

CITY OF LINCOLN, CALIFORNIA

Audited Financial Statements

June 30, 2011

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CITY OF LINCOLN, CALIFORNIA

Audited Financial Statements

June 30, 2011

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BASIC FINANCIAL STATEMENTS

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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, 2011, 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, 2011, 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, 2011.

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, 2011, 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, Redevelopment Special Revenue Fund and Special Assessments District Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financials have been prepared as if the Redevelopment Agency will continue as a going concern. As discussed in Note P, the Supreme Court upheld the State of California's adoption of ABx1 26, which suspends all new redevelopment activities except for limited specified activities, and

To the City Council
City of Lincoln, California

dissolves redevelopment agencies effective January 31, 2012. This condition affects the Redevelopment Agency's ability to continue as a going concern. The financial statements do not reflect any adjustments as a result of this outcome.

As discussed in Note Q, 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, 2010 to correct these errors.

As discussed in Note R to the financial statements, the City is projecting a negative fund balance in the General Fund by the end of fiscal year 2013/14 and currently has negative fund balances in certain funds that do not have an immediate revenue source. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued under a separate cover our report dated April 20, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 20 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

April 20, 2012

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, 2011. 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 \$501,268,722 (net assets). Unrestricted funds showed a negative balance of \$1,802,734.
- The City's total net assets decreased by \$1,141,450 after restatements totaling \$483,293. Governmental activities decreased the City's net assets by \$4,660,120 and business-type activities increased the City's net assets by \$3,518,670.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$57,910,285, a decrease of \$3,870,863 in comparison with the prior year. Nonspendable, restricted and committed funds totaled \$91,011,649 whereas unrestricted funds registered a negative balance of \$33,101,364.
- At the end of the fiscal year, unassigned fund balance of the General fund was \$4,132,105 or 31.8% 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.

CITY OF LINCOLN MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 14-16 of this report.

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 68 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 17-24 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 25-29 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.

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

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 30 of this report.

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 31-67 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 21-24 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 68-69.

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. Total City assets exceed liabilities by \$501,268,722 at the close of the most recent fiscal year.

**Net Assets
As of June 30, 2012 and 2011**

	Governmental Activities		Business-type Activities		Total		Variance
	2011	2010	2011	2010	2011	2010	
Assets:							
Current and other assets	\$ 82,177,466	\$ 93,839,530	\$ 19,248,122	\$ 17,762,462	\$ 101,425,588	\$ 111,601,992	\$(10,176,404)
Capital Assets	350,728,268	351,361,806	104,121,253	104,285,146	454,849,521	455,646,952	(797,431)
Total Assets	432,905,734	445,201,336	123,369,375	122,047,608	556,275,109	567,248,944	(10,973,835)
Liabilities:							
Current and other liabilities	12,023,940	19,137,864	2,946,009	5,162,167	14,969,949	24,300,031	(9,330,082)
Long-term liabilities	36,663,078	37,184,636	3,373,360	3,354,105	40,036,438	40,538,741	(502,303)
Total liabilities	48,687,018	56,322,500	6,319,369	8,516,272	55,006,387	64,838,772	(9,832,385)
Net Assets:							
Investment in Capital Assets							
net of related debt	316,648,571	316,134,425	101,243,804	101,091,339	417,892,375	417,225,764	666,611
Restricted	85,179,081	56,455,609	-	-	85,179,081	56,455,609	28,723,472
Unrestricted	(17,608,936)	16,288,802	15,806,202	12,439,997	(1,802,734)	28,728,799	(30,531,533)
Total net assets	\$384,218,716	\$388,878,836	\$117,050,006	\$113,531,336	\$501,268,722	\$502,410,172	\$(1,141,450)

By far, the largest portion of the City of Lincoln's net assets (\$417,892,375 or 83.3%) 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. The remaining City's net assets consist of unrestricted net assets with a negative balance of \$1,802,734 and restricted funds of \$85,179,081, which are resources subject to external restrictions on how they may be used.

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

Governmental activities. Governmental activities decreased the City of Lincoln's net assets by \$4,660,120. Included in this amount, the restatement of net assets as shown in Note Q, on page 67 resulted in a decrease to net assets in governmental activities by \$483,293.

**Changes in Net Assets
As of June 30, 2011 and 2010**

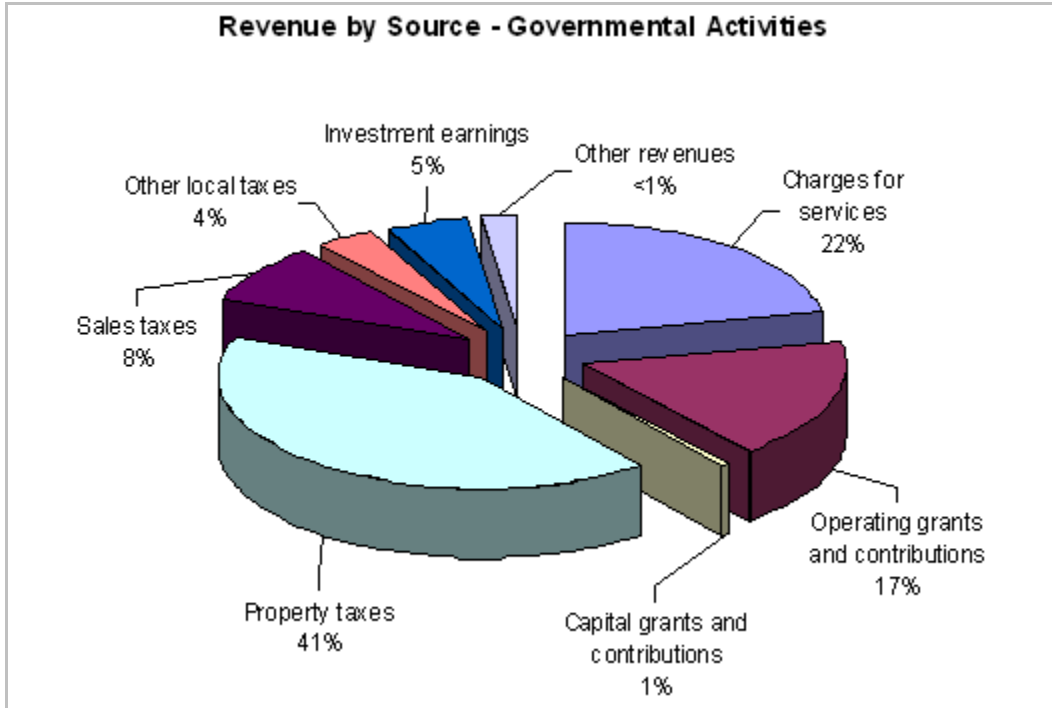
	Governmental Activities		Business-type Activities		Total		Variance
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program revenues:							
Charges for services	\$ 5,101,613	\$ 7,207,502	\$ 23,218,390	\$ 24,114,636	\$ 28,320,003	\$ 31,322,138	\$ (3,002,135)
Operating grants and contributions	4,129,716	11,351,298	1,428,826	1,195,343	5,558,542	12,546,641	(6,988,099)
Capital Grants and contributions	151,718	3,396,988	480,434	896,587	632,152	4,293,575	(3,661,423)
General Revenues:							
Property Taxes	9,742,282	9,628,569	-	-	9,742,282	9,628,569	113,713
Sales & use taxes	1,968,627	1,971,789	-	-	1,968,627	1,971,789	(3,162)
Other Local taxes	849,872	988,427	40,349	68,526	890,221	1,056,953	(166,732)
Investment Earnings	1,121,897	2,261,095	335,266	(193,548)	1,457,163	2,067,547	(610,384)
Other Revenues	557,398	192,290	184,555	237,010	741,953	429,300	312,653
Total Revenues	23,623,123	36,997,958	25,687,820	26,318,554	49,310,943	63,316,512	(14,005,569)
Expenses:							
General government	2,816,650	2,672,943	-	-	2,816,650	2,672,943	143,707
Public Safety	10,484,408	10,847,388	-	-	10,484,408	10,847,388	(362,980)
Public works and facilities	11,295,372	13,720,906	-	-	11,295,372	13,720,906	(2,425,534)
Culture & recreation	870,049	1,059,559	-	-	870,049	1,059,559	(189,510)
Education	712,886	877,314	-	-	712,886	877,314	(164,428)
Urban development & housing	1,093,409	1,979,294	-	-	1,093,409	1,979,294	(885,885)
Interest on long-term debt	1,884,470	1,932,458	-	-	1,884,470	1,932,458	(47,988)
Water	-	-	8,798,950	9,330,009	8,798,950	9,330,009	(531,059)
Sewer	-	-	4,920,695	5,915,385	4,920,695	5,915,385	(994,690)
Solid-waste	-	-	3,952,669	4,427,701	3,952,669	4,427,701	(475,032)
Transit	-	-	1,145,903	1,075,578	1,145,903	1,075,578	70,325
Airport	-	-	1,993,639	2,071,412	1,993,639	2,071,412	(77,773)
Total Expenses	29,157,244	33,089,862	20,811,856	22,820,085	49,969,100	55,909,947	(5,940,847)
Changes in net assets before transfers	(5,534,121)	3,908,096	4,875,964	3,498,469	(658,157)	7,406,565	(8,064,722)
Transfers	1,357,294	2,040,473	(1,357,294)	(2,040,473)	-	-	-
Change in net assets	(4,176,827)	5,948,569	3,518,670	1,457,996	(658,157)	7,406,565	(8,064,722)
Net assets-beginning	388,878,836	383,841,973	113,531,336	112,073,340	502,410,172	495,915,313	6,494,859
Prior period adjustments	(483,293)	(911,706)	-	-	(483,293)	(911,706)	428,413
Net assets- Ending	\$ 384,218,716	\$ 388,878,836	\$ 117,050,006	\$ 113,531,336	\$ 501,268,722	\$ 502,410,172	\$ (1,141,450)

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

- Operating grants and contributions decreased by \$7,221,582 or 63.6% mainly due to a declining availability of operational grants.
- Capital grants and contributions for governmental activities decreased by \$3,245,270 or 95.5% mainly due to a decrease in the amount of capital improvement projects undertaken.
- Property taxes increased by \$113,713 or 1.2% an increase too small to be considered indicative of a rebound in assessed property values.
- Investment earnings for governmental activities have decreased by \$1,139,198 or 50.4%. This is reflective of the total decline in cash and investments.

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

The following chart shows Governmental Activities Revenues by Source:



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

- Public safety expenses decreased by \$362,980 or 3.3%. The decrease was primarily due to reduced staffing within the Police and Fire Departments.
- Public works and facilities expenses, including capital projects, decreased by \$2,425,534 or 17.7%. The decrease was primarily due to the prior year experiencing greater costs including major construction costs for the Highway 65 capital project.
- Urban redevelopment and housing expenses decreased by \$885,885 or 44.7%. The decrease is primarily due to a lower Supplemental Educational Revenue Augmentation Fund payment made to the State.

Business-type activities. Business-type activities increased the City's net assets by \$3,518,670 in the fiscal year ending June 30, 2011.

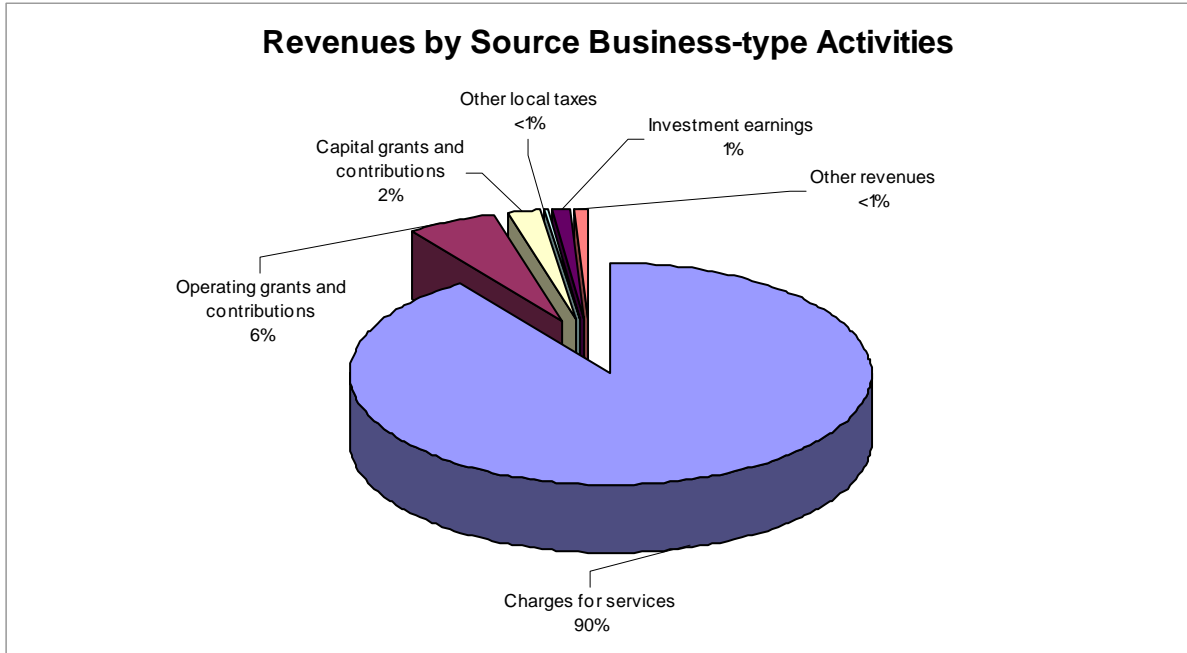
Key elements accounting for the increase and decrease in revenues and expenses for business type activities are as follows:

- Operating grants and contributions increased by \$233,483 or 19.5% mainly due to increased transit tax revenue received from the prior year.
- Capital grants and contributions decreased by \$416,153 or 46%. This decrease is a reflection of the decline in development activities.

CITY OF LINCOLN MANAGEMENT'S DISCUSSION AND ANALYSIS

- Investment earnings increased by \$528,814 or 273.2%, reflective of an increase in cash and investments.
- 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.

The following chart shows Business-type Activities Revenues by Source:



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. Under the Government Accounting Standards Board Statement 54, fund balances are now classified as Nonspendable, Restricted, and Unassigned. Nonspendable fund balances are amounts that are inherently nonspendable, i.e. cannot be spent because of their form or because they must be maintained intact. Restricted fund balances are amounts with externally enforceable limitations on use, such as limitations imposed by creditors or grantors, and limitations imposed by other governments. Unassigned fund balances, residual net resources, is the amount in excess of nonspendable and restricted amounts. Negative fund balances are included in unassigned fund balance.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financial requirements.

At the end of the current fiscal year, the City of Lincoln's governmental funds reported combined ending fund balances of \$57,910,285, a decrease of \$3,870,863 in comparison with the prior year, primarily due to a decline in the Nonmajor Governmental Funds. Nonmajor Governmental Funds include Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds. Capital Assets and outstanding debt are discussed later in this analysis.

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

Nonspendable fund balances total \$35,943,838, restricted fund balances total \$51,483,481, committed fund balances total \$3,584,330 and unassigned fund balances total a negative \$33,101,364. While the General Fund has a positive unassigned fund balance (\$4,132,105), all other government funds have a negative unassigned fund balance (\$37,233,469). It is the weight of these accumulated negative fund balances that causes concern regarding the future financial welfare of the City.

The following discussion touches on each of the five major governmental fund types.

General Fund. The General Fund is the chief operating fund of the City of Lincoln. The fund balance of the City of Lincoln's General Fund increased by \$406,514 during the current fiscal year. At the end of the current fiscal year the unassigned fund balance of the General Fund was \$4,132,105, of which \$995,751 is designated for use in the event of a catastrophic emergency, leaving a net unassigned fund balance of \$3,136,354. The total General Fund balance at year end is \$5,827,625 which includes all fund balance designations. Although expenditures exceeded revenues by \$626,626, transfers in exceeded transfers out by \$1,033,140, resulting in a year end gain of \$406,514. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 31.9% of total General Fund expenditures.

The following Revenue by Source and Expenditure by Function tables provide a two-year comparison. Accompanying the tables are brief explanations of significant changes.

**Revenue by Source
General Fund**

	FY 2011		FY 2010		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Taxes and assessments	\$ 9,892,712	80.2%	\$ 9,615,122	77.8%	\$ 277,590	2.9%
Licenses and permits	819,191	6.6%	709,276	5.7%	109,915	15.5%
Fines and penalties	121,573	1.0%	161,011	1.3%	(39,438)	-24.5%
Interest and Investment Income	71,933	0.6%	156,945	1.3%	(85,012)	-54.2%
Intergovernmental revenue	312,978	2.5%	347,992	2.8%	(35,014)	-10.1%
Charges for services	781,635	6.3%	1,027,733	8.3%	(246,098)	-23.9%
Other revenues	333,601	2.7%	338,025	2.7%	(4,424)	-1.3%
Sub-Total	12,333,623	100.0%	12,356,104	100.0%	(22,481)	-0.1%
Unrealized gain/loss adjustment	-		3,169,338		(3,169,338)	
Total	\$ 12,333,623	100.0%	\$ 15,525,442	100.0%	\$ (3,191,819)	-20.6%

- Total General Fund revenues decreased \$3,191,819 or 20.6% from the prior fiscal year.
- Taxes and assessments increased by \$277,590 or 2.9%. This minor increase is attributable to small increases in property tax and sales tax, which were partially offset by a decrease in transient occupancy tax.
- Licenses and permits increased by \$109,915 or 15.5%. While this increase does not herald an end of the economic downturn, it is encouraging to experience more activity in this area.
- Interest and investment income decreased by \$85,012 or 54.2%, indicative of the current trend in investment returns. Older investments, with higher investment yields, have been maturing and are being replaced with newer investment vehicles whose yields are lower.
- Intergovernmental revenue decreased by \$35,014 or 10.1%. The decrease was primarily due to a decline in the amount of 'in lieu of vehicle license fee' revenue from the State of California.

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

- Charges for services decreased by \$246,098 or 23.9%. This decrease is attributable to a decline in the amount of special police and special fire service charges. With declining staff, it becomes increasingly difficult to provide those services for which special fees are charged. Public safety staff are occupied with providing only the base level of service.
- The unrealized gain of \$3,169,338 reported in FY2009-10 was the result of 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.

**Expenditures by Function
General Fund**

	FY 2011		FY 2010		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
General Government	\$ 1,741,633	13.4%	\$ 2,169,066	15.4%	\$ (427,433)	-19.7%
Public safety	9,640,148	74.4%	10,111,766	71.8%	(471,618)	-4.7%
Public works and facilities	220,520	1.7%	191,111	1.4%	29,409	15.4%
Culture and recreation	812,219	6.3%	978,406	6.9%	(166,187)	-17.0%
Education	545,728	4.2%	628,669	4.5%	(82,941)	-13.2%
Total	\$ 12,960,248	100.0%	\$ 14,079,018	100.0%	\$ (1,118,770)	-7.9%

- Total General Fund expenditures decreased by \$427,433 or 19.7% from the prior fiscal year indicating a continuing trend of prudent spending and decreasing employee salary and benefit costs.
- Public safety decreased by \$471,618 or 4.7%, primarily as a result of the continuing decrease in salary and benefit costs.
- Public works and facilities increased by \$29,409 or 15.4% bringing the total expenditure up to \$220,520. This is, however, still \$32,850 less than expended in fiscal year 2009. Public works costs are expected to fluctuate somewhat year to year due to differing requirements for maintenance and improvements from year to year.
- Culture and recreation decreased \$166,187 or 17.0% primarily attributable to a reduction in salary and benefit costs.
- Education decreased by \$82,941 or 13.2%. The decrease was primarily due to continuing cost savings measures at 12 Bridges Library.

Public Facility Element (PFE) Special Revenue Funds. The PFE funds are collected with the issuance of building permits and are used by the City to fund infrastructure projects and public facilities. The City's PFE funds include Transportation, Drainage, Parks, and Community Services for Police, Fire, Administration and the Library. Development in Lincoln has declined dramatically and these funds have a total negative fund balance at the end of FY11 of \$22,635,975 or 1.6% less than the prior fiscal year. Once the economy has more fully recovered and new development projects are undertaken, new fees will be applied toward the negative fund balances.

Water Connection Special Revenue Funds. These funds are 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. Fund balance at the end of FY11 was \$22,054,572 or 4.9% more than the prior fiscal year.

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

Redevelopment Agency (RDA) Fund. The RDA Fund is reported as a major government fund in the City's financial statements for information purposes only. For complete financial statements, information and analysis please refer to the Redevelopment Agency of the City of Lincoln (A Component Unit of the City of Lincoln) Audited Financial Statements and Compliance Report.

Special Assessments Districts Special Revenue Funds. These are the lighting and landscaping special districts, the community facilities districts, and the benefit assessment district.

GENERAL FUND BUDGETARY HIGHLIGHTS

In preparing its budgets, the City attempts to estimate its revenues using realistic, but conservative, methods and budgets its expenditures 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 additional revenues.

The final General Fund budget for FY2010-11 included revenue of \$11,631,252 and appropriations of \$13,842,291, showing an anticipated shortfall of \$2,211,039. The results of the General Fund for the year ended June 30, 2011, were more favorable than anticipated. Actual amounts at the end of the year showed revenues were \$702,370 greater than the budget estimate and expenditures were \$1,584,413 less than the budget estimate. Instead of ending the year with a \$2,211,039 deficiency, the actual deficiency was only \$626,626. Additionally, transfers in/out netted to an increase of \$1,033,140. The result was a positive net change in General Fund fund balance of \$406,514.

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, 2011, amounts to \$454,849,521 (net of accumulated depreciation). This investment in capital assets includes land, building and facilities, machinery and equipment, park facilities, and roads. Total decrease in the City of Lincoln's investments in capital assets for the current fiscal year is \$633,538 or .2%.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010 Restated	2011	2010	2011	2010
Land	\$ 11,196,155	\$ 11,196,155	\$ 1,699,900	\$ 1,657,650	\$ 12,896,055	\$ 12,853,805
Infrastructure, modified approach	100,914,368	100,271,960	59,934,299	59,934,299	160,848,667	160,206,259
Construction in progress	158,002,648	163,821,140	32,498,882	32,784,968	190,501,530	196,606,108
Buildings and structures	63,315,073	64,689,395	6,618,751	6,390,541	69,933,824	71,079,936
Machinery and equipment	1,842,158	2,335,774	3,017,478	3,144,814	4,859,636	5,480,588
Land improvement	15,457,866	9,594,829	351,943	372,874	15,809,809	9,967,703
Total	\$ 350,728,268	\$ 351,909,253	\$ 104,121,253	\$ 104,285,146	\$ 454,849,521	\$ 456,194,399

Both Governmental Activities and Business-type Activities experienced a decrease in capital assets, net of depreciation.

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 \$100,914,368. Back in FY2002-03, the total number of City street miles was recorded at 132.03.

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

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 has commissioned an appraisal of all City-owned infrastructure assets. The complete valuation of the City's remaining infrastructure is anticipated to be completed during FY2011-12.

Additional information on the City of Lincoln's capital assets can be found in Note E on pages 53-55 and required supplemental information on pages 68-69 of this report.

Long-term debt. At the end of the current fiscal year, the City of Lincoln had total debt outstanding of \$43,219,931. Of this amount, \$22,520,000 was comprised of lease revenue bonds, \$14,210,000 of tax allocation revenue bonds, \$2,482,692 in post employment benefit obligation, \$1,957,869 in capital leases, \$1,924,790 in compensated absences and \$124,580 of loans payable.

City of Lincoln's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Lease revenue bonds	\$ 22,520,000	\$ 23,115,000	\$ -	\$ -	\$ 22,520,000	\$ 23,115,000
Tax Allocation revenue bonds	13,415,000	13,970,000	795,000	1,020,000	14,210,000	14,990,000
OPEB	1,732,772	1,068,755	749,920	430,131	2,482,692	1,498,886
Capital leases	-	-	1,957,869	2,031,293	1,957,869	2,031,293
Loans Payable	-	-	124,580	142,514	124,580	142,514
Compensated absences	1,679,398	1,730,535	245,392	252,701	1,924,790	1,983,236
Total	\$ 39,347,170	\$ 39,884,290	\$ 3,872,761	\$ 3,876,639	\$ 43,219,931	\$ 43,760,929

The City of Lincoln's total debt decreased by \$537,120 or 1.3% 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 55-59 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 2011-12, the City Council and the management met in a number of public meetings to review revenues and expenditures to discuss direction the City was heading and set priorities. During these public meetings, the following facts and assumptions were used to develop the budget:

- The regional economy would, at best, remain stagnant during FY 2011-12.
- The state wide economy and the state's budget problems would have impacts to the FY2011-12 revenue for the City.
- Placer County and the City of Lincoln would continue to see a decline in permits issued for new residential developments.
- 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 would continue to decrease, reflecting the decline in interest rates.

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

All of these factors were considered in preparing the City of Lincoln's budget for the 2012 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.

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CITY OF LINCOLN, CALIFORNIA

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 38,556,156	\$ 12,782,365	\$ 51,338,521
Receivables (net of allowance for uncollectibles):			
Accounts receivable	200,317	2,900,882	3,101,199
Interest receivable	1,623,804	85,273	1,709,077
Taxes receivable	271,269	3,865	275,134
Due from other governments	4,910,670	1,139,761	6,050,431
Notes receivable	9,128,563		9,128,563
Internal balances	(1,242,502)	1,242,502	
Prepaid expenses and other assets	346,102	790,543	1,136,645
Inventory		78,786	78,786
Temporarily restricted cash and investments	27,227,796	224,145	27,451,941
Permanently restricted cash	144,994		144,994
Deferred charges	1,010,297		1,010,297
Capital assets:			
Not being depreciated	270,113,171	94,133,081	364,246,252
Being depreciated, net	80,615,097	9,988,172	90,603,269
TOTAL ASSETS	432,905,734	123,369,375	556,275,109
LIABILITIES			
Accounts payable and accrued expenses	2,075,332	1,814,869	3,890,201
Salaries and wages payable	428,824	75,694	504,518
Other accrued liabilities	1,363,434	82,050	1,445,484
Interest payable	626,891	37,382	664,273
Deposits payable	712,873	97,045	809,918
Retentions payable	243,166		243,166
Due to other governments			
Unearned revenue	4,009,545	339,568	4,349,113
Noncurrent liabilities:			
Due within one year	2,563,875	499,401	3,063,276
Due in more than one year	36,663,078	3,373,360	40,036,438
TOTAL LIABILITIES	48,687,018	6,319,369	55,006,387
NET ASSETS			
Invested in capital assets, net of related debt	316,648,571	101,243,804	417,892,375
Restricted for:			
Debt service	4,710,311		4,710,311
Capital projects	27,083,527		27,083,527
Water facility capacity expansion	22,080,031		22,080,031
Low and moderate income housing	4,513,972		4,513,972
Perpetual care:			
Nonexpendable	356,659		356,659
Expendable	137,962		137,962
Other purposes	26,296,619		26,296,619
Unrestricted	(17,608,936)	15,806,202	(1,802,734)
TOTAL NET ASSETS	\$ 384,218,716	\$ 117,050,006	\$ 501,268,722

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, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
General government	\$ 2,816,650	\$ 126,476	\$ 369	
Public safety	10,484,408	348,360	242,959	
Culture and recreation	870,049	959,300	27,500	
Urban redevelopment and housing	1,093,409	8,920	1,109,666	
Public works and facilities	11,295,372	3,636,128	2,377,969	\$ 80,051
Education	712,886	22,429	371,253	71,667
Interest on long-term debt	1,884,470			
TOTAL GOVERNMENTAL ACTIVITIES	29,157,244	5,101,613	4,129,716	151,718
BUSINESS-TYPE ACTIVITIES:				
Water	8,798,950	10,002,881	2,397	117,996
Wastewater	4,920,695	7,084,463	71,380	334,006
Solid waste	3,952,669	4,843,540	10,192	28,432
Transit	1,145,903	43,255	1,342,336	
Airport	1,993,639	1,244,251	2,521	
TOTAL BUSINESS-TYPE ACTIVITIES	20,811,856	23,218,390	1,428,826	480,434
TOTAL PRIMARY GOVERNMENT	\$ 49,969,100	\$ 28,320,003	\$ 5,558,542	\$ 632,152

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
\$ (2,689,805)		\$ (2,689,805)
(9,893,089)		(9,893,089)
116,751		116,751
25,177		25,177
(5,201,224)		(5,201,224)
(247,537)		(247,537)
(1,884,470)		(1,884,470)
<u>(19,774,197)</u>		<u>(19,774,197)</u>
	\$ 1,324,324	1,324,324
	2,569,154	2,569,154
	929,495	929,495
	239,688	239,688
	(746,867)	(746,867)
	<u>4,315,794</u>	<u>4,315,794</u>
<u>(19,774,197)</u>	<u>4,315,794</u>	<u>(15,458,403)</u>
9,742,282		9,742,282
1,968,627		1,968,627
849,872	40,349	890,221
1,121,897	335,266	1,457,163
557,398	184,555	741,953
1,357,294	(1,357,294)	
<u>15,597,370</u>	<u>(797,124)</u>	<u>14,800,246</u>
(4,176,827)	3,518,670	(658,157)
388,878,836	113,531,336	502,410,172
(483,293)		(483,293)
<u>388,395,543</u>	<u>113,531,336</u>	<u>501,926,879</u>
<u>\$ 384,218,716</u>	<u>\$ 117,050,006</u>	<u>\$ 501,268,722</u>

CITY OF LINCOLN, CALIFORNIA

BALANCE SHEET – GOVERNMENTAL FUNDS

As of June 30, 2011

	Major Funds						
	General Fund	Public Facility Element (PFE) Special Revenue Fund	Water Connections Special Revenue Fund	Redevelopment Agency Fund	Special Assessments Districts Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 5,642,315	\$ 4,390,019	\$ 1,038,723	\$ 592,671	\$ 6,994,055	\$ 19,244,779	\$ 37,902,562
Receivables:							
Accounts receivable	183,847			4,745		2,191	190,783
Interest receivable	19,769	16,862	65,123	466,899	26,576	1,022,713	1,617,942
Taxes receivable	106,168			26,586	130,021	8,494	271,269
Due from other governments	1,404,690	1,983,116	119			1,522,745	4,910,670
Notes receivable				3,363,990		6,132,107	9,496,097
Due from other funds			16,260,702			7,265,714	23,526,416
Advances to other funds		3,837,853	4,727,818			3,165,990	11,731,661
Prepaid costs and other assets	149,424	15,794		3,451		160,433	329,102
Restricted cash and investments	2,757	555,971				26,814,062	27,372,790
TOTAL ASSETS	\$ 7,508,970	\$ 10,799,615	\$ 22,092,485	\$ 4,458,342	\$ 7,150,652	\$ 65,339,228	\$ 117,349,292
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 208,320	\$ 12,584	\$ 12,454	\$ 1,107	\$ 235,987	\$ 1,447,104	\$ 1,917,556
Salaries and benefits payable	270,440			4,124	10,500	50,162	335,226
Other accrued liabilities	270,075				37,626	1,055,733	1,363,434
Due to other funds		18,861,855				1,664,561	20,526,416
Deposits payable	660			4,618		707,595	712,873
Retentions payable		243,166					243,166
Advances from other funds		10,751,841		5,222,322			15,974,163
Deferred and unearned revenue	931,850	3,566,144	25,459	3,829,609	10,390	10,002,721	18,366,173
TOTAL LIABILITIES	1,681,345	33,435,590	37,913	9,061,780	294,503	14,927,876	59,439,007
FUND BALANCES							
Nonspendable	149,424	3,853,647	20,988,520	3,451		10,948,796	35,943,838
Restricted	86,096	4,202,624	1,066,052		6,856,149	39,272,560	51,483,481
Committed	1,460,000					2,124,330	3,584,330
Unassigned	4,132,105	(30,692,246)		(4,606,889)		(1,934,334)	(33,101,364)
TOTAL FUND BALANCES	5,827,625	(22,635,975)	22,054,572	(4,603,438)	6,856,149	50,411,352	57,910,285
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,508,970	\$ 10,799,615	\$ 22,092,485	\$ 4,458,342	\$ 7,150,652	\$ 65,339,228	\$ 117,349,292

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, 2011

Fund balances – total governmental funds	\$ 57,910,285
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	350,650,893
Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds.	13,989,094
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds' balance sheet.	(38,889,635)
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.	(626,891)
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.	1,010,297
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>174,673</u>
Net assets – governmental activities	<u>\$ 384,218,716</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, 2011

Major Funds

	General Fund	Public Facility Element (PFE) Special Revenue Fund	Water Connections Special Revenue Fund	Redevelopment Agency Fund	Special Assessments Districts Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes and assessments	\$ 9,892,712			\$ 1,639,431		\$ 1,486,584	\$ 13,018,727
Licenses and permits	819,191					272,953	1,092,144
Fines and penalties	121,573					8,311	129,884
Use of money and property	71,933	\$ 76,895	\$ 375,556	31,665	\$ 95,203	490,260	1,141,512
Program income				19,330		18,130	37,460
Intergovernmental revenues	312,978	1,071,656		50,857		1,832,523	3,268,014
Charges for services	781,634	376,755		8,920	2,764,417	668,188	4,599,914
Other revenues	333,601	17,478		2,531	3,243	301,211	658,064
TOTAL REVENUES	12,333,622	1,542,784	375,556	1,752,734	2,862,863	5,078,160	23,945,719
EXPENDITURES							
Current:							
General government	1,741,633			275,524	27,652	695,197	2,740,006
Public safety	9,640,148					106,570	9,746,718
Culture and recreation	812,219						812,219
Urban redevelopment and housing				661,580		4,660	666,240
Public works and facilities	220,520	379,972	64,536		1,911,952	6,365,819	8,942,799
Education	545,728	166,744					712,472
Debt service:							
Principal retirement						1,150,000	1,150,000
Interest		52,524		120,298		1,720,354	1,893,176
Capital outlay		1,279,143	183,419		59,202	1,168,252	2,690,016
TOTAL EXPENDITURES	12,960,248	1,878,383	247,955	1,057,402	1,998,806	11,210,852	29,353,646
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES							
	(626,626)	(335,599)	127,601	695,332	864,057	(6,132,692)	(5,407,927)
OTHER FINANCING SOURCES (USES):							
Transfers in	1,430,895	1,130,266	917,554	26,259	560	6,158,159	9,663,693
Transfers out	(397,755)	(413,996)	(11,005)	(1,403,458)	(22,542)	(5,877,873)	(8,126,629)
TOTAL OTHER FINANCING SOURCES (USES)	1,033,140	716,270	906,549	(1,377,199)	(21,982)	280,286	1,537,064
NET CHANGE IN FUND BALANCES	406,514	380,671	1,034,150	(681,867)	842,075	(5,852,406)	(3,870,863)
Fund balances, beginning of year	5,421,111	(23,016,646)	21,020,422	(3,921,571)	6,014,074	56,263,758	61,781,148
FUND BALANCES END OF YEAR	\$ 5,827,625	\$ (22,635,975)	\$ 22,054,572	\$ (4,603,438)	\$ 6,856,149	\$ 50,411,352	\$ 57,910,285

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, 2011

Net change in fund balances – total governmental funds \$ (3,870,863)

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	\$ 2,690,016	
Depreciation expense	<u>(2,602,486)</u>	87,530

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. 1,150,000

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	(664,017)	
Change in accrued interest payable	16,390	
Change in compensated absences	4,791	
Amortization of bond premiums and discounts	<u>(7,684)</u>	(650,520)

Loans are deferred in the governmental fund statements, but are reported in the Statement of Net Assets for Government-wide purposes. The corresponding bad debt expense is included in the Government-wide Statement of Activities and not in the governmental funds. (325,014)

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. (67,944)

Amortization of issuance costs

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (320,246)

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. (179,770)

Change in net assets – governmental activities \$ (4,176,827)

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

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CITY OF LINCOLN, CALIFORNIA

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

For the Year Ended June 30, 2011

	GENERAL FUND			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Taxes and assessments	\$ 9,759,800	\$ 9,359,800	\$ 9,892,712	\$ 532,912
Licenses and permits	755,500	755,500	819,191	63,691
Fines and penalties	125,600	125,600	121,573	(4,027)
Use of money and property	73,500	73,500	71,933	(1,567)
Intergovernmental revenues	156,281	156,281	312,978	156,697
Charges for services	854,413	854,413	781,634	(72,779)
Other revenues	1,306,158	306,158	333,601	27,443
TOTAL REVENUES	13,031,252	11,631,252	12,333,622	702,370
EXPENDITURES				
Current:				
General government	1,847,038	1,939,399	1,741,633	197,766
Public safety	10,027,570	10,045,031	9,640,148	404,883
Culture and recreation	865,179	898,999	812,219	86,780
Public works and facilities	331,500	331,500	220,520	110,980
Education	607,362	607,362	545,728	61,634
Capital outlay	20,000	20,000		20,000
TOTAL EXPENDITURES	13,698,649	13,842,291	12,960,248	882,043
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(667,397)	(2,211,039)	(626,626)	1,584,413
OTHER FINANCING SOURCES (USES)				
Transfers in	1,442,364	1,442,364	1,430,895	(11,469)
Transfers out	(182,558)	(182,558)	(397,755)	(215,197)
TOTAL OTHER FINANCING SOURCES (USES)	1,259,806	1,259,806	1,033,140	(226,666)
NET CHANGE IN FUND BALANCES	592,409	(951,233)	406,514	1,357,747
Fund balances, beginning of year	5,421,111	5,421,111	5,421,111	
FUND BALANCES END OF YEAR	\$ 6,013,520	\$ 4,469,878	\$ 5,827,625	\$ 1,357,747

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 –
MAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2011

	Public Facility Element (PFE) Special Revenue Fund			
	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments				
Use of money and property	\$ 51,000	\$ 51,000	\$ 76,895	\$ 25,895
Program income				
Intergovernmental revenues	66,650	66,650	1,071,656	1,005,006
Charges for services	610,461	610,461	376,755	(233,706)
Other revenues			17,478	17,478
TOTAL REVENUES	<u>728,111</u>	<u>728,111</u>	<u>1,542,784</u>	<u>814,673</u>
EXPENDITURES				
Current:				
General government				
Urban redevelopment and housing				
Public works and facilities	48,413	58,413	379,972	(321,559)
Education	219,150	219,150	166,744	52,406
Debt service:				
Interest			52,524	(52,524)
Capital outlay	7,000	8,500	1,279,143	(1,270,643)
TOTAL EXPENDITURES	<u>274,563</u>	<u>286,063</u>	<u>1,878,383</u>	<u>(1,592,320)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	453,548	442,048	(335,599)	(777,647)
OTHER FINANCING SOURCES (USES)				
Transfers in			1,130,266	1,130,266
Transfers out	(405,557)	(405,557)	(413,996)	(8,439)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(405,557)</u>	<u>(405,557)</u>	<u>716,270</u>	<u>1,121,827</u>
NET CHANGE IN FUND BALANCES	47,991	36,491	380,671	344,180
Fund balances, beginning of year	(23,016,646)	(23,016,646)	(23,016,646)	
FUND BALANCES END OF YEAR	<u><u>\$ (22,968,655)</u></u>	<u><u>\$ (22,980,155)</u></u>	<u><u>\$ (22,635,975)</u></u>	<u><u>\$ 344,180</u></u>

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		
\$ 240,000	\$ 240,000	\$ 375,556	\$ 135,556	\$ 1,518,000	\$ 1,518,000	\$ 1,639,431	\$ 121,431
				30,000	30,000	31,665	1,665
						19,330	19,330
						50,857	50,857
				9,600	9,600	8,920	(680)
				50,100	50,100	2,531	(47,569)
<u>240,000</u>	<u>240,000</u>	<u>375,556</u>	<u>135,556</u>	<u>1,607,700</u>	<u>1,607,700</u>	<u>1,752,734</u>	<u>145,034</u>
				299,211	299,211	275,524	23,687
				621,650	621,650	661,580	(39,930)
(5,066)	73,964	64,536	9,428				
						120,298	(120,298)
<u>500,000</u>	<u>550,000</u>	<u>183,419</u>	<u>366,581</u>	<u>223,912</u>	<u>133,912</u>	<u>133,912</u>	<u>133,912</u>
<u>494,934</u>	<u>623,964</u>	<u>247,955</u>	<u>376,009</u>	<u>1,144,773</u>	<u>1,054,773</u>	<u>1,057,402</u>	<u>(2,629)</u>
(254,934)	(383,964)	127,601	511,565	462,927	552,927	695,332	142,405
1,008,473	1,008,473	917,554	(90,919)	227,412	227,412	26,259	(201,153)
(11,005)	(11,005)	(11,005)		(1,057,853)	(1,057,853)	(1,403,458)	(345,605)
<u>997,468</u>	<u>997,468</u>	<u>906,549</u>	<u>(90,919)</u>	<u>(830,441)</u>	<u>(830,441)</u>	<u>(1,377,199)</u>	<u>(546,758)</u>
742,534	613,504	1,034,150	420,646	(367,514)	(277,514)	(681,867)	(404,353)
<u>21,020,422</u>	<u>21,020,422</u>	<u>21,020,422</u>		<u>(3,921,571)</u>	<u>(3,921,571)</u>	<u>(3,921,571)</u>	
<u>\$ 21,762,956</u>	<u>\$ 21,633,926</u>	<u>\$ 22,054,572</u>	<u>\$ 420,646</u>	<u>\$ (4,289,085)</u>	<u>\$ (4,199,085)</u>	<u>\$ (4,603,438)</u>	<u>\$ (404,353)</u>

CITY OF LINCOLN, CALIFORNIA

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

For the Year Ended June 30, 2011

	Special Assessments District Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Taxes and assessments				
Use of money and property	\$ 66,100	\$ 66,100	\$ 95,203	\$ 29,103
Charges for services	2,764,900	2,764,900	2,764,417	(483)
Other revenues	139,587	\$ 139,587	3,243	(136,344)
TOTAL REVENUES	2,970,587	2,970,587	2,862,863	(107,724)
EXPENDITURES				
Current:				
General government	146,400	146,400	27,652	118,748
Public works and facilities	2,274,452	2,274,452	1,911,952	362,500
Capital outlay	228,570	234,570	59,202	175,368
TOTAL EXPENDITURES	2,649,422	2,655,422	1,998,806	656,616
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	321,165	315,165	864,057	548,892
OTHER FINANCING SOURCES (USES)				
Transfers in			560	560
Transfers out	(21,475)	(21,475)	(22,542)	(1,067)
TOTAL OTHER FINANCING SOURCES (USES)	(21,475)	(21,475)	(21,982)	(507)
NET CHANGE IN FUND BALANCES	299,690	293,690	842,075	548,385
Fund balances, beginning of year	6,014,074	6,014,074	6,014,074	
FUND BALANCES END OF YEAR	\$ 6,313,764	\$ 6,307,764	\$ 6,856,149	\$ 548,385

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

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

As of June 30, 2011

	<u>Business-type Activities-Enterprise Funds</u>				Total Nonmajor Enterprise Funds	Total Enterprise Funds	<u>Governmental Activities</u>
	<u>Water Fund</u>	<u>Wastewater Operations Fund</u>	<u>Solid Waste Fund</u>	<u>Airport Fund</u>			<u>Internal Services Fund</u>
ASSETS							
CURRENT ASSETS							
Cash and investments	\$ 5,767,409	\$ 1,601,742	\$ 5,360,241	\$ 100	\$ 52,873	\$ 12,782,365	\$ 653,594
Receivables:							
Accounts receivable	1,270,481	981,591	624,076	22,868	1,866	2,900,882	9,534
Interest receivable	38,749	23,952	22,375		197	85,273	5,862
Taxes receivable				3,865		3,865	
Due from other governments			6,081		1,133,680	1,139,761	
Due from other funds	4,598,033		786,717			5,384,750	
Prepaid expenses and other assets	11,930	761,322	9,651	5,247	2,393	790,543	17,000
Inventory				78,786		78,786	
TOTAL CURRENT ASSETS	11,686,602	3,368,607	6,809,141	110,866	1,191,009	23,166,225	685,990
NONCURRENT ASSETS							
Advances to other funds		294,952	4,624,097			4,919,049	
Restricted cash and investments	81,902	142,243				224,145	
Capital assets:							
Not being depreciated	30,151,607	59,504,294	42,260	4,425,389	9,531	94,133,081	
Being depreciated	169,878	1,495,857	2,089,823	5,396,987	835,627	9,988,172	77,375
TOTAL NONCURRENT ASSETS	30,403,387	61,437,346	6,756,180	9,822,376	845,158	109,264,447	77,375
TOTAL ASSETS	42,089,989	64,805,953	13,565,321	9,933,242	2,036,167	132,430,672	763,365

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS (Continued)

As of June 30, 2011

	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	\$ 951,294	\$ 519,306	\$ 206,359	\$ 131,980	\$ 5,930	\$ 1,814,869	\$ 157,776
Salaries and wages payable	21,724	11,947	26,847	5,251	9,925	75,694	93,598
Other accrued liabilities		82,050				82,050	
Interest payable	2,840	12,986		21,556		37,382	
Due to other funds		3,000,000		4,598,033	786,717	8,384,750	
Deposits payable	75,770			21,275		97,045	
Unearned revenue	81,486	141,466	116,616			339,568	
Compensated absences, due within one year	83,616	36,652	40,106	21,128	16,701	198,203	275,273
Long-term debt, due within one year	59,235	150,000		91,963		301,198	
TOTAL CURRENT LIABILITIES	<u>1,275,965</u>	<u>3,954,407</u>	<u>389,928</u>	<u>4,891,186</u>	<u>819,273</u>	<u>11,330,759</u>	<u>526,647</u>
NONCURRENT LIABILITIES							
Advances from other funds		676,547				676,547	
Compensated absences, due in more than one year	19,448	8,877	9,644	5,237	3,983	47,189	62,045
Postemployment benefit obligation	236,957	128,397	231,788	55,798	96,980	749,920	
Long-term debt, due in more than one year	185,346	500,000		1,890,905		2,576,251	
TOTAL NONCURRENT LIABILITIES	<u>441,751</u>	<u>1,313,821</u>	<u>241,432</u>	<u>1,951,940</u>	<u>100,963</u>	<u>4,049,907</u>	<u>62,045</u>
TOTAL LIABILITIES	<u>1,717,716</u>	<u>5,268,228</u>	<u>631,360</u>	<u>6,843,126</u>	<u>920,236</u>	<u>15,380,666</u>	<u>588,692</u>
NET ASSETS							
Invested in capital assets, net of related debt	30,076,904	60,350,151	2,132,083	7,839,508	845,158	101,243,804	77,375
Unrestricted	10,295,369	(812,426)	10,801,878	(4,749,392)	270,773	15,806,202	97,298
TOTAL NET ASSETS	<u>\$ 40,372,273</u>	<u>\$ 59,537,725</u>	<u>\$ 12,933,961</u>	<u>\$ 3,090,116</u>	<u>\$ 1,115,931</u>	<u>\$ 117,050,006</u>	<u>\$ 174,673</u>

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, 2011

	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	\$ 9,059,172	\$ 7,084,032	\$ 4,808,254	\$ 1,244,251	\$ 43,255	\$ 22,238,964	\$ 5,530,215
Connection fees	943,709	431	35,286			979,426	
Other revenues	399					399	
TOTAL OPERATING REVENUES	10,003,280	7,084,463	4,843,540	1,244,251	43,255	23,218,789	5,530,215
OPERATING EXPENSES							
Salaries and benefits	906,541	552,897	1,167,856	273,849	531,593	3,432,736	3,114,421
General services and supplies	7,004,956	3,842,259	2,026,454	1,128,613	199,285	14,201,567	2,451,963
Support services	830,453	230,042	516,980	154,111	395,038	2,126,624	
Depreciation	38,460	248,689	241,379	341,269	19,987	889,784	58,005
TOTAL OPERATING EXPENSES	8,780,410	4,873,887	3,952,669	1,897,842	1,145,903	20,650,711	5,624,389
OPERATING INCOME (LOSS)	1,222,870	2,210,576	890,871	(653,591)	(1,102,648)	2,568,078	(94,174)
NONOPERATING REVENUES (EXPENSES)							
Taxes				40,349		40,349	
Interest revenue	137,712	82,444	114,950		160	335,266	15,158
Interest expense	(18,540)	(46,808)		(95,797)		(161,145)	
Intergovernmental revenues	2,397	71,380	10,192	2,521	1,342,336	1,428,826	76,668
Other nonoperating revenues	54,994	100,812	20,579	7,765	6	184,156	4,702
TOTAL NONOPERATING REVENUES	176,563	207,828	145,721	(45,162)	1,342,502	1,827,452	96,528
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,399,433	2,418,404	1,036,592	(698,753)	239,854	4,395,530	2,354
CAPITAL CONTRIBUTIONS AND TRANSFERS							
Capital contributions		94,942			84,828	179,770	
Capital connection fees	117,996	334,006	28,432			480,434	
Transfers in	2,256	632	542	90	1,029	4,549	
Transfers out	(1,108,912)	(103,122)	(205,496)	(39,719)	(84,364)	(1,541,613)	
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	(988,660)	326,458	(176,522)	(39,629)	1,493	(876,860)	
CHANGE IN NET ASSETS	410,773	2,744,862	860,070	(738,382)	241,347	3,518,670	2,354
Net Assets, beginning of year	39,961,500	56,792,863	12,073,891	3,828,498	874,584	113,531,336	172,319
NET ASSETS, END OF YEAR	\$ 40,372,273	\$ 59,537,725	\$ 12,933,961	\$ 3,090,116	\$ 1,115,931	\$ 117,050,006	\$ 174,673

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, 2011

	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	\$ 11,783,080	\$ 7,608,248	\$ 4,849,479	\$ 1,266,665	\$ 41,960	\$ 25,549,432	
Payments to suppliers	(7,915,553)	(4,013,611)	(3,034,497)	(1,144,436)	(464,306)	(16,572,403)	\$ (2,428,813)
Payments to employees	(817,351)	(463,102)	(1,084,150)	(270,083)	(483,731)	(3,118,417)	(3,177,440)
Receipts from interfund services provided							5,520,681
Payments for interfund transfers	(830,453)	(230,042)	(516,980)	(154,111)	(395,038)	(2,126,624)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,219,723</u>	<u>2,901,493</u>	<u>213,852</u>	<u>(301,965)</u>	<u>(1,301,115)</u>	<u>3,731,988</u>	<u>(85,572)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Intergovernmental revenue received	2,397	71,380	(782,606)	82,637	1,121,120	494,928	76,668
Tax revenue received				38,257		38,257	
Interfund borrowings	525,813	(1,874,060)		398,211	577,390	(372,646)	
Transfers in from other funds	2,256	632	542	90	1,029	4,549	
Transfers out to other funds	(1,108,912)	(103,122)	(205,496)	(39,719)	(84,364)	(1,541,613)	
Other revenues received	54,994	100,812	20,579	7,765	6	184,156	4,702
NET CASH (USED) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(523,452)</u>	<u>(1,804,358)</u>	<u>(966,981)</u>	<u>487,241</u>	<u>1,615,181</u>	<u>(1,192,369)</u>	<u>81,370</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Advances to other funds		3,305				3,305	
Repayment of advances from other funds		(1,440)	(22,588)			(24,028)	
Principal paid on long-term liabilities	(67,933)	(160,000)		(88,425)		(316,358)	
Interest paid on long-term liabilities	(19,521)	(50,005)		(96,851)		(166,377)	
Capital connection fees received	117,996	334,006	28,432			480,434	
Payments for purchase and construction of capital assets			(299,883)		(261,156)	(561,039)	
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING	<u>30,542</u>	<u>125,866</u>	<u>(294,039)</u>	<u>(185,276)</u>	<u>(261,156)</u>	<u>(584,063)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	128,074	70,180	109,896		(37)	308,113	11,793
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>128,074</u>	<u>70,180</u>	<u>109,896</u>		<u>(37)</u>	<u>308,113</u>	<u>11,793</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,854,887	1,293,181	(937,272)		52,873	2,263,669	7,591
Cash and cash equivalents, beginning of year	3,994,424	450,804	6,297,513	100		10,742,841	646,003
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,849,311</u>	<u>\$ 1,743,985</u>	<u>\$ 5,360,241</u>	<u>\$ 100</u>	<u>\$ 52,873</u>	<u>\$ 13,006,510</u>	<u>\$ 653,594</u>
RECONCILIATION OF CASH AND CASH TO THE STATEMENT OF NET ASSETS							
Cash and investments	\$ 5,767,409	\$ 1,601,742	\$ 5,360,241	\$ 100	\$ 52,873	\$ 12,782,365	\$ 653,594
Restricted cash and investments	81,902	142,243				224,145	
CASH AND CASH EQUIVALENTS	<u>\$ 5,849,311</u>	<u>\$ 1,743,985</u>	<u>\$ 5,360,241</u>	<u>\$ 100</u>	<u>\$ 52,873</u>	<u>\$ 13,006,510</u>	<u>\$ 653,594</u>

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (Continued)

For the Year Ended June 30, 2011

	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
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 1,222,870	\$ 2,210,576	\$ 890,871	\$ (653,591)	\$ (1,102,648)	\$ 2,568,078	\$ (94,174)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:							
Depreciation and amortization	38,460	248,689	241,379	341,269	19,987	889,784	58,005
Provision for doubtful accounts	(167,888)	(55,351)	(10,434)	2,404		(231,269)	
Postemployment benefit accrual	98,553	55,409	98,021	21,033	46,773	319,789	
Changes in operating assets and liabilities:							
Accounts receivable	1,779,880	523,478	7,972	22,413	(1,295)	2,332,448	(9,534)
Prepaid expenses	13,811	8,277	18,725	3,937	8,464	53,214	65,476
Inventory				(19,874)		(19,874)	
Accounts payable and accrued expenses	(750,520)	(124,278)	(1,016,333)	(5,639)	(273,485)	(2,170,255)	(42,326)
Salaries and benefits payable	(9,363)	34,386	(14,315)	(17,267)	1,089	(5,470)	(63,019)
Deposits payable	(6,000)			3,350		(2,650)	
Deferred revenue	(80)	307	(2,034)			(1,807)	
NET CASH PROVIDED (USED)							
BY OPERATING ACTIVITIES	<u>\$ 2,219,723</u>	<u>\$ 2,901,493</u>	<u>\$ 213,852</u>	<u>\$ (301,965)</u>	<u>\$ (1,301,115)</u>	<u>\$ 3,731,988</u>	<u>\$ (85,572)</u>
NONCASH ACTIVITIES							
Contribution of capital assets from governmental funds		\$ (94,942)			\$ (84,828)	\$ (179,770)	
Write off of note receivable		\$ 14,445				\$ 14,445	

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

CITY OF LINCOLN, CALIFORNIA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

As of June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 15,607,141
Interest receivable	58,955
Special assessment receivable	207,425
Restricted cash and investments	<u>13,370,985</u>
TOTAL ASSETS	<u>\$ 29,244,506</u>
LIABILITIES	
Due to property owners	\$ 29,181,355
Agency obligations	<u>63,151</u>
TOTAL LIABILITIES	<u>\$ 29,244,506</u>

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

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

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, 2011

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, 2011

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.

Special Assessment Districts Fund – The Special Assessment Districts Fund is used to account for resources received to provide improvements and maintenance to public property within the District.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

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, 2011

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.

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 \$2,699,754 at June 30, 2011 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 \$699,814.

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."

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assessed 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 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.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2002/2003 fiscal year. This assessment was to be performed every 3 years, but has not. 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.

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

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which comprise pre-paid items and long-term receivables.

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the government's City Council modifies, or removes the fund balance commitment.

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Funds – Unassigned fund balance is the residual classification of the City's funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes, as well as negative fund balances that would otherwise be considered restricted, committed or assigned.

The City's committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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.

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.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2011:

Fund	Appropriations	Actual Expenditures and Transfers	Excess Expenditures and Transfers
Major Governmental Funds:			
Public Facility Element (PFE) Special Revenue Fund	\$ 691,620	\$ 2,292,379	\$ 1,600,759
Redevelopment Agency Fund	2,112,626	2,460,860	348,234
Nonmajor Governmental Funds:			
Park In-lieu Fund *		1,130,266	1,130,266
Police Grant Fund	100,000	118,213	18,213
Low/Moderate Income Housing Fund		195,598	195,598
City Hall Series 2006-1 Debt Service Fund *		961,183	961,183
Lincoln Public Financing Authority Series 2004 A Debt Service Fund *		390,870	390,870
Lincoln Public Financing Authority Series 2000 Debt Service Fund *		665,998	665,998
Lincoln Public Financing Authority Series 2003 Debt Service Fund *		719,473	719,473
Aiken Ranch Financial District Improvements Fund*		12,274	12,274
Twelve Bridges Capital Projects Fund *		375	375
Lincoln Crossing Capital Projects Fund *		188	188
SunCal Open Space Endowment Fund *		14,178	14,178
Enterprise Funds:			
Airport	1,519,089	2,033,358	514,269

* Fund is not budgeted

Deficit Fund Equity: The following funds had a fund deficit at June 30, 2011:

Fund	Deficit
Public Facility Element Special Revenue Fund	\$ 22,635,975
Redevelopment Agency Special Revenue Fund	4,603,438
Park and Recreation Tax Special Revenue Fund	52,930

The deficit of the Public Facility Element (PFE) Special Revenue Fund will be eliminated with future development fees, special assessments or additional revenue sources identified by the City. 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 transfers from the General Fund. The deficit in the Park and Recreation Tax Special Revenue Fund will be eliminated with future tax revenues.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2011 but will be implemented by the City in conjunction with performing an inventory of its capital assets and adjusting its capital asset amounts.

Effective July 1, 2010, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 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. The Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The Statement also clarifies the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund types.

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus, An Amendment of GASB Statements No. 14 and 34*. This Statement modifies the criteria for inclusion of component units in the financial reporting entity. This Statement also clarifies the reporting of equity interests in legally separate organizations. The City will reassess its accounting and financial reporting for component units and interests in joint ventures when this Statement is implemented. The provisions of this Statement are effective for periods beginning after June 15, 2012.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows and inflows of resources, which Concepts Statement No. 4 introduced and defined those elements as consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This Statement amends the net assets reporting requirements of Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets. This Statement will require the City to reassess the reporting of deferred inflows and outflows to which this Statement is applicable. The provisions of this Statement are effective for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement reclassifies deferred amounts upon refunding of debt as deferred inflows or outflows and requires debt issuance costs to be expensed as incurred, which will affect the accounting for these items related to the City's debt agreement. The provisions of this Statement are effective for periods beginning after December 15, 2012.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE B – CASH AND INVESTMENTS

At June 30, 2011, 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	\$ 38,556,156
Temporarily restricted cash and investments	26,871,137
Permanently restricted cash and investments	501,653
Business-type activities	
Cash and investments	12,782,365
Restricted cash and investments	224,145
Statement of Fiduciary Net Assets – Fiduciary Funds	
Cash and investments	15,607,141
Restricted cash and investments	<u>13,370,985</u>
Total cash and investments	<u><u>\$ 107,913,582</u></u>

Cash and investments as of June 30, 2011 consisted of the following:

Cash on hand	\$ 2,250
Deposits with financial institutions	<u>14,636,190</u>
Total cash and deposits	<u>14,638,440</u>
Local Agency Investment Fund (LAIF)	14,109,085
Mutual funds	216,456
U.S. Agency securities	23,514,015
Corporate notes	15,205,690
Held by fiscal agent:	
Mutual funds	24,313,063
California Asset Management Program (CAMP)	<u>15,916,833</u>
Total investment	<u>93,275,142</u>
Total cash and investments	<u><u>\$ 107,913,582</u></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, 2011, the City’s permissible investments included the following instruments:

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE B – CASH AND INVESTMENTS (CONTINUED)

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%

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 OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE B – CASH AND INVESTMENTS (CONTINUED)

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:

	Total	Remaining Maturity (in Months)		
		12 Months Or Less	13 to 24 Months	25 to 60 Months
LAIF investment pool	\$ 14,109,085	\$ 14,109,085		
Money market funds	216,456	216,456		
U.S. Government				
Agency Obligations:				
FarmerMac	2,122,931			\$ 2,122,931
FFCB	3,134,742	1,019,938	\$ 2,114,804	
FHLB	7,634,307			7,634,307
FHLMC	3,697,737	510,549	1,058,627	2,128,561
FNMA	6,384,023		1,072,733	5,311,290
RFCIP	540,275		540,275	
Corporate notes	15,205,690	1,050,033	3,470,055	10,685,602
Held by bond trustee:				
Mutual funds	24,313,063	24,313,063		
CAMP	15,916,833	15,916,833		
Total	\$ 93,275,142	\$ 57,135,957	\$ 8,256,494	\$ 27,882,691

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	AA2	AA3	A1	A2/A	A2/BBB+	A3	Unrated
LAIF Investment pool	N/A	\$ 14,109,085								\$ 14,109,085
Money market funds	AA/Aa	216,456								216,456
U.S. Government										
Agency Obligations:										
FarmerMac		2,122,931								2,122,931
FFCB	N/A	3,134,742	\$ 3,134,742							
FHLB	N/A	7,634,307	7,634,307							
FHLMC	N/A	3,697,737	3,697,737							
FNMA	N/A	6,384,023	6,384,023							
RFCIP		540,275								540,275
Corporate notes	A	15,205,690		\$ 2,217,433	\$ 5,208,182	\$ 3,163,370	\$ 2,181,817	\$ 1,066,944	\$ 1,102,944	265,000
Held by bond trustee:										
Money market funds	AA/Aa	24,313,063	24,313,063							
CAMP	AA/Aa	15,916,833	15,916,833							
Total		\$ 93,275,142	\$ 61,080,705	\$ 2,217,433	\$ 5,208,182	\$ 3,163,370	\$ 2,181,817	\$ 1,066,944	\$ 1,102,944	\$ 17,253,747

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE B – CASH AND INVESTMENTS (CONTINUED)

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 selling the security and the City is able to determine a fair value. For accounting reporting purposes as of June 30, 2011, the City carried the Lehman securities at the fair value provided by the investment broker of \$265,000.

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, 2011, the carrying amount of the City’s deposits was \$14,636,190 and the balance in financial institutions was \$14,824,632. Of the balance in financial institutions, \$493,635 was covered by federal depository insurance, \$14,330,997 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. As of June 30, 2011, 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:

Investment Type	Reported
Money market mutual funds	\$ 24,313,063
CAMP	15,916,833

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 \$66,515,727,874 managed by the State Treasurer. Of that amount, 5.01% 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.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE B – CASH AND INVESTMENTS (CONTINUED)

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 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, 2011 were as follows:

Due to the Water Connection Special Revenue Fund from:		
Public Facility Element (PFE) Special Revenue Fund	\$ 16,260,702	(b)
Due to the Water Enterprise Fund from:		
Wastewater Enterprise Fund (Non-operations)	3,000,000	(c)
Airport Enterprise Fund	1,598,033	(d)
	<u>4,598,033</u>	
Due to the Solid Waste Operations Fund from:		
Nonmajor Enterprise Fund	786,717	(a)
Due to Nonmajor Special Revenue Fund from:		
Public Facility Element (PFE) Special Revenue Fund	2,601,153	(b)
Airport Enterprise Fund	3,000,000	(d)
Nonmajor Special Revenue Funds	1,301,039	(a)
Nonmajor Capital Projects Funds	363,522	(a)
	<u>7,265,714</u>	
	<u>\$ 28,911,166</u>	

- (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.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE C – INTERFUND TRANSACTIONS (CONTINUED)

- (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 \$18,861,855 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 \$3,000,000 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 Enterprise 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 \$4,598,033 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, 2011

NOTE C – INTERFUND TRANSACTIONS (CONTINUED)

Interfund advances at June 30, 2011 were as follows:

Advances from Public Facility Element (PFE) Special Revenue Fund (Library) to: PFE Special Revenue Fund (Fire)	\$ 2,234,931
Advances from PFE Special Revenue Fund (Parks) to: PFE Special Revenue Fund (Fire)	1,602,922
Advances from Water Connections Special Revenue Fund to: Redevelopment Agency Special Revenue Fund Wastewater Enterprise Fund	4,051,271 676,547 <hr/> 4,727,818
Advance from Nonmajor Special Revenue Fund to: PFE Special Revenue Fund (Fire) Redevelopment Agency Special Revenue Fund	2,289,891 876,099 <hr/> 3,165,990
Advance from Wastewater Enterprise Fund to: Redevelopment Agency Special Revenue Fund	294,952
Advance from Solid Waste Fund to: PFE Special Revenue Fund (Fire) PFE Special Revenue Fund (Parks) PFE Special Revenue Fund (Administration) PFE Special Revenue Fund (Drainage)	1,064,579 416,684 1,232,177 1,910,657 <hr/> 4,624,097
Total Interfund Advances	<u><u>\$ 16,650,710</u></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 works 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, 2011

NOTE C – INTERFUND TRANSACTIONS (CONTINUED)

The advance to the Wastewater Enterprise Fund from the Water Connections Special Revenue Fund were used to finance connection credit liabilities due to the PFE Fund and Development Services Fund. The loan accrues interest at LAIF rates and is to be repaid by June 30, 2015.

Interfund transfers for the year ended June 30, 2011 were as follows:

To General Fund from:	
Nonmajor Special Revenue Funds	\$ 1,427,916 (a)
Nonmajor Capital Project Funds	<u>2,979 (b)</u>
	1,430,895
To PFE Special Revenue Fund from:	
Nonmajor Special Revenue Funds	1,130,266 (e)
To Water Connection Special Revenue Fund from:	
Water Enterprise Fund	916,471 (d)
Nonmajor Capital Project Funds	<u>1,083 (b)</u>
	917,554
To Redevelopment Agency Fund from:	
Nonmajor Special Revenue Funds	25,988 (g)
Nonmajor Capital Project Funds	<u>271 (b)</u>
	26,259
To Special Assessment Districts Special Revenue Fund from:	
Nonmajor Capital Projects Funds	560 (b)
To Water Enterprise Fund from:	
Nonmajor Capital Project Funds	2,256 (b)
To Wastewater Operations Fund from:	
Nonmajor Capital Project Funds	632 (b)
To Solid Waste Fund from:	
Nonmajor Capital Project Funds	542 (b)
To Airport Fund from:	
Nonmajor Capital Project Funds	90 (b)
To Nonmajor Special Revenue Fund from:	
General Fund	215,139 (i)
Nonmajor Special Revenue Funds	7,475 (c)
Nonmajor Capital Project Funds	3,410 (b)
Nonmajor Debt Service Funds	<u>2 (j)</u>
	226,026
To Nonmajor Capital Projects Fund from:	
Nonmajor Debt Service Funds	5,351 (k)
Nonmajor Capital Projects Funds	<u>2,877,256 (f)</u>
	2,882,607

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE C – INTERFUND TRANSACTIONS (CONTINUED)

To Nonmajor Enterprise Fund from:	
Nonmajor Special Revenue Funds	\$ 578 (l)
Nonmajor Capital Projects Funds	451 (l)
	<u>1,029</u>
To Nonmajor Permanent Fund from:	
Special Assessment Districts Special Revenue Fund	612 (h)
To Nonmajor Debt Service Fund from:	
General Fund	182,616 (m)
Redevelopment Agency Special Revenue Fund	1,403,458 (m)
Nonmajor Special Revenue Funds	390,767 (m)
PFE Special Revenue Fund	413,996 (m)
Special Assessment Districts Special Revenue Fund	21,930 (m)
Water Enterprise Fund	192,441 (m)
Wastewater Operations Fund	103,122 (m)
Solid Waste Enterprise Fund	205,496 (m)
Nonmajor Enterprise Fund	84,364 (m)
Airport Enterprise Fund	39,719 (m)
Water Connection Special Revenue Fund	11,005 (m)
	<u>3,048,914</u>
	<u>\$ 9,668,242</u>

- (a) Transfer of \$1,416,273 from the Supplemental Fees Fund and \$11,643 from the Federal Grants Fund.
- (b) Transfer staff costs back to funds that paid the staff costs and apply expenses to developer deposits for CFD 2005-1 Sorrento.
- (c) Transfer from the State Grants Fund to Street Fund to unify CIP 313 as a single unit.
- (d) Transfer water connection fees collected in the Water Fund to the Water Connection Special Revenue Fund.
- (e) Transfer from the Park in Lieu Fund to the PFE-Community Service-Parks Fund to reclassify CIP 191 and 253 for consistency.
- (f) Transfer developer contribution to Highway 65 Fund for Ferrari Ranch Road interchange costs.
- (g) Transfer Creekside Oaks Project costs from the Low/Moderate Income Housing Fund to Redevelopment Agency Special Revenue Fund.
- (h) Transfer fund balance to 3-D South Wetland Preserve Endowment Fund from the inactive and closed out Assessment District Fund.
- (i) Transfer to closeout inactive Nonmajor Special Revenue Funds from the General Fund
- (j) Transfer fiscal agent cash to Low/Moderate Income Housing Fund from the Lincoln Public Financing Authority Series 2004A Fund.
- (k) Transfer excess debt reserve funds to capital projects funds.
- (l) Transfer covered bus facility to the Transit Fund.
- (m) Transfer to the Debt Service Fund for the 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, 2011

NOTE D – NOTES RECEIVABLE

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

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, 2011. The notes receivable at June 30, 2011, were \$6,143,194.

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, 2011, was \$537,882.

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, 2011 were \$2,129,520.

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, 2011, was \$124,551.

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, 2011 was \$560,950.

Activity in governmental notes receivable for the year ended June 30, 2011 is as follows:

	Balance at June 30, 2010	Additions	Repayments/ Writedowns	Balance at June 30, 2011
Redevelopment Agency Fund	\$ 3,383,320		\$ (19,330)	\$ 3,363,990
Nonmajor Governmental Funds	\$ 5,923,283	\$ 344,433	\$ (135,609)	\$ 6,132,107

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE D – NOTES RECEIVABLE (CONTINUED)

Major Enterprise Funds:

Wastewater Enterprise Fund – The City has a note receivable from two companies for wastewater connection fees. The notes receivable balance at June 30, 2011 was \$13,967. Allowances for uncollectible notes receivable and accrued interest receivable of \$13,967 and \$798, respectively, were reflected at June 30, 2011.

Activity in enterprise notes receivable for the year ended June 30, 2011 is as follows:

	Balance at July 1, 2010	Additions	Repayments/ Writedowns	Balance at June 30, 2011
Major Enterprise Funds:				
Wastewater Fund	\$ 14,445		\$ (14,445)	\$ -

NOTE E – CAPITAL ASSETS

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

	July 1, 2010 (Restated)	Additions	Retirements	Adjustments/ Transfers	Balance at June 30, 2011
Capital assets, not being depreciated:					
Land	\$ 11,196,155				\$ 11,196,155
Infrastructure, modified approach	100,271,960			\$ 642,408	100,914,368
Construction in progress	163,821,140	\$ 2,658,016		(8,476,508)	158,002,648
Total capital assets, not being depreciated	275,289,255	2,658,016		(7,834,100)	270,113,171
Capital assets, being depreciated:					
Buildings and structures	68,404,784			368,827	68,773,611
Machinery and equipment	7,383,224	32,000	\$ (106,869)	6,693	7,315,048
Land improvements	10,446,887			6,254,764	16,701,651
Total capital assets, being depreciated	86,234,895	32,000	(106,869)	6,630,284	92,790,310
Less accumulated depreciation for:					
Buildings and structures	(3,715,389)	(1,743,149)			(5,458,538)
Machinery and equipment	(5,047,450)	(525,615)	100,175		(5,472,890)
Land improvements	(852,058)	(391,727)			(1,243,785)
Total accumulated depreciation	(9,614,897)	(2,660,491)	100,175		(12,175,213)
Capital assets being depreciated, net	76,619,998	(2,628,491)	(6,694)	6,630,284	80,615,097
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	\$ 351,909,253	\$ 29,525	\$ (6,694)	\$ (1,203,816)	\$ 350,728,268

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE E – CAPITAL ASSETS (CONTINUED)

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

General government	\$ 1,889
Public safety	258,521
Culture and recreation	4,689
Education	600
Public works and facilities	2,234,242
Urban redevelopment and housing	102,545
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	<u>58,005</u>
Total governmental activities depreciation expense	<u><u>\$ 2,660,491</u></u>

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

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments/ Transfers</u>	<u>Balance at June 30, 2011</u>
Capital assets, not being depreciated:					
Land	\$ 1,657,650	\$ 42,250			\$ 1,699,900
Infrastructure, modified approach	59,934,299				59,934,299
Construction in progress	32,784,968	207,960		\$ (494,046)	32,498,882
Total capital assets, not being depreciated	<u>94,376,917</u>	<u>250,210</u>		<u>(494,046)</u>	<u>94,133,081</u>
Capital assets, being depreciated:					
Buildings and structures	14,899,300	179,770		494,046	15,573,116
Machinery and equipment	7,612,811	295,911			7,908,722
Land improvements	418,631				418,631
Total capital assets, being depreciated	<u>22,930,742</u>	<u>475,681</u>		<u>494,046</u>	<u>23,900,469</u>
Less accumulated depreciation for:					
Buildings and structures	(8,508,759)	(445,606)			(8,954,365)
Machinery and equipment	(4,467,997)	(423,247)			(4,891,244)
Land improvements	(45,757)	(20,931)			(66,688)
Total accumulated depreciation	<u>(13,022,513)</u>	<u>(889,784)</u>			<u>(13,912,297)</u>
Capital assets being depreciated, net	<u>9,908,229</u>	<u>(414,103)</u>		<u>494,046</u>	<u>9,988,172</u>
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	<u><u>\$104,285,146</u></u>	<u><u>\$ (163,893)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$104,121,253</u></u>

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE E – CAPITAL ASSETS (CONTINUED)

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

Water	\$ 38,460
Wastewater	248,689
Solid Waste	241,379
Airport	341,269
Transit	<u>19,987</u>
Total governmental activities depreciation expense	<u><u>\$ 889,784</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, 2011:

	Balance at July 1, 2010	Incurred	Retired	Balance at June 30, 2011	Due within One year
Governmental activities:					
2000 Revenue Refunding Bonds	\$ 3,090,000		\$ (510,000)	\$ 2,580,000	\$ 515,000
2003 Lease Revenue Bonds	8,830,000		(315,000)	8,515,000	325,000
2004 Tax Allocation Bonds					
Series A & B	10,880,000		(45,000)	10,835,000	50,000
2006 Lease Revenue Bonds	14,285,000		(280,000)	14,005,000	290,000
Postemployment benefit obligation	1,068,755	\$ 664,017		1,732,772	
Compensated absences	<u>1,730,535</u>	<u>1,344,695</u>	<u>(1,395,832)</u>	<u>1,679,398</u>	<u>1,383,875</u>
	<u>39,884,290</u>	<u>2,008,712</u>	<u>(2,545,832)</u>	<u>39,347,170</u>	<u><u>\$ 2,563,875</u></u>
Unamortized bond discounts	(143,033)		8,524	(134,509)	
Unamortized bond premiums	15,132		(840)	14,292	
Less: Due within one year	<u>(2,571,753)</u>		<u>7,878</u>	<u>(2,563,875)</u>	
Total governmental activities	<u><u>\$ 37,184,636</u></u>	<u><u>\$ 2,008,712</u></u>	<u><u>\$ (2,530,270)</u></u>	<u><u>\$ 36,663,078</u></u>	
	Balance at July 1, 2010	Incurred	Retired	Balance at June 30, 2011	Due within One year
Business-type activities:					
2000 Revenue Refunding Bonds	\$ 1,020,000		\$ (225,000)	\$ 795,000	\$ 205,000
Capital leases	2,031,293		(73,424)	1,957,869	76,964
Loans Payable					
- Safewater Bond Act	142,514		(17,934)	124,580	19,235
Postemployment benefit obligation	430,131	\$ 319,789		749,920	
Compensated absences	<u>252,701</u>	<u>223,366</u>	<u>(230,675)</u>	<u>245,392</u>	<u>198,202</u>
	<u>3,876,639</u>	<u>543,155</u>	<u>(547,033)</u>	<u>3,872,761</u>	<u><u>\$ 499,401</u></u>
Less: Due within one year	<u>(522,534)</u>			<u>(499,401)</u>	
Total business-type activities	<u><u>\$ 3,354,105</u></u>	<u><u>\$ 543,155</u></u>	<u><u>\$ (547,033)</u></u>	<u><u>\$ 3,373,360</u></u>	

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE F – LONG-TERM LIABILITIES (CONTINUED)

The following is a list of long-term debt issues outstanding at June 30, 2011 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 \$170,415 are due on September 15 of each year through September 15, 2017, at annual interest rates between 5.40% and 5.90%. Annual principal payments of \$315,000 to \$720,000 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. \$ 3,375,000

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 \$196,344 are due semi-annually on February 1 and August 1 through August 1, 2028, at annual interest rates between 3.25% and 5.00%. Annual principal payments of \$325,000 to \$685,000 are due on August 1 of each year, through August 1, 2028. 8,515,000

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. 10,835,000

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 \$337,837 are due semi-annually on February 1 and August 1 through August 1, 2036, at annual interest rates range between 4.00% to 5.125%. Annual principal payments of \$290,000 to \$910,000 are due August 1, 2009 through August 1, 2036. 14,005,000

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE F – LONG-TERM LIABILITIES (CONTINUED)

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%. \$ 124,580

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 \$122,070 at June 30, 2011.

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, 2011:

2012	\$ 168,325
2013	168,325
2014	168,325
2015	168,325
2016	168,325
2017-2021	841,624
2022-2026	841,624
2027-2028	<u>336,650</u>
Total minimum lease payments	<u>2,861,523</u>
Less: Amount representing interest	<u>(903,654)</u>
Present value of minimum lease payments	<u><u>\$ 1,957,869</u></u>

The annual requirements to amortize the outstanding governmental activities debt as of June 30, 2011 are as follows:

Year Ending June 30:	2000 Tax Allocation Revenue Bonds			2003 Lease Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	305,000	45,557	350,557	375,000	335,477	710,477
2017-2021	635,000	37,237	672,237	2,130,000	1,415,073	3,545,073
2022-2026				2,685,000	837,625	3,522,625
2027-2028				<u>1,955,000</u>	<u>149,875</u>	<u>2,104,875</u>
	<u>\$ 2,580,000</u>	<u>\$ 441,155</u>	<u>\$ 3,021,155</u>	<u>\$ 8,515,000</u>	<u>\$ 4,216,474</u>	<u>\$ 12,731,474</u>

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

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
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	400,000	469,543	869,543	345,000	599,575	944,575
2017-2021	3,600,000	1,995,405	5,595,405	1,960,000	2,753,475	4,713,475
2022-2026	4,630,000	1,057,473	5,687,473	2,455,000	2,238,519	4,693,519
2027-2031	600,000	223,966	823,966	3,140,000	1,544,581	4,684,581
2032-2036	450,000	39,615	489,615	3,960,000	703,712	4,663,712
2037-2038				910,000	21,613	931,613
	<u>\$ 10,835,000</u>	<u>\$ 5,759,184</u>	<u>\$ 16,594,184</u>	<u>\$ 14,005,000</u>	<u>\$ 10,407,225</u>	<u>\$ 24,412,225</u>

The annual requirements to amortize the outstanding business-type activities debt as of June 30, 2011 are as follows:

Year Ending June 30:	2000 Tax Allocation Revenue Bonds			Loans Payable - Safe Water Bond Act		
	Principal	Interest	Total	Principal	Interest	Total
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	125,000	4,218	129,218	25,451	2,323	27,774
2017				13,410	478	13,888
	<u>\$ 795,000</u>	<u>\$ 119,914</u>	<u>\$ 914,914</u>	<u>\$ 124,580</u>	<u>\$ 28,179</u>	<u>\$ 152,759</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 \$16,594,184, payable through September 2033. For 2010/2011, principal and interest paid and total tax increment revenues were \$549,928 and \$2,049,289, 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 \$3,021,155, payable through September 2017. For 2010/2011, principal and interest paid and total tax increment revenues were \$658,678 and \$2,049,289, respectively.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

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 \$914,914 payable through September 2015. For 2010/2011, principal and interest paid were \$285,655. The Water and Airport Funds had no net revenues for 2010/2011 and the Wastewater Fund had net revenues of \$1,750,144 for 2010/2011.

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 \$37,143,699, payable through August 2036. For 2010/2011, principal and interest paid were \$1,661,748 and total net revenues were \$380,671.

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, 2011:

	<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	\$ 2,325,000
Limited Obligation Improv. Bond Assessment District No. 1999	Twelve Bridges	\$ 47,800,000	\$ 30,530,000
Limited Obligation Improv. Bond Assessment District No. 2001	Twelve Bridges	\$ 15,550,000	\$ 11,615,000
Limited Obligation Improv. Bond Assessment District No. 2004-3	Foskett Ranch	\$ 6,000,000	\$ 4,025,000
Special Tax Bonds, Series 2006 Community Facilities District No. 2006-1	Lakeside	\$ 7,310,000	\$ 7,210,000
Special Tax Revenue Bonds 2007 Lincoln Public Financing Authority	Lincoln Crossing	\$ 102,870,000	\$ 98,883,700
Special Tax Revenue Bonds, Series 2009 Community Facilities District No. 2005-1	Sorrento Project	\$ 2,190,000	\$ 2,175,000

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE H – FUND BALANCE

	General	Public Facility Element (PFE) Special Revenue Fund	Water Connections Special Revenue Fund	Redevelopment Agency Fund	Special Assessment Districts Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:							
Nonspendable							
Long-term interfund receivables and advances		\$ 3,837,853	\$ 20,988,520			\$ 10,431,704	\$ 35,258,077
Prepaid items	\$ 149,424	15,794		\$ 3,451		160,433	329,102
Endowment						356,659	356,659
Total Nonspendable	<u>149,424</u>	<u>3,853,647</u>	<u>20,988,520</u>	<u>3,451</u>	<u>-</u>	<u>10,948,796</u>	<u>35,943,838</u>
Restricted for:							
Debt service						4,708,070	4,708,070
Youth program scholarships	86,096						86,096
Capacity expansion			1,066,052				1,066,052
Public safety		1,370,655				9,355	1,380,010
Community development		849,106				1,869,326	2,718,432
Housing						188,630	188,630
Street and transportation- related projects		1,982,863				4,326,895	6,309,758
Assessment districts					6,856,149		6,856,149
City administration facilities						654,185	654,185
Redevelopment activities						1,998,193	1,998,193
General infrastructure						4,098,921	4,098,921
Assessment districts capital projects						17,682,774	17,682,774
Highway 65 project						2,639,322	2,639,322
Open space projects						137,962	137,962
Other purposes						958,927	958,927
Total Restricted	<u>86,096</u>	<u>4,202,624</u>	<u>1,066,052</u>	<u>-</u>	<u>6,856,149</u>	<u>39,272,560</u>	<u>51,483,481</u>
Committed to:							
Committed for future expenditures (reported in):							
Special revenue project funds						179,283	179,283
Other commitments							
Other post-employment benefits	1,460,000						1,460,000
Parks						909,103	909,103
Oak tree replacement						1,035,944	1,035,944
Total Committed	<u>1,460,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,124,330</u>	<u>3,584,330</u>
Unassigned in :							
General Fund	4,132,105						4,132,105
Special Revenue Funds		(30,692,246)		(4,606,889)		(1,934,334)	(37,233,469)
Total Unassigned	<u>4,132,105</u>	<u>(30,692,246)</u>	<u>-</u>	<u>(4,606,889)</u>	<u>-</u>	<u>(1,934,334)</u>	<u>(33,101,364)</u>
Total fund balances (deficit)	<u>\$ 5,827,625</u>	<u>\$(22,635,975)</u>	<u>\$ 22,054,572</u>	<u>\$ (4,603,438)</u>	<u>\$ 6,856,149</u>	<u>\$ 50,411,352</u>	<u>\$ 57,910,285</u>

Although the Council has established a General Fund reserve for unanticipated or extraordinary expenditures of \$1,420,860 as part of the fiscal year 2010/11 budget, this reserve does not meet the definition of a committed fund balance and has been reported as part of unassigned fund balance. The General Fund Reserve Policy approved by the City Council in January 2011 is effective for fiscal year 2011/12 and establishes a catastrophic reserve in the General Fund that will be reported as committed fund balance.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE I – 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, 2011. 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 20.079% for safety employees and 14.336% for non-safety employees of the annual covered payroll. 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, 2011, 2010 and 2009 were \$1,867,194, \$1,927,960, and \$2,221,051, respectively, which were equal to the required contributions for each year.

NOTE J – 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, 2011, the City contributed \$280,991 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, 2011

NOTE J – 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	74,944
Adjustment to Net OPEB Obligation	(74,944)
Total Adjustment to ARC	<u>-</u>
Total Annual OPEB Cost for 2010-11	1,264,797
Contributions made (premium payments made)	(280,991)
Increase in net OPEB obligation	<u>983,806</u>
Net OPEB obligation, beginning of year	<u>1,498,886</u>
Net OPEB obligation, end of year	<u><u>\$ 2,482,692</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 2011 and the preceding two years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 759,706	33%	\$ 506,362
June 30, 2010	1,257,175	21%	1,498,886
June 30, 2011	1,264,797	22%	2,482,692

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, 2011

NOTE J – 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 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:

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 2009 to 5% in 2011 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)
July 1, 2005	\$ -	\$ 5,460,915	\$ 5,960,915	- %	\$ 14,914,044	37%
July 1, 2009	-	8,551,351	8,551,351	- %	13,098,294	65%

NOTE K – 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 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.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE K – RISK MANAGEMENT (CONTINUED)

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 L – 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 M – COMMITMENTS

Construction projects: The City has signed agreements for construction of various capital improvements and acquisition of capital assets subsequent to June 30, 2011. The balances owed on the existing construction and acquisition commitments were \$526,708 at June 30, 2011.

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, 2011, the City owed the developer \$2,640,035 for these constructed facilities, which will be paid out in the future as building permits are issued.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE M – COMMITMENTS (CONTINUED)

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 related to the new State Highway 65, which included an interchange and soundwalls. The City expects Caltrans to complete the improvements sometime in the 2012 calendar year. The City estimates costs of \$12,700,000 for the interchange improvements and \$1,470,000 for the soundwalls called for in its agreements with Caltrans. As of June 30, 2011, the City had identified \$2,000,000 in the Highway 65 Capital Project Funds, Developer contributions of \$8,425,754 and \$3,744,246 from the Lincoln Public Financing Authority Special Tax Revenue Bond for these projects.

NOTE N – 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, 2011, the costs were \$111,542.

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

Under the provisions of Proposition 1A and as part of the 2009/2010 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of 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.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE O – PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA (CONTINUED)

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 2009/2010).

NOTE P – SUBSEQUENT EVENT

In January 2011, the California State Governor announced his intent to eliminate redevelopment agencies as a way to help balance the State budget. The Legislature then enacted, and the Governor signed, Assembly Bill 1X 26 and Assembly Bill 1X 27, which took effect on June 29, 2011.

AB 1X 26 immediately suspended all new redevelopment activities and incurrence of indebtedness, and dissolved redevelopment agencies effective October 1, 2011. AB 1X 27 allowed a city or county that had a redevelopment agency to avoid dissolution by adopting an ordinance agreeing to make specified payments to reduce the State budget deficit.

A Petition for Writ of Mandate was filed in the Supreme Court of the State of California on July 18, 2011 (*California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861), challenging the constitutionality of AB 1X 26 and AB 1X 27 on behalf of cities, counties and redevelopment agencies and requesting a stay of enforcement. On August 11, 2011, and August 17, 2011, the Supreme Court stayed portions of AB 1X 26, and stayed AB 1X 27 in its entirety during the pendency of the matter.

On December 29, 2011, the Supreme Court issued its final decision in the aforesaid litigation, upholding AB 1X 26, invalidating AB 1X 27, and extending all statutory deadlines under AB 1X 26, essentially dissolving all redevelopment agencies throughout the State effective January 31, 2012.

On January 24, 2012, the City Council elected to opt-out of the Low/Moderate Income Housing Program. The Successor Agency to the Dissolved Redevelopment Agency of the City of Lincoln will prepare semi-annual Recognized Obligations Payment Schedules (ROPS) which will be submitted to the Oversight Board, the County of Placer, the State Controller's Office, and the State Department of Finance. Included in the ROPS are bond debt service payments and administrative costs. Additionally, the City Council chose not to opt-out of becoming the Successor Agency to the Lincoln Redevelopment Agency. As a matter of law, the Successor Agency will oversee the "unwinding" of the financial affairs of the Lincoln Redevelopment Agency.

Instead of receiving future tax increment payments, the County of Placer will pay to the Successor Agency approved items of the ROPS.

NOTE Q – RESTATEMENT

During the fiscal year ended June 30, 2011, the City discovered it had posted governmental expenditures as capitalized construction in process in error. In addition, the City discovered it owned land that was previously not reported. As a result, net assets reported on statement of activities as of July 1, 2011 has been restated.

CITY OF LINCOLN, CALIFORNIA

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2011

NOTE Q – RESTATEMENT (CONTINUED)

	<u>Governmental Activities</u>
Net Assets as of July, 2011, as previously reported	\$ 388,878,836
Adjustments:	
Write-off of construction in process posted in error	(1,030,740)
Record land owned by the City	<u>547,447</u>
Total Adjustments	<u>(483,293)</u>
Net assets at June 30, 2011, as restated	<u>\$ 388,395,543</u>

NOTE R – FINANCIAL CONDITION

Certain funds of the City have negative unrestricted fund balances without an immediate revenue source to cover these negative amounts, and management is projecting that the unassigned General Fund and Development Services fund balances are projected to be negative by the end of fiscal year 2013/14, even with layoffs currently reflected in the budget. The City’s Public Facility Elements (PFE) Funds, whose primary revenue source is development impact fees, have a negative fund balance of \$22,635,975 because of several infrastructure projects, which included the City Hall, fire stations, parks, sewer and water facilities and other support structures, being constructed during a significant growth period in the City, and then the City experienced a significant reduction in these development fees, leaving an insufficient revenue source to cover the cost of these projects. This deficit fund balance is being supported by the City’s Water Connection Fund, which is restricted for future water capacity. The Water Connection Fund does not have an immediate need for its fund balance for capacity expansion so the borrowing by the PFE Fund does not create a hardship for the Water Connection Fund at this time.

The General Fund has a positive fund balance of \$2,711,245 as of June 30, 2011, after deducting amounts committed and designated by the City Council for various purposes. The Development Services Fund has a negative unassigned fund balance of \$1,285,555 as of June 30, 2011, which excludes the nonspendable amounts due to interfund borrowings. Management has prepared budget projections over the next five years that show the General Fund and the Development Services will be in a deficit fund balance position by the end of fiscal year 2013/14. The Airport Fund has a negative unrestricted net assets deficit of \$4,749,392 as a result of operating losses over the years. The Redevelopment Fund has a negative unassigned fund balance of \$4,606,889 for which there is no future tax revenue to cover, as discussed in Note P. The Redevelopment Fund currently owes \$5,222,322 in loans to other City funds. These interfund loans have been included on the ROPS provided to the County’s Oversight Board and the State Department of Finance for approval as part of the dissolution of the Redevelopment Agency discussed in Note P. Continuing operating deficits and negative fund balance in these funds could cause a significant strain on the General Fund and other City funds to cover these deficits.

Management has significantly cut costs over the past couple of years to sustain the positive General Fund balance, and is currently considering other cost-cutting measures going forward. The City Council created the Fiscal Sustainability Committee to address the financial condition of the City, which issued a report in early 2012 containing recommendations to help ensure the long-term fiscal stability of the City.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LINCOLN, CALIFORNIA

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Year Ended June 30, 2011

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	2011	
	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, 2011

For the year ended June 30, 2011, actual maintenance and preservation costs were less than estimated by \$1,544,824 or 147 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)
2011	2,592,981	1,048,157	(1,544,824)

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

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, 2011

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 10,373,682	\$ 1,518,867	\$ 6,874,716	\$ 477,514	\$ 19,244,779
Receivables:					
Accounts receivable	251		1,940		2,191
Interest receivable	987,845	5,735	27,333	1,800	1,022,713
Taxes receivable	8,494				8,494
Due from other governments	1,522,745				1,522,745
Notes receivable	6,132,107				6,132,107
Due from other funds	7,265,714				7,265,714
Advances to other funds	3,165,990				3,165,990
Prepaid costs and other assets	160,433				160,433
Restricted cash and investments	502,027	3,185,709	23,110,075	16,251	26,814,062
TOTAL ASSETS	\$ 30,119,288	\$ 4,710,311	\$ 30,014,064	\$ 495,565	\$ 65,339,228
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 552,832		\$ 894,033	\$ 239	\$ 1,447,104
Salaries and benefits payable	50,162				50,162
Other accrued liabilities	83,142		972,591		1,055,733
Due to other funds	1,301,039		363,522		1,664,561
Deposits payable	543,569		164,026		707,595
Deferred and unearned revenue	9,453,280	\$ 2,241	546,495	705	10,002,721
TOTAL LIABILITIES	11,984,024	2,241	2,940,667	944	14,927,876
FUND BALANCES					
Nonspendable	10,592,137			356,659	10,948,796
Restricted	7,353,131	4,708,070	27,073,397	137,962	39,272,560
Committed	2,124,330				2,124,330
Unassigned	(1,934,334)				(1,934,334)
TOTAL FUND BALANCES	18,135,264	4,708,070	27,073,397	494,621	50,411,352
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,119,288	\$ 4,710,311	\$ 30,014,064	\$ 495,565	\$ 65,339,228

CITY OF LINCOLN, CALIFORNIA

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

For the Year Ended June 30, 2011

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES					
Taxes and assessments	\$ 1,486,584				\$ 1,486,584
Licenses and permits	272,953				272,953
Fines and penalties	8,311				8,311
Use of money and property	272,677	\$ 22,648	\$ 189,160	\$ 5,775	490,260
Program income	18,130				18,130
Intergovernmental revenues	1,832,523				1,832,523
Charges for services	662,188		6,000		668,188
Other revenues	188,522		111,318	1,371	301,211
TOTAL REVENUES	4,741,888	22,648	306,478	7,146	5,078,160
EXPENDITURES					
Current:					
General government	683,224	7,320	4,653		695,197
Public safety	106,570				106,570
Urban development and housing	4,660				4,660
Public works and facilities	3,720,314	19,707	2,611,620	14,178	6,365,819
Debt service:					
Principal retirement	45,000	1,105,000			1,150,000
Interest	120,210	1,600,144			1,720,354
Capital outlay	1,161,316		6,936		1,168,252
TOTAL EXPENDITURES	5,841,294	2,732,171	2,623,209	14,178	11,210,852
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,099,406)	(2,709,523)	(2,316,731)	(7,032)	(6,132,692)
OTHER FINANCING SOURCE (USES)					
Transfers in	226,026	3,048,914	2,882,607	612	6,158,159
Transfers out	(2,982,990)	(5,353)	(2,889,530)		(5,877,873)
TOTAL OTHER FINANCING (USES) SOURCES	(2,756,964)	3,043,561	(6,923)	612	280,286
NET CHANGE IN FUND BALANCES	(3,856,370)	334,038	(2,323,654)	(6,420)	(5,852,406)
Fund balances, beginning of year	21,991,634	4,374,032	29,397,051	501,041	56,263,758
FUND BALANCES, END OF YEAR	<u>\$ 18,135,264</u>	<u>\$ 4,708,070</u>	<u>\$ 27,073,397</u>	<u>\$ 494,621</u>	<u>\$ 50,411,352</u>

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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.

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

CITY OF LINCOLN, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

As of June 30, 2011

	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	\$ 907,246	\$ 1,798,118	\$ 2,340,851	\$ 399,178	\$ 680,357		
Receivables:							
Accounts receivable					251		
Interest receivable	3,049	6,585	8,962	12,815	18,573		
Taxes receivable							
Due from other governments		65,126	730,917		1,383		\$ 11,316
Notes receivable							
Due from other funds				3,000,000	4,265,714		
Advances to other funds							
Prepaid costs and other assets		7,309			46,124		
Restricted cash and investments						\$ 2,845	
TOTAL ASSETS	\$ 910,295	\$ 1,877,138	\$ 3,080,730	\$ 3,411,993	\$ 5,012,402	\$ 2,845	\$ 11,316
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable			\$ 38,810		\$ 266,062		
Salaries and benefits payable		\$ 9,153			36,752		
Other accrued liabilities					83,142		
Due to other funds						\$ 8,172	\$ 10,414
Deposits payable					478,578		
Deferred and unearned revenue	\$ 1,192	2,574	570,848	\$ 232,710	1,121,585	47,603	
TOTAL LIABILITIES	1,192	11,727	609,658	232,710	1,986,119	55,775	10,414
FUND BALANCES							
Nonspendable		7,309		3,000,000	4,311,838		
Restricted		1,858,102	2,471,072				902
Committed	909,103			179,283			
Unassigned					(1,285,555)	(52,930)	
TOTAL FUND BALANCES	909,103	1,865,411	2,471,072	3,179,283	3,026,283	(52,930)	902
TOTAL LIABILITIES AND FUND BALANCES	\$ 910,295	\$ 1,877,138	\$ 3,080,730	\$ 3,411,993	\$ 5,012,402	\$ 2,845	\$ 11,316

Revitalization and Rehabilitation Loans	Community Development Block Grant (CDBG) Fund	HOME Investment Partnership Program Fund	Low/Moderate Income Housing Fund	Oak Tree Mitigation Funds	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ 770,705	\$ 922,545	\$ 130,266	\$ 159,198	\$ 1,118,267	\$ 1,146,951	\$ 10,373,682
						251
2,906	86,337	273,234	563,404	4,216	7,764	987,845
			8,494			8,494
	25,002				689,001	1,522,745
124,551	537,882	2,129,520	2,779,204		560,950	6,132,107
						7,265,714
			876,099	2,289,891		3,165,990
			107,000			160,433
	478,609		20,573			502,027
<u>\$ 898,162</u>	<u>\$ 2,050,375</u>	<u>\$ 2,533,020</u>	<u>\$ 4,513,972</u>	<u>\$ 3,412,374</u>	<u>\$ 2,404,666</u>	<u>\$ 30,119,288</u>
				\$ 19,900	\$ 228,060	\$ 552,832
					4,257	50,162
						83,142
	\$ 951,356	\$ 106,482			224,615	1,301,039
				64,991		543,569
\$ 125,687	622,100	2,402,455	\$ 3,342,243	1,648	982,635	9,453,280
125,687	1,573,456	2,508,937	3,342,243	86,539	1,439,567	11,984,024
			983,099	2,289,891		10,592,137
772,475	1,072,768	24,083	188,630		965,099	7,353,131
				1,035,944		2,124,330
	(595,849)					(1,934,334)
<u>772,475</u>	<u>476,919</u>	<u>24,083</u>	<u>1,171,729</u>	<u>3,325,835</u>	<u>965,099</u>	<u>18,135,264</u>
<u>\$ 898,162</u>	<u>\$ 2,050,375</u>	<u>\$ 2,533,020</u>	<u>\$ 4,513,972</u>	<u>\$ 3,412,374</u>	<u>\$ 2,404,666</u>	<u>\$ 30,119,288</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, 2011

	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		\$ 1,062,371				\$ 14,355	
Licenses and permits					\$ 272,953		
Fines and penalties							
Use of money and property	\$ 15,914	20,668	\$ 39,101	\$ 58,050	57,234		\$ (6)
Program income							
Intergovernmental revenues		6,185	375,936		2,809	25,000	125,323
Charges for services	261,815			9,758	374,515		
Other revenues	98,530		74,859		8,133		7,000
TOTAL REVENUES	376,259	1,089,224	489,896	67,808	715,644	39,355	132,317
EXPENDITURES							
Current:							
General government					292,672		
Public safety							106,570
Urban development and housing					4,660		
Public works and facilities		589,725	796,609		2,147,650		
Education							
Debt service:							
Principal retirement							
Interest							
Capital outlay			193,105			27,836	
TOTAL EXPENDITURES		589,725	989,714		2,444,982	27,836	106,570
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	376,259	499,499	(499,818)	67,808	(1,729,338)	11,519	25,747
OTHER FINANCING SOURCE (USES)							
Transfers in			7,791		3,094		215,139
Transfers out	(1,130,266)		(105,266)	(1,416,273)	(281,101)		(11,643)
TOTAL OTHER FINANCING SOURCES (USES)	(1,130,266)		(97,475)	(1,416,273)	(278,007)		203,496
NET CHANGE IN FUND BALANCES	(754,007)	499,499	(597,293)	(1,348,465)	(2,007,345)	11,519	229,243
Fund balances, beginning of year	1,663,110	1,365,912	3,068,365	4,527,748	5,033,628	(64,449)	(228,341)
FUND BALANCES, END OF YEAR	\$ 909,103	\$ 1,865,411	\$ 2,471,072	\$ 3,179,283	\$ 3,026,283	\$ (52,930)	\$ 902

Revitalization and Rehabilitation Loans	Community Development Block Grant (CDBG) Fund	HOME Investment Partnership Program Fund	Low/Moderate Income Housing Fund	Oak Tree Mitigation Funds	Other Special Revenue Funds	Total Nonmajor Special Revenue Funds
			\$ 409,858			\$ 1,486,584
						272,953
					\$ 8,311	8,311
\$ 17,367	\$ 12,980	\$ 4,838	997	\$ 27,718	17,816	272,677
5,788		2,882	9,460			18,130
	25,002				1,272,268	1,832,523
				16,100		662,188
						188,522
<u>23,155</u>	<u>37,982</u>	<u>7,720</u>	<u>420,315</u>	<u>43,818</u>	<u>1,298,395</u>	<u>4,741,888</u>
	45,570				344,982	683,224
						106,570
						4,660
					186,330	3,720,314
			45,000			45,000
			120,210			120,210
				2,431	937,944	1,161,316
	<u>45,570</u>		<u>165,210</u>	<u>2,431</u>	<u>1,469,256</u>	<u>5,841,294</u>
23,155	(7,588)	7,720	255,105	41,387	(170,861)	(1,099,406)
			2			226,026
			(30,388)		(8,053)	(2,982,990)
			(30,386)		(8,053)	(2,756,964)
23,155	(7,588)	7,720	224,719	41,387	(178,914)	(3,856,370)
<u>749,320</u>	<u>484,507</u>	<u>16,363</u>	<u>947,010</u>	<u>3,284,448</u>	<u>1,144,013</u>	<u>21,991,634</u>
<u>\$ 772,475</u>	<u>\$ 476,919</u>	<u>\$ 24,083</u>	<u>\$ 1,171,729</u>	<u>\$ 3,325,835</u>	<u>\$ 965,099</u>	<u>\$ 18,135,264</u>

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, 2011

	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	\$ 28,387	\$ 946	\$ 1,489,534		\$ 1,518,867
Receivables:					
Interest receivable	107	4	5,624		5,735
Restricted cash and investments	949,028	1,041,085	474,860	\$ 720,736	3,185,709
TOTAL ASSETS	\$ 977,522	\$ 1,042,035	\$ 1,970,018	\$ 720,736	\$ 4,710,311
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Deferred and unearned revenue	\$ 42	\$ 1	\$ 2,198		\$ 2,241
TOTAL LIABILITIES	42	1	2,198		2,241
FUND BALANCES					
Restricted for debt service	977,480	1,042,034	1,967,820	\$ 720,736	4,708,070
TOTAL FUND BALANCES	977,480	1,042,034	1,967,820	720,736	4,708,070
TOTAL LIABILITIES AND FUND BALANCES	\$ 977,522	\$ 1,042,035	\$ 1,970,018	\$ 720,736	\$ 4,710,311

CITY OF LINCOLN, CALIFORNIA

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

For the Year Ended June 30, 2011

	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	\$ 369	\$ 15	\$ 22,258	\$ 6	\$ 22,648
TOTAL REVENUES	369	15	22,258	6	22,648
EXPENDITURES					
General government			7,320		7,320
Public works and facilities	6,820	6,150		6,737	19,707
Debt service:					
Principal retirement	280,000		510,000	315,000	1,105,000
Interest	669,019	384,718	148,678	397,729	1,600,144
TOTAL EXPENDITURES	955,839	390,868	665,998	719,466	2,732,171
DEFICIENCY OF REVENUES OVER EXPENDITURES	(955,470)	(390,853)	(643,740)	(719,460)	(2,709,523)
OTHER FINANCING SOURCE (USES)					
Transfers in	949,019	781,735	590,362	727,798	3,048,914
Transfers out	(5,344)	(2)		(7)	(5,353)
TOTAL OTHER FINANCING SOURCES (USES)	943,675	781,733	590,362	727,791	3,043,561
NET CHANGE IN FUND BALANCES	(11,795)	390,880	(53,378)	8,331	334,038
Fund balances, beginning of year	989,275	651,154	2,021,198	712,405	4,374,032
FUND BALANCES, END OF YEAR	\$ 977,480	\$ 1,042,034	\$ 1,967,820	\$ 720,736	\$ 4,708,070

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.

Highway 65 Fund – The Highway 65 Capital Projects Fund accounts for resources received for work on Highway 65.

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

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

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, 2011

	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
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
ASSETS					
Cash and investments	\$ 77,729	\$ 327,621		\$ 93,781	\$ 145,388
Receivables:					
Accounts receivable		1,940			
Interest receivable	293	1,231	\$ 1,048	354	548
Restricted cash and investments	294	3,683,458	10,878,287	2,761,077	508,463
TOTAL ASSETS	<u>\$ 78,316</u>	<u>\$ 4,014,250</u>	<u>\$ 10,879,335</u>	<u>\$ 2,855,212</u>	<u>\$ 654,399</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable					
Other accrued liabilities			\$ 7,108		
Due to other funds			239,711	\$ 10,780	
Deposits payable	\$ 74,026			90,000	
Deferred and unearned revenue	115	\$ 481		138	\$ 214
TOTAL LIABILITIES	<u>74,141</u>	<u>481</u>	<u>246,819</u>	<u>100,918</u>	<u>214</u>
FUND BALANCES					
Restricted	4,175	4,013,769	10,632,516	2,754,294	654,185
TOTAL FUND BALANCES	<u>4,175</u>	<u>4,013,769</u>	<u>10,632,516</u>	<u>2,754,294</u>	<u>654,185</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 78,316</u>	<u>\$ 4,014,250</u>	<u>\$ 10,879,335</u>	<u>\$ 2,855,212</u>	<u>\$ 654,399</u>

Highway 65 Capital Projects Fund	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
\$ 3,536,422	\$ 233,266	\$ 1,514,888		\$ 945,621		\$ 6,874,716
13,332	879	6,083		3,565		1,940
		3,834,212	\$ 176,225	1,050,401	\$ 217,658	27,333
<u>\$ 3,549,754</u>	<u>\$ 234,145</u>	<u>\$ 5,355,183</u>	<u>\$ 176,225</u>	<u>\$ 1,999,587</u>	<u>\$ 217,658</u>	<u>\$ 23,110,075</u>
\$ 894,033		\$ 965,483				\$ 894,033
16,399		1,063	\$ 91,073		\$ 4,496	972,591
5,212	\$ 343	538,598		\$ 1,394		363,522
<u>915,644</u>	<u>343</u>	<u>1,505,144</u>	<u>91,073</u>	<u>1,394</u>	<u>4,496</u>	<u>164,026</u>
2,634,110	233,802	3,850,039	85,152	1,998,193	213,162	546,495
<u>2,634,110</u>	<u>233,802</u>	<u>3,850,039</u>	<u>85,152</u>	<u>1,998,193</u>	<u>213,162</u>	<u>2,940,667</u>
\$ 3,549,754	\$ 234,145	\$ 5,355,183	\$ 176,225	\$ 1,999,587	\$ 217,658	\$ 30,014,064

CITY OF LINCOLN, CALIFORNIA

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

For the Year Ended June 30, 2011

	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	\$ 1,117	\$ 4,906	\$ 42,345	\$ 1,399	\$ 2,129
Charges for services		6,000			
Other revenues	25,610		85,708		
TOTAL REVENUES	<u>26,727</u>	<u>10,906</u>	<u>128,053</u>	<u>1,399</u>	<u>2,129</u>
EXPENDITURES					
Current:					
General government		4,090	375		
Public works					
Capital outlay		6,936			
TOTAL EXPENDITURES		<u>11,026</u>	<u>375</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	26,727	(120)	127,678	1,399	2,129
OTHER FINANCING SOURCE (USES)					
Transfers in					5,344
Transfers out	(12,274)	(2,877,256)			
TOTAL OTHER FINANCING SOURCES (USES)	<u>(12,274)</u>	<u>(2,877,256)</u>			<u>5,344</u>
NET CHANGE IN FUND BALANCES	14,453	(2,877,376)	127,678	1,399	7,473
Fund balances, beginning of year	(10,278)	6,891,145	10,504,838	2,752,895	646,712
FUND BALANCES, END OF YEAR	<u>\$ 4,175</u>	<u>\$ 4,013,769</u>	<u>\$ 10,632,516</u>	<u>\$ 2,754,294</u>	<u>\$ 654,185</u>

Highway 65 Capital Projects Fund	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
\$ 85,866	\$ 3,408	\$ 34,161	\$ 2	\$ 13,825	\$ 2	\$ 189,160
						6,000
						111,318
<u>85,866</u>	<u>3,408</u>	<u>34,161</u>	<u>2</u>	<u>13,825</u>	<u>2</u>	<u>306,478</u>
		188				4,653
2,611,620						2,611,620
						6,936
<u>2,611,620</u>		<u>188</u>				<u>2,623,209</u>
(2,525,754)	3,408	33,973	2	13,825	2	(2,316,731)
2,877,256			7			2,882,607
						(2,889,530)
<u>2,877,256</u>			<u>7</u>			<u>(6,923)</u>
351,502	3,408	33,973	9	13,825	2	(2,323,654)
<u>2,282,608</u>	<u>230,394</u>	<u>3,816,066</u>	<u>85,143</u>	<u>1,984,368</u>	<u>213,160</u>	<u>29,397,051</u>
<u>\$ 2,634,110</u>	<u>\$ 233,802</u>	<u>\$ 3,850,039</u>	<u>\$ 85,152</u>	<u>\$ 1,998,193</u>	<u>\$ 213,162</u>	<u>\$ 27,073,397</u>

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, 2011

	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	\$ 31,244	\$ 249,455			\$ 58,167	\$ 58,847	\$ 79,801	\$ 477,514
Receivables:								
Interest receivable	118	940			219	222	301	1,800
Restricted cash and investments				\$ 16,251				16,251
TOTAL ASSETS	\$ 31,362	\$ 250,395		\$ 16,251	\$ 58,386	\$ 59,069	\$ 80,102	\$ 495,565
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable				\$ 239				\$ 239
Deferred and unearned revenue	\$ 46	\$ 368			\$ 86	\$ 87	\$ 118	705
TOTAL LIABILITIES	46	368		239	86	87	118	944
FUND BALANCES								
Nonspendable	25,439	221,220		5,000	50,000	50,000	5,000	356,659
Restricted	5,877	28,807		11,012	8,300	8,982	74,984	137,962
TOTAL FUND BALANCES	31,316	250,027		16,012	58,300	58,982	79,984	494,621
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,362	\$ 250,395	\$ -	\$ 16,251	\$ 58,386	\$ 59,069	\$ 80,102	\$ 495,565

CITY OF LINCOLN, CALIFORNIA

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

For the Year Ended June 30, 2011

	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	\$ 530	\$ 3,736		\$ 7	\$ 849	\$ 860	\$ (207)	\$ 5,775
Other revenues							1,371	1,371
TOTAL REVENUES	<u>530</u>	<u>3,736</u>		<u>7</u>	<u>849</u>	<u>860</u>	<u>1,164</u>	<u>7,146</u>
EXPENDITURES								
Current:								
Public works and facilities		14,178						14,178
TOTAL EXPENDITURES		<u>14,178</u>						<u>14,178</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	530	(10,442)		7	849	860	1,164	(7,032)
OTHER FINANCING SOURCES (USES)								
Transfers in			\$ 612					612
TOTAL OTHER FINANCING SOURCES (USES)			<u>612</u>					<u>612</u>
NET CHANGE IN FUND BALANCES	530	(10,442)	612	7	849	860	1,164	(6,420)
Fund balances, beginning of year	30,786	260,469	(612)	16,005	57,451	58,122	78,820	501,041
FUND BALANCES, END OF YEAR	<u>\$ 31,316</u>	<u>\$ 250,027</u>	<u>\$ -</u>	<u>\$ 16,012</u>	<u>\$ 58,300</u>	<u>\$ 58,982</u>	<u>\$ 79,984</u>	<u>\$ 494,621</u>

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		
Cash and investments	\$ 52,873	
Receivables:		
Accounts receivable	1,866	\$ 1,866
Interest receivable	197	197
Due from other governments	1,133,680	1,133,680
Prepaid expenses and other assets	2,393	2,393
TOTAL CURRENT ASSETS	1,191,009	1,191,009
NONCURRENT ASSETS		
Capital assets:		
Not being depreciated	9,531	9,531
Being depreciated	835,627	835,627
TOTAL NONCURRENT ASSETS	845,158	845,158
TOTAL ASSETS	2,036,167	2,036,167
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	5,930	5,930
Salaries and wages payable	9,925	9,925
Due to other funds	786,717	786,717
Compensated absences, due within one year	16,701	16,701
TOTAL CURRENT LIABILITIES	819,273	819,273
NONCURRENT LIABILITIES		
Compensated absences, due in more than one year	3,983	3,983
Postemployment benefit obligation	96,980	96,980
TOTAL NONCURRENT LIABILITIES	100,963	100,963
TOTAL LIABILITIES	920,236	920,236
NET ASSETS		
Invested in capital assets, net of related debt	845,158	845,158
Unrestricted	270,773	270,773
TOTAL NET ASSETS	\$ 1,115,931	\$ 1,115,931

CITY OF LINCOLN, CALIFORNIA

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

For the Year Ended June 30, 2011

	Transit Fund	Total Nonmajor Enterprise Funds
	<u> </u>	<u> </u>
OPERATING REVENUES		
Charges for services	\$ 43,255	\$ 43,255
TOTAL OPERATING REVENUES	<u>43,255</u>	<u>43,255</u>
OPERATING EXPENSES		
Salaries and benefits	531,593	531,593
General services and supplies	199,285	199,285
Support services	395,038	395,038
Depreciation	19,987	19,987
TOTAL OPERATING EXPENSES	<u>1,145,903</u>	<u>1,145,903</u>
OPERATING LOSS	(1,102,648)	(1,102,648)
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	160	160
Intergovernmental revenues	1,342,336	1,342,336
Other nonoperating revenues	6	6
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,342,502</u>	<u>1,342,502</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	239,854	239,854
CAPITAL CONTRIBUTIONS AND TRANSFERS		
Capital contributions	84,828	84,828
Transfers in	1,029	1,029
Transfers out	(84,364)	(84,364)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>1,493</u>	<u>1,493</u>
CHANGE IN NET ASSETS	241,347	241,347
Net Assets, beginning of year	<u>874,584</u>	<u>874,584</u>
NET ASSETS, END OF YEAR	<u>\$ 1,115,931</u>	<u>\$ 1,115,931</u>

CITY OF LINCOLN, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2011

	Transit Fund	Total Nonmajor Enterprise Funds
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 41,960	\$ 41,960
Payments to suppliers	(464,306)	(464,306)
Payments to employees	(483,731)	(483,731)
Payments for interfund transfers	(395,038)	(395,038)
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,301,115)</u>	<u>(1,301,115)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenue received	1,121,120	1,121,120
Interfund borrowings	577,390	577,390
Transfers in from other funds	1,029	1,029
Transfers out to other funds	(84,364)	(84,364)
Other revenues received	6	6
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,615,181</u>	<u>1,615,181</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(261,156)	(261,156)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(261,156)</u>	<u>(261,156)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	(37)	(37)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(37)</u>	<u>(37)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	52,873	52,873
Cash and cash equivalents, beginning of year	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 52,873</u>	<u>\$ 52,873</u>

CITY OF LINCOLN, CALIFORNIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS (Continued)

For the Year Ended June 30, 2011

	Transit Fund	Total Nonmajor Enterprise Funds
	<u> </u>	<u> </u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (1,102,648)	\$ (1,102,648)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	19,987	19,987
Postemployment benefits accrual	46,773	46,773
Changes in operating assets and liabilities		
Accounts receivable	(1,295)	(1,295)
Prepaid expenses	8,464	8,464
Accounts payable and accrued expenses	(273,485)	(273,485)
Salaries and benefits payable	1,089	1,089
	<u> </u>	<u> </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (1,301,115)</u>	<u>\$ (1,301,115)</u>
NONCASH ACTIVITIES:		
Contribution of capital assets from governmental funds	<u>\$ (84,828)</u>	<u>\$ (84,828)</u>

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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.

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, 2011

	Little League Fund	Markham Ravine Neighborhood Trust	Lincoln Airpark 98-1 Fund	Twelve Bridges Series 1999	Twelve Bridges Series 2001
ASSETS					
Cash and investments	\$ 40,393	\$ 6	\$ 397,974	\$ 4,244,976	\$ 1,919,007
Interest receivable	152		1,500	16,004	7,344
Special assessment receivable			7,540	46,429	16,667
Restricted cash and investments			220,783	3,158,740	1,147,005
TOTAL ASSETS	<u>\$ 40,545</u>	<u>\$ 6</u>	<u>\$ 627,797</u>	<u>\$ 7,466,149</u>	<u>\$ 3,090,023</u>
LIABILITIES					
Due to property owners			\$ 627,797	\$ 7,466,149	\$ 3,090,023
Agency obligations	\$ 40,545	\$ 6			
TOTAL LIABILITIES	<u>\$ 40,545</u>	<u>\$ 6</u>	<u>\$ 627,797</u>	<u>\$ 7,466,149</u>	<u>\$ 3,090,023</u>

Foskett Ranch Series 2004-3	Lakeside CFD Series 2006	LPFA Special Tax Revenue Bond 2007 A&B	CFD Sorrento Series 2009	Total
\$ 602,429	\$ 300,803	\$ 8,056,244	\$ 45,309	\$ 15,607,141
2,271	1,134	30,379	171	58,955
5,448	2,143	127,293	1,905	207,425
<u>354,190</u>	<u>647,892</u>	<u>7,574,208</u>	<u>268,167</u>	<u>13,370,985</u>
<u>\$ 964,338</u>	<u>\$ 951,972</u>	<u>\$ 15,788,124</u>	<u>\$ 315,552</u>	<u>\$ 29,244,506</u>
\$ 964,338	\$ 951,972	\$ 15,788,124	\$ 292,952	\$ 29,181,355
			22,600	63,151
<u>\$ 964,338</u>	<u>\$ 951,972</u>	<u>\$ 15,788,124</u>	<u>\$ 315,552</u>	<u>\$ 29,244,506</u>