for the activities of the solid waste operating and non-operating funds of the City of Lincoln's Public Works Department. Activities include accounting for the City of Lincoln's residents' solid waste (garbage) services.

The Airport Enterprise Fund – The Airport Enterprise Fund accounts for the activities of the publicly-owned Lincoln Regional Airport. The airport was established in 1947 as a regional center for general and corporate aviation.

Additionally, the City reports the following fund types:

Governmental Funds

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds – Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

Permanent Funds – Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Internal Service Funds – Internal Service Funds are used to account for the financing of services provided by one city department to other departments on a cost reimbursement basis.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Agency Funds – Agency Funds account for assets held by the City in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The City's agency funds account for assets held by the City as an agent for bonded assessment districts, the Little League organization, preservation of the library and for the purpose of preserving open space surrounding the Markham Ravine area.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and Cash Equivalents: For purposes of the accompanying Statement of Cash Flows, cash and cash equivalents are defined as deposits and highly liquid investments with original maturities of 90 days or less, that are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations. Cash and cash equivalents include: demand deposits and short-term, highly liquid investments including Treasury bills, commercial paper, certificates of deposit, money market funds and cash management pools, including California Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP).

Receivables and Payables: Property, sales, use and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and are considered available if received within 60 days of year end. Federal and state grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net assets.

The amount recognized as revenue under the modified accrual basis is limited to the amount that is deemed measurable and available. Long-term loans in governmental funds are treated in the fund financial statements as expenditures in the year advanced and as revenues in the year repayment is measurable and available. Loans receivable are recorded in the fund statements, but are offset with a reservation of fund balance for noncurrent assets to indicate they do not represent current financial resources. Loans are recognized when advanced in the government-wide statements.

The City has provided an allowance for doubtful accounts of \$3,563,569 at June 30, 2010 primarily related to inspection fees and construction water purchases estimated by the City to be uncollectible. The City has a variety of arrangements with developers, a portion of which are being questioned. The allowance for doubtful accounts includes these questioned amounts. Receivables not expected to be collected within one year total \$1,336,052.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Advances between funds, as reported in the fund financial statements, are offset by a reservation of fund balance for noncurrent assets in governmental funds to indicate they do not constitute resources available for appropriation.

Property Taxes: The County of Placer (the County) is responsible for the collection and allocation of property taxes. Under California law, property taxes are assessed and collected by the County up to 1% of the full cash value of taxable property, plus other increases approved by the voters and distributed in accordance with statutory formulas. Secured property taxes are levied on or before September 30 of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These taxes are paid in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs and interest when paid.

The term “unsecured” refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within 60 days after fiscal year-end. The County apportions secured property tax revenue in accordance with the alternate methods of distribution, the “Teeter Plan,” as prescribed by Section 4717 of the California Revenue and Taxation code. Therefore, the City receives 100 percent of the secured property tax levies to which it is entitled, whether or not collected. Unsecured delinquent taxes are considered fully collectible.

Inventory: Inventories are stated at cost (average cost per unit) for proprietary funds. Cost of inventory is recorded as an expenditure when consumed, rather than when purchased.

Prepaid Costs: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid costs of governmental funds are offset by a reservation of fund balance to indicate they do not constitute resources available for future appropriation.

Restricted Assets: Certain proceeds of the City’s long-term debt are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or that represent escrow accounts. The “reserve” account is used to report resources set aside to make up potential future deficiencies in the bond’s debt service. Certain unspent debt proceeds are also restricted to specific capital projects by the applicable debt covenant.

Capital Assets: Capital assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, curbs and gutters, streets, traffic signals, signs, landscaped corridors, drainage systems and lighting systems) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. For certain older assets estimated historical cost

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GASB Statement No. 34 requires the inclusion of infrastructure assets in the City's basic financial statements. In accordance with GASB Statement No. 34, the City has included the value of all infrastructure assets in the government-wide statement of net assets, except as noted below. The City defines infrastructure assets as the basic physical assets that allow the City to function. The assets include:

- Streets and Pavement System
- Sewer Collection/Treatment System
- System Water Purification/Distribution System

Each major infrastructure system can be divided into subsystems. For example, the street and pavement system can be subdivided into pavement, curb and gutters, sidewalks, medians, and other similar items. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

The City elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting of its Street and Pavement System. The City commissioned a physical assessment of the streets' conditions during the 02/03 fiscal year. This assessment will be performed every 3 years. Each homogeneous segment of the City Pavement Condition Index (PCI) was assigned to each street segment. The index is expressed in a continuous scale for 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to segments of street that have the physical characteristics of a new street. The following conditions were defined: excellent physical condition is assigned to segments with a scale rating between 100 and 85, good condition is assigned to segments with a scale rating between 84 and 70, fair condition is assigned to segments with a scale rating between 69 and 55, poor condition is assigned to segments with a scale rating between 40 and 54. The City's policy relative to maintaining the street assets is to achieve a minimum rating of 70 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds.

While the City also elected to use the Modified Approach as defined by GASB Statement No. 34 for all other infrastructure systems reporting, the City has not commissioned a physical assessment for the sewer and water systems and therefore is unable to disclose the appropriate required supplemental information for these systems. The City was required by GASB Statement No. 34 to prospectively report its general infrastructure assets beginning with fiscal year 2007. The City has not quantified and recorded the value of developer-constructed infrastructure that has been deeded to the City. Accordingly, amounts for these assets are not reflected in these financial statements. The amount by which the capital assets may be misstated cannot be determined. The City has commissioned an appraisal of its City-owned infrastructure assets.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and structures	20 - 50
Machinery and equipment	5-15
Land improvements	20

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of debt financed capital assets of business-type activities, if significant, is included as part of the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

It is the City's policy to capitalize all infrastructure assets with an aggregate cost of \$25,000 to \$250,000, or more, and general capital assets with a cost of \$5,000 to \$50,000, or more, and a useful life of more than one year. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sales of capital assets.

Compensated Absences: The City's policies regarding vacation, annual leave, compensatory time off and sick leave permit employees to accumulate earned, but unused vacation and sick leave. Unused vacation and compensatory time off benefits are paid to employees upon termination. For employees with over five years of continuous employment, unused sick leave benefits are paid ratably in accordance to the length of service upon termination. The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this long-term liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. The City includes its share of Medicare taxes payable on behalf of the employees in the accrual for compensated absences. The General Fund is used to liquidate compensated absences.

Deferred and Unearned Revenues: Unearned revenues arise when resources are received by the City before it has legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures). Deferred revenues in governmental funds arise when a potential revenue source does not meet both the "measurable" and "available" criteria for recognition in the current period. Revenues deferred because they were not received in the availability period are recognized for the government-wide presentation.

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

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, incurred during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Net Assets: The government-wide financial statements report net assets. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

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

Unrestricted Net Assets – This category represents net assets of the City not restricted for any project or other purpose.

Fund Balance: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties to use for a specific purpose. Designations of fund balance represent tentative plans approved by the City Council that are subject to change. The following is a descriptive list of the reserves and designations used by the City.

Reserved for long-term receivables and other assets – used to indicate that long-term receivables, prepaid costs and other assets do not represent available, spendable resources even though they are components of assets.

Reserved for advances to other funds and other long-term interfund borrowings – used to indicate that the advances to other funds and other interfund borrowings not expected to be paid back within one year of the financial statement date do not represent available, spendable resources even though they are components of assets.

Reserved for forfeitures – used to account for asset forfeiture moneys collected that are required by the U.S. Department of Justice to be used for law enforcement purposes.

Reserved for capacity expansion – represents water connection fees collected that are required by the California Government Code to be used for capacity expansion.

Reserved for perpetual care – represents endowments provided to the City from developers that are to be used by the City to maintain certain properties. The City has also received an endowment for Native American Collections.

Reserved for low and moderate income housing – represents that portion of fund balance reserved for low and moderate income housing projects within the Redevelopment Agency.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserved for debt service – used to represent that portion of fund balance/net assets segregated for service of long-term indebtedness.

Reserved for youth program scholarships – used to indicate the amount of net proceeds from the mayor's cup golf tournament that are earmarked for youth program scholarships.

Designated – represents that portion of fund balance designated by the City Council. Designations in the General Fund consist of \$1,460,000 to establish an irrevocable trust for the purpose of pre-funding retiree healthcare benefits and \$995,751 for emergencies.

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

Budgetary Information: The City Council establishes budgets for all governmental funds. Budgetary control is legally maintained at the fund level. The City Manager submits a proposed budget to the City Council prior to June 1, for the following year beginning July 1. The preliminary budget may or may not be amended by the City Council after public hearings are held and is adopted by City Council resolution prior to July 1 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to transfer budgeted amounts within an account up to \$10,000 per account, while the budget committee has authority to make changes up to \$35,000. However, the City Council must approve revisions exceeding these amounts.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. All budget amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budgets during the year. Amounts represent the original budgeted amounts and all supplemental appropriations. The supplemental appropriations were immaterial.

Budget information is presented for the General Fund and major Special Revenue Funds. The budget information is presented on a basis consistent with GAAP. Governmental Fund budgets are maintained on the modified accrual basis of accounting. Appropriations, except open project appropriations, encumbrances, and unexpended grant appropriations lapse at the end of each fiscal year. The budgetary data is prepared on the modified accrual basis consistent with the related "actual" amounts.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Reallocation: GASB 31 does not mandate the manner, frequency or method of the distribution of investment income. Based on long-standing practice, the City only distributes interest earnings to various funds, and has recorded realized and unrealized gains/losses in the General Fund. The City has decided during fiscal year 2009/10 to reallocate realized and unrealized gains/losses retroactively back to fiscal year 2003/04 to all City funds, other than the Agency Funds. As a result, fund balance of the General Fund has increased by \$3,162,959.

Excess Expenditures and Transfers Over Appropriations: The following funds had excess expenditures and transfers out in excess of the final appropriation for the year ended June 30, 2010:

Fund	Appropriations	Actual Expenditures and Transfers	Excess Expenditures and Transfers
Major Governmental Funds:			
Highway 65 Capital Projects Fund*		\$ 5,612,548	\$ 5,612,548
Nonmajor Governmental Funds:			
Supplemental Fees Fund	\$ 839,936	1,067,936	228,000
Police Grant Fund	102,032	137,771	35,739
HOME Investment Partnership Fund*		2,028	2,028
Low/Moderate Income Housing Fund	43,217	310,672	267,455
City Hall Series 2006-1 Debt Service Fund	945,113	955,531	10,418
Lincoln Public Financing Authority Series 2004 A Debt Service Fund *		390,890	390,890
Lincoln Public Financing Authority Series 2000 Debt Service Fund *		706,565	706,565
Lincoln Public Financing Authority Series 2003 Debt Service Fund	712,344	719,320	6,976
City Hall Series 2006 Capital Projects Fund *		7,873	7,873
Aiken Ranch Financial District Improvements Fund*		1,634,852	1,634,852
Twelve Bridges Capital Projects Fund *		1,851,431	1,851,431
Lakeside CFD Improvement Area Fund*		170,114	170,114
Lincoln Crossing Series 2004 Capital Projects Fund *		1,854,313	1,854,313
Lincoln Public Financing Authority Series 2003 Capital Projects Fund*		125	125
Enterprise Funds:			
Airport	1,653,777	2,086,529	432,752

* Fund is not budgeted

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deficit Fund Equity: The following funds had a fund deficit at June 30, 2010:

Fund	Deficit
Public Facility Element Special Revenue Fund	\$ 23,016,646
Redevelopment Agency Special Revenue Fund	3,921,571
Park and Recreation Tax Special Revenue Fund	64,449
Police Grants Special Revenue Fund	228,341
Aiken Ranch Financial District Improvements Capital Projects Fund	10,278

The deficit in the Park and Recreation Tax Special Revenue Fund will be eliminated with future tax revenues. The deficit of the Police Grants Special Revenue Fund will be eliminated with future intergovernmental revenues. The deficit of the Public Facility Element (PFE) Special Revenue Fund and the Aiken Ranch Financial District Improvements Capital Projects Fund will be eliminated with future development fees and special assessments. The causes for the deficit fund balance in the PFE Fund is addressed further in Note C as it relates to the corresponding negative cash balance in the fund. The deficit in the Redevelopment Agency Special Revenue Fund will be eliminated with future tax increment revenue over the next five years.

New Pronouncements: GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting requirements for intangible assets among state and local governments, particularly in the areas of recognition, initial measurement and amortization. This statement was effective for the fiscal year ending June 30, 2010 but will be implemented by the City in conjunction with performing an inventory of its capital assets and adjusting its capital asset amounts.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement will be effective for the fiscal year ended June 30, 2011.

NOTE B – CASH AND INVESTMENTS

At June 30, 2010, the City's pooled cash and investments are classified in the accompanying financial statements as follows:

Government-wide Statement of Net Assets	
Governmental activities	
Cash and investments	\$ 43,569,753
Restricted cash and investments	30,002,796
Business-type activities	
Cash and investments	10,518,746
Restricted cash and investments	224,095
Statement of Fiduciary Net Assets – Fiduciary Funds	
Cash and investments	14,098,319
Restricted cash and investments	13,398,025
	<hr/>
Total cash and investments	<u>\$ 111,811,734</u>

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE B – CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2010 consisted of the following:

Cash on hand		\$ 2,300
Deposits with financial institutions		3,793,740
	Total cash and deposits	<u>3,796,040</u>
Local Agency Investment Fund (LAIF)		32,032,761
Mutual funds		7,394,677
U.S. Agency securities		13,684,707
Corporate notes		11,609,740
Held by fiscal agent:		
Mutual funds		27,409,376
California Asset Management Program (CAMP)		15,884,433
	Total investment	<u>108,015,694</u>
	Total cash and investments	<u>\$ 111,811,734</u>

Investment policy: Investments are reported at fair value. California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of the debt agreements of the City, rather than the general provisions of the California Government code or the City's investment policy. During the year ended June 30, 2010, the City's permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	80%	5%
U.S. Treasury obligations	5 years	100%	None
U.S. Agency securities	5 years	100%	None
Banker's acceptances	270 days	40%	5%
Commercial paper	180 days	15%	10%
Negotiable certificates of deposit	5 years	30%	5%
Reverse repurchase agreements	90 days	20%	5%
Repurchase agreements	90 days	100%	5%
Medium term corporate notes	5 years	30%	15%
LAIF	N/A	100%	None
Time certificates of deposit	1 year	25%	5%

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE B – CASH AND INVESTMENTS (Continued)

The City complied with the provisions of California Government Code (or the City’s investment policy, where more restrictive) pertaining to the types of investments held, institutions in which deposits were made and security requirements. The City will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	None	None	None
U.S. Treasury obligations	None	None	None
U.S. Agency securities	None	None	None
Banker’s acceptances	360 days	None	None
Commercial paper	270 days	None	None
Negotiable certificates and time deposits	None	None	None
Repurchase agreements	None	None	None
Investment agreements	None	None	None
Money market mutual funds	N/A	None	None

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City’s investment policy requires the weighted-average maturity of the investment pool not to exceed two years, total investments with maturities of 365 days or less and one to five years, not to exceed 90% and 70%, respectively, of the cash and investment pool balance.

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

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE B – CASH AND INVESTMENTS (Continued)

	Total	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
LAIF investment pool	\$ 32,032,761	\$ 32,032,761			
Money market funds	7,394,677	7,394,677			
U.S. Government					
Agency Obligations:					
FFCB	3,201,880		\$ 1,051,880	\$ 2,150,000	
FHLB	4,070,630			4,070,630	
FHLMC	3,673,545		525,205	3,148,340	
FNMA	2,207,500			2,207,500	
RFCIP	531,152			531,152	
Corporate notes	11,609,740	3,035,980	1,057,230	7,516,530	
Held by bond trustee:					
Mutual funds	27,409,376	27,409,376			
CAMP	15,884,433	15,884,433			
Total	\$ 108,015,694	\$ 85,757,227	\$ 2,634,315	\$ 19,624,152	\$ -

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, and the actual rating as of year end for each investment type.

Investment Type	Minimum Legal Rating	Total	Ratings as of Year End						
			AAA	AA?	AA3	A1 to A3	BAA3	B1	Unrated
LAIF Investment pool	N/A	\$ 32,032,761							\$ 32,032,761
Money market funds	AA/Aa	7,394,677							7,394,677
U.S. Government									
Agency Obligations:									
FFCB	N/A	3,201,880	\$ 3,201,880						
FHLB	N/A	4,070,630	4,070,630						
FHLMC	N/A	3,673,545	3,673,545						
FNMA	N/A	2,207,500	2,207,500						
RFCIP		531,152							531,152
Corporate notes	A	11,609,740		\$ 3,213,620	\$ 1,057,230	\$ 5,212,260	\$ 1,001,630	\$ 922,500	202,500
Held by bond trustee:									
Money market funds	AA/Aa	27,409,376	27,409,376						
CAMP	AA/Aa	15,884,433	15,884,433						
Total		\$ 108,015,694	\$ 56,447,364	\$ 3,213,620	\$ 1,057,230	\$ 5,212,260	\$ 1,001,630	\$ 922,500	\$ 40,161,090

On September 15, 2008, Lehman Brothers Holdings Inc. declared bankruptcy which has had a direct and negative impact on the City's investment holdings. The Lehman securities represented 2.9% of the City's general investment pool (excludes assets in restricted bond issue accounts) as of September 15, 2008. After consultation with the City's investment broker, the City decided to retain the Lehman securities, but mark their value down to market value and carry the securities through the bankruptcy proceedings. The amount of recovery from the bankruptcy proceedings is uncertain at this time. There is a market for

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE B – CASH AND INVESTMENTS (Continued)

selling the security and the City is able to determine a fair value. For accounting reporting purposes as of June 30, 2010, the City carried the Lehman securities at the fair value provided by the investment broker of \$202,500.

Concentration of credit risk: The investment policy of the City has no limitations on the amount that can be invested in any one issuer beyond what is stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury obligations, mutual funds and external investment pools) that represent 5% or more of total City investments.

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

At June 30, 2010, the carrying amount of the City’s deposits was \$3,793,740 and the balance in financial institutions was \$3,603,822. Of the balance in financial institutions, \$270,000 was covered by federal depository insurance, \$3,110,656 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City and \$223,166 was uninsured. As of June 30, 2010, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported</u>
Money market mutual funds	\$ 27,409,376
CAMP	15,884,433

Investment in LAIF: LAIF is stated fair value. The LAIF is a special fund of the California State Treasurer through which local governments may pool investments. The total fair value amount invested by all public agencies in LAIF is \$69,573,678,456 managed by the State Treasurer. Of that amount, 5.42% is invested in structured financial instruments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE B – CASH AND INVESTMENTS (Continued)

portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in JPA Pool: The only investment in a JPA pool held by the City is the investment in the California Asset Management Trust (CAMP). CAMP was created under the provisions of the California Joint Exercise of Powers Act to provide professional investment management services and allows the participants to combine the use of a money market portfolio with an individually managed portfolio. CAMP is governed by a board of seven trustees, all of whom are officials or employees of public agencies. The money market portfolio offers daily liquidity and is rated Aam by Standard and Poors. To maintain the Aam rating, the portfolio's weighted average maturity may not exceed 70 days. The fair value of the City's position in CAMP is the same as the value of the pool shares.

NOTE C – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2010 were as follows:

Due to the Water Connection Special Revenue Fund from :	
General Fund	\$ 62,868 (a)
Public Facility Element (PFE) Special Revenue Fund	6,239,710 (b)
Nonmajor Special Revenue Funds	1,251,189 (a)
Nonmajor Capital Project Funds	125,383 (a)
Wastewater Enterprise Fund (Non-operations)	8,651,026 (c)
Nonmajor Enterprise Fund	182,078 (a)
	<hr/> 16,512,254
Due to the Water Enterprise Fund from:	
Public Facility Element (PFE) Special Revenue Fund	5,123,846 (b)
Due to the Wastewater Operations Fund from:	
Public Facility Element (PFE) Special Revenue Fund	3,475,623 (b)
Nonmajor Special Revenue Funds	241,357 (a)
Highway 65 Fund	16,399 (a)
Nonmajor Capital Project Funds	16,338 (a)
Nonmajor Enterprise Fund	27,249 (a)
	<hr/> 3,776,966
Due to Nonmajor Special Revenue Fund from:	
Public Facility Element (PFE) Special Revenue Fund	4,156,274 (b)
Airport Enterprise Fund	4,199,822 (d)
	<hr/> 8,356,096
Due to Nonmajor Debt Service Funds from :	
Nonmajor Debt Service Funds	398,262 (a)
	<hr/> <hr/> \$ 34,167,424

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE C – INTERFUND TRANSACTIONS (Continued)

- (a) Represents interfund borrowings to eliminate a negative cash balance. The negative cash amount in these funds represents short-term borrowings in order to cover deficit spending in those funds. It is the intent of the City to make these funds whole by transferring resources either from the General Fund or other funds that have a direct nexus to the borrowing fund.
- (b) Represents interfund borrowing to eliminate a negative cash balance in the Public Facility Element (PFE) Special Revenue Fund. The PFE Special Revenue Fund has not demonstrated the ability to repay the interfund borrowings within one year of the financial statement date. The negative cash balance of \$18,995,453 in the PFE Fund is due to expenditures incurred in prior years for the construction of a fire station, city hall, public works building, regional park and regional retention facility which are all general infrastructure of the City. Developer fees and other revenue sources were not sufficient to pay for these projects, which drove the PFE into a negative cash position. The City is currently performing a Public Facility Element update which will take into consideration the negative cash balance in the PFE Fund. The City is also reviewing other funding sources it can use to balance the PFE Fund.
- (c) Represents interfund borrowing to eliminate a negative cash balance in the Wastewater Enterprise Fund. The Wastewater Enterprise Fund has not demonstrated the ability to repay the interfund borrowing within one year of the financial statement date. The negative cash balance of \$8,651,026 in the Wastewater Operations Fund is due to expenses incurred in prior years for the improvements and construction of a sludge drying facility, sewer lines, wastewater treatment plant over sizing and other wastewater improvements. Wastewater connection fees and wastewater public facility element critical fees were not sufficient to pay for these projects, which drove the Wastewater Operations Fund into a negative cash position. The City is reviewing other funding sources it can use to balance the Wastewater Enterprise Fund.
- (d) Represents interfund borrowing to eliminate a negative cash balance in the Airport Enterprise Fund. The Airport Enterprise Fund has not demonstrated the ability to repay the interfund borrowing within one year of the financial statement date. The negative cash balance of \$4,199,822 in the Airport Fund is due to expenses incurred for capital assets such as the airport hangars and general operating costs. Operating revenues such as fuel sales, tie downs and lease revenue are not sufficient to fund the general operating costs of the airport operation. The City is reviewing other funding sources it can use to balance the Airport Enterprise Fund.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE C – INTERFUND TRANSACTIONS (Continued)

Interfund advances at June 30, 2010 were as follows:

Advances from Public Facility Element (PFE) Special Revenue Fund (Library) to:	
PFE Special Revenue Fund (Fire)	\$ 2,224,013
Advances from PFE Special Revenue Fund (Parks) to:	
PFE Special Revenue Fund (Fire)	1,595,091
Advances from Water Connections Special Revenue Fund to:	
Redevelopment Agency Special Revenue Fund	3,932,414
Wastewater Enterprise Fund	673,242
	<u>4,605,656</u>
Advance from Nonmajor Special Revenue Fund to:	
PFE Special Revenue Fund (Fire)	2,278,705
Redevelopment Agency Special Revenue Fund	871,819
	<u>3,150,524</u>
Advance from Wastewater Enterprise Fund to:	
Redevelopment Agency Special Revenue Fund	293,512
Advance from Solid Waste Fund to:	
PFE Special Revenue Fund (Fire)	1,059,380
PFE Special Revenue Fund (Parks)	414,648
PFE Special Revenue Fund (Administration)	1,226,158
PFE Special Revenue Fund (Drainage)	1,901,323
	<u>4,601,509</u>
Total Interfund Advances	<u>\$ 16,470,305</u>

The advance to the Redevelopment Agency Special Revenue Fund from the Water Connections Special Revenue Fund was used to refinance a loan from the Development Services Fund, which was originally used to finance certain redevelopment projects. This loan accrues interest at 3% and are to be repaid by January 15, 2013. The advances to the PFE Special Revenue Fund (Fire) were made to finance the construction of new fire stations. These loans accrue interest at LAIF rates and are to be repaid by April 2016 and September 2017.

The advances to the other PFE Special Revenue Funds were used to finance construction of the public works facility building, the regional park and the regional retention facility. These loans accrue interest at LAIF rates. The public facility building advance is to be repaid by March 22, 2018, regional park advance is to be repaid by May 30, 2018 and the regional retention facility advance is to be repaid by August 26, 2018.

The loan from the Nonmajor Special Revenue Fund, which is the Low-Moderate Income Housing Fund, to the Redevelopment Agency Fund is to finance the Supplemental Educational Revenue Augmentation Fund payment to the State. The loan accrues interest at the LAIF rates and is due in June 2015.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE C – INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the year ended June 30, 2010 were as follows:

To General Fund from :		
Nonmajor Special Revenue Funds	\$	1,160,947 (a)
Nonmajor Capital Project Funds		<u>31,690 (b)</u>
		1,192,637
To PFE Special Revenue Fund from:		
Water Enterprise Fund		78,729 (c)
Nonmajor Capital Projects Funds		356,624 (d)
Nonmajor Capital Project Funds		<u>296,571 (e)</u>
		731,924
To Water Connection Special Revenue Fund from:		
Water Enterprise Fund		1,780,331 (f)
To Highway 65 Fund from:		
PFE Special Revenue Funds		6,228,488 (g)
To Water Enterprise Fund from:		
Nonmajor Capital Project Funds		24,458 (e)
To Wastewater Operations Fund from:		
Nonmajor Special Revenue Funds		15,212 (h)
Nonmajor Capital Project Funds		<u>178,758 (e)</u>
		193,970
To Solid Waste Fund from:		
Nonmajor Capital Project Fund		12,872 (e)
To Nonmajor Special Revenue Fund from:		
General Fund		9,458 (i)
PFE Special Revenue Fund		57,552 (j)
Internal Service Fund		11,828 (k)
Nonmajor Capital Project Funds		23,466 (e)
Nonmajor Debt Service Fund		<u>22 (l)</u>
		102,326
To Nonmajor Capital Projects Fund from:		
Nonmajor Debt Service Fund		5,767 (m)

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE C – INTERFUND TRANSACTIONS (Continued)

To Nonmajor Enterprise Fund from:	
PFE Special Revenue Fund	18,214 (n)
Nonmajor Special Revenue Fund	96,135 (n)
	<u>114,349</u>
To Nonmajor Debt Service Fund from:	
General Fund	89,352 (o)
Redevelopment Agency Special Revenue Fund	631,455 (o)
Nonmajor Special Revenue Fund	556,434 (o)
PFE Special Revenue Fund	398,913 (o)
Nonmajor Capital Project Fund	5,498 (o)
Water Enterprise Fund	182,441 (o)
Wastewater Operations Fund	171,109 (o)
Solid Waste Enterprise Fund	164,744 (o)
Airport Enterprise Fund	15,117 (o)
Nonmajor Enterprise Fund	79,346 (o)
	<u>2,294,409</u>
	<u>\$ 12,681,531</u>

- (a) Transfer of \$967,936 from the Supplemental Fees Fund and \$193,011 from the Special Assessment Districts Fund for park costs in the General Fund.
- (b) Transfer from the Lincoln Crossing Capital Project Fund for Lincoln Crossing project costs incurred in the General Fund.
- (c) Transfer park fees paid by Del Webb from the Water Fund to the PFE Fund.
- (d) Transfer from the Aiken Ranch Financial Districts Improvements Fund to cover Highway 65 sound wall costs.
- (e) Transfer interest earnings on bond proceeds from completed projects from the Lincoln Crossing Capital Project Fund to PFE Fund, Water, Wastewater and Solid Waste Enterprise Funds, and nonmajor special revenue funds.
- (f) Transfer water connection fees collected in the Water Fund to the Water Connection Fund.
- (g) Transfer developer contribution to Highway 65 Fund for Ferrari Ranch Road interchange costs.
- (h) Transfer from the Street Fund to reimburse for cost of equipment purchased.
- (i) Transfer asset forfeiture money to the Federal Grant Fund.
- (j) Transfer to the Special Assessment District Fund for open space tree replacement costs.
- (k) Transfer to close out a lighting and landscape district that was never established.
- (l) Transfer fiscal agent cash to Low/Moderate Income Housing Fund from the Lincoln Public Financing Authority Series 2004A Fund.
- (m) Transfer excess debt reserve funds to capital projects funds.
- (n) Transfer the covered bus facility to the Transit Fund.
- (o) Transfer to the Debt Service Fund for participating funds' allocated share of the city hall and corporation yard debt service payments.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE D – NOTES RECEIVABLE

The following is a summary of the notes receivable outstanding as of June 30, 2010:

Nonmajor Governmental Funds:

Redevelopment Agency and Low/Moderate Income Housing Special Revenue Funds – The Redevelopment Agency has various notes receivable from individuals, partnerships and corporations for housing and rehabilitation projects. The notes have varying maturity dates with interest rates ranging from 3.00% to 4.00%. The notes generally require that payments begin eighteen months after completion of the project; however, certain note receivable payments are deferred. Interest receivable not collected within the 60 day availability period is offset with deferred revenue to recognize that the interest receivable does not represent available spendable resources. The interest receivable is recognized for government-wide purposes unless management determines the amount to be uncollectible. An allowance for uncollectible interest receivable of \$160,000 has been established for governmental activities in the government-wide statement of net assets at June 30, 2010. The notes receivable at June 30, 2010, were \$6,289,464.

Community Development Block Grants (CDBG) Special Revenue Fund – The City has received funding over the years from the California Department of Housing and Community Development for FHA Title 1 and other revolving loans. Notes were issued to borrowers for homebuyers, construction and housing rehabilitation. The notes are secured by first deeds of trust. The notes have various monthly installment amounts and due dates. Interest rates vary depending on the terms of the loan and interest is deferred until the related property is refinanced or sold. The balance at June 30, 2010, was \$516,182.

Home Investment Partnership Program Special Revenue Fund – The City made various loans to qualifying participants within the City as part of the Federal First Time Homebuyers Program (HOME), which is an owner occupied housing program. Interest rates vary depending on the terms of the loan and is deferred until the loan is refinanced or the house is sold and may be waived under certain conditions if the loan is carried to full term. The notes receivable at June 30, 2010 were \$2,132,401.

Revitalization and Rehabilitation Loan Special Revenue Fund – The City has loaned funds to qualifying individuals. Interest rates vary depending on the terms of the loan and are deferred until the related property is refinanced or sold. The balance at June 30, 2010, was \$130,339.

Other Special Revenue Funds – The City has made a loan to qualifying participants within the City. The interest rate for this loan is 3% and interest is deferred until the loan is refinanced or title to the property changes. The balance at June 30, 2010 was \$238,217.

Activity in governmental notes receivable for the year ended June 30, 2010 is as follows:

	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2010</u>
Nonmajor Governmental Funds	\$ 9,191,989	\$ 153,919	\$ (39,305)	\$ 9,306,603

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE D – NOTES RECEIVABLE (Continued)

Major Enterprise Funds:

Wastewater Enterprise Fund – The City has a note receivable from two companies for wastewater connection fees. Allowances for uncollectible note receivable and accrued interest receivable of \$6,797 and \$399 respectively, were established for the enterprise activities at June 30, 2010. The notes receivable balance at June 30, 2010 was \$14,445.

Activity in enterprise notes receivable for the year ended June 30, 2010 is as follows:

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance at June 30, 2010</u>
Major Enterprise Funds:				
Wastewater Fund	\$ 26,908		\$ (12,463)	\$ 14,445

NOTE E – CAPITAL ASSETS

Governmental capital asset activities for the fiscal year ended June 30, 2010 was as follows:

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments/ Transfers</u>	<u>Balance at June 30, 2010</u>
Capital assets, not being depreciated:					
Land	\$ 10,548,712				\$ 10,548,712
Infrastructure, modified approach	98,104,213			\$ 2,167,747	100,271,960
Construction in progress	188,215,856	\$ 8,348,410		(32,743,126)	163,821,140
Total capital assets, not being depreciated	<u>296,868,781</u>	<u>8,348,410</u>		<u>(30,575,379)</u>	<u>274,641,812</u>
Capital assets, being depreciated:					
Buildings and structures	39,597,789			28,906,991	68,504,780
Machinery and equipment	7,362,279	102,653	\$ (81,708)		7,383,224
Land improvements	8,864,196			1,582,691	10,446,887
Total capital assets, being depreciated	<u>55,824,264</u>	<u>102,653</u>	<u>(81,708)</u>	<u>30,489,682</u>	<u>86,334,891</u>
Less accumulated depreciation for:					
Buildings and structures	(2,696,730)	(1,018,659)			(3,715,389)
Machinery and equipment	(4,500,883)	(628,275)	81,708		(5,047,450)
Land improvements	(529,310)	(322,748)			(852,058)
Total accumulated depreciation	<u>(7,726,923)</u>	<u>(1,969,682)</u>	<u>81,708</u>		<u>(9,614,897)</u>
Capital assets being depreciated, net	<u>48,097,341</u>	<u>(1,867,029)</u>		<u>30,489,682</u>	<u>76,719,994</u>
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 344,966,122</u>	<u>\$ 6,481,381</u>	<u>\$ -</u>	<u>\$ (85,697)</u>	<u>\$ 351,361,806</u>

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE E – CAPITAL ASSETS (Continued)

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

General government	\$ 2,501
Public safety	320,139
Culture and recreation	4,703
Education	600
Public works and facilities	1,496,811
Urban redevelopment and housing	58,286
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>86,642</u>
Total governmental activities depreciation expense	<u><u>\$ 1,969,682</u></u>

Business-type capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance at July 1, 2009	Additions	Retirement	Adjustments/ Transfers	Balance at June 30, 2010
Capital assets, not being depreciated:					
Land	\$ 1,657,650				\$ 1,657,650
Infrastructure, modified approach	59,934,299				59,934,299
Construction in progress	32,151,456	\$ 433,468		\$ 200,044	32,784,968
Total capital assets, not being depreciated	<u>93,743,405</u>	<u>433,468</u>		<u>200,044</u>	<u>94,376,917</u>
Capital assets, being depreciated:					
Buildings and structures	14,899,300				14,899,300
Machinery and equipment	7,343,558	295,656	(26,403)		7,612,811
Land improvements	418,631				418,631
Total capital assets, being depreciated	<u>22,661,489</u>	<u>295,656</u>	<u>(26,403)</u>		<u>22,930,742</u>
Less accumulated depreciation for:					
Buildings and structures	(8,062,821)	(445,938)			(8,508,759)
Machinery and equipment	(4,054,654)	(439,746)	26,403		(4,467,997)
Land improvements	(24,825)	(20,932)			(45,757)
Total accumulated depreciation	<u>(12,142,300)</u>	<u>(906,616)</u>	<u>26,403</u>		<u>(13,022,513)</u>
Capital assets being depreciated, net	<u>10,519,189</u>	<u>(610,960)</u>			<u>9,908,229</u>
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	<u><u>\$ 104,262,594</u></u>	<u><u>\$ (177,492)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 200,044</u></u>	<u><u>\$ 104,285,146</u></u>

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE E – CAPITAL ASSETS (Continued)

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

Water	\$ 41,676
Wastewater	244,396
Solid Waste	257,408
Airport	341,301
Transit	<u>21,835</u>
Total governmental activities depreciation expense	<u><u>\$ 906,616</u></u>

NOTE F – LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the City of Lincoln for the fiscal year ended June 30, 2010:

	<u>Balance at July 1, 2009</u>	<u>Incurred</u>	<u>Retired</u>	<u>Balance at June 30, 2010</u>	<u>Due within One year</u>
Governmental activities:					
2000 Revenue Refunding Bonds	\$ 3,615,000		\$ (525,000)	\$ 3,090,000	\$ 510,000
2003 Lease Revenue Bonds	9,135,000		(305,000)	8,830,000	315,000
2004 Tax Allocation Bonds Series A & B	10,925,000		(45,000)	10,880,000	45,000
2006 Lease Revenue Bonds	14,550,000		(265,000)	14,285,000	280,000
Postemployment benefit obligation	350,971	\$ 908,938	(191,154)	1,068,755	
Compensated absences	1,735,336	952,548	(957,349)	1,730,535	1,421,753
	<u>40,311,307</u>	<u>1,861,486</u>	<u>(2,288,503)</u>	<u>39,884,290</u>	<u>\$ 2,571,753</u>
Unamortized bond discounts	(151,558)		8,525	(143,033)	
Unamortized bond premiums	15,973		(841)	15,132	
Less: Due within one year	<u>(2,551,535)</u>			<u>(2,571,753)</u>	
Total governmental activities	<u><u>\$ 37,624,187</u></u>	<u><u>\$ 1,861,486</u></u>	<u><u>\$ (2,280,819)</u></u>	<u><u>\$ 37,184,636</u></u>	

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE F – LONG-TERM LIABILITIES (Continued)

	Balance at July 1, 2009	Incurred	Retired	Balance at June 30, 2010	Due within One year
Business-type activities:					
2000 Revenue Refunding Bonds	\$ 1,270,000		\$ (250,000)	\$ 1,020,000	\$ 225,000
Capital leases	2,203,029		(171,736)	2,031,293	73,424
Loans Payable					
- Safewater Bond Act	159,235		(16,721)	142,514	17,934
Postemployment benefit obligation	155,391	\$ 348,237	(73,497)	430,131	
Compensated absences	247,720	141,479	(136,498)	252,701	206,176
	<u>4,035,375</u>	<u>489,716</u>	<u>(648,452)</u>	<u>3,876,639</u>	<u>\$ 522,534</u>
Less: Due within one year	<u>(540,445)</u>			<u>(522,534)</u>	
Total business-type activities	<u>\$ 3,494,930</u>	<u>\$ 489,716</u>	<u>\$ (648,452)</u>	<u>\$ 3,354,105</u>	

The following is a list of long-term debt issues outstanding at June 30, 2010 including the amount of original debt issuance and a description of the issue.

2000 Revenue Refunding Bonds: In December 2000, the Revenue Refunding Bonds were issued by the Lincoln Public Financing Authority (the Authority) in the amount of \$12,275,000 to refund the 1994 Revenue Bonds issued by the Authority, refund the 1989 Refunding Revenue Bonds issued by the Redevelopment Agency of the City of Lincoln and to finance certain public capital improvements. Interest payments of \$9,292 to \$209,333 are due on September 15 of each year through September 15, 2017, at annual interest rates between 5.30% and 5.90%. Annual principal payments of \$315,000 to \$735,000 are due on September of each year, through September 15, 2017. The bonds are secured by a pledge of certain tax increment revenues of the Redevelopment Agency and net revenues of the Water Sewer and Airport Funds. \$ 4,110,000

2003 Lease Revenue Refunding Bonds: In July 2003, the 2003 Lease Revenue Bonds (Public Safety and Corporation Yard Project) were issued by the Lincoln Public Financing Authority in the amount of \$10,560,000 to fund the acquisition and construction of a new public safety facility. To provide for repayment of the bonds, the City entered into an agreement to lease the related facility from the Lincoln Public Financing Authority. Interest payments of \$17,126 to \$201,384 are due semi-annually on February 1 and August 1 through August 1, 2028, at annual interest rates between 3.20% and 5.00%. Annual principal payments of \$315,000 to \$685,000 are due on August 1 of each year, through August 1, 2028. 8,830,000

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE F – LONG-TERM LIABILITIES (Continued)

2004 Tax Allocation Bonds Series A and B: In September 2004, the Lincoln Public Financing Authority issued Special Tax Allocation Revenue Bonds, Series 2004A in the amount of \$8,720,000 and a Housing Set-Aside Tax Allocation Revenue Bonds, Series 2004B (Taxable) in the amount of \$2,370,000. The Agency has a loan agreement with the Lincoln Public Financing Authority, the payments from which are used to pay the debt service on the bonds. The Series 2004A bonds were issued to finance certain redevelopment activities of the Redevelopment Agency of the City of Lincoln and the Series 2004B bonds were issued to finance certain low and moderate income housing activities of the Agency. The Series 2004A bonds have interest rates ranging from 3.50% to 4.80% and mature September 2013 through September 2026. The Series 2004B bonds have interest rates ranging from 5.00% to 5.70% and mature September 2014 and 2033. The bonds are secured by a pledge of certain tax increment revenues of the Agency. 10,880,000

2006 Lease Revenue Bonds: In July 2006, the 2006 Lease Revenue Bonds (City Hall Project) were issued by the Lincoln Public Financing Authority, in the amount of \$14,550,000 to finance the acquisition, construction, and improvement of new city administration facilities. To provide for the repayment of the bonds, the City entered into an agreement to lease the city administration facilities from the Lincoln Public Financing Authority. Interest payments of \$21,613 to \$337,181 are due semi-annually on February 1 and August 1 through August 1, 2036, at annual interest rates range between 3.75% to 5.125%. Annual principal payments of \$280,000 to \$910,000 are due August 1, 2009 through August 1, 2036. 14,285,000

Safe Water Bond Act Loan: On June 1, 1993, the City entered into loan agreement with the California Statewide Communities Development Authority in amount \$314,594 to refinance the prior loan. The balance of the loan at the time of the refinancing was \$304,986. The loan requires a semiannual installment of \$13,887 through December 1, 2016, including interest at 7.125%. 142,514

The City obtained financing under a capital lease to acquire, construct, furnish, equip and perform improvements at Lincoln Regional Airport. The terms of the lease require quarterly payments of \$42,081 through April 8, 2028, which includes interest at 4.735%. The cost of the asset is \$2,438,010 and accumulated depreciation is \$61,120 at June 30, 2010.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE F – LONG-TERM LIABILITIES (Continued)

The following is a schedule of the future minimum lease payments required under capital leases and the present value of the new minimum lease payments at June 30, 2010:

2011	\$ 168,325
2012	168,325
2013	168,325
2014	168,325
2015	168,325
2016-2020	841,624
2021-2025	841,624
2026-2028	<u>504,975</u>
Total minimum lease payments	3,029,848
Less: Amount representing interest	<u>(998,555)</u>
Present value of minimum lease payments	<u><u>\$ 2,031,293</u></u>

The annual requirements to amortize the outstanding governmental activities debt as of June 30, 2010 are as follows:

Year Ending June 30:	2000 Tax Allocation Revenue Bonds			2003 Lease Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 510,000	\$ 148,678	\$ 658,678	\$ 315,000	\$ 397,729	\$ 712,729
2012	515,000	123,978	638,978	325,000	387,408	712,408
2013	560,000	96,970	656,970	335,000	376,431	711,431
2014	270,000	75,908	345,908	350,000	364,174	714,174
2015	295,000	61,505	356,505	360,000	350,411	710,411
2016-2020	940,000	82,795	1,022,795	2,040,000	1,506,926	3,546,926
2021-2025				2,560,000	968,750	3,528,750
2026-2029				<u>2,545,000</u>	<u>262,375</u>	<u>2,807,375</u>
	<u>\$ 3,090,000</u>	<u>\$ 589,834</u>	<u>\$ 3,679,834</u>	<u>\$ 8,830,000</u>	<u>\$ 4,614,204</u>	<u>\$ 13,444,204</u>

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE F – LONG-TERM LIABILITIES (Continued)

Year Ending June 30:	2004 RDA Tax Allocation Bonds - Series A & B			2006 Lease Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 45,000	\$ 504,928	\$ 549,928	\$ 280,000	\$ 669,019	\$ 949,019
2012	50,000	502,553	552,553	290,000	657,875	947,875
2013	355,000	500,053	855,053	300,000	644,575	944,575
2014	370,000	497,248	867,248	315,000	629,200	944,200
2015	380,000	473,328	853,328	330,000	614,100	944,100
2016-2020	3,150,000	2,127,018	5,277,018	1,880,000	2,837,838	4,717,838
2021-2025	4,665,000	1,276,515	5,941,515	2,340,000	2,357,281	4,697,281
2026-2030	1,280,000	313,356	1,593,356	2,990,000	1,693,319	4,683,319
2031-2035	585,000	69,112	654,112	3,785,000	887,656	4,672,656
2036-2038				1,775,000	85,381	1,860,381
	<u>\$ 10,880,000</u>	<u>\$ 6,264,111</u>	<u>\$ 17,144,111</u>	<u>\$ 14,285,000</u>	<u>\$ 11,076,244</u>	<u>\$ 25,361,244</u>

The annual requirements to amortize the outstanding business-type activities debt as of June 30, 2010 are as follows:

Year Ending June 30:	2000 Tax Allocation Revenue Bonds			Loans Payable - Safe Water Bond Act		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 225,000	\$ 60,655	\$ 285,655	\$ 17,934	\$ 9,840	\$ 27,774
2012	205,000	46,438	251,438	19,235	8,540	27,775
2013	180,000	33,655	213,655	20,629	7,145	27,774
2014	150,000	22,608	172,608	22,125	5,649	27,774
2015	135,000	12,995	147,995	23,730	4,044	27,774
2016-2017	125,000	4,218	129,218	38,861	2,801	41,662
	<u>\$ 1,020,000</u>	<u>\$ 180,569</u>	<u>\$ 1,200,569</u>	<u>\$ 142,514</u>	<u>\$ 38,019</u>	<u>\$ 180,533</u>

The Redevelopment Agency has pledged a portion of tax increment revenue to repay \$12,270,000 in 2004 A and B Allocation Revenue Bonds issued in September 2004 to finance redevelopment projects in the Lincoln Redevelopment Project Area and to finance certain low and moderate income housing activities of the Agency. Total principal and interest remaining on the bonds is \$17,144,111, payable through September 2033. For 2009/10, principal and interest paid and total tax increment revenues were \$554,178 and \$2,250,766, respectively.

The Redevelopment Agency has pledged a portion of tax increment revenue to repay \$7,265,000 in 2000 Revenue Refunding Bonds issued in December 2000 to advance refund the outstanding 1994 Revenue Bonds and 1989 Refunding Revenue Bonds, and to finance certain public capital improvements. Total principal and interest remaining on the bonds is \$3,679,834, payable through September 2017. For 2009/10, principal and interest paid and total tax increment revenues were \$680,415 and \$2,250,766, respectively.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE F – LONG-TERM LIABILITIES (Continued)

The Water, Sewer and Airport Funds have pledged a portion of their net revenues to repay a total of \$3,350,000 in 2000 Revenue Refunding Bonds issued in December 2000 to advance refund the outstanding 1994 Revenue Bonds and to finance certain public capital improvements within the Water, Sewer and Airport Enterprise Funds. Total principal and interest remaining on the Enterprise Funds portion of the bonds is \$1,200,569 payable through September 2015. For 2009/10, principal and interest paid were \$326,308. The Water and Airport Funds had no net revenues for 2009/10 and the Wastewater Fund had net revenues of \$1,105,601 for 2009/10.

The Lincoln Public Financing Authority has issued 2003 and 2006 Lease Revenue Bonds totaling \$25,110,000 to finance acquisition and improvement of a municipal corporation yard, a public safety facilities from the Financing Authority and the City administrative headquarters. The rental revenue from the City's lease of these facilities, which is based on the debt service payments, is pledged to repay this debt. The rental payments are payable from any source of legally available funds. The City currently intends to pay the rental payments from certain amounts in the Public Facility Element Special Revenue Fund, which consists of development impact fees collected in connection with new development. Total principal and interest remaining on these bonds is \$38,805,448, payable through August 2036. For 2009/10, principal and interest paid were \$1,657,457 and total net revenues were \$76,324.

NOTE G – AGENCY BONDS PAYABLE

Special Assessment bonds have been issued under the 1915 Bond Act. The City is in no way liable for repayment of any bonds of the funds reflected in the Agency Funds, according to bond counsel, but is acting only as an agent for the property owners/bond holders in collecting and forwarding the special assessments. Balances of the various assessment district bonds are as follows as of June 30, 2010:

	<u>Project Description</u>	<u>Original Amount</u>	<u>Outstanding Balance</u>
Special Tax Bonds, Series 1998 Community Facilities District No. 1998-1	Lincoln Airpark	\$ 3,380,000	\$ 2,445,000
Limited Obligation Improv. Bond Assessment District No. 1999	Twelve Bridges	\$ 47,800,000	\$ 31,760,000
Limited Obligation Improv. Bond Assessment District No. 2001	Twelve Bridges	\$ 15,550,000	\$ 12,010,000
Limited Obligation Improv. Bond Assessment District No. 2004-3	Foskett Ranch	\$ 6,000,000	\$ 4,115,000
Special Tax Bonds, Series 2006 Community Facilities District No. 2006-1	Lakeside	\$ 7,310,000	\$ 7,250,000
Special Tax Revenue Bonds 2007 Lincoln Public Financing Authority	Lincoln Crossing	\$ 102,870,000	\$ 99,841,700
Special Tax Revenue Bonds, Series 2009 Community Facilities District No. 2005-1	Sorrento Project	\$ 2,190,000	\$ 2,190,000

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE H – DEFINED BENEFIT PENSION PLAN

Plan Description: The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. All permanent full and part time City employees working at least 1,000 hours per year are eligible to participate in PERS. Under PERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor multiplied by their highest average monthly salary over twelve consecutive months of employment. Benefit provisions and all other requirements are established by state statute. The establishment and amendment of specific benefit provisions of the plan is authorized by resolution of the City Council. PERS requires plans with less than 100 active participants to participate in risk pools. The City participated in the Miscellaneous 2.7% at 55 Risk Pool and the Safety 3.0% at 50 Risk Pool for the year ended June 30, 2010. Copies of the PERS annual financial report and pertinent past trend information may be obtained from their Executive Offices at 400 P Street, Sacramento, CA 95814.

Funding Policy: Active plan members in the PERS plans are required to contribute 8%, (9% for safety employees) of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate is 19.232% for safety employees and 14.346% for non-safety employees of the annual covered payroll. The City makes the contributions required of City employees on their behalf and for their account, which amounted to \$832,392 for the year ended June 30, 2010. The contribution requirement of plan members and the City are established and may be amended by PERS. The City's contributions for the years ended June 30, 2010, 2009 and 2008 were \$1,927,960, \$2,221,051 and \$2,081,041, respectively, which were equal to the required contributions for each year.

NOTE I – POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description: The City administers a single employer defined benefit other postemployment healthcare (OPEB) plan providing health plan coverage to eligible retired employees and their eligible dependents. The City maintains the same medical plans for its retirees as for its active employees. All regular City employees hired prior to January 1, 1998 are entitled to 100% medical coverage, paid by the City, upon retirement from the City and from CalPERS. Employees hired after January 1, 1998 are eligible for retiree medical health benefits as defined in the California Public Employees Retirement Law, tiered system. The tiered system requires that an employee be vested (5 years at the City of Lincoln) and have a minimum total of 10 years of service in a CalPERS agency, be 50 years of age and retire out of CalPERS within 120 days of retiring from the City. The amount the City pays for their medical health benefit is dependent upon their years of credited service at retirement. The OPEB Plan does not issue a publicly available financial report.

Funding Policy: The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2010, the City contributed \$264,651 to the plan, which represents 97% of the cost of current year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contributed \$7,426, or approximately 3% of the total premiums, through their required contribution.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE I – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation: The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), 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 to the OPEB plan:

Annual required contribution	
Service cost at year-end	\$ 708,519
Amortization of unfunded accrued liability	556,278
	<u>1,264,797</u>
Adjustments to ARC	
Interest on Net OPEB Obligation	25,318
Adjustment to Net OPEB Obligation	(32,940)
Total Adjustment to ARC	<u>(7,622)</u>
Total Annual OPEB Cost for 2009-10	1,257,175
Contributions made (premium payments made)	<u>(264,651)</u>
Increase in net OPEB obligation	992,524
Net OPEB obligation, beginning of year	<u>506,362</u>
Net OPEB obligation, end of year	<u><u>\$ 1,498,886</u></u>

The OPEB obligation will be increased prospectively to the actuarial accrued liability amount. The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding year were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 759,706	33%	\$ 506,362
June 30, 2010	1,257,175	21%	1,498,886

Funded Status and Funding Progress: As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$8,551,351, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$13,098,294, and the ratio of the UAAL to the covered payroll was 65%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, 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

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE I – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses). The annual healthcare-cost trend rates range from 7% in 2010 to 5% in 2012 and future years. The assumptions also include a 5% discount rate. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010 was 30 years.

Required Supplementary Information Schedule of Funding Progress for Retiree Health Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	\$ -	\$ 5,460,915	\$ 5,960,915	- %	\$ 14,914,044	37%
June 30, 2010	-	8,551,351	8,551,351	- %	13,098,294	65%

NOTE J – RISK MANAGEMENT

The City is a member of the Northern California Cities Self Insurance Fund (NCCSIF) along with eighteen other northern California cities. The NCCSIF is a joint powers authority (JPA) organized in accordance with Article 1, Chapter 5, Division 7, Title I of the California Government Fund Programs. The purpose is to create a common pool of funds to be used to meet obligations of the parties to provide workers' compensation benefits for their employees and to provide excess liability insurance. The NCCSIF provides claims processing administrative services, risk management services and actuarial studies. A member from each city governs the NCCSIF. The City Council members do not have significant oversight responsibility, since they evenly share all factors of responsibility with the other cities. The City does not retain the risk of loss. However, ultimate liability for payment of claims and insurance premiums resides with member cities. The NCCSIF is empowered to make supplemental assessments as needed to eliminate deficit positions of member cities. If the JPA becomes insolvent, the City is responsible only to the extent of any deficiency in its equity balance.

The NCCSIF establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims settlement expenses) that have been reported but not settled, plus estimates of claims that have been incurred but not reported. Because actual claims costs depend on various factors, the claims

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE J – RISK MANAGEMENT (Continued)

liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision of inflation is implicit in the calculation of estimated future claims costs. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The City’s insurance coverage and the respective coverage providers are as follows:

Amount	Coverage provider	Payment Source
GENERAL LIABILITY CLAIMS		
\$ 0 - \$ 50,000	Self-insured retention	City funds
50,001 - 1,000,000	Northern California Cities Self-insurance Fund	Shared risk pool
1,000,001 - various	CA Joint Powers Risk Management Authority	Shared risk pool
WORKERS’ COMPENSATION CLAIMS		
\$ 0 - \$ 100,000	Self-insured retention	City funds
100,001 - 500,000	Northern California Cities Self-insurance Pool	Shared risk pool
500,001 - 300,000,000	Commercial reinsurance	Shared risk pool

Coverage for mobile equipment and airport liability is provided by commercial insurance. There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, settlements have not exceeded the insurance coverage for the past three fiscal years. The City’s equity investment in the NCCSIF of \$568,776 is recorded in the General Fund, the Proprietary Funds and three non-major special revenue funds. The audited financial statements of the JPA are available at the NCCSIF’s office.

NOTE K – CONTINGENT LIABILITIES

The City is party to various claims, legal actions and complaints that arise in the normal operation of business. Management and the City’s legal counsel believe that there are no material loss contingencies that would have a material adverse impact on the financial position of the City.

The City participates in various federal and state assisted grant programs. These programs are subject to compliance audits by the grantors. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the agreements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE L – COMMITMENTS

Construction projects: The City has signed agreements for construction of various capital improvements and acquisition of capital assets subsequent to June 30, 2010. The balances owed on the existing construction and acquisition commitments were \$1,680,464 at June 30, 2010.

Developer Agreements: The City has an agreement with a developer whereby the City owes the developer for constructing certain public improvements that will be included in fees collected from all development at the time the building permits are issued. As of June 30, 2010, the City owed the

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE L – COMMITMENTS (Continued)

developer \$3,249,557 for these constructed facilities, of which \$591,674 has been accrued as of June 30, 2010 related to building permits issued during the year ended June 30, 2010. The remaining \$2,657,883 will be paid out in the future as building permits are issued.

In addition, the City has an agreement with two developers and third party landowners whereby the City must reimburse these parties \$750,000 for the City's share of the construction of wastewater conveyance facilities as sewer connection fees are paid to the City. This reimbursement will be due when the new treatment plant's capacity is expanded to 4.5 mgd based on average dry weather flows.

The City also has an agreement with two developers and third party landowners whereby the City must reimburse these parties \$1,500,000 for the City's share of the construction of oversizing at the Wastewater Treatment and Recovery Facility as sewer connection fees are paid to the City. This reimbursement will be due when the new treatment plant's capacity is expanded to 4.5 mgd based on average dry weather flows.

Highway 65 Improvements: The City entered into several agreements with the State of California (CalTrans) for the completion of improvements in and around the new Highway 65 freeway. The City expects CalTrans to complete the freeway improvements sometime in calendar year 2012. The City estimates a cost of \$12,000,000 for installing the improvements called for in its agreements with CalTrans. As of June 30, 2010, the City had identified \$2,000,000 in the Highway 65 Capital Project Fund and \$4,000,000 from the Lincoln Public Financial Authority Special Tax Revenue Bond for these projects. The City received another \$6,000,000 in December 2009 from developers to complement the City's funding for the adjacent freeway improvements.

School District Reimbursement Agreements: The City entered into various agreements with the Western Placer County Unified School District for completing various park improvements adjacent to the Twelve Bridges Middle School and Lincoln Crossings Elementary School. Some of the agreements had exhausted the agreed upon reimbursement amounts but could be amended by the City. Various invoices totaling \$1,645,665 have been submitted by the District to the City. The City is in the process of determining its obligation of paying the various invoices. At June 30, 2010, the City had not recorded or accrued any expenses associated with these invoices nor has the City identified any funding source.

NOTE M – POSTCLOSURE LANDFILL COSTS

State and Federal laws and regulations require that the City of Lincoln, California place a final cover on its landfill that had been closed in November 1988, and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Since the closure in 1988, the monitoring has been performed by outside consultants. The total costs for the maintenance and monitoring for the remaining required term have not been determined by the consultants. The nature of the estimates made and the potential for changes due to inflation or deflation, technology, or applicable laws and regulations may affect the ultimate costs. Currently, the costs are paid as they are incurred. For the fiscal year ended June 30, 2010, the costs were \$193,478.

NOTE N – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009/10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2010

NOTE N – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA (Continued)

property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Lincoln was \$698,814.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012/2013). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009/10).

NOTE O – RESTATEMENT

During the fiscal year ended June 30, 2010, the City changed its accounting methodology regarding reporting loans receivable as reserved fund balance. The City restated its reserve for long-term receivables, and now reports the offset to loans receivable as deferred revenue in the City's financial statements. In addition, the City discovered it had been recording a five percent plan check and inspection deposit as revenue. As the plan check and inspection deposit is for future City services for development plan checks and inspections, these amounts should be recorded as unearned revenue when received until the corresponding fees are incurred. As a result of these prior period adjustments, fund balances and net assets reported on the statement of revenues and expenses and statement of activities as of July 1, 2009 have been restated.

	Redevelopment Agency Special Revenue Fund	Non Major Special Revenue Funds	Governmental Activities
Fund Balance/Net Assets as of July, 2009, as previously reported	\$ 117,631	\$ 34,715,566	\$ 383,841,973
Adjustments			
Reclass fund balance reserved for long-term receivable to deferred revenue	(3,407,843)	(5,784,146)	
Record developer deposits as unearned revenue		(911,706)	(911,706)
Total Adjustments	<u>(3,407,843)</u>	<u>(6,695,852)</u>	<u>(911,706)</u>
Net assets/fund balance at June 30, 2009, as restated	<u>\$ (3,290,212)</u>	<u>\$ 28,019,714</u>	<u>\$ 382,930,267</u>

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

CITY OF LINCOLN, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2010

Infrastructure Assets Reporting Using the Modified Approach

The City elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting of its Street and Pavement System. The City commissioned a physical assessment of the streets conditions during the 02/03 fiscal year. This assessment will be performed every 3 years. Each homogeneous segment of the City Pavement Condition Index (PCI) was assigned to each street segment. The index is expressed in a continuous scale for 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to segments of street that have the physical characteristics of a new street. The following conditions were defined: excellent physical condition is assigned to segments with a scale rating between 100 and 85, good condition is assigned to segments with a scale rating between 84 and 70, fair condition is assigned to segments with a scale rating between 69 and 55, poor condition is assigned to segments with scale rating between 40 and 54. The City's policy relative to maintaining the street assets is to achieve a minimum rating of 70 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds.

As of June 30, the City's maintained road system was rated at a PCI index as follows:

PCI Rating	2010	
	Number of Miles	Percentage
Arterial:		
Excellence (85-100)	24.47	10.83%
Good (70-84)	2.00	0.88%
Fair (55-69)	0.59	0.26%
Poor (40-54)	0.65	0.29%
Substandard (0-39)	1.63	0.72%
Collector:		
Excellence (85-100)	31.11	13.76%
Good (70-84)	3.46	1.53%
Fair (55-69)	1.71	0.76%
Poor (40-54)	3.62	1.60%
Substandard (0-39)	4.86	2.15%
Local:		
Excellence (85-100)	130.00	57.51%
Good (70-84)	4.54	2.01%
Fair (55-69)	2.64	1.17%
Poor (40-54)	4.92	2.18%
Substandard (0-39)	5.18	2.29%
Alleys:		
Excellence (85-100)	3.33	1.47%
Good (70-84)	-	0.00%
Fair (55-69)	-	0.00%
Poor (40-54)	-	0.00%
Substandard (0-39)	1.32	0.58%
Total	226.03	100.00%

CITY OF LINCOLN, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2010

For the year ended June 30, 2010, actual maintenance and preservation costs were less than estimated by \$1,425,278 or 148 percent.

Fiscal Year	Estimated Maintenance and Preservation Costs	Actual Maintenance and Preservation Costs	Variance
2003	\$ 539,384	\$ 837,929	\$ 298,545
2004	1,476,338	851,245	(625,093)
2005	1,030,376	801,171	(229,205)
2006	2,189,872	1,425,773	(764,099)
2007	1,669,629	1,111,748	(557,881)
2008	2,514,406	1,266,759	(1,247,647)
2009	1,710,652	1,520,371	(190,281)
2010	2,437,290	982,012	(1,425,278)

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

(This page intentionally left blank.)

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, governmental activities debt principal and interest.

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

CITY OF LINCOLN, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

As of June 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 17,474,647	\$ 1,180,489	\$ 5,177,959	\$ 484,879	\$ 24,317,974
Receivables:					
Accounts receivable	2,248,222				2,248,222
Interest receivable	1,051,275	2,499	11,161	769	1,065,704
Taxes receivable	140,720				140,720
Due from other governments	924,263				924,263
Notes receivable	5,923,283				5,923,283
Due from other funds	8,356,096	398,262			8,754,358
Advances to other funds	3,150,524				3,150,524
Prepaid costs and other assets	184,615				184,615
Restricted cash and investments	285,086				29,444,139
	<u>\$ 39,738,731</u>	<u>\$ 4,772,294</u>	<u>\$ 31,140,885</u>	<u>\$ 501,892</u>	<u>\$ 76,153,802</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 683,830		\$ 203	\$ 851	\$ 684,884
Salaries and benefits payable	38,983				38,983
Other accrued liabilities	219,901		3,158,517		3,378,418
Due to other funds	1,492,546	\$ 398,262	141,721		2,032,529
Deposits payable	568,799		189,636		758,435
Current compensated absences					
Retentions payable	5,551				5,551
Advances from other funds					
Deferred and unearned revenue	8,723,413		536,365		9,259,778
	<u>11,733,023</u>	<u>398,262</u>	<u>4,026,442</u>	<u>851</u>	<u>16,158,578</u>
FUND BALANCES					
Reserved for:					
Long-term receivables and other assets	2,232,837				2,232,837
Advances to other funds and other interfund long-term borrowings	11,506,620				11,506,620
Forefitures	11,205				11,205
Perpetual care endowment				356,659	356,659
Debt service		4,374,032			4,374,032
Unreserved, reported in:					
Special revenue funds	14,255,046				14,255,046
Capital projects funds			27,114,443		27,114,443
Permanent funds				144,382	144,382
	<u>28,005,708</u>	<u>4,374,032</u>	<u>27,114,443</u>	<u>501,041</u>	<u>59,995,224</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 39,738,731</u>	<u>\$ 4,772,294</u>	<u>\$ 31,140,885</u>	<u>\$ 501,892</u>	<u>\$ 76,153,802</u>

CITY OF LINCOLN, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES					
Taxes and assessments	\$ 1,125,547				\$ 1,125,547
Licenses and permits	410,327				410,327
Fines and penalties	11,740				11,740
Use of money and property	(404,312)	\$ 18,400	\$ (257,892)	\$ (3,525)	(647,329)
Program income	14,781				14,781
Intergovernmental revenues	3,580,609		4,067		3,584,676
Charges for services	4,024,961		19,000		4,043,961
Contributions from homeowners			1,634,852		1,634,852
Other revenues	55,200			1,401	56,601
TOTAL REVENUES	<u>8,818,853</u>	<u>18,400</u>	<u>1,400,027</u>	<u>(2,124)</u>	<u>10,235,156</u>
EXPENDITURES					
Current:					
General government	288,710	8,912	(2,847)		294,775
Public safety	81,096				81,096
Urban development and housing	251,130				251,130
Public works and facilities	6,063,497	17,777			6,081,274
Education	4,860				4,860
Debt service:					
Principal retirement	45,000	1,095,000			1,140,000
Interest	122,460	1,644,828			1,767,288
Capital outlay	249,704		4,681,979		4,931,683
TOTAL EXPENDITURES	<u>7,106,457</u>	<u>2,766,517</u>	<u>4,679,132</u>	<u></u>	<u>14,552,106</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,712,396	(2,748,117)	(3,279,105)	(2,124)	(4,316,950)
OTHER FINANCING SOURCE (USES)					
Transfers in	102,326	2,294,409	5,767		2,402,502
Transfers out	(1,828,728)	(5,789)	(929,937)		(2,764,454)
TOTAL OTHER FINANCING (USES) SOURCES	<u>(1,726,402)</u>	<u>2,288,620</u>	<u>(924,170)</u>	<u></u>	<u>(361,952)</u>
NET CHANGE IN FUND BALANCES	(14,006)	(459,497)	(4,203,275)	(2,124)	(4,678,902)
Fund balances, beginning of year, as previously reported					
	34,715,566	4,833,529	31,317,718	503,165	71,369,978
Restatement					
	(6,695,852)				(6,695,852)
Fund balances, beginning of year, as restated					
	28,019,714	4,833,529	31,317,718	503,165	64,674,126
FUND BALANCES, END OF YEAR	<u>\$ 28,005,708</u>	<u>\$ 4,374,032</u>	<u>\$ 27,114,443</u>	<u>\$ 501,041</u>	<u>\$ 59,995,224</u>

(This page intentionally left blank.)

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes.

The City of Lincoln's Nonmajor Special Revenue Funds are summarized as follows:

Park In-Lieu Fund – Accounts for fees collected from developers in lieu of dedicating land for park or recreational purposes. Fees are used to purchase property for public parks.

Gas Tax Fund – Accounts for receipts and expenditures of monies apportioned for road projects under the Street and Highway Code Section 2105, 2106, 2107 and 2107.5 of the State of California.

Street Fund – Accounts for monies received for street projects.

Supplemental Fees Funds – Accounts for supplemental activities that are supported by external sources of funds.

Development Services Special Revenue Fund – The Development Services Special Revenue Fund accounts for monies received in relation to all aspects of developing property and/or projects within the City. The activities are accounted for within the Community Development and Public Works Departments. Monies are received from license and permit costs and additional fees for services within the City of Lincoln and the surrounding areas.

Park and Recreation Tax Fund – Accounts for monies received from the State and County to be used for traffic/street/transit improvements.

Police Grants Fund – Accounts for grants received for special police services.

Revitalization and Rehabilitation Loan Fund – Accounts for revitalization and rehabilitation monies lent to local businesses and residents for revitalizing and rehabilitating homes and buildings.

Community Development Block Grant (CDBG) Fund – Accounts for the City's participation in the Community Development Block Grant programs, which provides loans to businesses to generate jobs for new employees in the targeted income group (generally low income).

HOME Investment Partnership Program Fund – Accounts for HOME Investment Partnership grants received for community services.

Special Assessment Districts Fund – Accounts for resources received to provide improvements and maintenance to public property within the district.

Low/Moderate Income Housing Fund – Accounts for the redevelopment tax increment revenues received to provide the community with a tool for economic development.

Oak Tree Mitigation Fund – Accounts for monies received from developers to replace oak trees that have been removed for development of land.

Other Special Revenue Funds – Accounts for the activities of several Special Revenue Funds that include:

- State Grant – Advance
- Cal Home Grants
- Other Federal Grants

(This page intentionally left blank.)

CITY OF LINCOLN, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS

As of June 30, 2010

	Park In-Lieu Fund	Gas Tax Fund	Street Fund	Supplemental Fees Fund	Development Services Fund	Parks and Recreation Tax Fund	Police Grants Fund
ASSETS							
Cash and investments	\$ 1,660,481	\$ 1,257,194	\$ 2,672,759	\$ 694,420	\$ 710,176		\$ 11,625
Receivables:							
Accounts receivable	200,000				2,048,222		
Interest receivable	2,629	1,990	4,294	7,679	7,387		18
Taxes receivable							
Due from other governments		102,955	556,923		3,911		2,981
Notes receivable							
Due from other funds				4,156,274	4,199,822		
Advances to other funds							
Prepaid costs and other assets		13,479			64,136		
Restricted cash and investments						\$ 2,845	
TOTAL ASSETS	\$ 1,863,110	\$ 1,375,618	\$ 3,233,976	\$ 4,858,373	\$ 7,033,654	\$ 2,845	\$ 14,624
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable			\$ 66,611		\$ 248,222		
Salaries and benefits payable		\$ 9,706			29,221		
Other accrued liabilities				\$ 100,000	82,270		
Due to other funds						\$ 18,908	\$ 242,965
Deposits payable					441,389		
Retentions payable							
Advances from other funds							
Deferred and unearned revenue	\$ 200,000		99,000	230,625	1,198,924	48,386	
TOTAL LIABILITIES	200,000	9,706	165,611	330,625	2,000,026	67,294	242,965
FUND BALANCES							
Reserved for:							
Long-term receivables and other assets		13,479			2,112,358		
Advances to other funds and other interfund long-term borrowings				4,156,274	4,199,822		
Forefitures							
Unreserved	1,663,110	1,352,433	3,068,365	371,474	(1,278,552)	(64,449)	(228,341)
TOTAL FUND BALANCES	1,663,110	1,365,912	3,068,365	4,527,748	5,033,628	(64,449)	(228,341)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,863,110	\$ 1,375,618	\$ 3,233,976	\$ 4,858,373	\$ 7,033,654	\$ 2,845	\$ 14,624

Revitalization and Rehabilitation Loans	Community Development Block Grant (CDBG) Fund	HOME Investment Partnership Program Fund	Special Assessment Districts Fund	Low/Moderate Income Housing Fund	Oak Tree Mitigation Funds	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ 748,136	\$ 1,011,203	\$ 128,458	\$ 6,146,000		\$ 1,153,295	\$ 1,280,900	\$ 17,474,647
							2,248,222
1,579	74,028	240,459	9,702	\$ 695,235	1,826	4,449	1,051,275
			133,479	7,241			140,720
130,339	516,182	2,132,401		2,906,144		257,493	924,263
						238,217	5,923,283
				871,819	2,278,705		8,356,096
				107,000			3,150,524
	71,696			210,545			184,615
							285,086
<u>\$ 880,054</u>	<u>\$ 1,673,109</u>	<u>\$ 2,501,318</u>	<u>\$ 6,289,181</u>	<u>\$ 4,797,984</u>	<u>\$ 3,433,826</u>	<u>\$ 1,781,059</u>	<u>\$ 39,738,731</u>
			\$ 237,476		\$ 21,968	\$ 109,553	\$ 683,830
						56	38,983
			37,631				219,901
	\$ 599,993	\$ 112,298		\$ 249,595		268,787	1,492,546
					127,410		568,799
						5,551	5,551
\$ 130,734	588,609	2,372,657		3,601,379		253,099	8,723,413
<u>130,734</u>	<u>1,188,602</u>	<u>2,484,955</u>	<u>275,107</u>	<u>3,850,974</u>	<u>149,378</u>	<u>637,046</u>	<u>11,733,023</u>
				107,000			2,232,837
				871,819	2,278,705		11,506,620
						11,205	11,205
749,320	484,507	16,363	6,014,074	(31,809)	1,005,743	1,132,808	14,255,046
<u>749,320</u>	<u>484,507</u>	<u>16,363</u>	<u>6,014,074</u>	<u>947,010</u>	<u>3,284,448</u>	<u>1,144,013</u>	<u>28,005,708</u>
<u>\$ 880,054</u>	<u>\$ 1,673,109</u>	<u>\$ 2,501,318</u>	<u>\$ 6,289,181</u>	<u>\$ 4,797,984</u>	<u>\$ 3,433,826</u>	<u>\$ 1,781,059</u>	<u>\$ 39,738,731</u>

CITY OF LINCOLN, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2010

	Park In-Lieu Fund	Gas Tax Fund	Street Fund	Supplemental Fees Fund	Development Services Fund	Parks and Recreation Tax Fund	Police Grants Fund
REVENUES							
Taxes and assessments		\$ 677,559				\$ 30,540	
Licenses and permits					\$ 410,327		
Fines and penalties							
Use of money and property	\$ (111,819)	17,620	\$ 55,309	\$ (46,367)	(300,109)	(60,699)	\$ (6,585)
Program income							
Intergovernmental revenues		370,399	2,156,755				162,134
Charges for services	159,663			60,722	928,860		
Other revenues			19,163		7,151		
TOTAL REVENUES	47,844	1,065,578	2,231,227	14,355	1,046,229	(30,159)	155,549
EXPENDITURES							
Current:							
General government					73,683		
Public safety							81,096
Urban development and housing				100,000	5,890		
Public works and facilities		383,765	984,407		2,881,573		
Education							
Debt service:							
Principal retirement							
Interest							
Capital outlay			116,047			6,587	56,675
TOTAL EXPENDITURES		383,765	1,100,454	100,000	2,961,146	6,587	137,771
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	47,844	681,813	1,130,773	(85,645)	(1,914,917)	(36,746)	17,778
OTHER FINANCING SOURCE (USES)							
Transfers in				18,511		4,955	
Transfers out			(160,716)	(967,936)	(333,923)		
TOTAL OTHER FINANCING SOURCES (USES)			(160,716)	(949,425)	(333,923)	4,955	
NET CHANGE IN FUND BALANCES	47,844	681,813	970,057	(1,035,070)	(2,248,840)	(31,791)	17,778
Fund balances, beginning of year, as previously reported	1,615,266	684,099	2,098,308	5,562,818	8,194,174	(32,658)	(246,119)
Restatement					(911,706)		
Fund balances, beginning of year, as restated	1,615,266	684,099	2,098,308	5,562,818	7,282,468	(32,658)	(246,119)
FUND BALANCES, END OF YEAR	\$ 1,663,110	\$ 1,365,912	\$ 3,068,365	\$ 4,527,748	\$ 5,033,628	\$ (64,449)	\$ (228,341)

Revitalization and Rehabilitation Loans	Community Development Block Grant (CDBG) Fund	HOME Investment Partnership Program Fund	Special Assessment Districts Fund	Low/Moderate Income Housing Fund	Oak Tree Mitigation Funds	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
				\$ 417,448			\$ 1,125,547
							410,327
\$ (1,855)	\$ 9,921	\$ 649	\$ 95,641	(36,009)	\$ (33,832)	\$ 11,740	11,740
3,958	2,051	2,777		8,046		13,823	(404,312)
						889,270	14,781
			2,862,591		13,125		3,580,609
		1,359	27,527				4,024,961
2,103	11,972	4,785	2,985,759	389,485	(20,707)	914,833	55,200
							8,818,853
	9,553		145,755			59,719	288,710
		2,028		143,212			81,096
			1,719,234			94,518	251,130
						4,860	6,063,497
				45,000			4,860
				122,460			45,000
			21,334			49,061	122,460
	9,553	2,028	1,886,323	310,672		208,158	249,704
							7,106,457
2,103	2,419	2,757	1,099,436	78,813	(20,707)	706,675	1,712,396
			69,380	22		9,458	102,326
			(270,018)			(96,135)	(1,828,728)
			(200,638)	22		(86,677)	(1,726,402)
2,103	2,419	2,757	898,798	78,835	(20,707)	619,998	(14,006)
881,514	998,270	2,148,784	5,115,276	3,682,366	3,305,155	708,313	34,715,566
(134,297)	(516,182)	(2,135,178)		(2,814,191)		(184,298)	(6,695,852)
747,217	482,088	13,606	5,115,276	868,175	3,305,155	524,015	28,019,714
\$ 749,320	\$ 484,507	\$ 16,363	\$ 6,014,074	\$ 947,010	\$ 3,284,448	\$ 1,144,013	\$ 28,005,708

(This page intentionally left blank.)

NONMAJOR DEBT SERVICE FUNDS

Debt Service Funds are used to an account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The City of Lincoln's Nonmajor Debt Service Funds are summarized as follows:

City Hall Series 2006-1 – Accounts for debt service payments for the 2006 Lease Revenue Series 2004A Bonds which were used to construct the City administration facilities.

Lincoln Public Financing Authority Series 2004A Fund – Accounts for the 2004 Special Tax Allocation Bonds which were used to finance certain redevelopment activities.

Lincoln Public Financing Authority Series 2000 Fund – Accounts for debt service payments on the 2000 Tax Allocation Revenue Bonds issued to finance certain public capital improvements.

Lincoln Public Financing Authority Series 2003 Fund – Accounts for the 2003 Lease Revenue Refunding Bonds which were used to construct the public safety facility and the corporate yard project.

CITY OF LINCOLN, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS

As of June 30, 2010

	City Hall Series 2006-1 Fund	Lincoln Public Financing Authority Series 2004A Fund	Lincoln Public Financing Authority Series 2000 Fund	Lincoln Public Financing Authority Series 2003 Fund	Totals
ASSETS					
Cash and investments	\$ 34,857		\$ 1,145,632		\$ 1,180,489
Receivables:					
Interest receivable	55		2,444		2,499
Due from other funds			398,262		398,262
Restricted cash and investments	954,363	\$ 1,041,085	474,860	\$ 720,736	3,191,044
	TOTAL ASSETS	\$ 989,275	\$ 1,041,085	\$ 2,021,198	\$ 720,736
					\$ 4,772,294
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds		\$ 389,931		\$ 8,331	\$ 398,262
	TOTAL LIABILITIES	389,931		8,331	398,262
FUND BALANCES					
Reserved for debt service	\$ 989,275	651,154	\$ 2,021,198	712,405	4,374,032
	TOTAL FUND BALANCES	989,275	651,154	2,021,198	712,405
					4,374,032
	TOTAL LIABILITIES AND FUND BALANCES	\$ 989,275	\$ 1,041,085	\$ 2,021,198	\$ 720,736
					\$ 4,772,294

CITY OF LINCOLN, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR DEBT SERVICE FUNDS

For the Year Ended June 30, 2010

	City Hall Series 2006-1 Fund	Lincoln Public Financing Authority Series 2004A Fund	Lincoln Public Financing Authority Series 2000 Fund	Lincoln Public Financing Authority Series 2003 Fund	Totals
REVENUES					
Use of money and property	\$ 1,949		\$ 17,993	\$ (1,542)	\$ 18,400
TOTAL REVENUES	<u>1,949</u>		<u>17,993</u>	<u>(1,542)</u>	<u>18,400</u>
EXPENDITURES					
General government			8,912		8,912
Public works and facilities	4,767	\$ 6,150		6,860	17,777
Debt service:					
Principal retirement	265,000		525,000	305,000	1,095,000
Interest	680,113	384,718	172,653	407,344	1,644,828
TOTAL EXPENDITURES	<u>949,880</u>	<u>390,868</u>	<u>706,565</u>	<u>719,204</u>	<u>2,766,517</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(947,931)	(390,868)	(688,572)	(720,746)	(2,748,117)
OTHER FINANCING SOURCE (USES)					
Transfers in	950,610		631,455	712,344	2,294,409
Transfers out	(5,651)	(22)		(116)	(5,789)
TOTAL OTHER FINANCING SOURCES (USES)	<u>944,959</u>	<u>(22)</u>	<u>631,455</u>	<u>712,228</u>	<u>2,288,620</u>
NET CHANGE IN FUND BALANCES	(2,972)	(390,890)	(57,117)	(8,518)	(459,497)
Fund balances, beginning of year	992,247	1,042,044	2,078,315	720,923	4,833,529
FUND BALANCES, END OF YEAR	<u>\$ 989,275</u>	<u>\$ 651,154</u>	<u>\$ 2,021,198</u>	<u>\$ 712,405</u>	<u>\$ 4,374,032</u>

(This page intentionally left blank.)

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

The City of Lincoln's Nonmajor Capital Projects funds are summarized as follows:

Aiken Ranch Financial District Improvements Fund – Accounts for resources received for construction or purchase of improvements within the assessment district.

Capital Improvements Fund – Accounts for bond proceeds, federal and local funds and transfers from other funds which are designated for various buildings and general improvements.

Twelve Bridges Capital Projects Fund – The Twelve Bridges Capital Projects Fund accounts for construction or purchase of improvements within the Twelve Bridges assessment district.

Lakeside Community Facilities District (CFD) Capital Projects Fund – The Lakeside CFD Projects Fund accounts for construction or purchase of improvements within the Lakeside assessment district.

Lincoln Public Financing Authority City Hall Series 2006 Capital Projects Fund – The Fund accounts for construction of the City administration facility.

Nicholaus Road Redemption Fund – Accounts for resources received for construction or purchase of improvements within the assessment district.

Airpark Business Park Redemption Fund – Accounts for resources received to construct improvements for Airpark Drive.

Lincoln Crossing Capital Projects Fund – Accounts for resources received for construction or purchase of improvements within the assessment district.

Lincoln Public Financing Authority Series 2000 Fund – Accounts for the bonds that were issued for the purpose of enabling the Lincoln Public Financing Authority to (1) refund those certain Lincoln Public Financing Authority Revenue Bonds Series 1994 and those certain Local Government Finance Authority 1989 Refunding Revenue Bonds (Redevelopment Agency of the City of Lincoln Financing), and (2) finance certain public capital improvements.

Lincoln Public Financing Authority Series 2003 Fund – Accounts for the Lincoln Public Financing Authority Lease Revenue Bond proceeds provided for the acquisition and improvement of a municipal corporation yard and public safety facility.

Lincoln Redevelopment Agency Series 2004 A Fund – Accounts for the proceeds used to finance certain redevelopment activities of the Redevelopment Agency of the City of Lincoln (the "Agency").

Foskett Ranch Series 2004-3 Fund – Accounts for resources received to construct improvements at Foskett Ranch.

CITY OF LINCOLN, CALIFORNIA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS

As of June 30, 2010

	Aiken Ranch Financial District Improvements Fund	Capital Improvements Fund	Twelve Bridges Capital Projects Fund	Lakeside CFD Improvement Area Fund	Lincoln Public Financing Authority City Hall Series 2006 Capital Projects Fund
ASSETS					
Cash and investments	\$ 88,923	\$ 330,028	\$ 1,536,901	\$ 92,480	\$ 143,371
Receivables:					
Interest receivable	141	532	4,618	146	227
Due from other governments					
Due from other funds					
Restricted cash and investments	294	6,560,649	10,855,980	2,761,049	503,114
TOTAL ASSETS	\$ 89,358	\$ 6,891,209	\$ 12,397,499	\$ 2,853,675	\$ 646,712
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable		\$ 64	\$ 92		
Other accrued liabilities			1,858,259		
Due to other funds			34,310	\$ 10,780	
Deposits payable	\$ 99,636			90,000	
Retention payables					
Deferred and unearned revenue					
TOTAL LIABILITIES	99,636	64	1,892,661	100,780	
FUND BALANCES					
Unreserved	(10,278)	6,891,145	10,504,838	2,752,895	\$ 646,712
TOTAL FUND BALANCES	(10,278)	6,891,145	10,504,838	2,752,895	\$ 646,712
TOTAL LIABILITIES AND FUND BALANCES	\$ 89,358	\$ 6,891,209	\$ 12,397,499	\$ 2,853,675	\$ 646,712

Nicholaus Road Redemption Fund	Lincoln Crossing Capital Projects Fund	Lincoln Public Financing Authority Series 2003 Fund	Lincoln Redevelopment Agency Series 2004 A Fund	Foskett Ranch Series 2004 -3 Fund	Totals
\$ 230,030	\$ 1,823,725		\$ 932,501		\$ 5,177,959
364	3,657		1,476		11,161
	<u>3,826,416</u>	<u>\$ 176,216</u>	<u>1,050,391</u>	<u>\$ 217,656</u>	<u>25,951,765</u>
<u>\$ 230,394</u>	<u>\$ 5,653,798</u>	<u>\$ 176,216</u>	<u>\$ 1,984,368</u>	<u>\$ 217,656</u>	<u>\$ 31,140,885</u>
	\$ 47				\$ 203
	1,300,258				3,158,517
	1,062	\$ 91,073		\$ 4,496	141,721
					189,636
	<u>536,365</u>				<u>536,365</u>
	<u>1,837,732</u>	<u>91,073</u>		<u>4,496</u>	<u>4,026,442</u>
\$ 230,394	3,816,066	85,143	\$ 1,984,368	213,160	27,114,443
<u>230,394</u>	<u>3,816,066</u>	<u>85,143</u>	<u>1,984,368</u>	<u>213,160</u>	<u>27,114,443</u>
<u>\$ 230,394</u>	<u>\$ 5,653,798</u>	<u>\$ 176,216</u>	<u>\$ 1,984,368</u>	<u>\$ 217,656</u>	<u>\$ 31,140,885</u>

CITY OF LINCOLN, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS

For the Year Ended June 30, 2010

	Aiken Ranch Financial District Improvements Fund	Capital Improvements Fund	Twelve Bridges Capital Projects Fund	Lakeside CFD Improvement Area Fund	Lincoln Public Financing Authority City Hall Series 2006 Fund
REVENUES					
Use of money and property	\$ 4,768	\$ (16,475)	\$ 55,405	\$ 2,087	\$ 14,293
Intergovernmental revenues		4,067			
Charges for services		19,000			
Contributions from homeowners	1,634,852				
TOTAL REVENUES	1,639,620	6,592	55,405	2,087	14,293
EXPENDITURES					
Current:					
General government		27,036	281		2,375
Capital outlay	1,278,228	63,325	1,851,150	170,114	
TOTAL EXPENDITURES	1,278,228	90,361	1,851,431	170,114	2,375
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	361,392	(83,769)	(1,796,026)	(168,027)	11,918
OTHER FINANCING SOURCE (USES)					
Transfers in					5,651
Transfers out	(356,624)				(5,498)
TOTAL OTHER FINANCING SOURCES (USES)	(356,624)				153
NET CHANGE IN FUND BALANCES	4,768	(83,769)	(1,796,026)	(168,027)	12,071
Fund balances, beginning of year	(15,046)	6,974,914	12,300,864	2,920,922	634,641
FUND BALANCES, END OF YEAR	\$ (10,278)	\$ 6,891,145	\$ 10,504,838	\$ 2,752,895	\$ 646,712

Nicholaus Road Redemption Fund	Airpark Business Park Redemption Fund	Lincoln Crossing Capital Projects Fund	Lincoln Public Financing Authority Series 2003 Fund	Lincoln Redevelopment Agency Series 2004 A Fund	Foskett Ranch Series 2004 -3 Fund	Totals
\$ (3,625)	\$ (1,030)	\$ (337,032)		\$ 24,526	\$ (809)	\$ (257,892)
						4,067
						19,000
						1,634,852
<u>(3,625)</u>	<u>(1,030)</u>	<u>(337,032)</u>		<u>24,526</u>	<u>(809)</u>	<u>1,400,027</u>
		(32,664)	\$ 125			(2,847)
		1,319,162				4,681,979
		<u>1,286,498</u>	<u>125</u>			<u>4,679,132</u>
(3,625)	(1,030)	(1,623,530)	(125)	24,526	(809)	(3,279,105)
			116			5,767
		<u>(567,815)</u>				<u>(929,937)</u>
		(567,815)	116			(924,170)
<u>(3,625)</u>	<u>(1,030)</u>	<u>(2,191,345)</u>	<u>(9)</u>	<u>24,526</u>	<u>(809)</u>	<u>(4,203,275)</u>
234,019	1,030	6,007,411	85,152	1,959,842	213,969	31,317,718
<u>\$ 230,394</u>	<u>\$ -</u>	<u>\$ 3,816,066</u>	<u>\$ 85,143</u>	<u>\$ 1,984,368</u>	<u>\$ 213,160</u>	<u>\$ 27,114,443</u>

(This page intentionally left blank.)

NONMAJOR PERMANENT FUNDS

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting of the City's programs.

The City of Lincoln's Permanent Funds are summarized as follows:

Stormwater Retention – Accounts for resources received for the purpose of protecting open space easements surrounding the stormwater retention area.

Suncal Open Space – Accounts for resources received for the purpose of preserving the open space endowment at the Suncal-Lincoln Crossing.

3-D South Wetland Preserve Endowment Fund – Accounts for resources received for the purpose of preserving the open space within the 3-D project.

Brookview Open Space Maintenance Trust Fund – Accounts for resources received for the purpose of preserving the open space within the Brookview 4 subdivision.

Sterling Point – Accounts for resources received for the purpose of protecting the open space and wetland habitat at Sterling Point.

WWTRF Tertiary Storage Basins Maintenance Fund – Accounts for resources received for the purpose of providing erosion protection and vegetation control for the WWTRF storage basins

Lincoln Air Center Trust Fund – Accounts for resources received for the purpose of providing open space maintenance and management of the Lincoln Aircenter Open Space.

CITY OF LINCOLN, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS

As of June 30, 2010

	Stormwater Retention Maintenance Fund	Suncal Open Space Endowment Trust	3-D South Wetland Preserve Endowment Fund	Brookview Open Space Maintenance Trust Fund	Sterling Point Endowment Fund	WWTRF Tertiary Storage Basin Maintenance Fund	Lincoln Aircenter Fund	Totals
ASSETS								
Cash and investments	\$ 30,737	\$ 260,057			\$ 57,360	\$ 58,030	\$ 78,695	\$ 484,879
Receivables:								
Interest receivable	49	412			91	92	125	769
Restricted cash and investments				\$ 16,244				16,244
TOTAL ASSETS	\$ 30,786	\$ 260,469		\$ 16,244	\$ 57,451	\$ 58,122	\$ 78,820	\$ 501,892
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable			\$ 612	\$ 239				\$ 851
TOTAL LIABILITIES			612	239				851
FUND BALANCES								
Reserved for:								
Perpetual care endowment	\$ 25,439	\$ 221,220		5,000	\$ 50,000	\$ 50,000	\$ 5,000	356,659
Unreserved	5,347	39,249	(612)	11,005	7,451	8,122	73,820	144,382
TOTAL FUND BALANCES	30,786	260,469	(612)	16,005	57,451	58,122	78,820	501,041
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,786	\$ 260,469	\$ -	\$ 16,244	\$ 57,451	\$ 58,122	\$ 78,820	\$ 501,892

CITY OF LINCOLN, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS

For the Year Ended June 30, 2010

	Stormwater Retention Maintenance Fund	Suncal Open Space Endowment Trust	3-D South Wetland Preserve Endowment Fund	Brookview Open Space Maintenance Trust Fund	Sterling Point Endowment Fund	WWTRF Tertiary Storage Basin Maintenance Fund	Lincoln Aircenter Fund	Totals
REVENUES								
Use of money and property	\$ (394)	\$ (3,329)	\$ (941)	\$ 11	\$ (734)	\$ 583	\$ 1,279	\$ (3,525)
Other revenues							1,401	1,401
TOTAL REVENUES	<u>(394)</u>	<u>(3,329)</u>	<u>(941)</u>	<u>11</u>	<u>(734)</u>	<u>583</u>	<u>2,680</u>	<u>(2,124)</u>
NET CHANGE IN FUND BALANCES	(394)	(3,329)	(941)	11	(734)	583	2,680	(2,124)
Fund balances, beginning of year	<u>31,180</u>	<u>263,798</u>	<u>329</u>	<u>15,994</u>	<u>58,185</u>	<u>57,539</u>	<u>76,140</u>	<u>503,165</u>
FUND BALANCES, END OF YEAR	<u>\$ 30,786</u>	<u>\$ 260,469</u>	<u>\$ (612)</u>	<u>\$ 16,005</u>	<u>\$ 57,451</u>	<u>\$ 58,122</u>	<u>\$ 78,820</u>	<u>\$ 501,041</u>

(This page intentionally left blank.)

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are established to account for operations that are financed and operated in a manner similar to private business enterprises and where periodic determinations of net income are desired. Expenses, including depreciation when applicable, of providing goods or services to the general public are funded primarily through user charges.

The Nonmajor Enterprise Funds of the City of Lincoln are outlined as follows:

The Transit Enterprise Fund – The Transit Enterprise Fund accounts for the activities of the City of Lincoln's transit services. The City of Lincoln provides fixed route and demand-response public transit services to its residents.

CITY OF LINCOLN, CALIFORNIA
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS

As of June 30, 2010

	Transit Fund	Total Nonmajor Enterprise Funds
ASSETS		
CURRENT ASSETS		
Receivables:		
Accounts receivable	\$ 571	\$ 571
Due from other governments	912,464	912,464
Prepaid expenses	10,857	10,857
TOTAL CURRENT ASSETS	923,892	923,892
NONCURRENT ASSETS		
Capital assets:		
Not being depreciated	390,559	390,559
Being depreciated	143,522	143,522
TOTAL NONCURRENT ASSETS	534,081	534,081
TOTAL ASSETS	1,457,973	1,457,973
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	279,415	279,415
Salaries and wages payable	10,673	10,673
Due to other funds	209,327	209,327
Retentions payable	14,920	14,920
Compensated absences, due within one year	15,293	15,293
TOTAL CURRENT LIABILITIES	529,628	529,628
NONCURRENT LIABILITIES		
Compensated absences, due in more than one year	3,554	3,554
Postemployment benefit obligation	50,207	50,207
TOTAL NONCURRENT LIABILITIES	53,761	53,761
TOTAL LIABILITIES	583,389	583,389
NET ASSETS		
Invested in capital assets, net of related debt	534,081	534,081
Unrestricted	340,503	340,503
TOTAL NET ASSETS	\$ 874,584	\$ 874,584

CITY OF LINCOLN, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS – NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2010

	Transit Fund	Total Nonmajor Enterprise Funds
	<u> </u>	<u> </u>
OPERATING REVENUES		
Charges for services	\$ 27,941	\$ 27,941
TOTAL OPERATING REVENUES	<u>27,941</u>	<u>27,941</u>
OPERATING EXPENSES		
Salaries and benefits	447,571	447,571
General services and supplies	290,214	290,214
Support services	315,958	315,958
Depreciation	21,835	21,835
TOTAL OPERATING EXPENSES	<u>1,075,578</u>	<u>1,075,578</u>
OPERATING LOSS	(1,047,637)	(1,047,637)
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	(3,034)	(3,034)
Intergovernmental revenues	1,179,388	1,179,388
Other nonoperating revenues	246	246
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,176,600</u>	<u>1,176,600</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	128,963	128,963
CAPITAL CONTRIBUTIONS AND TRANSFERS		
Capital contributions	85,695	85,695
Transfers in	114,349	114,349
Transfers out	(79,346)	(79,346)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>120,698</u>	<u>120,698</u>
CHANGE IN NET ASSETS	249,661	249,661
Net Assets, beginning of year	<u>624,923</u>	<u>624,923</u>
NET ASSETS, END OF YEAR	<u>\$ 874,584</u>	<u>\$ 874,584</u>

CITY OF LINCOLN, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2010

	Transit Fund	Total Nonmajor Enterprise Funds
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 28,028	\$ 28,028
Payments to suppliers	(40,528)	(40,528)
Payments to employees	(417,827)	(417,827)
Payments for interfund transfers	(304,894)	(304,894)
NET CASH USED BY OPERATING ACTIVITIES	<u>(735,221)</u>	<u>(735,221)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenue received	463,113	463,113
Interfund borrowings	209,327	209,327
Transfers in from other funds	114,349	114,349
Transfers out to other funds	(79,346)	(79,346)
Other revenues received	246	246
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>707,689</u>	<u>707,689</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions received	85,695	85,695
Purchase of capital assets	(375,638)	(375,638)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(289,943)</u>	<u>(289,943)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	(1,775)	(1,775)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(1,775)</u>	<u>(1,775)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(319,250)	(319,250)
Cash and cash equivalents, beginning of year	<u>319,250</u>	<u>319,250</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

CITY OF LINCOLN, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS (Continued)

For the Year Ended June 30, 2010

	<u>Transit Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (1,047,637)	\$ (1,047,637)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	21,835	21,835
Postemployment benefits accrual	31,536	31,536
Accounts receivable	87	87
Prepaid expenses	(3,941)	(3,941)
Accounts payable and accrued expenses	264,691	264,691
Salaries and benefits payable	<u>(1,792)</u>	<u>(1,792)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (735,221)</u>	<u>\$ (735,221)</u>

(This page intentionally left blank.)

AGENCY FUNDS

Agency Funds account for assets held by the City of Lincoln in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations or other governments.

The City of Lincoln's Agency Funds are summarized as follows:

Little League Fund – Accounts for monies held as agent for Little League activities.

Markham Ravine Neighborhood Trust – Accounts for resources received for the purpose of preserving open space surrounding the Markham Ravine area.

Lincoln Airpark: 98-1 – Accounts for monies held from the Community Facilities District No. 1998-1 Special Tax Bonds to finance the acquisition of public improvements to property within the community facilities district and finance wetland mitigation measures. Revenue received from property tax assessment. These bonds are not a liability of the City.

Twelve Bridges Series 1999 Special Assessment District – Accounts for the monies held from the Twelve Bridges Limited Obligation Revenue Bonds Series 1999 for improvements within the assessment district. Monies are received from special tax assessments. These bonds are not a liability of the City.

Twelve Bridges Series 2001 Special Assessment District – Accounts for the monies held from the Twelve Bridges Limited Obligation Revenue Bonds held to finance the construction/acquisition of public improvements within the assessment district. Monies are received from special tax assessments. These bonds are not a liability of the City.

Foskett Ranch Assessment District – Accounts for the monies held from the Limited Obligation Revenue Bonds held to finance the construction/acquisition of public improvements within the assessment district. Monies are received from special tax assessments. These bonds are not a liability of the City.

Lakeside CFD Improvement Area 2 Refunding Bonds – Accounts for the monies held from the Special Tax Bonds for the acquisition improvements within the Lakeside Area 2 assessment district. These bonds are not a liability of the City.

Lincoln Public Financing Authority Special Tax Revenue Bond 2007 A and B – Accounts for the monies held from the purchase of the Local Obligations to acquire, construct and improve the Lincoln Crossing 2003-1 assessment district. These bonds are not a liability of the City.

Library Trust – Accounts for contributions received from an organization to ensure preservation of the library.

CFD Sorrento Series 2009 Special Assessment District – Accounts for the monies held from the Special Tax Bonds for improvements within the Sorrento Project 2005-A Assessment District. Monies are received from special tax assessments. These bonds are not a liability of the City.

CITY OF LINCOLN, CALIFORNIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

As of June 30, 2010

	Little League Fund	Markham Ravine Neighborhood Trust	Lincoln Airpark 98-1 Fund	Twelve Bridges Series 1999	Twelve Bridges Series 2001
ASSETS					
Cash and investments	\$ 39,833	\$ 344	\$ 397,712	\$ 4,046,393	\$ 1,844,513
Interest receivable	63	1	630	6,406	3,102
Special assessment receivable				40,117	14,273
Accounts receivable					
Restricted cash and investments			221,349	3,186,010	1,144,860
TOTAL ASSETS	\$ 39,896	\$ 345	\$ 619,691	\$ 7,278,926	\$ 3,006,748
LIABILITIES					
Accounts payable					
Due to property owners			\$ 619,691	\$ 7,278,926	\$ 3,006,748
Agency obligations	\$ 39,896	\$ 345			
TOTAL LIABILITIES	\$ 39,896	\$ 345	\$ 619,691	\$ 7,278,926	\$ 3,006,748

Foskett Ranch Series 2004-3	Lakeside CFD Series 2006	LPFA Special Tax Tax Revenue Bond 2007 A&B	Library Trust	CFD Sorrento Series 2009	Total
\$ 506,102	\$ 293,539	\$ 6,843,961	\$ 25,353	\$ 100,569	\$ 14,098,319
801	465	10,849	41	159	22,517
11,203		201,072		2,717	269,382
			612		612
354,190	647,892	7,575,491		268,233	13,398,025
<u>\$ 872,296</u>	<u>\$ 941,896</u>	<u>\$ 14,631,373</u>	<u>\$ 26,006</u>	<u>\$ 371,678</u>	<u>\$ 27,788,855</u>
		\$ 2,800			\$ 2,800
\$ 872,296	\$ 941,896	14,628,573		\$ 371,678	27,719,808
			\$ 26,006		66,247
<u>\$ 872,296</u>	<u>\$ 941,896</u>	<u>\$ 14,631,373</u>	<u>\$ 26,006</u>	<u>\$ 371,678</u>	<u>\$ 27,788,855</u>