

CITY OF BELL, CALIFORNIA
Annual Financial Report
For the Fiscal Year Ended June 30, 2011

CITY OF BELL
Annual Financial Report
June 30, 2011

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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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 10 to the financial statements, direct payroll and benefit expenditures of \$7.2 million and \$.7 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. There is no supporting documentation beyond the budget for the allocation of the payroll and benefit 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 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, 2011, 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 Community Redevelopment Agency Debt Service Fund, the City Capital Projects Fund and the Supplemental Retirement Plan Trust Fund of the City as of June 30, 2011, 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 15 to the financial statements, as of July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As discussed in Note 7 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 17 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.

As discussed in Note 21 to the financial statements, on June 29, 2011, the State of California enacted legislation that provides for the dissolution of redevelopment agencies in the State of California (Assembly Bill 1X 26) unless certain payments can be made to the State of California (Assembly Bill 1X 27). On December 29, 2011, the California Supreme Court (Court) largely upheld the legislation for the dissolution of redevelopment agencies under Assembly Bill 1X 26. Furthermore, the Court invalidated Assembly Bill 1X 27. Accordingly, the Bell Community Redevelopment Agency (Agency) was dissolved as of February 1, 2012 pursuant to the legislation. The financial statements do not include any adjustments as a result of the dissolution of the Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 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 Special Revenue Fund, 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 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 Fini & O'Connell LLP

Los Angeles, California
June 28, 2013

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BASIC FINANCIAL STATEMENTS

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CITY OF BELL
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets:	
Cash and investments	\$ 15,176,188
Restricted cash and investments	24,511,338
Receivables:	
Accounts	393,657
Accrued interest	1,756
Loans	59,849
Prepaid expenses	73,733
Due from other governments	1,690,625
Deferred loans	358,877
Land held for development	855,230
Deferred charges	2,222,202
Prepaid asset - CalPERS	5,110,019
Capital assets, nondepreciable	62,974,260
Capital assets, net of accumulated depreciation	59,589,397
Total assets	173,017,131
Liabilities:	
Accounts payable	1,338,616
Accrued payroll	241,000
Interest payable	1,918,278
Deposits payable	310,451
Due to other governments	57,041
Unearned revenue	169,008
Long-term liabilities:	
Due within one year	44,365,305
Due in more than one year	110,255,385
Total liabilities	158,655,084
Net Assets:	
Invested in capital assets, net of related debt	24,506,746
Restricted for:	
Low and moderate housing	4,811,841
Retirement	976,319
Public safety	481,507
Public works	5,527,798
Community services	780,548
Capital projects	2,707,659
Unrestricted (deficit)	(25,430,371)
Total net assets	\$ 14,362,047

See accompanying notes to basic financial statements.

CITY OF BELL
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Charges for Services
Governmental activities:		
General government	\$ 12,759,308	\$ 4,589,750
Public safety	7,706,467	909,843
Community services	4,242,247	298,564
Public works	4,393,782	12,233
Pass-through agreements	1,190,433	-
Interest	5,100,980	-
Total governmental activities	<u>\$ 35,393,217</u>	<u>\$ 5,810,390</u>

See accompanying notes to basic financial statements.

CITY OF BELL
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Program Revenues			
Operating Contributions and Grants	Capital Contributions and Grants	Net Expense and Change in Net Assets	Total
\$ 16,463	\$ -	\$	(8,153,095)
100,779	29,224		(6,666,621)
1,111,436	-		(2,832,247)
501,361	2,366,703		(1,513,485)
-	-		(1,190,433)
-	-		(5,100,980)
<u>\$ 1,730,039</u>	<u>\$ 2,395,927</u>		<u>(25,456,861)</u>

General revenues:

Taxes:

Property taxes	6,525,765
Franchise taxes	479,863
Utility users taxes	3,150,791
Special assessments	5,450,034
Real property transfer taxes	38,960
Intergovernmental not restricted to specific programs	5,040,291
Investment income	28,265
Other	650,676

Total general revenues 21,364,645

Change in net assets (4,092,216)

Net assets at beginning of year, as restated 18,454,263

Net assets at end of year \$ 14,362,047

See accompanying notes to basic financial statements.

CITY OF BELL
Governmental Funds
Balance Sheet
June 30, 2011

<u>Assets</u>	General Fund	Special Revenue Fund	Debt Service Fund Community Redevelopment Agency
		Retirement	
Assets:			
Cash and investments	\$ 1,651,955	\$ -	\$ 54,214
Restricted cash and investments	-	-	2,040,119
Receivables:			
Accounts	384,251	-	-
Accrued interest	249	-	-
Loans	59,849	-	-
Prepaid items	7,800	-	-
Due from other governments	421,792	98,626	318,204
Deferred loans	-	-	-
Due from other funds	516,786	-	-
Advances to other funds	4,481,190	985,767	-
Land held for development	-	-	-
	<u>\$ 7,523,872</u>	<u>\$ 1,084,393</u>	<u>\$ 2,412,537</u>
Total assets			
	<u>\$ 7,523,872</u>	<u>\$ 1,084,393</u>	<u>\$ 2,412,537</u>
 <u>Liabilities and Fund Balances (Deficit)</u>			
Liabilities:			
Accounts payable	\$ 756,701	\$ 4,592	\$ -
Accrued payroll	180,721	48,778	-
Deposits payable	264,907	-	-
Due to other governments	54,627	-	2,414
Due to other funds	-	-	404,421
Advances from other funds	8,868	54,704	6,683,230
Unearned revenue	-	-	-
Deferred revenue	59,849	-	-
	<u>1,325,673</u>	<u>108,074</u>	<u>7,090,065</u>
Total liabilities			
	<u>1,325,673</u>	<u>108,074</u>	<u>7,090,065</u>
Fund balances (deficit):			
Nonspendable:			
Prepaid items	7,800	-	-
Advances to other funds	4,481,190	-	-
Restricted for:			
Debt reserve	-	-	2,040,119
Public safety	-	-	-
Community services	-	-	-
Public works	-	-	-
Capital projects	-	-	-
Retirement funding	-	976,319	-
Assigned to:			
Community services	-	-	-
Unassigned	1,709,209	-	(6,717,647)
	<u>6,198,199</u>	<u>976,319</u>	<u>(4,677,528)</u>
Total fund balances (deficit)			
	<u>6,198,199</u>	<u>976,319</u>	<u>(4,677,528)</u>
Total liabilities and fund balances			
	<u>\$ 7,523,872</u>	<u>\$ 1,084,393</u>	<u>\$ 2,412,537</u>

See accompanying notes to basic financial statements.

CITY OF BELL
Governmental Funds
Balance Sheet
June 30, 2011

Capital Projects Fund	Nonmajor Governmental Funds	Total
\$ 11,798	\$ 13,458,221	\$ 15,176,188
21,458,410	1,012,809	24,511,338
-	9,406	393,657
-	1,507	1,756
-	-	59,849
-	65,933	73,733
-	852,003	1,690,625
-	358,877	358,877
-	441,148	957,934
-	1,438,567	6,905,524
-	855,230	855,230
<u>\$ 21,470,208</u>	<u>\$ 18,493,701</u>	<u>\$ 50,984,711</u>
\$ 1,706	\$ 575,617	\$ 1,338,616
-	11,501	241,000
-	45,544	310,451
-	-	57,041
-	553,513	957,934
-	158,722	6,905,524
-	169,008	169,008
-	358,877	418,726
<u>1,706</u>	<u>1,872,782</u>	<u>10,398,300</u>
-	65,933	73,733
-	-	4,481,190
-	214,586	2,254,705
-	481,507	481,507
-	6,065,455	6,065,455
-	5,527,798	5,527,798
21,468,502	2,694,260	24,162,762
-	-	976,319
-	1,778,363	1,778,363
-	(206,983)	(5,215,421)
<u>21,468,502</u>	<u>16,620,919</u>	<u>40,586,411</u>
<u>\$ 21,470,208</u>	<u>\$ 18,493,701</u>	<u>\$ 50,984,711</u>

See accompanying notes to basic 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, 2011

Fund balances - total governmental funds \$ 40,586,411

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	\$ 160,153,101	
Accumulated depreciation	(37,589,444)	
Net capital assets	122,563,657	122,563,657

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 allocation bonds	(22,600,000)	
Taxable pension revenue bonds	(6,980,000)	
Taxable lease revenue bonds	(35,000,000)	
Lease revenue bonds	(18,960,000)	
General obligation bonds	(49,645,000)	
Certificates of participation	(1,980,000)	
Promissory note	(4,353,685)	
Other post-employment benefits obligation	(6,036,247)	
Unamortized bond premium	(728,779)	
Liability claims	(6,898,256)	
Compensated absences	(1,438,723)	(154,620,690)

Bond issuance costs applicable to newly issued debt is a current period expenditure, but is capitalized on the statement of net assets, net of current period amortization. 2,222,202

Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds. (1,918,278)

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. 5,110,019

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. 418,726

Net assets of governmental activities \$ 14,362,047

See accompanying notes to basic financial statements.

CITY OF BELL
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue Fund Retirement	Debt Service Fund Community Redevelopment Agency
Revenues:			
Taxes:			
Property taxes	\$ 2,366,713	\$ -	\$ 3,197,534
Sales and use taxes	2,027,859	-	-
Franchise taxes	479,863	-	-
Utility users taxes	3,150,791	-	-
Special assessments	-	1,783,873	-
Real property transfer taxes	38,960	-	-
Licenses and permits	628,543	-	-
Fines and forfeitures	735,766	-	-
Charges for services	670,125	-	-
Intergovernmental	3,048,644	-	-
Investment income	7,950	-	277
Lease income	127,839	-	-
Other	1,347,363	16,032	-
Total revenues	14,630,416	1,799,905	3,197,811
Expenditures:			
Current:			
General government	6,394,628	1,085,201	80,522
Public safety	5,583,091	1,277,279	-
Community services	1,635,685	-	-
Public works	209,177	-	-
Pass-through agreements	-	-	1,190,433
Capital outlay	-	-	-
Debt service:			
Interest and fiscal charges	2,382,869	-	1,044,058
Principal payments	355,000	-	737,654
Total expenditures	16,560,450	2,362,480	3,052,667
Excess (deficiency) of revenues over (under) expenditures	(1,930,034)	(562,575)	145,144
Other financing sources (uses):			
Proceed from sale of capital assets	-	-	-
Transfers in	2,218,250	-	-
Transfers out	(210,255)	-	-
Total other financing sources (uses)	2,007,995	-	-
Net change in fund balances	77,961	(562,575)	145,144
Fund balances (deficit) at beginning of year, as restated	6,120,238	1,538,894	(4,822,672)
Fund balances (deficit) at end of year	\$ 6,198,199	\$ 976,319	\$ (4,677,528)

See accompanying notes to basic financial statements.

CITY OF BELL
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
For the Fiscal Year Ended June 30, 2011

Capital Projects Fund			
City Capital Projects	Nonmajor Governmental Funds	Total	
\$ -	\$ 961,518	\$ 6,525,765	
-	-	2,027,859	
-	-	479,863	
-	-	3,150,791	
-	3,666,161	5,450,034	
-	-	38,960	
-	-	628,543	
-	23,318	759,084	
-	44,688	714,813	
-	4,086,182	7,134,826	
-	20,038	28,265	
-	3,583,678	3,711,517	
-	53,309	1,416,704	
-	12,438,892	32,067,024	
-	228,546	7,788,897	
-	222,967	7,083,337	
-	1,334,158	2,969,843	
-	2,665,284	2,874,461	
-	-	1,190,433	
667,506	833,883	1,501,389	
-	1,600,582	5,027,509	
-	1,131,752	2,224,406	
667,506	8,017,172	30,660,275	
(667,506)	4,421,720	1,406,749	
-	1,270	1,270	
-	908,695	3,126,945	
(1,718,250)	(1,198,440)	(3,126,945)	
(1,718,250)	(288,475)	1,270	
(2,385,756)	4,133,245	1,408,019	
23,854,258	12,487,674	39,178,392	
\$ 21,468,502	\$ 16,620,919	\$ 40,586,411	

See accompanying notes to basic financial statements.

CITY OF BELL
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 1,408,019

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	\$ 2,163,279	
Deletion of capital assets	(1,358,977)	
Adjustments to capital assets	60,161	
Depreciation expense	<u>(3,144,488)</u>	(2,280,025)

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 - general obligation bonds	355,000	
Principal - tax allocation bonds	840,000	
Principal - revenue bonds	885,000	
Principal - certificates of participation	110,000	
Principal - promissory note	34,406	
Capital lease payment	33,113	
Increase in estimated liability claims	(2,519,728)	
Amortization of bond premiums	28,077	
Amortization of deferred charges	(96,502)	
Decrease in compensated absences	852,260	
Increase in other post-employment benefits obligation	<u>(1,960,239)</u>	(1,438,613)

This is the net change in accrued interest related to long-term debt
for the current period. 23,030

The amortization of the prepaid pension asset is 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. (1,009,258)

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. (795,369)

Change in net assets of governmental activities \$ (4,092,216)

See accompanying notes to the basic financial statements.

CITY OF BELL
Statement of Fiduciary Net Assets
Supplemental Retirement Plan Trust Fund
June 30, 2011

Assets:

Cash and investments	\$ 5,011,915
Accrued interest and dividend income	5,359
	<hr/>

Total assets	\$ 5,017,274
	<hr/> <hr/>

Net Assets:

Held in trust for pension benefits	\$ 5,017,274
	<hr/> <hr/>

See accompanying notes to basic financial statements.

CITY OF BELL
Statement of Changes in Fiduciary Net Assets
Supplemental Retirement Plan Trust Fund
For the Fiscal Year Ended June 30, 2011

Additions:

Interest and dividend income	\$	164,560
Net appreciation in fair value of mutual funds		72,345
Other income		12,936
		12,936
Total additions		249,841

Deductions:

Benefit payments		68,544
		68,544
Total deductions		68,544

Change in net assets		181,297
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Net assets held in trust, beginning of year		4,835,977
		4,835,977

Net assets held in trust, end of year	\$	5,017,274
		5,017,274

See accompanying notes to basic financial statements.

CITY OF BELL
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2011

(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. 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 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. Refer to Note 21 – Subsequent Events for further information about the dissolution of the Agency.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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, all of the City's component units are considered to be blended component units. 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 primary government.

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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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's citizenry 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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 in 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, a separate fiduciary pension trust fund is presented and is 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.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in-lieu taxes, grants, intergovernmental revenue 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 where 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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.

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

Fiduciary Fund Type

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).

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. 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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 XIII A of the California State Constitution and statutory provisions by the Los Angeles County Assessor and State Board of Equalization.

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 accrued actuarial 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, 2011 is \$5,110,019. The amortization of the prepaid pension asset during the fiscal year ended June 30, 2011 is \$537,845.

Land Held for Development

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

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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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, 2011, the restricted net assets are \$15,285,672, of which, \$3,312,799 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

In the fund financial statements, governmental funds report fund balances 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. The City adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2011 (see Note 15).

Deficit Fund Equity

The Community Redevelopment Agency Debt Service Fund has a deficit fund balance of \$4,677,528 at June 30, 2011. As discussed in Note 21 – Subsequent Events, the Agency was dissolved as of February 1, 2012 and all activities of the Agency were transferred to the City as Successor Agency or the Housing Authority as Housing Successor. The CDBG Program Special Revenue Fund, the Bikeway Special Revenue Fund, and the Federal Grants Capital Project Funds have deficit fund balances in the amount of \$33,555, \$1,618, and \$165,571 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

(2) RESTATEMENT OF FUND BALANCES AND NET ASSETS

The fund balances at July 1, 2010 were restated to report the following:

1. Correction of an error for unearned revenue related to grants received from the transportation planning agency that was recognized as revenue in a prior year.
2. Reclassification of the Cable Television Authority from nonmajor special revenue fund to the General Fund because Cable Television Authority did not meet the new special revenue fund criteria of GASB Statement No. 54. (see Note 15.)

	General Fund	Nonmajor Governmental Funds
Ending fund balances, June 30, 2010, as previously stated	\$ 6,081,700	\$ 12,880,721
Unearned revenue	-	(354,509)
Reclassify fund:		
Cable Television Authority	38,538	(38,538)
Beginning fund balances, July 1, 2010, as restated	\$ 6,120,238	\$ 12,487,674

The net assets at July 1, 2010 were restated to report a correction of an error for unearned revenue related to grants received from the transportation planning agency that was recognized as revenue in a prior year.

	Governmental Activities
Net assets, June 30, 2010, as previously stated	\$ 18,808,772
Unearned revenue	(354,509)
Beginning net assets, July 1, 2010, as restated	\$ 18,454,263

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

(3) 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, 2011, the following expenditures exceeded appropriations in the General Fund.

	Final Budget	Actual on a Budgetary Basis	Variance
City council	\$ 35,388	\$ 109,757	\$ (74,369)
City administrator	285,700	329,735	(44,035)
Administration support	286,939	400,335	(113,396)
City clerk	14,887	149,096	(134,209)
Finance	462,584	515,999	(53,415)
City attorney	265,231	1,497,177	(1,231,946)
General liability	1,486,627	1,562,036	(75,409)
Record bureau	190,900	256,532	(65,632)
Skate park	24,187	26,467	(2,280)
Non-departmental:			
Interest and fiscal charges	1,623,107	2,382,869	(759,762)
Principal payments	-	355,000	(355,000)
	<u>\$ 4,675,550</u>	<u>\$ 7,585,003</u>	<u>\$ (2,909,453)</u>

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

(4) CASH AND INVESTMENTS

Cash and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

	<u>Government- wide</u>	<u>Fiduciary Fund</u>
Statement of net assets:		
Cash and investments	\$ 15,176,189	\$ 5,011,915
Restricted cash and investments	24,511,338	-
Total cash and investments	<u>\$ 39,687,527</u>	<u>\$ 5,011,915</u>

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

<u>Government-wide/Governmental Funds</u>	
Cash on hand	\$ 6,556
Deposits with financial institutions	34,069,325
Investments	5,611,646
Total cash and investments	<u>\$ 39,687,527</u>
 <u>Fiduciary Fund</u>	
Deposits with financial institutions	\$ 136,339
Investments	4,875,576
	<u>\$ 5,011,915</u>

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy at June 30, 2010. 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

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>	<u>Minimum Credit Rating</u>
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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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:

Investment Type	Total	Remaining Maturing (in Months)	
		12 Months or Less	More than 5 years
Money market mutual fund	\$ 438,621	\$ 438,621	\$ -
Mutual funds	7,128,480	2,252,904	4,875,576
State investment pool	2,920,121	2,920,121	-
Total	<u>\$ 10,487,222</u>	<u>\$ 5,611,646</u>	<u>\$ 4,875,576</u>

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.

Investment Type	Total	Rating as of Year End	
		AAA	Not Rated
Money market mutual fund	\$ 438,621	\$ 438,621	\$ -
Mutual funds	7,128,480	2,252,904	4,875,576
State investment pool	2,920,121	-	2,920,121
Total	<u>\$ 10,487,222</u>	<u>\$ 2,691,525</u>	<u>\$ 7,795,697</u>

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 U.S. Treasury securities, mutual funds, and external investment pools), which represent 5% or more of the total City investments as of June 30, 2011.

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

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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, 2011.

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, 2011, \$24.4 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2011, had a balance of \$66.4 billion. Of that amount, 5.01% was invested in structured notes and asset-backed securities. The average maturity of PMIA investments was 237 days as of June 30, 2011.

(5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Current interfund receivables and payables at June 30, 2011 are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 516,786
Nonmajor Governmental Funds	Nonmajor Governmental Funds	36,727
	Community Redevelopment Agency	
	Debt Service Fund	404,421
		<u>441,148</u>
	Total interfund receivables and payables	<u>\$ 957,934</u>

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

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

Long-term interfund receivables and payables at June 30, 2011 are as follows:

<u>Advances to (receivable)</u>	<u>Advances from (payable)</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 158,722 a)
	Retirement Special Revenue Fund	54,704 e)
	Community Redevelopment Agency	
	Debt Service Fund	4,267,764 b)
Nonmajor Governmental Funds	Community Redevelopment Agency	
	Debt Service Fund	1,429,699 c)
	General Fund	8,868 e)
Retirement Fund	Community Redevelopment Agency	
	Debt Service Fund	<u>985,767 d)</u>
		<u>\$ 6,905,524</u>

- a) 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 Project funds. The outstanding balance at June 30, 2011 is \$158,722.
- b) Since June 18, 1990, the General Fund has made several advances to the Agency. The advances bear no interest and have no stipulated repayment schedule or final due date. In fiscal year 2010-11, the General Fund advanced another \$15,479 to the Agency. The outstanding balance at June 30, 2011 is \$4,267,764. The Agency was dissolved as of February 1, 2012. These advances are currently pending decision from the Oversight Board of the Successor Agency as an enforceable obligation as stipulated by AB 1484. If these advances are deemed to be enforceable obligations of the Agency, these obligations can be repaid with the incremental property tax revenue. Please see Note 21 for further information.
- c) The Community Redevelopment Agency Debt Service Fund received a loan in the amount of \$1,429,699 from the Low Moderate Income Housing Special Revenue Fund for the payment to the Supplemental Educational Revenue Augmentation Fund (SERAF) as discussed in Note 18.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

- d) City Resolution set the City’s voter-approved retirement tax rate annually on all property within the City limits to meet the obligations of the City employees’ retirement benefits. The Agency levies the retirement tax rate on all property located within the redevelopment project areas. Since the inception of the Agency, the levy proceeds had been retained by the Agency. In the 2004-05 fiscal year, Resolution 2005-14 approved that all levy proceeds retained by the Agency shall be shifted back to the City’s Retirement Fund; such debt repayment is subordinated to the Agency’s bonded indebtedness. The debt obligation was determined based on remittance advice records dated back to fiscal year 1993-1994. The debt obligation amounted to \$4,674,773. The outstanding balance at June 30, 2011 is \$985,767. The Agency was dissolved as of February 1, 2012. These advances are currently pending decision from the Oversight Board of the Successor Agency as an enforceable obligation as stipulated by AB 1484. If these advances are deemed to be enforceable obligations of the Agency, these obligations can be repaid with the incremental property tax revenue. Please see Note 21 for further information.
- e) Some advances to/from the General Fund to the Retirement Special Revenue Fund and nonmajor governmental funds related to interfund loans and interfund good and services provided in fiscal year ended June 30, 2011 to be repaid in fiscal year 2013.

Interfund transfer summary for the fiscal year ended June 30, 2011 is as follows:

<u>Transfer in (receiving fund)</u>	<u>Transfer out (paying fund)</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 500,000
	City Capital Project Fund	1,718,250
		<u>2,218,250</u>
Nonmajor Governmental Funds	General Fund	210,255
	Nonmajor Governmental Funds	698,440
		<u>908,695</u>
		<u>\$ 3,126,945</u>

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

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

(6) CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2011:

<u>Governmental activities</u>	<u>Balance at July 1, 2010,</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance at June 30, 2011</u>
Capital assets, not being depreciated:					
Rights-of-way	\$ 6,725,298	\$ -	\$ -	\$ -	\$ 6,725,298
Land	55,914,279	-	-	-	55,914,279
Construction in progress	<u>929,752</u>	<u>763,908</u>	<u>(1,358,977)</u>	<u>-</u>	<u>334,683</u>
Total capital assets not being depreciated	<u>63,569,329</u>	<u>763,908</u>	<u>(1,358,977)</u>	<u>-</u>	<u>62,974,260</u>
Capital assets being depreciated:					
Buildings and improvements	42,982,721	104,566	-	-	43,087,287
Equipment and vehicles	2,951,183	34,900	-	(161,806)	2,824,277
Infrastructure:					
Roads and bridges	44,016,749	1,259,905	-	-	45,276,654
Traffic signals	3,956,697	-	-	-	3,956,697
Sewers	1,213,256	-	-	-	1,213,256
Storm drains	<u>820,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>820,670</u>
Total capital assets being depreciated	<u>95,941,276</u>	<u>1,399,371</u>	<u>-</u>	<u>(161,806)</u>	<u>97,178,841</u>
Less accumulated depreciation:					
Buildings and improvements	(7,446,770)	(1,299,086)	-	(10,996)	(8,756,852)
Equipment and vehicles	(2,296,539)	(247,462)	-	232,963	(2,311,038)
Infrastructure:					
Roads and bridges	(21,800,274)	(1,368,795)	-	-	(23,169,069)
Traffic signals	(1,715,644)	(197,835)	-	-	(1,913,479)
Sewers	(632,154)	(12,364)	-	-	(644,518)
Storm drains	<u>(775,542)</u>	<u>(18,946)</u>	<u>-</u>	<u>-</u>	<u>(794,488)</u>
Total accumulated depreciation	<u>(34,666,923)</u>	<u>(3,144,488)</u>	<u>-</u>	<u>221,967</u>	<u>(37,589,444)</u>
Total capital assets being depreciated, net	<u>61,274,353</u>	<u>(1,745,117)</u>	<u>-</u>	<u>60,161</u>	<u>59,589,397</u>
Total capital assets, net	<u>\$ 124,843,682</u>	<u>\$ (981,209)</u>	<u>\$ (1,358,977)</u>	<u>\$ 60,161</u>	<u>122,563,657</u>

Depreciation expense was charged in the following functions in the statement of activities for the fiscal year ended June 30, 2011:

General government	\$ 514,398
Public safety	45,951
Community service	764,232
Public works	<u>1,597,940</u>
	<u>\$ 2,922,521</u>

Capital assets at June 30, 2011 contain adjustments in the amount of \$60,161 to account for equipment and vehicles and associated accumulated depreciation that should have been removed in a prior year and an understatement of accumulated depreciation of certain building and improvements.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

(7) LONG-TERM LIABILITIES

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

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011	Due Within One Year
Governmental activities:					
General Obligation Bonds (GOB):					
Series 2004	\$ 15,000,000	\$ -	\$ 355,000	\$ 14,645,000	\$ 365,000
Series 2007	35,000,000	-	-	35,000,000	-
Unamortized premium on GOB	432,346		16,013	416,333	-
Total GOB	<u>50,432,346</u>	<u>-</u>	<u>371,013</u>	<u>50,061,333</u>	<u>365,000</u>
Revenue bonds:					
Lease Revenue Refunding Bonds, Series 2005	19,335,000	-	375,000	18,960,000	395,000
Taxable Pension Revenue Bonds, Series 2005	7,490,000	-	510,000	6,980,000	555,000
Taxable Lease Revenue Bonds, Series 2007	35,000,000	-	-	35,000,000	35,000,000
Unamortized premium on revenue bonds	324,510	-	12,064	312,446	-
Total revenue bonds	<u>62,149,510</u>	<u>-</u>	<u>897,064</u>	<u>61,252,446</u>	<u>35,950,000</u>
Tax allocation bonds:					
Refunding Bonds, Series 2003	23,440,000	-	840,000	22,600,000	865,000
Certificates of participation:					
1998 Certificates of Participation	2,090,000	-	110,000	1,980,000	115,000
Promissory note:					
2009 Promissory Note	4,388,091	-	34,406	4,353,685	4,353,685
Other liabilities:					
Capital lease	33,113	-	33,113	-	-
Liability claims	4,378,528	3,444,280	924,552	6,898,256	1,548,486
Compensated absences	2,290,983	659,738	1,511,998	1,438,723	364,149
Other post-employment benefits obligation	4,076,008	2,466,799	506,560	6,036,247	803,985
Total other liabilities	<u>10,778,632</u>	<u>6,570,817</u>	<u>2,976,223</u>	<u>14,373,226</u>	<u>2,716,620</u>
Total governmental long-term liabilities	<u>\$ 153,278,579</u>	<u>\$ 6,570,817</u>	<u>\$ 5,228,706</u>	<u>\$ 154,620,690</u>	<u>\$ 44,365,305</u>

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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, 2011 totaled \$14,645,000.

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, 2011 are as follows:

Year Ending June 30,	General Obligation Bonds Series 2004	
	Principal	Interest
2012	\$ 365,000	\$ 649,219
2013	380,000	634,319
2014	395,000	618,819
2015	415,000	602,619
2016	430,000	585,719
2017-2021	2,415,000	2,651,494
2022-2026	2,950,000	2,101,266
2027-2031	3,665,000	1,365,825
2032-2035	3,630,000	374,248
Total	\$ 14,645,000	\$ 9,583,528

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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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, 2011 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, 2011 are as follows:

Year Ending June 30,	General Obligation Bonds Series 2007	
	Principal	Interest
2012	\$ -	\$ 1,718,250
2013	725,000	1,703,750
2014	775,000	1,673,750
2015	820,000	1,641,850
2016	855,000	1,608,350
2017-2021	4,815,000	7,373,125
2022-2026	5,925,000	6,037,375
2027-2031	7,370,000	4,383,250
2032-2036	9,310,000	2,310,500
2037-2038	4,405,000	222,875
Total	\$ 35,000,000	\$ 28,673,075

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

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

bonds, and August 1, 2037, the final maturity of the 2007 bonds. The total remaining debt service for the bonds is \$87.9 million. Pledged property tax revenue recognized during the fiscal year ended June 30, 2011 was \$1,702,915 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 initial indications in a document request form that, based on information received from the City to date, the IRS believes interest on the 2007 General Obligation Bonds may not be tax-exempt under Section 103 of the IRC. The IRS believes that the 2007 General Obligation Bonds issue is a hedge bond under the IRC and does not qualify for an exception to such treatment under Section 149(g)(2) of the IRC because the City has not shown that it reasonably expected to spend the proceeds of the 2007 General Obligation Bonds within a five-year time period from the issuance of the 2007 General Obligation Bonds. The City is cooperating with the IRS audit and hopes to resolve the audit in a manner that does not adversely affect the interest exemption to bondholders. 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. Such treatment could apply retroactively to the date of issuance of the 2007 General Obligation Bonds.

Subsequently, 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.

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, 2011 was \$18,960,000.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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 19 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, 2011 are as follows:

Year Ending June 30,	Lease Revenue Refunding Bonds Series 2005	
	Principal	Interest
2012	\$ 395,000	\$ 901,495
2013	410,000	883,383
2014	430,000	864,483
2015	455,000	844,570
2016	475,000	823,645
2017-2021	2,665,000	3,802,680
2022-2026	3,305,000	3,132,659
2027-2031	4,205,000	2,201,875
2032-2036	5,380,000	1,009,000
2037	1,240,000	30,999
Total	<u>\$ 18,960,000</u>	<u>\$ 14,494,789</u>

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 \$33.5 million. Pledged lease payments recognized during the fiscal year ended June 30, 2011 were \$1.3 million as against the total debt service payments of \$1.3 million.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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 accrued actuarial 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 19 regarding Ambac Financial's filing for bankruptcy protection.

The annual requirements to amortize the 2005 Taxable Pension Revenue Bonds debt outstanding at June 30, 2011 are as follows:

Year Ending June 30,	Taxable Pension Revenue Bonds Series 2005	
	Principal	Interest
2012	\$ 555,000	\$ 358,379
2013	610,000	328,727
2014	660,000	296,111
2015	720,000	260,186
2016	780,000	220,808
2017-2020	3,655,000	406,753
Total	\$ 6,980,000	\$ 1,870,964

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

The 2005 Taxable Pension Revenue Bonds are secured by and to be serviced from the retirement tax 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 \$8.9 million. Pledged retirement tax revenue recognized during the fiscal year ended June 30, 2011 was \$2.7 million as against the total debt service payments of \$895,379.

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, 2011, \$1,035,000 of such bonds outstanding are considered defeased.

2007 Taxable Lease Revenue Bonds

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 June 28, 2013 is approximately \$1.7 million.

In October 2011, Dexia, the holder of the 2007 Taxable Lease Revenue Bonds, sued the City and the Bell Public Financing Authority ("City") for judicial foreclosure and for a deficiency judgment of three parcels of property (the "Property"). 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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.

2003 Tax Allocation Refunding Bonds

On October 1, 2003, the Agency issued \$27,925,000 of 2003 Tax Allocation Refunding Bonds (2003 Bonds). The proceeds were used to refund the 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 Agency. The original issue was also used for redevelopment projects that are not considered capital assets of the 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, 2011 was \$22,600,000.

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 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 Agency in amounts ranging from \$590,000 to \$965,000.

Per the bond covenants, the Agency is required to maintain on deposit a reserve fund in an amount equal to \$2,040,119. At June 30, 2011, the amount held in the reserve account was \$2,040,119.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

Minimum annual requirements to amortize the 2003 Tax Allocation Refunding Bonds outstanding as of June 30, 2011 are as follows:

Year Ending June 30,	Tax Allocation Refunding Bonds Series 2003	
	Principal	Interest
2012	\$ 865,000	\$ 1,153,369
2013	900,000	1,115,819
2014	940,000	1,075,006
2015	985,000	1,032,281
2016	1,030,000	986,944
2017-2021	5,905,000	4,140,356
2022-2026	5,550,000	2,446,700
2027-2031	3,680,000	1,312,594
2032-2034	2,745,000	237,234
Total	\$ 22,600,000	\$ 13,500,303

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 \$36.1 million. Pledged tax increment revenue recognized during the fiscal year ended June 30, 2011 was \$2.0 million as against the total debt service payments of \$2.0 million.

1998 Certificates of Participation

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, 2011 was \$1,980,000.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

The annual requirements to amortize 1998 Certificates of Participation debt outstanding at June 30, 2011 are as follows:

Year Ending June 30,	Certificates of Participation Series 1998	
	Principal	Interest
2012	\$ 115,000	\$ 95,223
2013	120,000	89,758
2014	125,000	83,969
2015	130,000	77,750
2016	135,000	71,125
2017-2021	785,000	244,075
2022-2024	570,000	43,750
Total	<u>\$ 1,980,000</u>	<u>\$ 705,649</u>

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 \$2.7 million. Pledged utility users tax revenue recognized during the fiscal year ended June 30, 2011 was \$3.2 million as against the total debt service payments of \$210,398.

2009 Promissory Note

On May 21, 2009, the 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 Agency will make 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, 2011 totaled \$4,353,685.

In October 2010, the Agency was in default on the 2009 Promissory Note and continues to be in default as of June 28, 2013. As a result, the entire \$4.4 million balance of the note is currently due. The 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 June 28, 2013 is \$689,756. The holder of the 2009 Promissory Note commenced a foreclosure proceeding against the Agency. The City and the 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 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 August 19, 2013. All obligations of the Agency are now subject to state laws and regulations affecting the dissolution of redevelopment agencies in California, which became effective on February 1, 2012. Please see Note 21 for further information on the dissolution of the Agency. Under the new laws and regulations, obligations of the 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

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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.

Noncompliance with Debt Covenants and SEC Continuing Disclosure Requirements

The City and 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, 2011 because the City's audited financial statements were not issued within 90 to 240 days of the year- end. Accordingly, the City and the 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 \$750,000 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 Insurance Co. of the State of Pennsylvania 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 \$10,000,000 is provided by Insurance Co. of the State of Pennsylvania per each occurrence.

At June 30, 2011, 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 2011 and 2010 are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2009-2010	\$ 1,833,957	\$ 2,729,785	\$ (185,214)	\$ 4,378,528
2010-2011	4,378,528	3,444,280	(924,552)	6,898,256

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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, except for the former Chief Administrative Officer (CAO) and the former Assistant Chief Administrative Officer (ACAO), who will accrue 11.0880 hours bi-weekly. 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, except for the former CAO and the former ACAO, who will accrue 32.9280 hours bi-weekly. Vacation leave caps at 280 for employees who were hired after July 1, 2000 or 360 hours for employees who were hired after July 1, 1998. 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. 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 PERS 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 PERS 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, 2011 was \$1,438,723, which includes vested sick and vacation time.

(8) EXCESS EMPLOYEE COMPENSATION

In July 2010, the news media reported that City officials were receiving unusually large salaries, perhaps the highest in the nation. As discussed in Note 17 the SCO conducted an audit of the City's administrative and internal accounting system for the period July 1, 2008 to June 30, 2010. The SCO report dated September 22, 2010, identified that the City Council approved raises for the former CAO without any accountability for performance. As stated in the SCO report, "The former CAO continued this process by allowing enormous salaries for other top administrative staff. The result was a significant increase in payroll for top city administrators. In fiscal year 2009-10, the City expended \$2,391,544 in salaries and \$3,385,783 in compensation for six top City administrators, City Council members, and the mayor." For fiscal year 2010-11, the City expended \$992,744 in compensation for the former six top City administrators, City Council members, and the mayor. This matter is pending the outcome of the criminal cases handled by the Los Angeles County District Attorney. Please see Note 17 for further information.

(9) LOAN PROGRAM

The SCO audit described in Note 7 also identified that 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, 2011 was \$59,849 and is included in the loans receivable balance.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

(10) INTERFUND ALLOCATIONS OF PAYROLL AND BENEFITS

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, 2011 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	\$ 2,495,325	\$ 114,751
Public safety	4,222,065	215,785
Public works	99,634	218,782
Community services	393,571	182,393
Total	\$ 7,210,595	\$ 731,711

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 fiscal year ended June 30, 2011 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

(11) 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 provide 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 year ended June 30, 2011, the amount contributed by the City on behalf of the employees was \$264,228 for miscellaneous employees and \$265,037 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 18.120% for miscellaneous employees, 21.076% for safety first tier employees, and 18.175% for safety police second tier employees as a percentage of covered payroll for the fiscal year ended June 30, 2011. Benefit provisions and all other requirements are established by the state legislature.

Annual Pension Cost:

For fiscal year 2010-11, the City's annual pension cost of \$566,670 for miscellaneous employees, \$469,141 for safety first tier employees, and \$130,115 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	Percentage of Required Contributions Contributed
6/30/2009	\$ 847,749	100%
6/30/2010	838,429	100%
6/30/2011	566,670	100%

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

Safety Police First Tier Plan

Fiscal Year	Required Contributions	Percentage of Required Contributions Contributed
6/30/2009	\$ 676,897	100%
6/30/2010	537,619	100%
6/30/2011	469,141	100%

Safety Police Second Tier Plan

Fiscal Year	Required Contributions	Percentage of Required Contributions Contributed
6/30/2009	\$ 75,098	100%
6/30/2010	166,219	100%
6/30/2011	130,115	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.

(12) 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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, 2011, the City contributed \$506,560 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.

GASB Statement No. 45 requires an actuarial valuation at least biennially for OPEB plans with a total membership of 200 or more. The City has more than 200 participants in its OPEB plan. However, the City did not obtain an actuarial valuation biennially as required by GASB Statement No. 45 due to the scandal as discussed in Note 10. The Annual Required Contribution (ARC) for the fiscal year ended June 30, 2011, was \$2,465,701 based on the actuarial valuation performed as of July 1, 2008. 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, 2011
Annual required contribution (ARC)	\$ 2,465,701
Interest cost	163,040
ARC adjustment	(161,942)
Annual OPEB expense	2,466,799
Contributions made	(506,560)
Increase in net OPEB obligation	1,960,239
Net OPEB Obligation, Beginning of Year	4,076,008
Net OPEB Obligation, End of Year	\$ 6,036,247

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$ 2,465,701	17.5%	\$ 2,034,282
6/30/10	2,468,583	17.3%	4,076,008
6/30/11	2,466,799	20.5%	6,036,247

Funding Status and Progress:

Valuation Date	Actuarial Asset Value	Entry Age Normal Cost Actuarial Accrued 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, 2008:

Actuarial cost method	Projected unit credit cost method
Average remaining period	30 years as of the valuation date
	Open basis
Investment rate of return	4.0%
Annual healthcare cost trend rate	3.0% - 8.0%
Payroll growth	3.25%

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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%

(13) 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 have continued. Due to termination of pension payments, four (4) participants who had retired and qualified under the Supplemental Retirement Plan after April 20, 2011 have 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, 2011 as well as the related net pension assets/obligations and funded status at June 30, 2011 are not reported and disclosed in the financial statements. Please see Note 17 for further information.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

(14) 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, 2011. 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, 2011.

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 17 for further information.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

(15) FUND BALANCE

Effective July 1, 2010, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City has evaluated the use of the Special Revenue, Debt Service and Capital Projects Funds under the criteria set forth in GASB Statement No. 54 and has determined the following:

- i) Cable Television Authority fund did not meet the new special revenue fund criteria of GASB Statement No. 54 and as such was reclassified to the General Fund.
- ii) Federal Grants, State COPS, Proposition C and Measure R funds did not meet the new special revenue fund criteria of GASB Statement No. 54 and were reclassified from nonmajor special revenue funds to nonmajor capital projects funds.
- iii) Community Redevelopment Agency fund was reclassified from a nonmajor capital projects fund to a nonmajor special revenue fund because it met the special revenue fund criteria of GASB Statement No. 54.

As a result, the beginning fund balances at July 1, 2010 were restated. (See Note 2)

As prescribed by 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, 2011, 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 through City Council’s resolutions. 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 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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.

(16) RELATED PARTY TRANSACTIONS

Urban & Associates, Inc., TD Urban Planners, and D & J Engineering provided consulting, construction and building inspection services to the City and are considered related parties, as the owner of these companies was also a contract employee of the City. In addition, the contract employee was also a business partner with the CAO in another business unrelated to the City's activities. The amount of payments to the above named companies during the fiscal year ended June 30, 2011 amounted to \$179,851 for consulting, construction and building inspection services.

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, 2011 was \$59,849.

(17) 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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, 2011 and where the amount of loss can be reasonably estimated, the obligation has been accrued as an expense of the City (see Note 7 for further discussion of the City's risk management program). Below is summary of the significant contingencies:

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

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 for the following:

- *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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

- *Pension Assessment*
The City adopted Resolution No. 2007-42 to increase the tax levy related to the payment of the City's pension obligation from 0.187554% in FY 2006-07 to 0.237554% in FY 2007-08, 0.257554% in FY 2008-09, and 0.277554% in FY 2009-10—an increase of approximately 48% over a three-year period. The SCO estimated that the increased rates resulted in \$2,934,144 in additional taxes over a three-year period. The SCO found the increased tax levy to be unallowable under Revenue and Taxation Code section 96.31(b). Under this section, the City had no authority to levy a property tax rate greater than the rate imposed in FY 1982-83 or FY 1983-84. The City concurred with this finding and refunded \$2,934,144 to the taxpayers in November 2010. \$2,934,144 was accrued and reported as a special item – repayment of excess pension assessment in the 2010 financial statements. As part of repayment of the excess pension assessment, the City incurred administrative and legal expenditures in the amount of \$273,954, which is reported as general government expenses/expenditures in the 2011 financial statements.
- *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 XIII C, 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

- Salaries of the City's CAO, Assistant CAO and DAS were charged to the Community Redevelopment Agency Capital Project Funds and were not supported. There was no evidence that the officials engaged in activities that benefitted this fund. The total ineligible labor costs is \$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 7 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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 September 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 7 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, 2011, 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 BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

City of Cudahy based on number of subscribers in each city. Based on fiscal year 2010-11 amounts reported by the cable television company, the City of Cudahy is entitled to approximately 46% of the franchise fees remitted, approximately \$55,000. The City has not determined whether amounts were received in prior years 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 13 and 14 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 was 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. California Attorney General Civil Lawsuit

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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

(18) SUPPLEMENTAL EDUCATION REVENUE AUGMENTATION FUND (SERAF)

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county “Supplemental” Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State’s Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion was made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education, which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency’s share of this revenue shift was \$294,068 for fiscal year 2010-2011 and was paid on May 10, 2011 and reported under pass-through agreements in the Community Redevelopment Agency Debt Service Fund.

(19) 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 June 28, 2013, the reserve fund surety bond and the financial guaranty policy are still in effect.

(20) MAYWOOD MUTUAL AID

The City and the City of Maywood (Maywood) entered into a verbal mutual aid pact in which Maywood would utilize the City’s employees to perform administrative and accounting functions for Maywood beginning on July 1, 2010 on a temporary basis as Maywood had terminated all of their employees as of June 30, 2010. Maywood would reimburse the City for costs incurred. Total cost incurred associated with services provided to Maywood for the fiscal year ended June 30, 2011 was \$210,689 and was reported under general government in the General Fund. The City only received reimbursement in the amount of \$93,701. The City and Maywood did not sign a formal agreement and the arrangement was canceled after four months. The City is not pursuing the difference between the costs incurred and the amount received from Maywood.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

(21) SUBSEQUENT EVENTS

a. Dissolution of Bell Community Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (AB 1X 26), enacted on June 28, 2011, that provides for the dissolution for 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 Successor Agency. 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 Successor Agency. The Successor Agency has hired a licensed accountant and is in the process of performing the DDR.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

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/Agency Loans:** Upon issuance of a FOC, loans made by the City to the 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, 2011, the net amounts of interfund loans are \$6,683,230 long-term advances from the City to the Agency and \$404,421 short-term due from the 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.

b. 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, 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.

CITY OF BELL
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

c. 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.

d. 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

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CITY OF BELL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual on a Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Property taxes	\$ 691,809	\$ 691,809	\$ 2,366,713	\$ 1,674,904
Sales and use taxes	2,816,988	2,816,988	2,027,859	(789,129)
Franchise taxes	479,795	479,795	486,106	6,311
Utility taxes	3,892,986	3,892,986	3,150,791	(742,195)
Real property transfer taxes	45,850	45,850	38,960	(6,890)
Total taxes	7,927,428	7,927,428	8,070,429	143,001
Licenses and permits:				
Business licenses	1,049,428	1,049,428	420,216	(629,212)
Building permits	178,308	178,308	87,167	(91,141)
Truck licenses	37,514	37,514	19,730	(17,784)
Other licenses and permits	151,286	151,286	101,430	(49,856)
Total licenses and permits	1,416,536	1,416,536	628,543	(787,993)
Fines and forfeitures	1,353,852	1,353,852	735,766	(618,086)
Charges for services:				
Zoning fees	24,549	24,549	3,030	(21,519)
Police services	1,141,827	1,141,827	237,863	(903,964)
Plan fees	149,790	149,790	61,725	(88,065)
Community center rental	40,280	40,280	33,539	(6,741)
Class fees	92,350	92,350	53,786	(38,564)
Clerical fees	7,576	7,576	7,368	(208)
Other revenues	395,365	395,365	272,814	(122,551)
Total charges for services	1,851,737	1,851,737	670,125	(1,181,612)
Intergovernmental:				
Motor vehicle in lieu fees	3,461,822	3,461,822	3,012,431	(449,391)
Homeowner's property tax relief	5,624	5,624	-	(5,624)
P.O.S.T.	6,187	6,187	14,366	8,179
Other revenues	-	-	21,847	21,847
Total intergovernmental	3,473,633	3,473,633	3,048,644	(424,989)
Investment income	144,713	144,713	7,950	(136,763)
Lease income	202,447	202,447	127,839	(74,608)
Other revenues	10,910	10,910	1,347,363	1,336,453
Total revenues	\$ 16,381,256	\$ 16,381,256	\$ 14,636,659	\$ (1,744,597)

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, 2011

	Budgeted Amounts		Actual on a Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
General government:				
City council	\$ 35,388	\$ 35,388	\$ 109,757	\$ (74,369)
City administrator	285,700	285,700	329,735	(44,035)
Administration support	259,761	286,939	400,335	(113,396)
Parking enforcement	309,584	309,584	289,340	20,244
City clerk	14,887	14,887	149,096	(134,209)
Finance	462,584	462,584	515,999	(53,415)
City treasurer	213	213	155	58
City attorney	265,231	265,231	1,497,177	(1,231,946)
Personnel services	126,194	126,194	124,043	2,151
General services	1,336,628	1,336,628	1,325,776	10,852
Planning	99,736	99,736	-	99,736
Building regulations	263,597	263,597	90,774	172,823
General liability	1,486,627	1,486,627	1,562,036	(75,409)
Total general government	4,946,130	4,973,308	6,394,223	(1,420,915)
Public safety:				
Patrol	3,434,210	3,434,210	3,270,308	163,902
Detective	838,982	838,982	496,204	342,778
Communications	518,583	518,583	492,438	26,145
Record bureau	190,900	190,900	256,532	(65,632)
Motor officers	125,557	125,557	103,544	22,013
Police administration	1,055,039	1,055,039	605,274	449,765
Jail	342,123	342,123	288,674	53,449
Police training	86,282	86,282	70,117	16,165
Total public safety	6,591,676	6,591,676	5,583,091	1,008,585
Community services:				
Recreation	1,843,901	1,843,901	1,031,836	812,065
Social services	955,899	955,899	488,913	466,986
Skate park	24,187	24,187	26,467	(2,280)
Restaurant	160,226	160,226	28,619	131,607
Park maintenance	75,992	75,992	59,850	16,142
Total community services	3,060,205	3,060,205	1,635,685	1,424,520

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, 2011

	Budgeted Amounts		Actual on a Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Public works:				
Public works	\$ 464,773	\$ 464,773	\$ 85,050	\$ 379,723
Engineering	144,909	144,909	124,127	20,782
Total public works	<u>609,682</u>	<u>609,682</u>	<u>209,177</u>	<u>400,505</u>
Debt service:				
Interest and fiscal charges	1,623,107	1,623,107	2,382,869	(759,762)
Principal payments	-	-	355,000	(355,000)
Total debt service	<u>1,623,107</u>	<u>1,623,107</u>	<u>2,737,869</u>	<u>(1,114,762)</u>
Total expenditures	<u>16,830,800</u>	<u>16,857,978</u>	<u>16,560,045</u>	<u>297,933</u>
Deficiency of revenues under expenditures	<u>(449,544)</u>	<u>(476,722)</u>	<u>(1,923,386)</u>	<u>(1,446,664)</u>
Other financing sources (uses):				
Transfers in	1,556,976	3,043,603	2,218,250	(825,353)
Transfers out	<u>(1,885,537)</u>	<u>(1,885,537)</u>	<u>(210,255)</u>	<u>1,675,282</u>
Total other financing sources (uses)	<u>(328,561)</u>	<u>1,158,066</u>	<u>2,007,995</u>	<u>849,929</u>
Net change in fund balance	(778,105)	681,344	84,609	(596,735)
Fund balance at beginning of year	<u>6,081,700</u>	<u>6,081,700</u>	<u>6,081,700</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 5,303,595</u></u>	<u><u>\$ 6,763,044</u></u>	<u><u>\$ 6,166,309</u></u>	<u><u>\$ (596,735)</u></u>

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, 2011

	<u>Budgeted Amounts</u>		Actual on a Budgetary Basis	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 2,859,178	\$ 2,859,178	\$ 2,679,252	\$ (179,926)
Other	20,703	20,703	16,032	(4,671)
Total revenues	<u>2,879,881</u>	<u>2,879,881</u>	<u>2,695,284</u>	<u>(184,597)</u>
Expenditures:				
Current:				
General government	3,205,919	3,205,919	1,085,201	2,120,718
Public safety	1,615,430	1,615,430	1,277,279	338,151
Total expenditures	<u>4,821,349</u>	<u>4,821,349</u>	<u>2,362,480</u>	<u>2,458,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,941,468)</u>	<u>(1,941,468)</u>	<u>332,804</u>	<u>2,274,272</u>
Other financing sources (uses):				
Transfers in	1,238,707	1,238,707	-	(1,238,707)
Transfers out	(895,379)	(895,379)	(895,379)	-
Total other financing sources (uses)	<u>343,328</u>	<u>343,328</u>	<u>(895,379)</u>	<u>(1,238,707)</u>
Net change in fund balance	<u>(1,598,140)</u>	<u>(1,598,140)</u>	<u>(562,575)</u>	<u>1,035,565</u>
Fund balance at beginning of year	<u>1,538,894</u>	<u>1,538,894</u>	<u>1,538,894</u>	<u>-</u>
Fund balance at end of year	<u>\$ (59,246)</u>	<u>\$ (59,246)</u>	<u>\$ 976,319</u>	<u>\$ 1,035,565</u>

See accompanying note to the required supplementary information.

CITY OF BELL
Note to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2011

(1) BUDGETARY CONTROL AND ACCOUNTING

The City Council approves a four-year budget submitted by the Chief Administrative Officer 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 Chief Administrative Officer. 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, revenues in the amount of \$(6,243) and expenditures in the amount of \$405 related to the Cable Television Authority fund, which is blended with the General Fund in the GAAP financial statements, is excluded from the budgetary comparison schedule for the General Fund. In addition, special assessment revenues and a transfer out in the amount of \$895,379 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, 2011

Other Postemployment 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 accrued 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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CITY OF BELL
Description of Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011

Special Revenue Funds

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

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.

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.

Community Redevelopment Agency Fund

To account for the financial resources that are restricted for economic development activities in the Agency.

CITY OF BELL
Description of Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2011

Community Development Block Grant (CDBG) Program Fund

To account for revenues and costs related to the activities approved and funded by the federal CDBG Program.

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 housing authority.

Surplus Property Authority Special Revenue Fund

To account for revenues and expenditures relating 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.

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 City.

CITY OF BELL
Description of Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2011

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.

Federal Grants Fund

To account for the revenues and expenditures of miscellaneous federal grants.

State COPS Fund

To account for funds received from 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

CITY OF BELL
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

Special Revenue Funds

	Gas Tax	Proposition A	Air Quality Management	Sanitation	Sewer Maintenance
<u>Assets</u>					
Cash and investments	\$ 2,425,524	\$ 536,113	\$ 154,989	\$ 1,310,070	\$ 527,994
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	-
Accrued interest	389	51	26	248	91
Prepaid items	-	-	-	-	-
Due from other governments	116,802	-	9,165	49,256	9,684
Deferred loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Land held for development	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,542,715</u>	<u>\$ 536,164</u>	<u>\$ 164,180</u>	<u>\$ 1,359,574</u>	<u>\$ 537,769</u>
<u>Liabilities and Fund Balances (Deficit)</u>					
Liabilities:					
Accounts payable	\$ 23,821	\$ 63,535	\$ -	\$ 101,573	\$ -
Accrued payroll	-	403	-	528	-
Deposits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Deferred revenue	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>23,821</u>	<u>63,938</u>	<u>-</u>	<u>102,101</u>	<u>-</u>
Fund balances (deficit):					
Nonspendable:					
Prepaid items	-	-	-	-	-
Restricted for:					
Debt reserve	-	-	-	-	-
Public safety	-	-	-	-	-
Community services	-	472,226	-	-	-
Public works	2,518,894	-	164,180	1,257,473	537,769
Capital projects	-	-	-	-	-
Assigned to:					
Community services	-	-	-	-	-
Unassigned	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances (deficit)	<u>2,518,894</u>	<u>472,226</u>	<u>164,180</u>	<u>1,257,473</u>	<u>537,769</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 2,542,715</u>	<u>\$ 536,164</u>	<u>\$ 164,180</u>	<u>\$ 1,359,574</u>	<u>\$ 537,769</u>

CITY OF BELL
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

AB939 Recycling	Low and Moderate Housing	Community Redevelopment Agency	CDBG Program	Street Lighting	Federal Asset Seizure
\$ 501,982	\$ 2,915,126	\$ 2,262	\$ -	\$ 537,638	\$ 267,676
-	-	-	-	-	-
7,091	-	2,315	-	-	-
89	-	-	-	93	47
-	-	-	-	-	-
13,540	-	-	493,977	14,842	-
-	17,000	-	341,877	-	-
-	441,148	-	-	-	-
-	1,438,567	-	-	-	-
-	-	835,730	-	-	-
<u>\$ 522,702</u>	<u>\$ 4,811,841</u>	<u>\$ 840,307</u>	<u>\$ 835,854</u>	<u>\$ 552,573</u>	<u>\$ 267,723</u>
\$ 14,458	\$ -	\$ 5,192	\$ 9,986	\$ 11,335	\$ -
-	-	-	8,617	-	-
-	-	-	-	-	-
-	-	36,727	508,929	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	17,000	-	341,877	-	-
<u>14,458</u>	<u>17,000</u>	<u>41,919</u>	<u>869,409</u>	<u>11,335</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	267,723
-	4,794,841	798,388	-	-	-
508,244	-	-	-	541,238	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(33,555)	-	-
<u>508,244</u>	<u>4,794,841</u>	<u>798,388</u>	<u>(33,555)</u>	<u>541,238</u>	<u>267,723</u>
<u>\$ 522,702</u>	<u>\$ 4,811,841</u>	<u>\$ 840,307</u>	<u>\$ 835,854</u>	<u>\$ 552,573</u>	<u>\$ 267,723</u>

CITY OF BELL
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	Special Revenue Funds			Debt Service Funds	
	Community Housing Authority	Surplus Property Authority	Bikeway	Community Housing Authority	Public Financing Authority
<u>Assets</u>					
Cash and investments	\$ 1,655,300	\$ 412,134	\$ -	\$ -	\$ -
Restricted cash and investments	-	-	-	-	214,586
Receivables:					
Accounts	-	-	-	-	-
Accrued interest	-	159	-	-	-
Prepaid items	-	65,933	-	-	-
Due from other governments	-	-	-	-	-
Deferred loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Land held for development	19,500	-	-	-	-
Total assets	\$ 1,674,800	\$ 478,226	\$ -	\$ -	214,586
<u>Liabilities and Fund Balances (Deficit)</u>					
Liabilities:					
Accounts payable	\$ 44,042	\$ -	\$ -	\$ -	\$ -
Accrued payroll	1,953	-	-	-	-
Deposits payable	45,544	-	-	-	-
Due to other funds	-	-	1,618	-	6,239
Advances from other funds	155,580	-	-	-	-
Unearned revenue	-	61,611	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	247,119	61,611	1,618	-	6,239
Fund balances (deficit):					
Nonspendable:					
Prepaid items	-	65,933	-	-	-
Restricted for:					
Debt reserve	-	-	-	-	214,586
Public safety	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Capital projects	-	-	-	-	-
Assigned:					
Community services	1,427,681	350,682	-	-	-
Unassigned	-	-	(1,618)	-	(6,239)
Total fund balances (deficit)	1,427,681	416,615	(1,618)	-	208,347
Total liabilities and fund balances	\$ 1,674,800	\$ 478,226	\$ -	\$ -	\$ 214,586

CITY OF BELL
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

Capital Projects Funds

Community Housing Authority	Federal Grants	State COPS	Proposition C	Measure R	Total
\$ -	\$ 110,377	\$ 199,545	\$ 1,329,943	\$ 571,548	\$ 13,458,221
798,223	-	-	-	-	1,012,809
-	-	-	-	-	9,406
-	6	33	204	71	1,507
-	-	-	-	-	65,933
-	130,531	14,206	-	-	852,003
-	-	-	-	-	358,877
-	-	-	-	-	441,148
-	-	-	-	-	1,438,567
-	-	-	-	-	855,230
<u>\$ 798,223</u>	<u>\$ 240,914</u>	<u>\$ 213,784</u>	<u>\$ 1,330,147</u>	<u>\$ 571,619</u>	<u>\$ 18,493,701</u>
\$ -	\$ 299,088	\$ -	\$ 2,587	\$ -	\$ 575,617
-	-	-	-	-	11,501
-	-	-	-	-	45,544
-	-	-	-	-	553,513
3,142	-	-	-	-	158,722
-	107,397	-	-	-	169,008
-	-	-	-	-	358,877
<u>3,142</u>	<u>406,485</u>	<u>-</u>	<u>2,587</u>	<u>-</u>	<u>1,872,782</u>
-	-	-	-	-	65,933
-	-	-	-	-	214,586
-	-	213,784	-	-	481,507
-	-	-	-	-	6,065,455
-	-	-	-	-	5,527,798
795,081	-	-	1,327,560	571,619	2,694,260
-	-	-	-	-	1,778,363
-	(165,571)	-	-	-	(206,983)
<u>795,081</u>	<u>(165,571)</u>	<u>213,784</u>	<u>1,327,560</u>	<u>571,619</u>	<u>16,620,919</u>
<u>\$ 798,223</u>	<u>\$ 240,914</u>	<u>\$ 213,784</u>	<u>\$ 1,330,147</u>	<u>\$ 571,619</u>	<u>\$ 18,493,701</u>

CITY OF BELL
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
For the Fiscal Year Ended June 30, 2011

	Special Revenue Funds				
	Gas Tax	Proposition A	Air Quality Management	Sanitation	Sewer Maintenance
Revenues:					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	1,830,497	354,234
Fines and forfeitures	-	-	-	-	-
Charges for services	-	42,373	-	-	-
Intergovernmental	964,072	524,205	42,516	-	-
Investment income	2,404	398	159	1,036	418
Lease income	-	-	-	-	-
Other	-	-	-	11,936	-
Total revenues	966,476	566,976	42,675	1,843,469	354,652
Expenditures:					
Current:					
General government	-	8,850	-	-	-
Public safety	-	-	-	-	-
Community services	-	533,732	-	-	-
Public works	332,763	-	2,840	1,304,132	52,294
Capital outlay	26,636	-	-	-	-
Debt service:					
Interest and fiscal charges	-	-	-	-	-
Principal payments	-	-	-	-	-
Total expenditures	359,399	542,582	2,840	1,304,132	52,294
Excess (deficiency) of revenues over (under) expenditures	607,077	24,394	39,835	539,337	302,358
Other financing sources (uses):					
Proceeds from sale of capital assets	-	-	600	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	600	-	-
Net change in fund balances	607,077	24,394	40,435	539,337	302,358
Fund balances (deficit) at beginning of year, as restated	1,911,817	447,832	123,745	718,136	235,411
Fund balances (deficit) at end of year	\$ 2,518,894	\$ 472,226	\$ 164,180	\$ 1,257,473	\$ 537,769

CITY OF BELL
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
For the Fiscal Year Ended June 30, 2011

AB939 Recycling	Low and Moderate Housing	Community Redevelopment Agency	CDBG Program	Street Lighting	Federal Asset Seizure
\$ -	\$ 961,518	\$ -	\$ -	\$ -	\$ -
-	-	-	-	586,051	-
-	-	-	-	-	23,318
-	-	2,315	-	-	-
494,792	-	-	574,895	-	-
383	9,392	2,262	-	367	318
-	-	-	-	-	-
-	-	1	-	-	-
<u>495,175</u>	<u>970,910</u>	<u>4,578</u>	<u>574,895</u>	<u>586,418</u>	<u>23,636</u>
-	-	43,114	53,604	-	-
-	-	-	219,115	-	-
-	51,837	-	-	-	6,118
222,624	-	-	335,842	282,463	-
-	-	-	-	-	-
-	187,307	-	-	-	-
-	136,752	-	-	-	-
<u>222,624</u>	<u>375,896</u>	<u>43,114</u>	<u>608,561</u>	<u>282,463</u>	<u>6,118</u>
<u>272,551</u>	<u>595,014</u>	<u>(38,536)</u>	<u>(33,666)</u>	<u>303,955</u>	<u>17,518</u>
-	-	-	-	-	670
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>670</u>
<u>272,551</u>	<u>595,014</u>	<u>(38,536)</u>	<u>(33,666)</u>	<u>303,955</u>	<u>18,188</u>
<u>235,693</u>	<u>4,199,827</u>	<u>836,924</u>	<u>111</u>	<u>237,283</u>	<u>249,535</u>
<u>\$ 508,244</u>	<u>\$ 4,794,841</u>	<u>\$ 798,388</u>	<u>\$ (33,555)</u>	<u>\$ 541,238</u>	<u>\$ 267,723</u>

(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, 2011

	Special Revenue Funds			Debt Service Funds	
	Community Housing Authority	Surplus Property Authority	Bikeway	Community Housing Authority	Public Financing Authority
Revenues:					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	895,379
Fines and forfeitures	-	-	-	-	-
Charges for services	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment income	70	811	-	9	1
Lease income	2,844,343	739,335	-	-	-
Other	-	41,372	-	-	-
Total revenues	2,844,413	781,518	-	9	895,380
Expenditures:					
Current:					
General government	104,177	18,510	-	-	-
Public safety	-	-	-	-	-
Community services	701,637	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	5,494	1,027	-	-	-
Debt service:					
Interest and fiscal charges	-	-	-	918,820	494,455
Principal payments	-	-	-	375,000	620,000
Total expenditures	811,308	19,537	-	1,293,820	1,114,455
Excess (deficiency) of revenues over (under) expenditures	2,033,105	761,981	-	(1,293,811)	(219,075)
Other financing sources (uses):					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	698,440	210,255
Transfers out	(698,440)	(500,000)	-	-	-
Total other financing sources (uses)	(698,440)	(500,000)	-	698,440	210,255
Net change in fund balances	1,334,665	261,981	-	(595,371)	(8,820)
Fund balances (deficit) at beginning of year, as restated	93,016	154,634	(1,618)	595,371	217,167
Fund balances (deficit) at end of year	\$ 1,427,681	\$ 416,615	\$ (1,618)	\$ -	\$ 208,347

CITY OF BELL
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
For the Fiscal Year Ended June 30, 2011

Capital Projects Funds					
Community Housing Authority	Federal Grants	State COPS	Proposition C	Measure R	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 961,518
-	-	-	-	-	3,666,161
-	-	-	-	-	23,318
-	-	-	-	-	44,688
-	594,824	130,196	435,670	325,012	4,086,182
-	90	143	1,383	394	20,038
-	-	-	-	-	3,583,678
-	-	-	-	-	53,309
-	594,914	130,339	437,053	325,406	12,438,892
-	291	-	-	-	228,546
-	3,790	62	-	-	222,967
-	40,834	-	-	-	1,334,158
-	220	-	132,106	-	2,665,284
-	649,798	29,224	121,704	-	833,883
-	-	-	-	-	1,600,582
-	-	-	-	-	1,131,752
-	694,933	29,286	253,810	-	8,017,172
-	(100,019)	101,053	183,243	325,406	4,421,720
-	-	-	-	-	1,270
-	-	-	-	-	908,695
-	-	-	-	-	(1,198,440)
-	-	-	-	-	(288,475)
-	(100,019)	101,053	183,243	325,406	4,133,245
795,081	(65,552)	112,731	1,144,317	246,213	12,487,674
\$ 795,081	\$ (165,571)	\$ 213,784	\$ 1,327,560	\$ 571,619	\$ 16,620,919

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