CITY OF BELL, CALIFORNIA

Annual Financial Report

For the Fiscal Year Ended June 30, 2012

MGO Certified Public Accountants.

CITY OF BELL
Annual Financial Report
For the Fiscal Year Ended June 30, 2012

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MGO Certified Public Accountants.

Los Angeles
777 S. Figueroa Street, Suite 2500
Los Angeles, CA 90017
213.408.8700

Sacramento

Walnut Creek

Oakland

Century City

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Bell
Bell, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bell, California (City), as of and for the fiscal year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 8 to the financial statements, direct payroll and benefit expenditures of $6.8 million and $.3 million were allocated to the General Fund and the aggregate nonmajor governmental funds, respectively, based on budget estimates rather than time spent on the program or function. In addition, administrative expenditures in the amount of $.3 million were allocated from the General Fund to the aggregate nonmajor governmental funds based on budget estimates rather than actual costs. There is no supporting documentation beyond the budget for the allocation of these expenditures to the various funds. Accounting principles generally accepted in the United States of America require that such allocations represent reasonable estimates of actual costs incurred. The amount by which this departure would affect the expenditures and fund balances of the General Fund and the aggregate nonmajor governmental funds and the classification of functional expenses in the government-wide statement of activities is not reasonably determinable.

In our opinion, except for the effects of allocating direct payroll and benefit and administrative expenditures based on budget estimates for the governmental activities, the General Fund and the aggregate nonmajor governmental funds as described in the preceding paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund and the aggregate nonmajor governmental funds of the City as of June 30, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Retirement Special Revenue Fund, the Housing Special Revenue Fund, the CDBG Special Revenue Fund, the Community Redevelopment Agency Debt Service Fund, the City Capital Projects Fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the California State Legislature enacted legislation that dissolved redevelopment agencies in the State of California as of February 1, 2012. On February 1, 2012, the City, as the Successor Agency to the Bell Redevelopment Agency, became responsible for overseeing the dissolution process and the wind down of redevelopment activity.

As discussed in Note 6 to the financial statements, the City was in default on the 2007 Taxable Lease Revenue Bonds and the 2009 Promissory Note in November 2010 and in October 2010, respectively. The outstanding principal due for the 2007 Taxable Lease Revenue Bonds and the 2009 Promissory Note were $35.0 million and $4.4 million, respectively, and are reported as long-term liabilities that are due within one year.

As discussed in Note 14 to the financial statements, numerous claims and lawsuits, such as those brought by former employees and City Council members, have been filed against the City. The possible outcomes of some of the claims and lawsuits are uncertain at this time. Accordingly, no provision for liability associated with these claims and lawsuits has been made in the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules for the General Fund and major Retirement and CDBG Special Revenue Funds, and the schedule of funding progress listed in the table of contents 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.

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of allocating direct payroll and benefit and administrative expenditures based on budget estimates as discussed in a preceding paragraph, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

Los Angeles, California
July 30, 2013

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BASIC FINANCIAL STATEMENTS

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CITY OF BELL
Statement of Net Assets
June 30, 2012

		Governmental Activities
Assets:		
Cash and investments	$	18,500,211
Restricted cash and investments		21,138,819
Receivables:		
Accounts		577,117
Accrued interest		1,322
Loans		54,826
Due from other governments		1,270,592
Due from Bell Successor Agency		565,577
Prepaid expenses		68,448
Deferred loans		339,393
Land held for development		19,500
Deferred charges		1,392,890
Advances to Bell Successor Agency		6,631,985
Prepaid asset - CalPERS		4,542,297
Capital assets, nondepreciable		54,445,957
Capital assets, net of accumulated depreciation		51,149,356
Total assets		160,698,290
Liabilities:		
Accounts payable		3,184,025
Accrued payroll		293,833
Interest payable		1,380,866
Deposits payable		326,167
Due to other governments		96,917
Unearned revenue		130,254
Long-term liabilities:		
Due within one year		55,935,178
Due in more than one year		70,517,091
Total liabilities		131,864,331
Net Assets:		
Invested in capital assets, net of related debt		35,511,335
Restricted for:		
Debt service		615,698
Low and moderate housing		4,422,112
Retirement		1,063,780
Public safety		754,275
Public works		3,847,642
Community services		796,234
Capital projects		5,655,983
Unrestricted (deficit)		(23,833,100)
Total net assets	$	28,833,959

See accompanying notes to financial statements.

CITY OF BELL
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Charges for Services
Governmental activities:		
General government	$ 9,123,311	$ 4,349,124
Public safety	6,708,391	784,671
Community services	3,535,125	282,706
Public works	4,631,163	52,056
Pass-through agreements	509,342	-
Interest	4,068,219	-
Total governmental activities	$ 28,575,551	$ 5,468,557

See accompanying notes to financial statements.

CITY OF BELL
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants	Net Expense and Change in Net Assets Total
$ 23,665	$ -	$ (4,750,522)
350,654	-	(5,573,066)
1,109,734	-	(2,142,685)
472,727	2,705,734	(1,400,646)
-	-	(509,342)
-	-	(4,068,219)
$ 1,956,780	$ 2,705,734	(18,444,480)

General revenues:	
Taxes:	
Property taxes	2,271,857
Franchise taxes	588,426
Utility users taxes	2,958,643
Special assessments	7,346,115
Real property transfer taxes	22,597
Intergovernmental not restricted to specific programs	4,665,561
Investment income	10,882
Other	107,899
Extraordinary gain from dissolution of the Bell Community Redevelopment Agency	14,944,412
Total general revenues and extraordinary gain	32,916,392
Change in net assets	14,471,912
Net assets at beginning of year	14,362,047
Net assets at end of year	$ 28,833,959

See accompanying notes to financial statements.

CITY OF BELL
Governmental Funds
Balance Sheet
June 30, 2012

		Special Revenue Funds		
Assets	General Fund	Retirement	Housing	CDBG
Assets:				
Cash and investments	$ 584,838	$ 117,729	$ 3,520,638	$ -
Restricted cash and investments	-	-	-	-
Receivables:				
Accounts	577,117	-	-	-
Accrued interest	223	4	-	-
Loans	54,826	-	-	-
Due from other governments	338,764	167,399	-	405,219
Due from Bell Successor Agency	302,417	263,160	-	-
Prepaid items	7,800	-	-	-
Deferred loans	-	-	17,000	322,393
Due from other funds	785,368	-	8,868	-
Advances to Bell Successor Agency	4,252,286	950,000	1,429,699	-
Advances to other funds	123,660	-	-	-
Land held for development	-	-	-	-
Total assets	$ 7,027,299	$ 1,498,292	$ 4,976,205	$ 727,612
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 1,653,336	$ 118,887	$ 554,093	$ 19,592
Accrued payroll	223,410	58,636	-	6,866
Deposits payable	283,615	-	-	-
Due to other governments	96,917	-	-	-
Due to other funds	28,157	256,989	-	379,778
Advances from other funds	-	-	-	-
Unearned revenue	-	-	-	-
Deferred revenue	54,826	-	17,000	322,393
Total liabilities	2,340,261	434,512	571,093	728,629
Fund balances (deficit):				
Nonspendable:				
Prepaid items	7,800	-	-	-
Advances to Bell Successor Agency	4,252,286	-	-	-
Advances to other funds	123,660	-	-	-
Restricted for:				
Debt service	-	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	-
Low and moderate housing	-	-	4,405,112	-
Public works	-	-	-	-
Capital projects	-	-	-	-
Retirement funding	-	1,063,780	-	-
Assigned to:				
Community services	-	-	-	-
Debt service	-	-	-	-
Unassigned	303,292	-	-	(1,017)
Total fund balances (deficit)	4,687,038	1,063,780	4,405,112	(1,017)
Total liabilities and fund balances	$ 7,027,299	$ 1,498,292	$ 4,976,205	$ 727,612

See accompanying notes to financial statements.

CITY OF BELL
Governmental Funds
Balance Sheet
June 30, 2012

Debt Service Fund: Community Redevelopment Agency	Capital Projects Fund: City Capital Projects	Nonmajor Governmental Funds	Total
$ -	$ -	$ 14,277,006	$ 18,500,211
-	20,126,027	1,012,792	21,138,819
-	-	-	577,117
-	19	1,076	1,322
-	-	-	54,826
-	-	359,210	1,270,592
-	-	-	565,577
-	-	60,648	68,448
-	-	-	339,393
-	-	19,289	813,525
-	-	-	6,631,985
-	-	-	123,660
-	-	19,500	19,500
$ -	$ 20,126,046	$ 15,749,521	$ 50,104,975
$ -	$ 55,402	$ 782,715	$ 3,184,025
-	-	4,921	293,833
-	-	42,552	326,167
-	-	-	96,917
-	-	148,601	813,525
-	-	123,660	123,660
-	-	130,254	130,254
-	-	-	394,219
-	55,402	1,232,703	5,362,600
-	-	60,648	68,448
-	-	-	4,252,286
-	-	-	123,660
-	-	830,267	830,267
-	-	754,275	754,275
-	-	474,858	474,858
-	-	-	4,405,112
-	-	3,847,642	3,847,642
-	20,070,644	6,502,532	26,573,176
-	-	-	1,063,780
-	-	2,312,737	2,312,737
-	-	14,676	14,676
-	-	(280,817)	21,458
-	20,070,644	14,516,818	44,742,375
$ -	$ 20,126,046	$ 15,749,521	$ 50,104,975

See accompanying notes to financial statements.

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CITY OF BELL
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2012

Fund balances - total governmental funds		$ 44,742,375
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets net of depreciation have not been included as financial resources in the governmental funds balance sheet.		
Capital assets	$ 145,561,498	
Accumulated depreciation	(39,966,185)	
Net capital assets		105,595,313
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets.		
Taxable pension revenue bonds	(6,425,000)	
Taxable lease revenue bonds	(35,000,000)	
Lease revenue bonds	(18,565,000)	
General obligation bonds	(49,280,000)	
Certificates of participation	(1,865,000)	
Other post-employment benefits obligation	(7,034,527)	
Unamortized bond premium	(700,702)	
Liability claims	(6,240,244)	
Compensated absences	(1,341,796)	
		(126,452,269)
Bond issuance costs applicable to newly issued debt are a current period expenditure, but are capitalized on the statement of net assets, net of current period amortization.		1,392,890
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.		(1,380,866)
Pension contributions in excess of actuarially required amounts were expenditures at the fund level but are deferred and subject to amortization in the statement of net assets.		4,542,297
Loans receivable are initially reported as an expenditure in governmental funds and then reported as a receivable and deferred revenue at fiscal year-end. The deferred revenue is eliminated in the statement of net assets.		394,219
Net assets of governmental activities		$ 28,833,959

See accompanying notes to financial statements.

CITY OF BELL
Governmental Funds
Statement of Revenues, Expenditures, and Change in Fund Balances (Deficit)
For the Fiscal Year Ended June 30, 2012

		Special Revenue Funds		
	General Fund	Retirement	Housing	CDBG
Revenues:				
Taxes:				
Property taxes	$ 562,347	$ -	$ -	$ -
Sales and use taxes	1,604,347	-	-	-
Franchise taxes	588,426	-	-	-
Utility users taxes	2,958,643	-	-	-
Special assessments	-	1,781,009	-	-
Real property transfer taxes	22,597	-	-	
Licenses and permits	554,340	-	-	
Fines and forfeitures	632,114	-	-	-
Charges for services	571,803	-	-	-
Intergovernmental	3,084,880	-	-	528,192
Investment income	822	7	-	-
Lease income	143,014	-	-	-
Other	79,912	-	-	-
Total revenues	10,803,245	1,781,016	-	528,192
Expenditures:				
Current:				
General government	6,739,530	969,367	-	43,465
Public safety	4,701,789	1,150,219	-	97,437
Community services	880,311	-	172	-
Public works	177,165	-	-	354,752
Pass-through agreements	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Interest and fiscal charges	-	-	-	-
Principal payments	-	-	-	-
Total expenditures	12,498,795	2,119,586	172	495,654
Excess (deficiency) of revenues over (under) expenditures	(1,695,550)	(338,570)	(172)	32,538
Other financing sources (uses):				
Transfers in	829,340	426,031	-	-
Transfers out	(644,951)	-	-	-
Total other financing sources (uses)	184,389	426,031	-	-
Extraordinary gain (loss) from dissolution of the Bell Community Redevelopment Agency	-	-	4,405,284	-
Net change in fund balances	(1,511,161)	87,461	4,405,112	32,538
Fund balances (deficit) at beginning of year	6,198,199	976,319	-	(33,555)
Fund balances (deficit) at end of year	$ 4,687,038	$ 1,063,780	$ 4,405,112	$ (1,017)

See accompanying notes to financial statements.

CITY OF BELL
Governmental Funds
Statement of Revenues, Expenditures, and Change in Fund Balances (Deficit)
For the Fiscal Year Ended June 30, 2012

Debt Service Fund Community Redevelopment Agency	Capital Projects Fund City Capital Projects	Nonmajor Governmental Funds	Total
$ 1,303,309	$ -	$ 406,201	$ 2,271,857
-	-	-	1,604,347
-	-	-	588,426
-	-	-	2,958,643
-	-	5,565,106	7,346,115
-	-	-	22,597
-	-	-	554,340
-	-	237,207	869,321
-	-	48,844	620,647
-	-	3,873,450	7,486,522
120	22	9,911	10,882
-	-	3,518,441	3,661,455
-	-	52,494	132,406
1,303,429	22	13,711,654	28,127,558
71,305	-	613,141	8,436,808
-	-	17,431	5,966,876
-	-	1,761,967	2,642,450
-	-	2,400,374	2,932,291
509,342	-	-	509,342
-	132,940	1,179,177	1,312,117
488,027	-	3,828,473	4,316,500
717,950	-	1,577,050	2,295,000
1,786,624	132,940	11,377,613	28,411,384
(483,195)	(132,918)	2,334,041	(283,826)
-	-	2,782,560	4,037,931
-	(1,264,940)	(2,128,040)	(4,037,931)
-	(1,264,940)	654,520	-
5,160,723	-	(5,126,217)	4,439,790
4,677,528	(1,397,858)	(2,137,656)	4,155,964
(4,677,528)	21,468,502	16,654,474	40,586,411
$ -	$ 20,070,644	$ 14,516,818	$ 44,742,375

See accompanying notes to financial statements.

CITY OF BELL
Reconciliation of the Statement Revenues, Expenditures, and
Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012

Net change in fund balances - total governmental funds		$ 4,155,964
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of capital assets	$ 1,173,795	
Depreciation expense	(3,070,180)	(1,896,385)
Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets. Other long-term liabilities are not recorded as expenditures in the governmental funds but as expenses in the statement of activities. Unamortized bond premiums and deferred charges are included in the statement of net assets and are amortized as a component of expense in the statement of activities.		
Principal - tax allocation bonds	865,000	
Principal - revenue bonds	950,000	
Principal - certificates of participation	115,000	
Principal - general obligation bonds	365,000	
Decrease in estimated liability claims	658,012	
Amortization of bond premiums	28,077	
Amortization of deferred charges	(96,502)	
Decrease in compensated absences	96,927	
Increase in other post-employment benefits obligation	(998,280)	1,983,234
This is the net change in accrued interest related to long-term debt for the current period.		316,706
The amortization of the prepaid pension assets reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		(567,722)
Extraordinary gain due to assets and liabilities transferred to the Bell Successor Agency		10,504,622
Certain loans are recorded as expenditures in the governmental funds when issued. Repayments of these long-term loans are recorded as revenues in the governmental funds when collected. However, neither of these transactions have an effect on net assets.		(24,507)
Change in net assets of governmental activities		$ 14,471,912

See accompanying notes to financial statements.

CITY OF BELL
Statement of Changes in Fiduciary Net Assets (Deficit)
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	Supplemental Retirement Plan Trust Fund	Bell Successor Agency Private-Purpose Trust Fund
Assets:		
Cash and investments	$ 5,335,609	$ 829,777
Restricted cash and investments	-	2,040,238
Accounts receivable	-	2,315
Accrued interest and dividend income	8	-
Land held for development	-	835,730
Deferred charges	-	732,810
Capital assets, nondepreciable	-	8,286,780
Capital assets, net of accumulated depreciation	-	6,721,507
Total assets	$ 5,335,617	$ 19,449,157
Liabilities:		
Accounts payable	$ -	$ 90,251
Due to the City of Bell	-	565,577
Advances from the City of Bell	-	6,631,985
Interest payable	-	720,853
Long-term liabilities:		
Due within one year	-	5,253,685
Due in more than one year	-	20,835,000
	-	34,097,351
Net Assets (Deficit):		
Held in trust for pension benefits and other purposes	$ 5,335,617	$ (14,648,194)

See accompanying notes to financial statements.

CITY OF BELL
Statement of Changes in Fiduciary Net Assets (Deficit)
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	Supplemental Retirement Plan Trust Fund	Bell Successor Agency Private-Purpose Trust Fund
Additions:		
Property taxes	$ -	$ 1,595,414
Interest and dividend income	146,766	-
Net appreciation in fair value of mutual funds	226,870	-
Other income	2,811	20,663
Total additions	376,447	1,616,077
Deductions:		
Benefit payments	58,104	-
Depreciation expense	-	63,672
Administrative expenses	-	188,005
Interest and fiscal charges of former redevelopment agency	-	1,068,182
Total deductions	58,104	1,319,859
Extraordinary loss from dissolution of the Bell Community Redevelopment Agency	-	(14,944,412)
Change in net assets	318,343	(14,648,194)
Net assets held in trust, beginning of year	5,017,274	-
Net assets (deficit) held in trust, end of year	$ 5,335,617	(14,648,194)

See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bell, California (City) have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

Reporting Entity

The City was incorporated on November 7, 1927 under the general laws of the State of California. As of January 25, 2006, the City operates as a Charter City authorized by the Secretary of State. The City operates under the Council-Administrator form of government. Among the services provided by the City are the following: public safety, public works, and community services.

As required by generally accepted accounting principles in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the organization is able to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

All of the City's component units are considered to be blended component units, except for the Bell Successor Agency. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are reported with the fund data of the City. The Bell Successor Agency is a fiduciary type component unit of the City.

The following organizations are considered to be blended component units of the City:

Bell Community Redevelopment Agency

Bell Community Redevelopment Agency's (Agency) financial activity commenced in September 1972 pursuant to the State of California Health and Safety Code Section 33000 entitled "Community Redevelopment Law". The primary purpose of the Agency is to eliminate blighted areas by encouraging development of residential, commercial, industrial, recreational and public facilities. The City Council serves as the board, appoints the Agency director and has full accountability for the Agency's fiscal matters. Revenues of the Agency consist primarily of property tax allocations on the incremental increase of property values in the redevelopment area and interest income. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Agency. In 2011, legislation was passed in the State of California requiring the dissolution of all redevelopment agencies effective February 1, 2012. The legislation also provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and wind down of redevelopment activity. On January 25, 2012, the City approved two resolutions designating the City as a Successor Agency to the Agency, and the Housing Authority as the Housing Successor for housing-related items. The Agency's financial data and transactions are included with the Community Redevelopment Agency Debt Service Fund, the Low and Moderate Housing Nonmajor Special Revenue Fund, and Community Redevelopment Agency Nonmajor Special Revenue Fund until the date of dissolution on February 1, 2012.

Bell Surplus Property Authority

On July 7, 1975, the Bell Surplus Property Authority (Surplus Property Authority) was created by the City Council to enable the City to acquire, own, maintain, operate and dispose of surplus real properties of the United States, which are within or contiguous to the City. The Surplus Property Authority is administered by a Board, which consists of the members of the City Council.

Bell Public Financing Authority

The Bell Public Financing Authority (Public Financing Authority) was created by a joint exercise of joint powers agreement between the City and the Agency on February 1, 1991. The purpose of the Public Financing Authority is to provide, through the issuance of debt, financing necessary for various capital improvements. The Public Financing Authority is administered by a Board, which consists of the members of the City Council.

Bell Community Housing Authority

On February 21, 1995, the Bell Community Housing Authority (Housing Authority) was created by the City Council. The purpose of the Housing Authority is to provide safe and sanitary dwelling accommodations in the City to persons of low income. The Housing Authority is administered by a Board, which consists of the members of the City Council.

Solid Waste and Recycling Authority

On September 15, 2005, the Bell Solid Waste and Recycling Authority (Authority) was established by the City Council for the purpose of acquiring, constructing, maintaining, or operating the collection, treatment, or disposal of waste within the jurisdiction of the Authority. The Authority is administered by a Board, which consists of the members of the City Council.

Since the City Council serves as the governing board for these component units, these component units are considered to be blended component units.

The following organization is considered a fiduciary type component unit of the City.

Bell Successor Agency

Bell Successor Agency (Successor Agency) was created to serve as a custodian for the assets and to wind down the affairs of the former Agency. The Successor Agency is a separate public entity from the City, subject to the direction of an Oversight Board. The City Council serves as the governing board of the Successor Agency. In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund).

Bell-Cudahy Cable Television Joint Powers Authority

On June 3, 1985, the City of Bell and the City of Cudahy entered into a joint exercise of powers agreement to award cable television franchises within their corporate limits. The Bell-Cudahy Cable Television Joint Powers Authority (Cable Television Authority) is governed by a Commission. The Commission consists of five members: two members of the City Council of Bell; two members of the City Council of Cudahy; and one member selected by the other four members. As such, the activities of Cable Television Authority are not reported in the City's basic financial statements.

Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

Government-wide financial statements
Fund financial statements
Notes to financial statements

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting and Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole. The City has no business-type activities or discretely presented component units. Certain management salaries and benefits have been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting.* Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Taxes and other items not included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Governmental resources are allocated to and accounted for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds. In addition, separate fiduciary pension trust and private-purpose trust funds are presented and are excluded from the government-wide financial statements.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to pay liabilities of the current period. The City uses a sixty-day availability period. Expenditures generally are 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.

Taxes, grants, intergovernmental revenue, charges for services, lease income and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred with unrestricted resources, the City's policy is to first use committed fund balance, then assigned fund balance, and lastly unassigned fund balance amounts.

Description of Funds

The City reports the following major governmental funds:

General Fund – The General Fund is the operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenditures and capital improvement costs, which are not paid through other funds.

Retirement Special Revenue Fund – This fund is used to account for special assessment collections to be used for the retirement benefits of Safety and Miscellaneous employees.

Housing Special Revenue Fund – This fund is used to account for the housing assets and functions related to the Low and Moderate Income Housing Program retained by the Housing Authority following the dissolution of the former Agency.

Community Development Block Grant (CDBG) Special Revenue Fund – This fund is used to account for revenues and costs related to the activities approved and funded by the federal CDBG Program.

Community Redevelopment Agency Debt Service Fund – This fund is used to account for the accumulation of resources for and payment of long-term debt principal, interest and related costs on long-term debt of the Agency through January 31, 2012.

City Capital Projects Fund – This fund is used to account for the development of public improvements for the City.

Fiduciary Fund Types

Supplemental Retirement Plan Trust Fund – This fund is used to account for financial resources deposited and held in a trustee capacity for the City's Supplemental Retirement and Replacement Plan (Supplemental Retirement Plan).

Bell Successor Agency Private-Purpose Trust Fund - This fund is used to account for custodial responsibilities that are assigned to the Successor Agency with the passage of Assembly Bill 1X 26 (AB 1X 26) and was established on February 1, 2012. The fund accounts for the receipt of assets, liabilities, and property tax revenues pursuant to the dissolution of the Agency and expenses incurred pursuant to the recognized obligation payment schedule (ROPS) approved by the State Department of Finance.

The fiduciary funds follow the accrual basis of accounting.

a. Financial Statement Elements

Cash and Investments

Cash includes demand deposits. The California Government Code and the City's investment policy permit the City to invest in various instruments and pools. The City did not adopt an investment policy for the fiscal year ended June 30, 2012 and continued to use the investment policy that was adopted for the fiscal year ended June 30, 2011. Investments are reported in the accompanying statement of net assets and balance sheet at fair value, generally based on quoted market prices, except for certain investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, any gains or losses realized upon the liquidation, maturity or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents and restricted cash. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments.* Investment income earned by the pooled investments is allocated to the various funds based on each fund's average monthly cash and investment balance.

Due from other Governments

The amounts recorded as a receivable due from other governments include sales taxes, state gas taxes, motor vehicle in-lieu taxes and other revenues, collected or provided by the Federal, State, and County governments and unremitted to the City as of year-end.

Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

Capital Assets

Capital assets (including infrastructure) greater than $5,000 are capitalized and recorded at cost or at the estimated fair value of the assets at the time of acquisition where complete historical records have not been maintained. Donated capital assets are valued at their estimated fair value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of these assets or materially extend assets lives are not capitalized.

Capital assets include public domain (infrastructure) capital assets consisting of certain improvements other than buildings, including roads and bridges, traffic signals, and sewerage and drainage systems.

Depreciation has been provided using the straight-line method over the estimated useful life of the asset in the government-wide financial statements. The following is a summary of the estimated useful life of each asset type:

Infrastructure:	
Roads and bridges	25-50 years
Traffic signals	20 years
Sewer	50 years
Storm drain	30-75 years
Building and improvements	20-50 years
Furniture and equipment	5 years
Vehicles	5 years

Bond Premiums and Deferred Charges

Bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which materially approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable whereas issuance costs are recorded as an asset and reported as deferred charges.

Compensated Absences

Compensated absences (unpaid vacation and sick leave) are recorded as expenditures in the year they are paid. The balance of unpaid vacation and vested sick leave at year-end is recorded as a long-term liability in the government-wide financial statements. These amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees. Compensated absences are liquidated principally by the General Fund.

Property Tax Calendar

Property taxes attach as an enforceable lien on property as of January 1, each year. Taxes are levied during September of each year and are payable in two 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. The County of Los Angeles bills and collects the property taxes and remits them to the City in installments during the year, net of administrative expenses. Property tax revenue is recognized in the funds in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the Los Angeles County Assessor and State Board of Equalization.

Land Held for Development

The former Agency and the Housing Authority acquired several parcels of land as part of its primary purpose to develop or redevelop blighted areas. The properties are held by the Successor Agency and the Housing Authority at the lower of cost or estimated net realizable value determined at the date of an executed disposition and developer's agreement. Governmental fund balance is restricted or assigned in an amount equal to the carrying value of land held for development because the proceeds from the sale of such asset is restricted or assigned for future capital projects.

Prepaid Pension Asset

The City participates in the California Public Employees' Retirement System (CalPERS). The City transferred its participation from a CalPERS agent multiple-employer defined benefit plan to a cost-sharing multiple-employer defined benefit plan. The CalPERS Valuation Report dated June 30, 2003 established a side fund to account for the differences between the funded status of the cost-sharing multiple-employer plan and the funded status of the City's agent multiple-employer plan. The side fund will be credited with the actuarial investment return assumption of 7.75% and subject to amortization on an annual basis. As of the date of the inception, the side fund balance was $7,441,129, with a 14-year amortization period and a payment as percentage of payroll equal to 23.08%.

To reduce retirement costs and benefit from lower interest rates, on December 1, 2005, the Public Financing Authority issued $9,225,000 of 2005 Taxable Pension Revenue Bonds to fund a) the City's unfunded actuarial accrued liability (UAAL) for retirement benefits to its safety employees and b) advance refund the Public Financing Authority's outstanding 1998 Taxable Pension Revenue Bonds dated May 1, 1998. The proceeds from the bond issue, after refunding of the 1998 Pension Obligation Bonds, were remitted directly into CalPERS. The City will amortize the $7,320,000 net pension asset over the side fund's amortization period of twelve years. The prepaid pension asset as of June 30, 2012 is $4,542,297. The amortization of the prepaid pension asset during the fiscal year ended June 30, 2012 is $567,722.

Classification of Net Assets

On the statement of net assets, net assets are classified into three components, which are defined as follows:

> **Invested in capital assets, net of related debt -** This component of net assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings, including any related debt premiums, discounts, and deferred amounts on refunding, that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year-end, the unspent proceeds and the amount of related debt are included in the calculation of restricted net assets. Deferred debt issue costs are included in unrestricted net assets when issuance costs were paid from debt proceeds.
>
> **Restricted net assets -** This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At June 30, 2012, the restricted net assets are $17,155,724, of which, $4,577,080 is restricted by enabling legislation.
>
> **Unrestricted net assets -** This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Balances

As prescribed by Governmental Accounting Standards Board (GASB) Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2012, fund balances for governmental funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

- *Committed Fund Balance* – includes amounts that have been limited to specific purposes as defined in the City Charter or through adoption of a resolution or an ordinance by the City Council, the highest level of decision making authority of the City. The City has determined that both a resolution and an ordinance are equally binding. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes.. Intent is expressed by (a) the City Council or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for a specific purpose.
- *Unassigned Fund Balance* – includes amounts within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification of fund balance in the nonspendable, restricted or committed categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been classified for specific purposes for which resources already have been allocated.

Extraordinary Items

Extraordinary items are both 1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) and 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item since this state-wide dissolution was both unusual and infrequent. Accordingly, the transfer of the former Agency's liabilities in excess of its assets as of February 1, 2012 from the City's governmental activities to the Successor Agency fiduciary fund was recorded as an extraordinary gain in the City's government-wide financial statements and as an extraordinary gain or loss in the governmental funds. The receipt of these liabilities in excess of assets was reported in the Successor Agency fiduciary fund financial statements as an extraordinary loss. See Note 16 for further information.

Deficit Fund Equity

The CDBG Special Revenue Fund, the Bikeway Nonmajor Special Revenue Fund, and the Federal Grants Nonmajor Capital Projects Fund have deficit fund balances in the amount of $1,017, $1,618, and $279,199 because some expenditures are not reimbursable by the grantors. The General Fund will pay for these expenditures.

Use of Estimates

The preparation of 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 and disclosures. Actual results could differ from those estimates.

Reclassifications

These financial statements contain the following reclassifications:
1) A reclassification of the Gas Tax fund from a nonmajor special revenue fund to a nonmajor capital projects fund because beginning in fiscal year 2012 the City will use gas tax monies to pay for capital projects expenditures;
2) A reclassification of special assessment revenue and debt service expenditures for General Obligation bonds from the General Fund to the newly established General Obligation Bonds Nonmajor Debt Service Fund.

New GASB Pronouncements

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements:
1. Financial Accounting Standards Board ("FASB") Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure

This statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In June 2011, 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 of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012- an amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc post-employment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) a yield or index rate for 20-year, tax-exempt general obligation

municipal bonds with an average rating of AA/Aa or higher to projected benefit payments to the extent that the conditions in (a) are not met.

- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statement relates to accounting and financial reporting and does not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the way many governments fund pensions and how they account for and report information about them in financial statements. The statement would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement 68 is effective for the City's fiscal year ending June 30, 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations,* which provides new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which provides accounting and financial reporting guidance to state and local governments that offer nonexchange financial guarantees and for governments that receive guarantees on their obligations. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

(2) EXCESS OF EXPENDITURES OVER APPROPRIATION

Actual expenditures may not exceed budgeted appropriations at the department and non-departmental level. For the fiscal year ended June 30, 2012, the following expenditures exceeded appropriations in the General Fund.

	Final Budget	Actual on a Budgetary Basis	Variance
City administrator	$ 166,794	$ 168,506	$ (1,712)
Administration support	310,280	362,256	(51,976)
City clerk	34,300	37,628	(3,328)
Finance	525,280	561,560	(36,280)
City treasurer	-	518	(518)
Personnel services	79,200	80,235	(1,035)
General services	1,615,690	2,326,512	(710,822)
Planning	99,070	103,674	(4,604)
Building regulations	78,310	100,409	(22,099)
Patrol	2,515,610	2,598,574	(82,964)
Communications	433,310	440,503	(7,193)
Record bureau	217,950	223,275	(5,325)
Police training	78,900	90,969	(12,069)
Social services	266,590	267,997	(1,407)
Skate park	19,900	21,964	(2,064)
Public works	87,670	102,345	(14,675)
Engineering	70,000	74,820	(4,820)
Non-departmental:			
Transfers out	434,731	644,951	(210,220)
	$ 7,033,585	$ 8,206,696	$ (1,173,111)

The following expenditure exceeded its appropriation in the Retirement Special Revenue Fund for the fiscal year ended June 30, 2012.

	Final Budget	Actual on a Budgetary Basis	Variance
Retirement Fund			
Non-departmental:			
General government	$ 908,520	$ 969,367	$ (60,847)

(3) CASH AND INVESTMENTS

Cash and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

	Fiduciary Funds	
Government-wide	**Supplemental Retirement Plan Trust**	**Bell Successor Agency Private-Purpose Trust Fund**
$ 18,500,211	$ 5,335,609	$ 829,777
21,138,819	-	2,040,238
$ 39,639,030	$ 5,335,609	$ 2,870,015

Cash and investments as of June 30, 2012, consist of the following:

		Fiduciary Funds	
	Government-wide	**Supplemental Retirement Plan Trust**	**Bell Successor Agency Private-Purpose Trust Fund**
Cash on hand	$ 11,173	$ -	$ -
Deposits with financial institutions	37,487,936	145,228	829,777
Investments	2,139,921	5,190,381	2,040,238
Total cash and investments	$ 39,639,030	$ 5,335,609	$ 2,870,015

<u>Investments Authorized by the California Government Code and the City's Investment Policy</u>

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy that was adopted for the fiscal year ended June 30, 2011. The City did not adopt an investment policy for the fiscal year ended June 30, 2012 and continued to use the investment policy that was adopted for the fiscal year ended June 30, 2011. The table also identifies certain provisions of the California Government Code and the City's investment policy, if more restrictive, that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code and the City's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Authorized by California Government Code	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	No	Yes	5 years	None	None
U.S. treasury obligations	Yes	Yes	5 years	None	None
State obligations	No	Yes	5 years	None	None
Local agency obligations	No	Yes	5 years	None	None
U.S. agency securities	Yes	Yes	5 years	None	None
Banker's acceptances	Yes	Yes	180 days	40%	30%
Commercial paper	Yes	Yes	270 days	25%	10%
Negotiable certificates of deposit	Yes	Yes	5 years	30%	None
Certificate of deposit placement service	No	Yes	5 years	30%	None
Repurchase agreements	No	Yes	1 year	None	None
Reverse repurchase agreements and securities lending agreements	No	Yes	92 days	20%	None
Medium-term notes	Yes	Yes	5 years	30%	None
Mutual funds/money market mutual funds	Yes	Yes	N/A	20%	10%
Collateralized bank deposits	No	Yes	5 years	None	None
Mortgage pass-through securities	No	Yes	5 years	20%	None
County pooled investment funds	No	Yes	N/A	None	None
Joint power authority pool	No	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	Yes	N/A	None	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by the 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 the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk. The permitted investments are as follows:

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer	Minimum Credit Rating
U.S. treasury obligations	None	None	None	None
U.S. agency securities	None	None	None	None
Interest-bearing demand or time deposits	None	None	None	None
Tax-exempt obligations	None	None	None	AAA
Money market mutual funds	None	None	None	AAA
Local Agency Investment Fund (LAIF)	None	None	None	None
Investment agreements	None	None	None	AAA*

*Represents credit rating of the counterparty.

Investments Authorized by Supplemental Retirement Plan Trust Agreement

Based on the Investment Management and Custody Agreement (Non-ERISA Accounts) between the City and Wells Fargo Bank, N.A. (Trustee), the investments shall include, but are not limited to:

a) Pending investment or distribution, short-term securities or deposits, which bear a reasonable rate of interest in a bank or similar financial institution, supervised by the United States or a state, notwithstanding that the bank or financial institution is the Trustee or an affiliate of the Trustee.
b) Shares of any registered investment company whether or not the Trustee or its affiliates is an advisor to, or other service provider to, such company and receives compensation from such company for the services provided.
c) Any commingled trust funds including any such fund or funds presently in existence or hereafter established, and which are maintained by a bank or trust company supervised by a state or federal agency, notwithstanding that the bank or trust company is the Trustee or an affiliate of the Trustee.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the 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 the market interest rates. One of the ways that 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 the 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.

Information about the sensitivity of the fair values of the City's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

		Remaining Maturing (in Months)	
Investment Type	Total	12 Months or Less	More than 5 years
Money market mutual fund	$ 438,666	$ 438,666	$ -
Mutual funds	7,443,197	2,252,816	5,190,381
State investment pool	1,488,677	1,488,677	-
Total	$ 9,370,540	$ 4,180,159	$ 5,190,381

Disclosures Relating to 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 actual rating as of year-end for each investment type.

		Rating as of Year End	
Investment Type	Total	AAA	Not Rated
Money market mutual fund	$ 438,666	$ 438,666	$ -
Mutual funds	7,443,197	2,252,816	5,190,381
State investment pool	1,488,677	-	1,488,677
Total	$ 9,370,540	$ 2,691,482	$ 6,679,058

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than mutual funds and external investment pools), which represent 5% or more of the total City investments as of June 30, 2012.

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 or investments, other than the following provision for deposits: The California Government Code requires that the financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The collateral is held by the pledging financial institution's trust department and is considered held in the City's name. The investments held by the City were not subject to custodial credit risk at June 30, 2012.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. 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.

The total amount invested by all public agencies in LAIF as of June 30, 2012, is $21.9 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2012, had a balance of $60.5 billion. Of that amount, 96.53% was invested in non-derivative financial products and 3.47% in structured notes and asset-backed securities. The average maturity of PMIA investments was 270 days as of June 30, 2012.

(4) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Current interfund receivables and payables at June 30, 2012 are as follows:

Due from other funds	Due to other funds	Amount
General Fund	Nonmajor Governmental Funds	$ 148,601
	CDBG Special Revenue Fund	379,778
	Retirement Special Revenue Fund	256,989
		785,368
Housing Special Revenue Fund	General Fund	8,868
Nonmajor Governmental Funds	General Fund	19,289
Total interfund receivables and payables		$ 813,525

These interfund balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) allocated revenues between funds were not recorded timely, and 3) payments between funds are made.

Long-term interfund receivables and payables at June 30, 2012 are as follows:

Advances to (receivable)	Advances from (payable)	Amount
General Fund	Nonmajor Governmental Funds	$ 123,660

During the fiscal years 2002-03 and 2003-04, the General Fund advanced $106,131 and $102,529, respectively for the purpose of supplementing a negative cash balance during the respective fiscal years until the rental units could support administrative costs allocated to the Community Housing Authority Special Revenue Fund. The advances bear no interest and have no stipulated repayment date. In fiscal year 2010-11, the General Fund advanced another $35,062 to the Community Housing Authority Special Revenue and Capital Projects funds. The Community Housing Authority funds repaid some of these advances in fiscal year 2011-12. The outstanding balance at June 30, 2012 is $123,660.

Interfund transfer summary for the fiscal year ended June 30, 2012 is as follows:

Transfer in (receiving fund)	Transfer out (paying fund)	Amount
General Fund	Nonmajor Governmental Funds	$ 829,340
Retirement Special Revenue Fund	General Fund	426,031
Nonmajor Governmental Funds	General Fund	218,920
	City Capital Projects Fund	1,264,940
	Nonmajor Governmental Funds	1,298,700
		2,782,560
		$ 4,037,931

Transfers provide funding for the City’s general operations and debt service.

(5) CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

Governmental activities	Balance at July 1, 2011,	Additions	Deletions	Transfers to Bell Successor Agency	Balance at June 30, 2012
Capital assets, not being depreciated:					
Rights-of-way	$ 6,725,298	$ -	$ -	$ -	$ 6,725,298
Land	55,914,279	-	-	(8,286,780)	47,627,499
Construction in progress	334,683	1,105,521	(1,347,044)	-	93,160
Total capital assets not being depreciated	62,974,260	1,105,521	(1,347,044)	(8,286,780)	54,445,957
Capital assets being depreciated:					
Buildings and improvements	43,087,288	114,742	-	(7,478,618)	35,723,412
Equipment and vehicles	2,824,277	68,273	-	-	2,892,550
Infrastructure:					
Roads and bridges	45,276,653	1,232,303	-	-	46,508,956
Traffic signals	3,956,697	-	-	-	3,956,697
Sewers	1,213,256	-	-	-	1,213,256
Storm drains	820,670	-	-	-	820,670
Total capital assets being depreciated	97,178,841	1,415,318	-	(7,478,618)	91,115,541
Less accumulated depreciation:					
Buildings and improvements	(8,756,851)	(1,238,105)	-	693,439	(9,301,517)
Equipment and vehicles	(2,311,039)	(204,960)	-	-	(2,515,999)
Infrastructure					
Roads and bridges	(23,169,069)	(1,402,702)	-	-	(24,571,771)
Traffic signals	(1,913,479)	(193,103)	-	-	(2,106,582)
Sewers	(644,518)	(12,364)	-	-	(656,882)
Storm drains	(794,488)	(18,946)	-	-	(813,434)
Total accumulated depreciation	(37,589,444)	(3,070,180)	-	693,439	(39,966,185)
Total capital assets being depreciated, net	59,589,397	(1,654,862)	-	(6,785,179)	51,149,356
Total capital assets, net	$ 122,563,657	$ (549,341)	$ (1,347,044)	$ (15,071,959)	$ 105,595,313

Upon dissolution of the former Agency pursuant to AB 1X 26 as disclosed in Note 1, capital assets in the amount of $15,071,959 previously recorded in the former Agency's records were transferred to the Successor Agency on February 1, 2012. See Note 16 for further information.

Depreciation expense was charged in the following functions in the statement of activities for the fiscal year ended June 30, 2012:

General government	$ 481,556
Public safety	118,037
Community services	843,472
Public works	1,627,115
	$ 3,070,180

(6) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2012:

	Balance at July 1, 2011	Additions	Deletions	Transfers to Bell Successor Agency	Balance at July 1, 2012	Due Within One Year
Governmental activities:						
General Obligation Bonds (GOB):						
Series 2004	$ 14,645,000	$ -	$ 365,000	$ -	$ 14,280,000	$ 380,000
Series 2007	35,000,000	-	-	-	35,000,000	17,105,000
Unamortized premium on GOB	416,333		16,013	-	400,320	-
Total GOB	50,061,333	-	381,013	-	49,680,320	17,485,000
Revenue bonds:						
Lease Revenue Refunding Bonds, Series 2005	18,960,000	-	395,000	-	18,565,000	410,000
Taxable Pension Revenue Bonds, Series 2005	6,980,000	-	555,000	-	6,425,000	610,000
Taxable Lease Revenue Bonds, Series 2007	35,000,000	-	-	-	35,000,000	35,000,000
Unamortized premium on revenue bonds	312,446	-	12,064	-	300,382	-
Total revenue bonds	61,252,446	-	962,064	-	60,290,382	36,020,000
Tax allocation bonds:						
Refunding Bonds, Series 2003	22,600,000	-	865,000	(21,735,000)	-	-
Certificates of participation:						
1998 Certificates of Participation	1,980,000	-	115,000	-	1,865,000	120,000
Promissory note:						
2009 Promissory Note	4,353,685	-	-	(4,353,685)	-	-
Other liabilities:						
Liability claims	6,898,256	890,474	1,548,486	-	6,240,244	1,502,461
Compensated absences	1,438,723	595,892	692,819	-	1,341,796	309,955
Other post-employment benefits obligation	6,036,247	1,418,710	420,430	-	7,034,527	497,762
Total other liabilities	14,373,226	2,905,076	2,661,735	-	14,616,567	2,310,178
Total governmental long-term liabilities	$ 154,620,690	$ 2,905,076	$ 4,984,812	$ (26,088,685)	$ 126,452,269	$ 55,935,178

Upon dissolution of the former Agency pursuant to AB 1X 26 as disclosed in Note 1, long-term liabilities in the amount of $26,088,685 previously recorded in the former Agency's records were transferred to the Successor Agency on February 1, 2012. See Note 16 for further information.

General Obligation Bonds, Series 2004

On October 4, 2004, the City issued Series 2004 General Obligation Bonds in the aggregate principal amount of $15,000,000 with a final maturity date on August 1, 2034. These bonds were authorized at an election of the registered voters of the City. The bonds were issued to pay for the costs of construction of certain municipal improvements such as the Bell Sports Complex, the Bell Community Center and other parks, recreational and cultural facilities throughout the community and the construction of a new library, performing arts theater and public safety and civic facilities.

Bonds maturing on or before August 1, 2014 are not subject to optional redemption. Bonds maturing on or after August 1, 2015, are subject to redemption prior to their respective stated maturity dates, at the option of the City. The Terms Bonds maturing on August 1, 2034, are subject to mandatory sinking account redemption in part on August 1 in each year on and after August 1, 2029, from any source of available funds at a redemption price equal to 100% of the par value thereof. The outstanding bonds bear interest at 4.00% to 5.00% due February 1 and August 1 of each year with annual principal payments ranging from $355,000 to $975,000. The amount of bonds outstanding at June 30, 2012 totaled $14,280,000.

Payment of the principal of, and interest on, the bonds are insured by a municipal bond insurance policy issued by National Public Finance Guarantee Corporation, which is a successor to MBIA Insurance Corporation, which expires August 1, 2034.

Minimum annual requirements to amortize the 2004 General Obligation Bonds outstanding as of June 30, 2012 are as follows:

Year Ending June 30,	General Obligation Bonds Series 2004	
	Principal	Interest
2013	$ 380,000	$ 634,319
2014	395,000	618,819
2015	415,000	602,619
2016	430,000	585,719
2017	445,000	568,219
2018-2022	2,510,000	2,552,656
2023-2027	3,080,000	1,971,059
2028-2032	3,835,000	1,187,150
2033-2035	2,790,000	213,750
Total	$ 14,280,000	$ 8,934,310

In January 2011, the Internal Revenue Service (IRS) opened an audit with respect to the 2004 General Obligation Bonds. The IRS audits bonds to determine compliance with the Internal Revenue Code (IRC). The 2004 General Obligation Bonds were previously issued as tax-exempt obligations under the IRC. In August 2012, the IRS notified the City that it has closed the audit on the 2004 General Obligation Bonds with no change on the tax-exempt status of interest on the 2004 General Obligation Bonds.

General Obligation Bonds, Series 2007

On August 22, 2007, the City issued Series 2007 General Obligation Bonds in the aggregate principal amount of $35,000,000 with a final maturity date on August 1, 2037. These bonds were issued to finance the acquisition and construction and/or improvements of certain public facilities within the City.

Bonds maturing on or before August 1, 2017 are not subject to optional redemption. Bonds maturing on or after August 1, 2018, are subject to redemption prior to their respective stated maturity dates, at the option of the City. The Terms Bonds maturing on August 1, 2029, are subject to mandatory sinking account redemption in part on August 1 in each year on and after August 1, 2028, from any source of available funds at a redemption price equal to 100% of the par value thereof. The outstanding bonds bear interest at 4.00% to 5.00% due February 1 and August 1 of each year with principal payments ranging from $725,000 to $2,255,000. The amount of bonds outstanding at June 30, 2012 totaled $35,000,000.

Payment of the principal of, and interest on, the bonds are insured by a financial guarantee policy issued by CIFG Assurance North America, Inc. (CIFG). In January 2009, CIFG and Assured Guaranty Corp. (AGC) entered into a reinsurance transaction whereby AGC provides reinsurance to CIFG with respect to certain U.S. public finance and infrastructure bond insurance policies. Accordingly, the City's financial guarantee policy was reassigned from CIFG to AGC as of April 14, 2011.

Minimum annual requirements to amortize the 2007 General Obligation Bonds outstanding as of June 30, 2012 are as follows:

Year Ending June 30,	General Obligation Bonds Series 2007		
	Principal		Interest
2013	$ 17,105,000	**	$ 1,304,675
2014	105,000		889,000
2015	115,000		884,600
2016	145,000		879,400
2017	185,000		871,875
2018-2022	1,590,000		4,162,500
2023-2027	2,875,000		3,614,625
2028-2032	4,555,000		2,688,625
2033-2037	6,740,000		1,284,750
2038	1,585,000		39,625
Total	$ 35,000,000		$ 16,619,675

** On July 17, 2012, pursuant to a tender offer conducted by the City with respect to the 2007 Bonds, bondholders tendered for purchase $10,435,000 in principal amount of the Series 2007 General Obligation Bonds. In addition, the City essentially economically defeased an additional $5,945,000 of the 2007 Bonds from unspent bond proceeds, leaving $18,620,000 of the 2007 Bonds outstanding. To accomplish an economic defeasance, the City irrevocably deposited funds to be invested in federal securities pursuant to the Escrow Agreement, dated July 1, 2012, between the City and U.S. Bank National Association, to redeem the $5,945,000 aggregate principal amount of Bonds on the first optional redemption date of August 1, 2017. No opinion was given as to whether the bonds were legally defeased.

In accordance with the Series 2004 and 2007 General Obligation Bonds' Official Statements, the bonds are general obligation bonds of the City payable from ad valorem taxes. The City has the power and is obligated to annually levy or cause to be levied ad valorem taxes upon all property within the City subject to taxation by the City, without limit as to rate or amount, for the payment of the Bonds and the interest thereon. Accordingly, the Series 2004 and 2007 General Obligation Bonds are secured by and to be serviced from property taxes levied and collected by the City. Property tax revenues have been pledged until August 1, 2034, the final maturity of the 2004 bonds, and August 1, 2037, the final maturity of the 2007 bonds. The total remaining debt service for the bonds is $74.8 million. Pledged property tax revenue recognized during the fiscal year ended June 30, 2012 was $2.1 million against the total debt service payments of $2.7 million. The City was not in compliance with bond requirements because it did not assess property taxes sufficient to pay the principal and interest on the bonds for the current year. The shortfall in the pledged property tax revenue was paid with monies from the City's General Fund and the unspent bond proceeds.

In January 2011, the IRS opened an audit with respect to the 2007 General Obligation Bonds. The IRS audits bonds to determine compliance with the IRC. The 2007 General Obligation Bonds were previously issued as tax-exempt obligations under the IRC. The IRS is still conducting the audit for the 2007 General Obligation Bonds and the City has received correspondence from the IRS indicating that the IRS believes interest on the 2007 General Obligation Bonds may not be tax-exempt under Section 103 of the IRC. Further information provided to the IRS has not altered its position. The IRS believes that the 2007 General Obligation Bond issue is a hedge bond as provided in Section 149(g)(3)(A) of the IRC because the City has not shown that it could afford to construct the projects and reasonably expect to spend the proceeds within three years of issuance, and therefore the interest paid to bondholders on the unspent portion of the bonds is not excludable from the gross income of bondholders under Section 103(a)(1) of the IRC. The City is cooperating with the IRS audit. However, the City cannot predict the outcome of the audit. If the IRS issues an adverse determination with respect to the 2007 General Obligation Bonds, interest on the 2007 General Obligation Bonds could be deemed to be includable in the gross income of the owners of the 2007 General Obligation Bonds. If the IRS issues an adverse determination and bondholders are taxed, the City could be sued by the bondholders. The City's potential maximum exposure in the event the City attempts to pay potential bondholder exposure for taxes is: 29% of interest payments on the 2007 General Obligation Bonds previously made (likely limited to three years back) and 29% of the present value of interest payments on remaining outstanding 2007 Bonds (currently $17,895,000 of principal outstanding) (if the City does not refund the bonds on a taxable basis). The 29% is based on an estimated marginal tax rate that the IRS will use to calculate the tax liability.

2005 Lease Revenue Refunding Bonds

On October 19, 2005, the Housing Authority issued $20,790,000 of 2005 Series Lease Revenue Refunding Bonds. The 2005 Series Lease Revenue Refunding Bonds were issued to refinance $8,120,000 of outstanding 1995A Revenue Bonds, $3,280,000 of 1995B Subordinate Revenue Bonds and $5,000,000 of 2003 Housing Notes and to provide $6,011,908 for the construction, acquisition and rehabilitation of rental properties. The original issue was also used for the construction, acquisition and rehabilitation of rental properties. The 2005 Series Lease Revenue Refunding Bonds consist of $13,525,000 of term bonds and $7,265,000 of serial bonds. The serial bonds accrue interest at rates between 2.90% and 4.35%, which is payable semiannually on

April 1 and October 1 of each year commencing April 1, 2006. Principal on the serial bonds is payable on October 1, 2006 through October 1, 2021 in amounts ranging from $335,000 to $605,000. The $13,525,000 term bonds accrue interest at 5.00% and mature between October 1, 2025 and October 1, 2036. The outstanding balance as of June 30, 2012 was $18,565,000.

The 2005 Series Lease Revenue Refunding Bonds are subject to redemption prior to maturity as described in the bond covenants. The indenture provides that in lieu of a cash deposit, the Housing Authority may satisfy the reserve requirements by means of a qualified reserve fund credit instrument, which consists of a quality surety bond, insurance policy or similar financial undertaking. The Housing Authority deposited a Financial Guaranty Insurance Policy issued by Ambac Assurance Corporation (Ambac Assurance) in the reserve fund for the 2005 Series Lease Revenue Refunding Bonds. On November 9, 2010, Ambac Financial Group Inc. (Ambac Financial) filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court. Ambac Assurance is a subsidiary of Ambac Financial. See Note 15 regarding Ambac Financial's filing for bankruptcy protection. According to the 2005 Series Lease Revenue Refunding Bonds indenture, in the event that such surety bonds for any reason terminate or expire, and the remaining amount on deposit in the Reserve Account is less than the Reserve Account Requirement (as defined in the indenture), the Housing Authority is to address such shortfall by delivering to the trustee a surety bond or a letter of credit meeting the criteria of the Reserve Account Requirement under the indenture, or depositing cash to the Reserve Account.

Minimum annual requirements to amortize the 2005 Series Lease Revenue Refunding Bonds outstanding as of June 30, 2012 are as follows:

Year Ending June 30,	Lease Revenue Refunding Bonds Series 2005	
	Principal	Interest
2013	$ 410,000	$ 883,383
2014	430,000	864,483
2015	455,000	844,570
2016	475,000	823,645
2017	490,000	803,158
2018-2022	2,780,000	3,688,931
2023-2027	3,460,000	2,965,500
2028-2032	4,420,000	1,986,250
2033-2037	5,645,000	733,375
Total	$ 18,565,000	$ 13,593,295

The 2005 Lease Revenue Refunding Bonds are secured by and to be serviced from lease payments paid by the City to the Housing Authority. The lease payments have been pledged until October 1, 2036, the final maturity date of the bonds. The total remaining debt service for the bonds is $32.2 million. Pledged lease payments recognized during the fiscal year ended June 30, 2012 were $1.3 million as against the total debt service payments of $1.3 million.

2005 Taxable Pension Revenue Bonds

On December 1, 2005, the Public Financing Authority issued $9,225,000 of the 2005 Taxable Pension Revenue Bonds. The 2005 Taxable Pension Revenue Bonds were issued to fund the City's then current unfunded actuarial accrued liability for retirement benefits of the City's safety employees in the amount of $7,320,000 and to retire the Public Financing Authority's outstanding 1998 Taxable Pension Revenue Bonds of $1,460,000.

The 2005 Taxable Pension Revenue Bonds consist of $3,655,000 of term bonds and $5,570,000 of serial bonds. The serial bonds accrue interest at a rate between 4.77% and 5.26%, which is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2006. Principal on the serial bonds is payable on August 1, 2006 through August 1, 2015 in amounts ranging from $385,000 to $780,000. The $3,655,000 term bonds accrue interest at 5.48% and mature on August 1, 2019.

The 2005 Taxable Pension Revenue Bonds are payable from the loan payment to be made by the City to the Public Financing Authority sufficient to pay the principal and interest on the bonds.

Payment of the principal of, and interest on, the bonds are insured by a financial guarantee policy issued by Ambac Assurance Corporation (Ambac Assurance.) On November 9, 2010, Ambac Financial Group Inc. (Ambac Financial) filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court. Ambac Assurance is a subsidiary of Ambac Financial. See Note 15 regarding Ambac Financial's filing for bankruptcy protection.

The annual requirements to amortize the 2005 Taxable Pension Revenue Bonds debt outstanding at June 30, 2012 are as follows:

Year Ending June 30,	Taxable Pension Revenue Bonds Series 2005			
	Principal		Interest	
2013	$	610,000	$	328,727
2014		660,000		296,111
2015		720,000		260,186
2016		780,000		220,808
2017		845,000		177,141
2018-2020		2,810,000		229,612
Total	$	6,425,000	$	1,512,585

The 2005 Taxable Pension Revenue Bonds are secured by and to be serviced from the retirement tax (reported as special assessments) levied and collected by the City and the Agency. Retirement tax revenues are pledged until August 1, 2019, the final maturity of the bonds. The total remaining debt service for the bonds is $7.9 million. Pledged retirement tax revenue recognized during the fiscal year ended June 30, 2012 was $2.7 million as against the total debt service payments of $913,379.

In 2005, the City defeased the 1998 Taxable Pension Revenue Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's basic financial statements. On June 30, 2012, $935,000 of such bonds outstanding are considered defeased.

<u>2007 Taxable Lease Revenue Bonds</u>

On October 26, 2007, the Public Financing Authority issued $35,000,000 of Taxable Lease Revenue Bonds. The proceeds were used to pay off the 2006 Bond Anticipation Notes and to acquire certain land and land improvements.

On October 21, 2009, the bond maturity date was extended to November 1, 2010. Interest on the outstanding bonds accrue interest at an amended rate of 1.77% and interest payments are due on May 1 and November 1 of each year until the bonds mature on November 1, 2010. On November 2, 2009 Dexia Credit Local, the purchaser of the 2007 Taxable Lease Revenue Bonds (Dexia), agreed that the City could utilize $311,760 held in the reserve account for a portion of the interest payment due on November 1, 2009.

On November 1, 2010, the City did not pay the bonds. The Public Financing Authority could not repay the principal and interest on the 2007 Taxable Lease Revenue Bonds. The entire principal balance of $35,000,000 is shown as due and payable. The accrued interest as of July 30, 2013 is approximately $1.7 million.

In October 2011, Dexia, the holder of the 2007 Taxable Lease Revenue Bonds, sued the City and the Public Financing Authority for judicial foreclosure and for a deficiency judgment. Following several motions, mediations and settlement conferences, the City and Dexia reached a settlement agreement, pursuant to which the City will sell the property for a minimum price (approximately $29,000,000), and Dexia will waive its claim for deficiency judgment against the City. The settlement was approved by the court on June 17, 2013. The trial date has been vacated and Dexia submitted a request for dismissal on June 19, 2013 to the court of their claims for money damages (known as the deficiency judgment claims), which was granted on June 21, 2013. The entire case will be dismissed after the parties complete a property sale process to resolve the matter, which is expected by December 1, 2013.

In the event that the City and Dexia are unable to complete the settlement as expected, i.e. the sale of the Property, the City's risk of exposure will be the loss of the Property to Dexia by foreclosure and a maximum of $2,000,000 plus some incidental attorneys' fees, interest and costs to pay to Dexia. If the settlement goes as expected, the City will not owe Dexia anything other than the sale proceeds from the Property. The $2,000,000 settlement is secured by a deed of trust on Parcel A, another parcel owned by the Bell Public Financing Authority ("Parcel A"). The $2,000,000, if owed to Dexia, is expected to be satisfied through either the sale of Parcel A (likely at the end of this year), or will be paid over 7 years to Dexia at an interest rate of 4%. The City also has reached a settlement agreement with Best Best & Krieger related to the services the firm provided for this transaction in the amount of $250,000.

<u>1998 Certificates of Participation</u>

On February 1, 1998, the Public Financing Authority issued $3,020,000 of 1998 Certificates of Participation. The proceeds were used to provide funds for the acquisition, construction, installation and rehabilitation of certain public improvements for the City, including streets, park improvements and structures.

The 1998 Certificates of Participation consist of $1,400,000 of serial certificates and $1,620,000 of term certificates. The serial certificates accrue interest at rates between 4.00% and 4.75%, which is payable semiannually on March 1 and September 1, commencing September 1, 1998. The principal amount of the serial bonds matures in amounts ranging from $70,000 to $125,000, with a final maturity date of September 1, 2013. The term bonds accrue interest at 5.00% and is payable semiannually on March 1 and September 1, commencing September 1, 1998. The term certificates are subject to mandatory prepayment on September 1 of each year commencing September 1, 2014, in amounts ranging from $130,000 to $200,000, in accordance with the terms identified in the certificates indenture.

Payment of principal and interest with respect to the certificates are insured by a municipal bond insurance policy issued by National Public Finance Guarantee Corporation, which is a successor to MBIA Insurance Corporation. The outstanding certificate balance at June 30, 2012 was $1,865,000.

The annual requirements to amortize 1998 Certificates of Participation debt outstanding at June 30, 2012 are as follows:

Year Ending June 30,	Certificates of Participation Series 1998	
	Principal	Interest
2013	$ 120,000	$ 89,758
2014	125,000	83,969
2015	130,000	77,750
2016	135,000	71,125
2017	140,000	64,250
2018-2022	825,000	203,825
2023-2024	390,000	19,750
Total	$ 1,865,000	$ 610,427

The 1998 Certificates of Participation are secured by and to be serviced from utility users taxes levied and collected by the City and approved by the voters. Utility users tax revenues are pledged until September 1, 2023, the final maturity date of the certificates. The total remaining debt service for the debt is $2.5 million. Pledged utility users tax revenue recognized during the fiscal year ended June 30, 2012 was $3.0 million as against the total debt service payments of $210,223.

Noncompliance with Debt Covenants and SEC Continuing Disclosure Requirements

The City, Public Financing Authority, Housing Authority and former Agency were not in compliance with reporting provisions of the indentures for all bonds and certificates of participation for the fiscal year ended June 30, 2012 because the City's audited financial statements were not issued within 90 to 240 days of the year- end. Accordingly, the City and the former Agency have not complied with continuing disclosure requirements under SEC 15c2-12.

Risk Management

The City has a program for insurance for workers' compensation, general liability, auto liability, and certain other risks. The City entered into an Excess Workers' Compensation Program with CSAC Excess Insurance Authority with Excess and Reinsurance layers provided by ACE American Insurance Company and National Union Fire Insurance Co. of Pittsburg, PA. The City is self-insured up to $250,000 Self-Insurance Retention (SIR) per occurrence. Coverage in excess of SIR was provided by various companies. The pooled Retention is up to $5,000,000 (difference between $5,000,000 and the City's SIR). Layer 1 - $45,000,000 in excess, $5,000,000 each occurrence is reinsured by ACE American Insurance Company. Layer 2 – up to the statutory limit in excess of $50,000,000 each occurrence is provided by National Union Fire Insurance Co. of Pittsburg, PA (AIG).

The City entered into an Excess Liability Coverage policy with Lexington Insurance Company for public entity excess liability. The City is self-insured up to $250,000 Self-Insurance Retention (SIR) each occurrence. Any losses in excess of the SIR up to $20,000,000 is provided by Insurance Co. of the State of Pennsylvania per each occurrence.

At June 30, 2012, no fund balance has been committed or assigned for self-insurance for workers' compensation and general liability claims. While the ultimate amount of losses incurred through June 30 is dependent on future developments, the estimated liability claims are based upon information from the actuarial valuation report for workers' compensation, the City Attorney, outside counsel, the service agent and others involved with the administration of the programs. There are no claims that exceed insurance coverage over the last three years. Costs relating to the litigation of claims are charged to expenditures as incurred. Liability claims are liquidated by the General Fund.

Changes in the liability claims payable amounts in fiscal years 2012 and 2011 are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2010-2011	$ 4,378,528	$ 3,444,280	$ (924,552)	$ 6,898,256
2011-2012	6,898,256	890,474	(1,548,486)	6,240,244

Compensated Absences

Employees, who have passed the initial probationary period (eligible employees), will accrue from 3.0000 to 3.6960 hours bi-weekly for sick leave. Eligible employees will also accrue from 3.6960 to 10.1520 hours bi-weekly for vacation leave; depending on years of service and position during employment with the City or on approved employee leave. Vacation leave caps at 280 hours for employees who were hired after July 1, 2000 or 360 hours for employees who were hired after July 1, 1998, except for the City Manager whose vacation leave caps at 320 hours. Unused accumulated vacation leave will be paid to each employee upon the date of separation from the City.

Any unused sick leave at the end of each fiscal year is carried over to the next fiscal year with no cap limit, except for the City Manager whose vacation leave caps at 480 hours. Employees hired prior to June 30, 1998, upon separation from service, will be paid an amount equivalent to the remaining unused hours of sick leave at the time of separation or, at retirement from the City, all unused sick leave may be credited toward CalPERS service credit. Employees hired after July 1, 1998, upon separation from service, will be compensated for any unused sick leave up to 100 hours or, at retirement from the City; an unlimited amount of unused sick leave may be credited toward CalPERS service credit. Any vacation hours up to the cap limit will be paid out at retirement. Compensated absences are liquidated by the General Fund.

The outstanding balance at June 30, 2012 was $1,341,796, which includes vested sick and vacation time.

(7) LOAN PROGRAM

As described in the California State Controller's Office (SCO) Audit of the City's Administrative and Internal Accounting Control System for the period July 1, 2008 to June 30, 2010 dated September 22, 2010, the City made unsecured interest bearing loans to members of the City Council, City officials, City employees, and local business at the discretion of the former CAO. Loans bear interest at LAIF interest rates and have various repayment terms. The outstanding loans receivable balance at June 30, 2012 was $54,826 and is included in the loans receivable balance.

(8) INTERFUND ALLOCATIONS

Standard accounting practices and 2 CFR Part 225 *Cost Principles for State, Local, and Indian Tribal Governments* (OMB Circular A-87) Appendix A - C.3.a state, "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received." Further, accounting principles generally accepted in the United States of America require estimates to be reasonable and supported. In the current and prior years, direct payroll and benefit expenditures were allocated to various funds based on budget estimates rather than actual time spent on the program or function. Payroll and benefit expenditures for the fiscal year ended June 30, 2012 were reported in the governmental funds statement of revenues, expenditures and changes in fund balances (deficit) as follows:

Fund/Functional Expenditures	**General Fund**	**Nonmajor Governmental Funds**
General government	$ 1,908,231	$ 142,680
Public safety	4,057,791	-
Public works	92,635	37,533
Community services	736,264	108,699
Total	$ 6,794,921	$ 288,912

Amounts reported in the functional expenses on the government-wide statement of activities also reflect budget basis allocations of payroll and benefit expenditures adjusted for year-end accruals of such costs. Accordingly, reported functional expenses for the General Fund and nonmajor governmental funds for the fiscal year ended June 30, 2012 do not reflect the actual costs of each function.

City management has not performed an analysis of allocations made in prior years to determine whether restricted resources were used to pay budgeted allocations. Accordingly, beginning fund balances have not been adjusted.

In addition to the allocation of payroll and benefit expenditures as mentioned above, the administrative expenditures in the amount of $304,620 were allocated from the General Fund to the aggregate nonmajor governmental funds based on budget estimates rather than actual costs. As a result, general government expenditures in both the General Fund and the aggregate nonmajor governmental funds may not be accurately stated.

(9) DEFINED BENEFIT PENSION PLAN

Plan Description:

The City contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan for three groups of employees: miscellaneous employees, safety first tier employees, and safety police second tier employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by CalPERS. Copies of CalPERS' annual financial report may be obtained from their executive office at: 400 P Street, Sacramento, CA 95814.

Funding Policy:

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. For the fiscal year ended June 30, 2012, the amount contributed by the City on behalf of the employees was $181,290 for miscellaneous employees and $234,057 for safety employees. The City is required to make annual contributions based on the results of an actuarial valuation of the cost-sharing plan. The City's annual required contribution rates were 21.289% for miscellaneous employees, 26.028% for safety first tier employees, and 23.006% for safety police second tier employees as a percentage of covered payroll for the fiscal year ended June 30, 2012. Benefit provisions and all other requirements are established by the state legislature.

Annual Pension Cost:

For fiscal year 2011-12, the City's annual pension cost of $510,186 for miscellaneous employees, $517,725 for safety first tier employees, and $141,340 for safety police second tier employees was equal to the City's required and actual contributions.

The following is a schedule of required employer contributions and percentage of required contributions contributed for the last three fiscal years:

THREE-YEAR TREND INFORMATION FOR CalPERS
Schedule of Employer Contributions

Miscellaneous Plan

Fiscal Year	Required Contributions	Pecentage of Required Contributions Contributed
6/30/2010	$ 838,429	100%
6/30/2011	566,670	100%
6/30/2012	510,186	100%

Safety Police First Tier Plan

Fiscal Year	Required Contributions	Percentage of Required Contributions Contributed
6/30/2010	$ 537,619	100%
6/30/2011	469,141	100%
6/30/2012	517,725	100%

Safety Police Second Tier Plan

Fiscal Year	Required Contributions	Percentage of Required Contributions Contributed
6/30/2010	$ 166,219	100%
6/30/2011	130,115	100%
6/30/2012	141,340	100%

The City purchased five (5) years of Additional Retirement Service Credits (ARSC) on behalf of the former CAO, the former ACAO, five (5) former council members and four (4) former department heads between 2005 and 2009 using City funds with an approximate cost of $1,000,000. In a letter dated June 19, 2012, CalPERS notified the City that the purchase of ARSC for one of the former department heads was not lawful under the Public Employees Retirement Law. In addition, some former employees and council members are appealing CalPERS' determination on their final compensation for purposes of calculating retirement benefits to the full CalPERS Board. Subsequently, in January 2013, CalPERS made a determination on the former CAO's final compensation and the former CAO waived five (5) years of ARSC the City purchased resulting in a credit of approximately $220,000 to the City's CalPERS account. On June 19, 2013, the CalPERS Board voted to reverse the administrative law judge's ruling that the former ACAO was entitled to ARSC and to make such decision precedential - meaning it will have binding effect on the remaining 9 appeals. Unless this decision is overturned by the courts, the City will likely receive a credit on the purchase of ARSC. The determination of final compensation for some former employees and council members are pending CalPERS' final determination and may impact the City's annual required pension contribution amounts in the future; however, the future financial impact is not currently determinable.

(10) OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description:

The City administers a single-employer defined benefit plan, which provides health care benefits and other benefits such as vision and dental coverage to City retirees and their eligible dependents in accordance with City contracts and agreements.

Eligibility:

Eligibility is determined by CalPERS vesting rules, date of hire, and years of service at retirement date. Both Miscellaneous and Safety members who retire from the City and have attained at least the age of 50 and completed 5 years of CalPERS service or become disabled and have completed 5 years of CalPERS service are eligible for health care benefits after retirement. Miscellaneous members who retire after January 1, 1997 with 30 years of service, who retire after July 1, 2006 with 20 years of service, and elected officials whose term started before January 1, 1995 and ended after July 1, 1997 and have completed at least 12 years of credited service are also eligible for health care benefits. The City pays the cost of health benefits and other benefits for eligible retirees and eligible dependents as established by the City's contract, agreements, and/or resolution.

Funding Policy:

The contributions requirements of the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2012, the City contributed $420,430 to the plan. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual other post-employment benefit (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 an unfunded actuarial accrued liability (or funding excess) over a period not to exceed thirty years.

The Annual Required Contribution (ARC) for the fiscal year ended June 30, 2012, was $1,398,403 based on the actuarial valuation performed as of July 1, 2012. The decrease in the annual required contribution is due to change in actuarial assumptions as follows:

1. Actuarial cost method from projected unit credit cost method to entry age normal cost method.
2. Investment rate of return from 4.0% to 5.0%.
3. Annual healthcare cost trend date from 3.0% - 8.0% to 4.0%.
4. Payroll growth from 3.25% to 3.0%.

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:

	June 30, 2012
Annual required contribution (ARC)	$ 1,398,403
Interest cost	301,812
ARC adjustment	(281,505)
Annual OPEB expense	1,418,710
Contributions made	(420,430)
Increase in net OPEB obligation	998,280
Net OPEB Obligation, Beginning of Year	6,036,247
Net OPEB Obligation, End of Year	$ 7,034,527

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	$ 2,468,583	17.3%	$ 4,076,008
6/30/11	2,466,799	20.5%	6,036,247
6/30/12	1,418,710	29.6%	7,034,527

Funding Status and Progress:

Valuation Date	Actuarial Asset Value	Entry Age Normal Cost Actuarial Acrrued Liability	Underfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Underfunded Actuarial Liability As a Percentage of Covered Payroll
7/1/2012	$ -	$ 17,264,871	$ 17,264,871	0%	$ 5,364,968	321.8%

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

Actuarial Methods and Assumptions:

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

The actuarial assumptions are as follows for the valuation performed as of July 1, 2012:

Actuarial cost method	Entry age normal cost method
Average remaining period	30 years as of the valuation date
	Open basis
Investment rate of return	5.0%
Annual healthcare cost trend rate	4.0%
Payroll growth	3.0%

(11) SUPPLEMENTAL RETIREMENT PLAN

In December 2003, the City approved the Supplemental Retirement Plan designed to provide miscellaneous employees a supplement to their current CalPERS retirement plan. The Supplemental Retirement Plan is a single-employer defined benefit plan. The Supplemental Retirement Plan will provide for 1% of pay times the 12-month final average pay at retirement multiplied by the number of years of CalPERS service credits and $2,000 per month for City Council members. Wells Fargo Bank N.A. has been appointed the Investment Manager for the Supplemental Retirement Plan. The City Council has the authority to establish and amend the plan. On December 20, 2004, the City Council adopted Resolution No. 2004-48 to (i) close the plan to new entrants; and (ii) modify the excess benefit multiplier provided thereunder for certain employee classifications effective July 1, 2005. This amendment will provide for additional 5% of pay times the 12-month final average pay in excess of $150,000 at retirement multiplied by the number of years of CalPERS service credits for members who have CalPERS service prior to January 1, 1981.

The City Council is the Board of Trustees of the Supplemental Retirement Plan and their responsibilities represent sufficient administrative involvement to constitute a “holding of assets” by the City in a pension trust fund. Accordingly, the Plan’s statement of fiduciary net assets and statement of changes in fiduciary net assets have been included in the accompanying basic financial statements under the Supplemental Retirement Plan Trust Fund.

On April 20, 2011, the City Council adopted Resolution No. 2011-01 to terminate certain post-employment benefits as of August 1, 2010 in the interest of fiscal sustainability. Accordingly, the Supplemental Retirement Plan was terminated as of August 1, 2010. No additional contributions have been made to the Supplemental Retirement Plan during and subsequent to fiscal year 2010-11. Pension payments for participants who had retired and qualified under the Supplemental Retirement Plan before April 20, 2011 were discontinued effective March 2013. Four (4) participants who had retired and qualified under the Supplemental Retirement Plan after April 20, 2011 whose applications for benefits were not processed filed a lawsuit in November 2011 seeking those benefits. On March 14, 2013, the court ruled in favor of the City that the Supplemental Retirement Plan was not created in the manner required by law. As a result of preceding events above, the Supplemental Retirement Plan’s annual required contribution for the fiscal year ended June 30, 2012 as well as the related net pension assets/obligations and funded status at June 30, 2012 are not reported and disclosed in the financial statements. Please see Note 14 for further information.

(12) ADDITIONAL POST-EMPLOYMENT BENEFITS

Deferred Compensation

Pursuant to California Government Code Section 53213, the City established deferred compensation plans (457 Plan and 401a Plan) for the former CAO, the former ACAO, and the former City Council members who were employed by July 1, 2009 (Eligible Council members). There were no contributions made to 457 Plan and 401a Plan during the fiscal year ended June 30, 2012. On April 20, 2011, the City Council adopted Resolution No. 2011-01 to terminate certain post-employment benefits as of August 1, 2010 in the interest of fiscal sustainability. Accordingly, the deferred compensation plan was terminated as of August 1, 2010. In January 2013, the City received a settlement in the amount of $242,720 in full satisfaction of all claims made by the City to the former CAO's retirement funds. The remainder of the former CAO's retirement funds is valid.

Health Insurance Reimbursement Plan

As stipulated by Resolution No. 2008-05, the City shall provide medical, dental, vision and life insurance for certain terminated employees and their dependents at no cost. The following employees shall be eligible for medical, dental, vision and life insurance:

a. Full-time employees (non-safety) who have terminated in good standing from the City after January 1, 1997, with not less than thirty (30) years of CalPERS service credit with the City or full-time employees (non-safety) who are employed on June 30, 2006 and who have twenty (20) years of CalPERS service credit as of June 30, 2006 and whose termination date is after July 1, 2006.
b. Elected officials whose first term of office was prior to January 1, 1995, and who have terminated from the City after January 1, 1997, with not less than twelve (12) years of service credit with the City. In addition to said insurance, recipient shall be fully reimbursed for medical, dental, and vision co-payments and deductible.

There were no reimbursements made during the fiscal year ended June 30, 2012.

On April 20, 2011, the City Council adopted Resolution No. 2011-01 to terminate certain post-employment benefits as of August 1, 2010 in the interest of fiscal sustainability. Accordingly, the health insurance reimbursement plan was terminated as of August 1, 2010. Due to termination of the health insurance reimbursement plan, two (2) participants have filed a lawsuit in November 2011 seeking those benefits. On March 14, 2013, the court ruled in favor of the City that the health insurance reimbursement plan was not created in the manner required by law. Please see Note 14 for further information.

(13) RELATED PARTY TRANSACTIONS

The City made loans to members of the City Council, City officials, and City employees at the discretion of the former CAO. The outstanding loans receivable balance at June 30, 2012 was $54,826.

(14) COMMITMENT AND CONTINGENCIES

In July 2010, news media reported that City officials were receiving unusually large salaries, perhaps the highest in the nation. The salaries came into the public eye after a newspaper's investigation, based on California Public Records Act requests, had shown the City payroll was swollen with six- to seven-figure salaries. Mentioned in the initial story were the former CAO, the former ACAO, and the former Police Chief. All but one of the former members of the City Council were receiving $100,000 for their part-time work, salaries which they later claimed were authorized by a sparsely attended special election, given the City's "Charter" status.

On July 23, 2010, the former CAO, former ACAO and former Police Chief resigned their positions with the City, while the former Mayor and the former City Council continued to govern the City.

On July 28, 2010, the newly appointed interim CAO of the City made a request of the State Controller's Office (SCO) to perform an audit of the City to address numerous disclosures made in the news media suggesting possible misuse of public funds by senior management staff. In response, the SCO agreed to perform an audit of the City's system of internal controls, property and business license tax revenues, and state and federal funding.

On September 15, 2010, the California Attorney General's office filed a civil action lawsuit against eight former and current City employees, requesting the return of what the suit calls "excessive salaries" as well a reduction in pension benefits accrued as a result of those higher salaries. Allegations about irregularities in the 2009 election also were examined by the Federal Bureau of Investigation (FBI) and the office of the California Secretary of State. The Attorney General's lawsuit was dismissed after the Court sustained demurrers.

On September 21, 2010, the Los Angeles County District Attorney filed charges of misappropriation of public funds against the former CAO, the former ACAO, the former Mayor, three other former City Council members, and two other former employees of the City. The Mayor and City Council members have all resigned or been recalled.

On September 22, 2010, the SCO issued report on the City's administrative and internal accounting controls system. The SCO found "the City of Bell's administrative and internal accounting control system to be, in effect, non-existent as all financial activities and transactions evolved around one individual—the former Chief Administrative Officer (CAO)— who apparently had complete control and discretion over how city funds were to be used." The SCO also found the City Council approved increased assessments/taxes without voter approval. In November 2010, the City refunded $2.9 million excess property taxes collected and such amount was reported as a special item in the financial statements for the fiscal year ended June 30, 2010. In addition to the SCO's investigations, other agencies also performed audits of various funds or activities of the City.

A special election was held in March 2011. The election resulted in appointment of five new City Council members.

As result of preceding events mentioned above, numerous claims and lawsuits have been filed against the City. To the extent that information available indicates that it is probable a liability has been incurred as of June 30, 2012 and where the amount of loss can be reasonably estimated, the obligation has been accrued as an expense of the City (see Note 6 for further discussion of the City's risk management program). Below is summary of the significant contingencies:

A. <u>California State Controller's Office Audit of the City's Administrative and Internal Accounting Control System</u>

The SCO audit of the City's administrative and internal accounting system for the period July 1, 2008 to June 30, 2010 dated September 22, 2010, identified that the City Council exceeded its authority in increasing assessments and taxes without voter approval. The following is summary of unresolved matters:

- *Assessment of the Sanitation and Sewerage System District*
  The City Council improperly increased the assessment of the Sanitation and Sewerage System District without voter approval. The SCO Legal Counsel concluded that the increase in assessment of the Sanitation and Sewerage System District, referred to in the original authorizing resolution as a "standby" charge, is in violation of the California Constitution, Article XIII D, section 6, subsection (b)(4). That provision stipulates that sewer "standby" charges, be classified as assessments and shall not be imposed without complying with the California Constitution, Article XIII D, section 4, which requires a vote of the property owners who would be affected by the assessment. The SCO estimated that the amount of overcharge is $621,737 for FY 2007-08 through FY 2009-10. The City disagreed with this finding and asserted that the amount imposed is a "new" sewer fee that did not require voter approval. On a follow-up review by the SCO dated May 22, 2013, the SCO indicated that the amount of overcharge is $822,000. This finding is pending resolution as of the date of issuance of these financial statements. No adjustments have been recorded in the financial statements for this matter.
- *Business License Taxes*
  The City increased business license taxes by more than 50% for more than 1,000 business owners in the City since 2000 without voter and the City Council's approvals. The increase is in violation of Proposition 218 Article XIIIC, which specifies, "No local government may impose, extend, or increase any general tax unless and until that tax is submitted to the electorate and approved by a majority vote." The SCO estimated that the amount of overcharge is $2,105,441 for calendar years 2000 to 2010. On a follow-up review by the SCO dated May 22, 2013, the SCO indicated that the amount of overcharge is $2,355,000. This finding is pending resolution as of the date of issuance of these financial statements. No adjustments have been recorded in the financial statements for this matter.
- *City Funds Used to Pay CAO's Personal Loan*
  City funds were used for payment of the former CAO's personal loan in the amount of $93,000. No further action has been taken by the City pending the outcome of the District Attorney's criminal lawsuit against the former CAO.

B. California State Controller's Office Review of the Bell Community Redevelopment Agency

The SCO review of the Agency for the period July 1, 2000 through June 30, 2010 dated October 20, 2010 identified that the Agency failed to comply with Health and Safety Code requirements in several areas and inappropriately charged Agency funds as follows:

- There was no annual determination by the Agency's Board to fund administrative costs for the Low and Moderate Housing Fund as required by the Health and Safety Code section 33334.3(d). The total administrative cost charged is $244,850, which included $90,956 to fund a portion of the compensation of the City's CAO and Director of Administrative Services (DAS). There was no evidence that the CAO and DAS engaged in activities specifically related to the Low and Moderate Income Housing Fund.
- Salaries of the City's CAO, Assistant CAO and DAS were charged to the Community Redevelopment Agency Capital Projects Funds and were not supported. There was no evidence that the officials engaged in activities that benefitted this fund. The total ineligible labor costs are $242,268.
- Various expenditures in the amount of $177,716 were inappropriately charged to the Low and Moderate Housing Fund because they did not serve to increase or preserve the supply of low and moderate income housing in the City.
- Other compliance matters were noted by the SCO, but they did not have an impact on the reported amounts in the financial statements.

These findings are pending resolution as of the date of issuance of these financial statements. No adjustments have been recorded in the financial statements for these matters.

C. California State Controller's Office Audit of State and Federal Expenditures

The SCO audit of federal and state funding expended by the City for the period July 1, 2008 through August 31, 2010 dated November 18, 2010 identified that the City's CAO and management ignored and circumvented internal controls and that the City Council failed to exercise proper oversight governing the City's procurement activities. Out of $1,944,085 payments reviewed, $710,459 were deemed questionable because they were made without a valid contract or outside the scope of the contract. In addition, none of the goods or services were procured through competitive bids. Out of $710,459, $479,998 has been resolved with the granting agencies. The balance is pending resolution as of the date of issuance of these financial statements. No adjustments have been recorded in the financial statements for these matters.

D. Federal and State Grants

The City participates in various federal and state programs in the normal course of operations. The programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with specific conditions of the grant. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time.

E. Dexia Credit Local vs. City of Bell

Dexia sued the City and Public Financing Authority on October 14, 2011 for judicial foreclosure and for a deficiency judgment. For additional information, please refer to Note 6 under 2007 Taxable Lease Revenue Bonds.

F. Former Employees and City Council Members vs. City of Bell

Lawsuits were filed against the City by some former employees and some of the City Council members for the following:

1. Unpaid wages and benefits due to wrongful termination.
2. Recovery of legal fees and costs incurred in defending against the California Attorney General's civil action.

Except for one complaint, the above complaints are pending the outcome of the criminal cases handled by the Los Angeles County District Attorney against the above mentioned parties. On March 20, 2013, five former council members were convicted for money they received for sitting on the board of the Solid Waste and Recycling Authority and acquitted on charges related to their pay from the Bell Public Financing Authority. The judge declared a mistrial on the remaining counts against former council members on March 21, 2013. The Los Angeles County District Attorney decided to retry five former council members who were convicted of public corruption charges on May 21, 2013. The trial date for the former CAO and ACAO is set to begin in October 2013. In response to the above complaints, the City has filed cross-complaints against some former employees. The City's risk exposures are likely around $15 million. No adjustments have been recorded in the financial statements for these matters.

G. Internal Revenue Service Audit

The Internal Revenue Service is currently examining the 2007 General Obligation Bonds. Such investigation centers on the fact that the 2007 General Obligation Bonds were issued as tax-exempt obligations under the Internal Revenue Code. For additional information, please refer to Note 6 under 2007 General Obligation Bonds.

H. Securities and Exchange Commission Investigation

The United States Securities and Exchange Commission has commenced a private investigation on bonds and/or other obligations issued by the City and its component units. The Formal Order of Investigation, dated October 12, 2010, states that the investigation is based on information "that tends to show that from at least December 1, 2004 . . . in possible violation of Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, the City of Bell, its officers, officials, employees, and/or other persons or entities, directly or indirectly, in the offering or sale or in connection with the purchase or sale of certain securities, may have been employing devices, schemes, or artifices to defraud, obtaining money or property by means of untrue statements of material fact or omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were or are made, not misleading, or engaging in transactions, acts, practices or courses of business which operated, operate, or would operate as a fraud or deceit upon any person. As part of or in connection with these activities, such persons or entities, directly or indirectly, may have been making false statements of material fact or failing to disclose materials facts concerning, among other things, (1) the use of bond proceeds, (2) the revenue and/or taxes pledged to repay bonds, and (3) the financial health of the City of Bell . . ." The City cannot predict the outcome of this investigation. Accordingly, no adjustments have been recorded in the financial statements for these matters.

I. Franchise Fees Associated with Bell Cudahy Cable TV Authority

As discussed in Note 1 under Bell-Cudahy Cable Television Joint Powers Authority, the City of Bell and the City of Cudahy entered into a joint exercise of powers agreement to award cable television franchises within their corporate limits. During the fiscal year ended June 30, 2012, the City received cable television franchise fees from the awarded cable television franchisee, which should be allocated to both the City of Bell and the City of Cudahy based on number of subscribers in each city. Based on fiscal year 2011-12 amounts reported by the cable television company, the City of Cudahy is entitled to approximately 44% of the franchise fees remitted, approximately $43,000. The City has not determined whether amounts were received prior to FY 2010 and appropriately allocated to the participants. Accordingly, the amount, if any, due to or from the City of Cudahy is not determinable and no amount has been recorded in the accompanying financial statements.

J. Supplemental Retirement Plan and Health Insurance Reimbursement Plan

As discussed in Notes 11 and 12 to the financial statements, the City Council terminated certain post-employment benefits, which include the Supplemental Retirement Plan and the Health Insurance Reimbursement Plan, as of August 1, 2010, in the interest of fiscal sustainability. Due to termination of these plans, some participants filed a lawsuit (Ramirez) in November 2011 seeking those benefits. In order to address these issues with respect to all current and former employees receiving or potentially eligible to receive the benefits under these plans, the City filed the Avila case in September 2012.

The City and the Ramirez plaintiffs filed motions for summary judgment, which were heard on January 18, 2013. The City contended the Supplemental Retirement Plan and Health Insurance Reimbursement Plan were not created in the manner required by law. The plaintiffs argued contract and estoppel theories. The court granted the City's motion in entirety and denied plaintiff's motion. Judgment in favor of the City was entered on March 14, 2013. The Ramirez plaintiffs filed a notice of appeal on April 3, 2013.

The Avila case has been set for trial on May 19, 2014. The parties have been ordered to mediation and that mediation will include the plaintiffs in the Ramirez case. The City is in process of formulating a settlement strategy. The exposure with respect to the Supplemental Retirement Plan is a function of the degree to which the pension liability is unfunded and the life spans of the plaintiff beneficiaries. The exposure with regard to the health insurance reimbursement plan is a function of the life spans of the plaintiff beneficiaries and their projected medical costs. No adjustments have been recorded in the financial statements for these matters.

K. <u>California Attorney General Civil Lawsuit</u>

As mentioned above, the California Attorney General's office filed a civil action lawsuit against some former employees and City Council members. The complaint was dismissed after the Court sustained demurrers. The California Attorney General appealed the Court's dismissal of the complaint to the Second District Court of Appeals, and on March 20, 2013, the Appellate Court issued a ruling reversing the trial court's judgment on the California Attorney General's civil action and remanding the matter to trial court with instruction to vacate its order sustaining the demurrer without leave to amend for five of the causes of action in the Attorney General's complaint. The ruling by the Appellate Court provides that the state attorney general has authority to sue city officials in order to recover unauthorized compensation. The City anticipates that the California Attorney General will be filing an amended complaint in the near future.

(15) IMPACT OF THE AMBAC FINANCIAL GROUP INC. BANKRUPTCY FILING

On November 9, 2010, Ambac Financial Group Inc. (Ambac Financial) filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Ambac Financial is a holding company whose affiliates provide financial guarantees and financial services to its customers.

Ambac Assurance Corporation (Ambac Assurance), a subsidiary of Ambac Financial, has issued a reserve fund surety bond for the 2005 Lease Revenue Refunding Bonds. Ambac Assurance also issued a financial guaranty policy for payment of the principal of, and interest on, the 2005 Taxable Pension Revenue Bonds. On May 1, 2013, Ambac Financial announced the effectiveness of its Second Modified Fifth Amended Plan of Reorganization, which marks the completion of its financial restructuring and Ambac Financial's emergence from Chapter 11 bankruptcy protection. As of July 30, 2013, the reserve fund surety bond and the financial guaranty policy are still in effect.

(16) SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld AB 1X 26, enacted on June 28, 2011, that provides for the dissolution of all redevelopment agencies in the State of California. The effective date of the dissolution was reset by the Court to February 1, 2012. The bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government may elect to serve as the "successor agency" to hold the assets of the agency until they are distributed to pay obligations or remitted to the county tax assessors. During the City Council's January 25, 2012 meeting, the City approved two resolutions designating the City as a Successor Agency to the Agency, and the Housing Authority as the Housing Successor for housing-related items. As of February 1, 2012, the Agency was dissolved pursuant to Health and Safety Code Section 34172(a) and AB 1X 26. As of this date, the City began implementing its duties as Successor Agency under the direction of an Oversight Board, the California State Controller's Office, and the California Department of Finance.

After enactment of AB 1X 26, redevelopment agencies in the State of California were prevented from entering into new projects, obligations or commitments until they were dissolved. Successor agencies were also so restricted; however, they were also charged with the authority to implement Agency agreements and maintain assets subject to the control of a newly established oversight board. The remaining Agency encumbered funds can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

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

AB 1X 26, along with AB 1484 enacted on June 27, 2012, directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditures or encumbrances of those assets as of June 28, 2011, the State Controller is required to order the available assets to be transferred from the public body to the successor agency, and such assets would then be subject to distribution as set forth in AB 1X 26 and in AB 1484. The State Controller's Office has not yet conducted this review.

In addition, AB 1484 requires successor agencies to determine the unencumbered cash available for distribution to taxing entities through an agreed-upon procedures report and a Due Diligence Review (DDR). An agreed-upon procedures report of the Successor Agency, commissioned by the County of Los Angeles was issued on August 15, 2012. This agreed-upon procedures report is in addition to the housing fund and non-housing DDRs. The DDR takes place in two phases. The first DDR determines the amount available for distribution from the assets transferred from the Agency's Low and Moderate Income Housing Fund (LMIHF) assets that are held by the Housing Authority as Housing Successor. The second DDR determines the amount of cash available for distribution from the assets transferred from all other funds of the former Agency, excluding the Low and Moderate Income Housing Fund (LMIHF) assets that are held by the Housing Authority. The Successor Agency has hired a licensed accountant and is in the process of performing the DDR.

After the Successor Agency fulfills its DDR requirements by paying unencumbered cash available for distribution to taxing entities to the County of Los Angeles Auditor-Controller, the balance of any outstanding pass-through obligations and residual payments, the DOF will issue a Finding of Completion (FOC), which entitles the Successor Agency to certain benefits, such as:

1. City/Successor Agency Loans: Upon issuance of a FOC, loans made by the City to the Successor Agency may be repaid if the Oversight Board finds that the loan was for a legitimate redevelopment purpose. Repayment is subject to certain restrictions, including a reduction of the interest rate to the Local Agency Investment Fund (LAIF) rate, restrictions on the timing and amount of annual repayments, and a requirement that 20% of the repayment be deposited into a restricted housing set-aside fund. Staff has recalculated existing loans at the historical LAIF rates and the difference is negligible. As of June 30, 2012, the net amounts of interfund loans are $6,631,985 long-term advances from the City to the Successor Agency and $565,577 short-term due from the Successor Agency to the City.
2. Use of Bond Proceeds: Upon issuance of a FOC, bond proceeds issued prior to December 31, 2010 may be used for purposes consistent with the bond covenants. Obligations to be paid with bond proceeds are subject to review by the Oversight Board and the DOF.
3. Property Management Plan: Upon receiving a FOC, the Successor Agency shall prepare a Long-Range Property Management Plan that addresses the disposition and use of real property assets. The plan must be submitted to the Oversight Board and DOF within six

months after issuance of the FOC. The plan must address the use or disposition of all properties, which may include: (i) retention of property for governmental use, (ii) retention of property for future development, (iii) sale of the property, or (iv) use of property to fulfill an enforceable obligation.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. Prior to that date, the final seven months of the activity of the Agency continued to be reported in the Community Redevelopment Agency Debt Service Fund, Low and Moderate Housing Nonmajor Special Revenue Fund, and Community Redevelopment Agency Nonmajor Special Revenue Fund of the City. After the date of dissolution, the assets and activities of the dissolved Agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former Agency as of January 31, 2012 from governmental funds of the City to a fiduciary fund was reported in the government-wide and governmental funds financial statements as an extraordinary gain or loss. The receipt of these assets and liabilities as of February 1, 2012 was reported in the Bell Successor Agency Private-Purpose Trust Fund as an extraordinary loss.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary gain (loss) recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain (loss) recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary gain reported in governmental funds - Decrease to net assets of the Successor Agency Trust Fund	$	(4,439,790)
Capital assets recorded in the government-wide financial statements- Increase to net assets of the Successor Agency Trust Fund		15,071,959
Deferred issuance costs reported in the government-wide financial statements- Increase to net assets of the Successor Agency Trust Fund		732,810
Interest payable reported in the government-wide financial statements- Decrease to net assets of the Successor Agency Trust Fund		(220,706)
Long-term debt reported in the government-wide financial statement- Decrease to net assets of the Successor Agency Trust Fund		(26,088,685)
Net decreases to net assets of the Successor Agency Trust Fund upon dissolution of redevelopment agency - extraordinary loss	$	(14,944,412)

A. Capital Assets Held by the Successor Agency

	Balance at February 1, 2012	Additions	Deletions	Balance at June 30, 2012
Capital assets, not being depreciated:				
Land	$ 8,286,780	$ -	$ -	$ 8,286,780
Capital assets being depreciated:				
Buildings and improvements	7,478,618	-	-	7,478,618
Less accumulated depreciation:				
Buildings and improvements	(693,439)	(63,672)	-	(757,111)
Total capital assets being depreciated, net	6,785,179	(63,672)	-	6,721,507
Total capital assets, net	$ 15,071,959	$ (63,672)	$ -	15,008,287

Depreciation expense for five-month period ended June 30, 2012 was $63,672.

B. Summary of the Successor Agency's Long-Term Debt

	Balance at February 1, 2012	Additions	Deletions	Balance at June 30, 2012	Due Within One Year
Tax allocation bonds:					
Refunding Bonds, Series 2003	$ 21,735,000	$ -	$ -	$ 21,735,000	$ 900,000
Promissory note:					
2009 Promissory Note	4,353,685	-	-	4,353,685	4,353,685
Total long-term debt	$ 26,088,685	$ -	$ -	$ 26,088,685	$ 5,253,685

2003 Tax Allocation Refunding Bonds

On October 1, 2003, the former Agency issued $27,925,000 of 2003 Tax Allocation Refunding Bonds (2003 Bonds). The proceeds were used to refund the former Agency's previously issued Tax Allocation Refunding Bonds Series 1994, Subordinated Tax Allocation Refunding Bonds Series 1994, and to finance a portion of the costs of the redevelopment projects, which were not considered capital assets of the former Agency. The original issue was also used for redevelopment projects that are not considered capital assets of the former Agency.

The 2003 Bonds consist of $13,420,000 of serial bonds and $14,505,000 of term bonds. The serial bonds accrue interest at rates between 2.00% and 4.70%, which is payable semiannually on April 1 and October 1 of each year commencing October 1, 2004. Principal on the serial bonds is payable on April 1, 2004 through October 1, 2031 in amounts ranging from $710,000 to $965,000. The first portion of the term bonds with principal of $6,870,000 accrues interest at a rate of 5.50% and matures on October 1, 2023. The second portion of term bonds with principal of $7,635,000 accrues interest at a rate of 5.625% and matures on October 1, 2033. The outstanding balance at June 30, 2012 was $21,735,000.

The term bonds maturing on October 1, 2023 are subject to mandatory redemption, by lot, on each October 1, commencing October 1, 2019, at a redemption price equal to the principal and accrued interest, without premium, from sinking account payments made by the Successor Agency, in amounts ranging from $1,230,000 to $1,525,000. The term bonds maturing on October 1, 2033, are subject to mandatory redemption, by lot, on each October 1, commencing October 1, 2024, at a redemption price equal to the principal and accrued interest, without premium, from sinking account payments made by the Successor Agency in amounts ranging from $590,000 to $965,000.

Per the bond covenants, the Successor Agency is required to maintain on deposit a reserve fund in an amount equal to $2,040,119. At June 30, 2012, the amount held in the reserve account was $2,040,238.

Minimum annual requirements to amortize the 2003 Tax Allocation Refunding Bonds outstanding as of June 30, 2012 are as follows:

Year Ending June 30,	Tax Allocation Refunding Bonds Series 2003	
	Principal	Interest
2013	$ 900,000	$ 1,115,819
2014	940,000	1,075,006
2015	985,000	1,032,281
2016	1,030,000	986,944
2017	1,075,000	939,313
2018-2022	6,200,000	3,831,538
2023-2027	4,835,000	2,159,191
2028-2032	3,890,000	1,099,688
2033-2034	1,880,000	107,156
Total	$ 21,735,000	$ 12,346,936

The 2003 Tax Allocation Refunding Bonds are secured by and to be serviced from the tax increment levied and collected by the Agency. Tax increment revenues are pledged until October 1, 2033, the final maturity date of the bonds. The total remaining debt service amount for the bonds is $34 million. Prior to dissolution of the Agency, pledged tax increment revenue recognized during the fiscal year ended June 30, 2012 was $1.2 million as against the total debt service payments of $1.5 million. Subsequent to dissolution of the Agency, interest expense in the amount of $568,034 was paid by the Successor Agency.

2009 Promissory Note

On May 21, 2009, the former Agency entered into a promissory agreement for $4,600,000. The agreement was entered into for the purchase of a commercial property within the City. The agreement provides for monthly payments at a stipulated interest rate of 6% for a term of 15 years with the note paid in full in 2024. The outstanding balance at June 30, 2012 totaled $4,353,685.

In October 2010, the former Agency was in default on the 2009 Promissory Note and continues to be in default as of July 30, 2013. As a result, the entire $4.4 million balance of the note is currently due. The former Agency did not make any principal and interest payments since October 2010 because the validity of this transaction was questionable. The accrued interest as of July 30, 2013 is $708,378. The holder of the 2009 Promissory Note commenced a foreclosure proceeding against the former Agency. The City and the former Agency have filed a lawsuit for declaratory relief, a gift of public funds, and injunctive relief to preclude and/or postpone the foreclosure and sale of the subject property, commonly known as the Western Auto Center. The City and the former Agency were successful in obtaining a temporary restraining order and preliminary injunction to prevent the sale or transfer of the property from occurring pending the outcome of this lawsuit. This case is currently pending with a trial date of October 28, 2013. All obligations of the former Agency are now subject to state laws and regulations affecting the dissolution of redevelopment agencies in California, which became effective on February 1, 2012. Under the new laws and regulations, obligations of the former Agency existing at January 31, 2012 are subject to whether they meet the definition of an enforceable obligation and must be approved by the Oversight Board of the Successor Agency as stipulated by AB 1484. If this promissory note is deemed to be an enforceable obligation of the former Agency, this obligation can be repaid by the incremental property tax revenue allocated to the Successor Agency. This obligation is pending final approval by the California Department of Finance.

(17) SUBSEQUENT EVENTS

a. AB 340 – Pension Reform Bill

AB 340 was signed into law on September 12, 2012 and enacts the California Public Employees' Pension Reform Act of 2013 (PEPRA), and also incorporates amendments to the County Employees' Retirement Law (CERL). It excludes from PEPRA the University of California, and charter cities and counties that do not participate in a retirement system governed by state statute. The new law affects the City as a participant in CalPERS.

This bill includes provisions for new employees who become members on or after January 1, 2013. Some of these provisions include caps on compensation, which may be used for pensions, equal sharing of pension costs, new pension formulas for general and safety members, specified exclusions from pensionable compensation, three-year final compensation, and prohibition on benefit replacement plans.

For all employees, it includes: prohibition of retroactive pension increases, elimination of ARC purchases, 180-day break in service for retired annuitants (with some exceptions), forfeiture of pension and related benefits for certain felony convictions, pilot safety member disability retirement provisions, which sunset in 2018 unless extended, and new CERL definition of "compensation earnable".

This bill will impact the City's annual required pension contribution amounts in the future.

b. Gateway Authority

The City entered into a joint exercise of powers agreement with the Los Angeles Gateway Region Integrated Regional Water Management Authority (Gateway Authority) on August 15, 2012. The Gateway Authority was formed through a directive of Gateway Cities Council of Governments in 2007 and was designated by the State of California as an Integrated Regional Water Management

Group. This coalition is currently comprised of 19 cities and government entities and is responsible for the regional water planning needs in the Gateway Cities Region. The Gateway Authority is governed by the member cities and agencies and financed with contributions from each city in accordance with the joint powers agreement.

c. Change in Retirement Benefits

On November 7, 2012, the City adopted Resolution No. 2012-79 eliminating Employer Paid Member Contributions and requiring the CAO and all department heads who are members of CalPERS to pay their own members contributions.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual on a Budgetary Basis	Variance With Final Budget Positive (Negative)
Taxes:				
Property taxes	$ 1,990,010	$ 616,530	$ 562,347	$ (54,183)
Sales and use taxes	1,689,000	1,664,000	1,604,347	(59,653)
Franchise taxes	471,780	496,130	588,426	92,296
Utility taxes	3,341,300	3,306,030	2,958,643	(347,387)
Real property transfer taxes	41,050	41,050	22,597	(18,453)
Total taxes	7,533,140	6,123,740	5,736,360	(387,380)
Licenses and permits:				
Business licenses	339,020	339,020	354,291	15,271
Building permits	90,690	140,000	90,919	(49,081)
Truck licenses	19,180	10,000	17,449	7,449
Other licenses and permits	83,460	69,630	91,681	22,051
Total licenses and permits	532,350	558,650	554,340	(4,310)
Fines and forfeitures	732,100	690,530	632,114	(58,416)
Charges for services:				
Zoning fees	2,000	12,000	35,892	23,892
Police services	200,400	174,510	206,328	31,818
Plan fees	52,000	52,000	70,358	18,358
Community center rental	38,870	38,870	47,089	8,219
Class fees	51,360	51,360	56,754	5,394
Clerical fees	7,500	3,500	4,167	667
Other revenues	167,820	153,920	151,215	(2,705)
Total charges for services	519,950	486,160	571,803	85,643
Intergovernmental:				
Motor vehicle in lieu fees	2,971,980	3,086,980	3,061,215	(25,765)
Homeowner's property tax relief	4,220	10,000	8,706	(1,294)
P.O.S.T.	35,000	35,000	14,959	(20,041)
Total intergovernmental	3,011,200	3,131,980	3,084,880	(47,100)
Investment income	5,600	5,600	822	(4,778)
Lease income	131,500	131,500	143,014	11,514
Other revenues	3,000	43,800	79,912	36,112
Total revenues	$ 12,468,840	$ 11,171,960	$ 10,803,245	$ (368,715)

Continued

See accompaning note to the required supplementary information.

CITY OF BELL
General Fund
Budgetary Comparison Schedule (Continued)
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual on a Budgetary Basis	Variance With Final Budget Positive (Negative)
General government:				
City council	$ 88,850	$ 72,720	$ 64,408	$ 8,312
City administrator	209,900	166,794	168,506	(1,712)
Administration support	345,090	310,280	362,256	(51,976)
Parking enforcement	446,510	399,870	376,940	22,930
City clerk	23,700	34,300	37,628	(3,328)
Finance	525,080	525,280	561,560	(36,280)
City treasurer	200	-	518	(518)
City attorney	800,000	1,000,000	867,503	132,497
Personnel services	79,200	79,200	80,235	(1,035)
General services	1,010,200	1,615,690	2,326,512	(710,822)
Planning	117,150	99,070	103,674	(4,604)
Building regulations	146,750	78,310	100,409	(22,099)
General liability	1,165,120	2,164,000	1,994,001	169,999
Total general government	4,957,750	6,545,514	7,044,150	(498,636)
Public safety:				
Patrol	2,518,760	2,515,610	2,598,574	(82,964)
Detective	540,120	535,670	465,554	70,116
Communications	432,310	433,310	440,503	(7,193)
Record bureau	192,630	217,950	223,275	(5,325)
Motor officers	122,140	119,780	109,462	10,318
Police administration	542,740	538,140	517,864	20,276
Jail	285,520	289,520	255,588	33,932
Police training	81,200	78,900	90,969	(12,069)
Total public safety	4,715,420	4,728,880	4,701,789	27,091
Community services:				
Recreation	851,090	723,230	590,350	132,880
Social services	358,330	266,590	267,997	(1,407)
Skate park	18,660	19,900	21,964	(2,064)
Total community services	1,228,080	1,009,720	880,311	129,409

Continued

See accompanying note to the required supplementary information.

CITY OF BELL
General Fund
Budgetary Comparison Schedule (Continued)
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual on a Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Public works:				
Public works	$ 28,000	$ 87,670	$ 102,345	$ (14,675)
Engineering	70,100	70,000	74,820	(4,820)
Total public works	98,100	157,670	177,165	(19,495)
Total expenditures	10,999,350	12,441,784	12,803,415	(361,631)
Excess (deficiency) of revenues over (under) expenditures	1,469,490	(1,269,824)	(2,000,170)	(730,346)
Other financing sources (uses):				
Transfers in	869,340	1,173,960	1,133,960	(40,000)
Transfers out	(606,360)	(434,731)	(644,951)	(210,220)
Total other financing sources (uses)	262,980	739,229	489,009	(250,220)
Net change in fund balance	1,732,470	(530,595)	(1,511,161)	(980,566)
Fund balance at beginning of year	6,166,309	6,166,309	6,166,309	-
Fund balance at end of year	$ 7,898,779	$ 5,635,714	$ 4,655,148	$ (980,566)

See accompanying note to the required supplementary information.

CITY OF BELL
Retirement Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual on a Budgetary	Variance With Final Budget Positive
	Original	Final	Basis	(Negative)
Revenues:				
Property taxes	$ 2,614,530	$ 2,405,561	$ 2,708,581	$ 303,020
Investment income	-	-	7	7
Total revenues	2,614,530	2,405,561	2,708,588	303,027
Expenditures:				
Current:				
General government	1,203,960	908,520	969,367	(60,847)
Public safety	1,167,130	1,173,970	1,150,219	23,751
Total expenditures	2,371,090	2,082,490	2,119,586	(37,096)
Excess of revenues over expenditures	243,440	323,071	589,002	265,931
Other financing sources (uses):				
Transfers in	669,940	426,031	426,031	-
Transfers out	(913,380)	(927,572)	(927,572)	-
Total other financing uses	(243,440)	(501,541)	(501,541)	-
Net change in fund balance	-	(178,470)	87,461	265,931
Fund balance at beginning of year	976,319	976,319	976,319	-
Fund balance at end of year	$ 976,319	$ 797,849	$ 1,063,780	$ 265,931

See accompanying note to the required supplementary information.

CITY OF BELL
CDBG Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual on a Budgetary	Variance With Final Budget Positive
	Original	Final	Basis	(Negative)
Revenues:				
Intergovernmental	$ 892,850	$ 917,846	$ 528,192	$ (389,654)
Expenditures:				
Current:				
General government	44,290	44,290	43,465	825
Public safety	150,810	150,810	97,437	53,373
Public works	699,070	699,070	354,752	344,318
Total expenditures	894,170	894,170	495,654	398,516
Excess of revenues over (under) expenditures	(1,320)	23,676	32,538	8,862
Net change in fund balance	(1,320)	23,676	32,538	8,862
Fund deficit at beginning of year	(33,555)	(33,555)	(33,555)	-
Fund deficit at end of year	$ (34,875)	$ (9,879)	$ (1,017)	$ 8,862

See accompanying note to the required supplementary information.

(1) BUDGETARY CONTROL AND ACCOUNTING

The City Council approves budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the City Council. All supplemental appropriations, where required during the period, are also approved by the City Council. Intradepartmental budget transfers are approved by the City Manager. Housing Special Revenue Fund is a newly established fund to account for the housing assets and functions related to the Low and Moderate Income Housing Program retained by the Housing Authority following the dissolution of the former Agency. As such, there is no legally adopted budget for the Housing Special Revenue Fund. In most cases, expenditures may not exceed appropriations at the departmental level within the General Fund and at the fund level for other funds. At fiscal year-end, all operating budget appropriations lapse.

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in governmental funds. Encumbrances are closed out at the end of each fiscal year.

Budgets for governmental funds are adopted based upon accounting for certain transactions on a basis other than the accounting principles generally accepted accounting principles (GAAP). As a result, fund balance in the amount of $31,890 related to the Cable Television Authority Fund, which is blended with the General Fund, is excluded from the budgetary comparison schedule for the General Fund. Transfers in from the Sanitation, Sewer Maintenance, AB939 Recycling and Street Lighting Special Revenue funds to the General Fund in the amounts of $168,850, $35,100, $46,400 and $54,270 to reimburse general government expenditures incurred were reported in the budgetary schedule for the General Fund as such amounts were included in the budget of the fund; however, for GAAP reporting purposes, these transactions were reported as general government expenditures in the Sanitation, Sewer Maintenance, AB939 Recycling and Street Lighting Special Revenue funds. In addition, special assessment revenues and a transfer out in the amount of $927,572 were reported in the budgetary schedule for the Retirement Special Revenue Fund as such amounts were included in the budget of the fund; however, for GAAP reporting purposes, these transactions were reported in the Public Financing Authority Debt Service Fund.

CITY OF BELL
Required Supplementary Information
June 30, 2012

Other Post-employment Benefits (OPEB):

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability (a)		Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) [(a)-(b)]	Funded Ratio [(b)/(a)]	Annual Covered Payroll (c)	UAAL as a % of Annual Covered Payroll {[(a)-(b)]/(c)}
7/1/2008	$ 21,594,332	*	$ -	$ 21,594,332	0.0%	$ 9,665,623	223.4%
7/1/2012	17,264,871	**	-	17,264,871	0.0%	5,364,968	321.8%

* Projected unit credit method is used to calculate actuarial acrrued liability as of 7/1/2008.

** Entry age normal cost method is used to calculate actuarial accrued liability as of 7/1/2012.

SUPPLEMENTARY INFORMATION

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Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted or committed to expenditure for particular purposes.

Proposition A Fund

To account for the allocation of a half-cent sales tax received from the transportation planning agency to be used for transportation costs.

Air Quality Management Fund

To account for the allocation of motor vehicle fees received from the South Coast Air Quality Management District for enacting air quality improvement policies.

Sanitation Fund

To account for special assessment collections from benefited properties for the operations of the City's waste collections.

Sewer Maintenance Fund

To account for special assessment collections from benefited properties for the operations of the City's sewer system.

AB939 Recycling Fund

To account for the allocation of revenues received from the County for the operations of the City's recycling activities.

Low and Moderate Housing Fund

To account for the 20% set-aside of incremental property taxes required by state law to be expended for the development of facilities within the City for citizens of low or moderate means until February 1, 2012.

Community Redevelopment Agency Fund

To account for the financial resources that are restricted for economic development activities in the Agency until February 1, 2012.

Street Lighting Fund

To account for special assessment collections from benefited properties for the operations of the City's street lighting activities.

Federal Asset Seizure Fund

To account for federal grants and costs related to special narcotics investigations and seizure of assets.

Community Housing Authority Fund

To account for revenues and expenditures related to the operations of the Community Housing Authority.

Surplus Property Authority Special Revenue Fund

To account for revenues and expenditures related to the acquisition of surplus property.

Bikeway Fund

To account for the allocation of revenues received from the transportation planning agency for bikeway activities.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources that are restricted, committed or assigned for the payment of long-term debt principal and interest.

Community Housing Authority Fund

To account for the payment of principal and interest on long-term debt of the Community Housing Authority.

General Obligation Bonds Debt Service Fund

This fund is used to account for the payment of principal and interest on General Obligation Bonds of the City.

Public Financing Authority Debt Service Fund

This fund is used to account for the payment of principal and interest on long-term debt of the Public Financing Authority.

Capital Projects Funds

Capital Projects Funds are used to account for resources that are restricted, committed or assigned for the purchase or construction of major capital facilities. Capital Projects Funds are ordinarily not used to account for the acquisition of furniture, fixtures, machinery, equipment and other relatively minor or comparatively short-lived fixed assets.

Community Housing Authority Fund

To account for the acquisition and development of certain mobile home units.

Gas Tax Fund

To account for gas taxes assessed by the State of California and allocated to the City to be used for street maintenance and improvements.

Federal Grants Fund

To account for the revenues and expenditures of miscellaneous federal grants used primarily for capital related purposes.

State COPS Fund

To account for funds received form the State of California under AB3229 for the purpose of the Citizens Option for Public Safety (COPS) program.

Proposition C Fund

To account for the allocation of a half-cent sales tax received from the transportation planning agency to be used for transit costs that pertain to roadways.

Measure R

To account for the allocation of a half-cent sales tax received from the transportation planning agency to be used for transportation projects and improvements.

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CITY OF BELL
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Special Revenue Funds				
	Proposition A	Air Quality Management	Sanitation	Sewer Maintenance	AB939 Recycling
Assets					
Cash and investments	$ 548,464	$ 195,336	$ 1,575,365	$ 769,277	$ 743,842
Restricted cash and investments	-	-	-	-	-
Accrued interest	48	44	227	52	49
Due from other governments	-	-	66,290	15,485	25,226
Prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Land held for development	-	-	-	-	-
Total assets	$ 548,512	$ 195,380	$ 1,641,882	$ 784,814	$ 769,117
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 72,397	$ -	$ 124,854	$ 11,942	$ 14,457
Accrued payroll	1,257	-	697	52	-
Deposits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	73,654	-	125,551	11,994	14,457
Fund balances (deficit):					
Nonspendable:					
Prepaid items	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Community services	474,858	-	-	-	-
Public works	-	195,380	1,516,331	772,820	754,660
Capital projects	-	-	-	-	-
Assigned to:					
Community services	-	-	-	-	-
Debt service	-	-	-	-	-
Unassigned	-	-	-	-	-
	474,858	195,380	1,516,331	772,820	754,660
Total liabilities and fund balances	$ 548,512	$ 195,380	$ 1,641,882	$ 784,814	$ 769,117

CITY OF BELL
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Low and Moderate Housing	Community Redevelopment Agency	Street Lighting	Federal Asset Seizure	Community Housing Authority	Surplus Property Authority	Bikeway
$ -	$ -	$ 604,376	$ 495,166	$ 2,292,221	$ 322,812	$ -
-	-	-	-	-	-	-
-	-	45	46	-	145	-
-	-	27,797	-	-	-	-
-	-	-	-	-	56,733	-
-	-	-	-	19,289	-	-
-	-	-	-	19,500	-	-
-	$ -	$ 632,218	$ 495,212	$ 2,331,010	$ 379,690	$ -
$ -	$ -	$ 23,767	$ -	$ 80,201	$ 511	$ -
-	-	-	-	2,707	-	-
-	-	-	-	42,552	-	-
-	-	-	-	29,888	-	1,618
-	-	-	-	123,660	-	-
-	-	-	-	100	61,611	-
-	-	23,767	-	279,108	62,122	1,618
-	-	-	-	-	56,733	-
-	-	-	-	-	-	-
-	-	-	495,212	-	-	-
-	-	-	-	-	-	-
-	-	608,451	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2,051,902	260,835	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(1,618)
-	-	608,451	495,212	2,051,902	317,568	(1,618)
$ -	$ -	$ 632,218	$ 495,212	$ 2,331,010	$ 379,690	$ -

(Continued)

CITY OF BELL
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Debt Service Funds			Capital Projects Funds	
	Community Housing Authority	General Obligation Bonds	Public Financing Authority	Community Housing Authority	Gas Tax
Assets					
Cash and investments	$ 5	$ 536,282	$ 14,671	$ -	$ 3,274,734
Restricted cash and investments	-	-	214,569	798,223	-
Accrued interest	-	-	-	-	186
Due from other governments	-	79,416	-	-	110,530
Prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Land held for development	-	-	-	-	-
Total assets	$ 5	615,698	229,240	$ 798,223	$ 3,385,450
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ 342,844
Accrued payroll	-	-	-	-	208
Deposits payable	-	-	-	-	-
Due to other funds	-	-	-	3,142	-
Advances from other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	3,142	343,052
Fund balances (deficit):					
Nonspendable:					
Prepaid items	-	-	-	-	-
Restricted for:					
Debt service	-	615,698	214,569	-	-
Public safety	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Capital projects	-	-	-	795,081	3,042,398
Assigned to:					
Community services	-	-	-	-	-
Debt service	5	-	14,671	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	5	615,698	229,240	795,081	3,042,398
Total liabilities and fund balances	$ 5	$ 615,698	$ 229,240	$ 798,223	$ 3,385,450

CITY OF BELL
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Capital Project Funds				
Federal Grants	State COPS	Proposition C	Measure R	Total
$ 1,641	$ 259,401	$ 1,754,952	$ 888,461	$ 14,277,006
-	-	-	-	1,012,792
1	17	142	74	1,076
-	-	-	34,466	359,210
-	-	3,915	-	60,648
-	-	-	-	19,289
-	-	-	-	19,500
$ 1,642	$ 259,418	$ 1,759,009	$ 923,001	$ 15,749,521
$ 98,345	$ 355	$ 13,042	$ -	$ 782,715
-	-	-	-	4,921
-	-	-	-	42,552
113,953	-	-	-	148,601
-	-	-	-	123,660
68,543	-	-	-	130,254
280,841	355	13,042	-	1,232,703
-	-	3,915	-	60,648
-	-	-	-	830,267
-	259,063	-	-	754,275
-	-	-	-	474,858
-	-	-	-	3,847,642
-	-	1,742,052	923,001	6,502,532
-	-	-	-	2,312,737
-	-	-	-	14,676
(279,199)	-	-	-	(280,817)
(279,199)	259,063	1,745,967	923,001	14,516,818
$ 1,642	$ 259,418	$ 1,759,009	$ 923,001	$ 15,749,521

CITY OF BELL
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
For the Fiscal Year Ended June 30, 2012

	Special Revenue Funds				
	Proposition A	Air Quality Management	Sanitation	Sewer Maintenance	AB939 Recycling
Revenues:					
Taxes:					
Property taxes	$ -	$ -	$ -	$ -	$ -
Special assessments	-	-	1,715,399	320,774	-
Fines and forfeitures	-	-	-	-	-
Charges for services	40,578	-	-	-	8,266
Intergovernmental	567,962	33,613	-	-	462,885
Investment income	258	187	666	250	266
Lease income	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	608,798	33,800	1,716,065	321,024	471,417
Expenditures:					
Current:					
General government	6,559	-	168,850	35,100	46,400
Public safety	-	-	-	-	-
Community services	599,607	-	-	-	-
Public works	-	2,600	1,288,357	50,873	178,601
Capital outlay	-	-	-	-	-
Debt service:					
Interest and fiscal charges	-	-	-	-	-
Principal payments	-	-	-	-	-
Total expenditures	606,166	2,600	1,457,207	85,973	225,001
Excess (deficiency) of revenues over (under) expenditures	2,632	31,200	258,858	235,051	246,416
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Extraordinary loss from dissolution of the Bell Community Redevelopment Agency	-	-	-	-	-
Net change in fund balances	2,632	31,200	258,858	235,051	246,416
Fund balances (deficit) at beginning of year	472,226	164,180	1,257,473	537,769	508,244
Fund balances (deficit) at end of year	$ 474,858	$ 195,380	$ 1,516,331	$ 772,820	$ 754,660

CITY OF BELL
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
For the Fiscal Year Ended June 30, 2012

Low and Moderate Housing	Community Redevelopment Agency	Street Lighting	Federal Asset Seizure	Community Housing Authority	Surplus Property Authority	Bikeway
$ 406,201	$ -	$ -	$ -	$ -	$ -	$ -
-	-	515,934	-	-	-	-
-	-	-	237,207	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,892	-	264	183	25	670	-
-	-	-	-	2,779,106	739,335	-
-	-	-	52,494	-	-	-
411,093	-	516,198	289,884	2,779,131	740,005	-
-	77,455	54,270	673	214,122	9,712	-
-	-	-	-	-	-	-
554,093	-	-	2,576	581,859	-	-
-	-	394,715	-	-	-	-
-	-	-	59,146	60,229	-	-
99,507	-	-	-	-	-	-
147,050	-	-	-	-	-	-
800,650	77,455	448,985	62,395	856,210	9,712	-
(389,557)	(77,455)	67,213	227,489	1,922,921	730,293	-
-	-	-	-	-	-	-
-	-	-	-	(1,298,700)	(829,340)	-
-	-	-	-	(1,298,700)	(829,340)	-
(4,405,284)	(720,933)	-	-	-	-	-
(4,794,841)	(798,388)	67,213	227,489	624,221	(99,047)	-
4,794,841	798,388	541,238	267,723	1,427,681	416,615	(1,618)
$ -	$ -	$ 608,451	$ 495,212	$ 2,051,902	$ 317,568	$ (1,618)

(Continued)

CITY OF BELL
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
For the Fiscal Year Ended June 30, 2012

	Debt Service Funds				
	Community Housing Authority	General Obligation Bonds	Public Financing Authority	Community Housing Authority	Gas Tax
Revenues:					
Taxes:					
Property taxes	$ -	$ -	$ -	$ -	$ -
Special assessments	-	2,085,427	927,572	-	-
Fines and forfeitures	-	-	-	-	-
Charges for services	-	-	-	-	-
Intergovernmental	-	-	-	-	1,661,329
Investment income	-	-	3	-	1,088
Lease Income	-	-	-	-	-
Other	-		-	-	-
Total revenues	-	2,085,427	927,575	-	1,662,417
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	431,645
Capital outlay	-	-	-	-	707,268
Debt service:					
Interest and fiscal charges	903,695	2,369,669	455,602	-	-
Principal payments	395,000	365,000	670,000	-	-
Total expenditures	1,298,695	2,734,669	1,125,602	-	1,138,913
Excess (deficiency) of revenues over (under) expenditures	(1,298,695)	(649,242)	(198,027)	-	523,504
Other financing sources (uses):					
Transfers in	1,298,700	1,264,940	218,920	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	1,298,700	1,264,940	218,920	-	-
Extraordinary loss from dissolution of the Bell Community Redevelopment Agency	-	-	-	-	-
Net change in fund balances	5	615,698	20,893	-	523,504
Fund balances (deficit) at beginning of year	-	-	208,347	795,081	2,518,894
Fund balances (deficit) at end of year	$ 5	$ 615,698	$ 229,240	$ 795,081	$ 3,042,398

CITY OF BELL
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
For the Fiscal Year Ended June 30, 2012

Capital Projects Funds				
Federal Grants	State COPS	Proposition C	Measure R	Total
$ -	$ -	$ -	$ -	$ 406,201
-	-	-	-	5,565,106
-	-	-	-	237,207
-	-	-	-	48,844
222,107	102,416	472,092	351,046	3,873,450
8	100	715	336	9,911
-	-	-	-	3,518,441
-	-	-	-	52,494
222,115	102,516	472,807	351,382	13,711,654
-	-	-	-	613,141
17,431	-	-	-	17,431
23,832	-	-	-	1,761,967
30,071	-	23,512	-	2,400,374
264,409	57,237	30,888	-	1,179,177
-	-	-	-	3,828,473
-	-	-	-	1,577,050
335,743	57,237	54,400	-	11,377,613
(113,628)	45,279	418,407	351,382	2,334,041
-	-	-	-	2,782,560
-	-	-	-	(2,128,040)
-	-	-	-	654,520
-	-	-	-	(5,126,217)
(113,628)	45,279	418,407	351,382	(2,137,656)
(165,571)	213,784	1,327,560	571,619	16,654,474
$ (279,199)	$ 259,063	$ 1,745,967	$ 923,001	$ 14,516,818

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