

CITY OF BELL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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PREPARED BY FINANCE DEPARTMENT

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Bell, California

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



To the Honorable Mayor and Members of the City Council
City of Bell, California

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Government Activities	Qualified
General Fund	Qualified
Retirement Fund	Unmodified
Low and Moderate Housing Fund	Unmodified
Community Development Block Grant Fund	Qualified
Community Housing Authority Fund	Qualified
Gas Tax Capital Projects Fund	Qualified
Public Financing Authority Debt Service Fund	Unmodified
Aggregate Non-Major Funds	Qualified

Basis for Qualified Opinions on Governmental Activities, the General Fund, the Community Development Block Grant Special Revenue Fund, the Community Housing Authority Special Revenue Fund, the Gas Tax Capital Projects Fund, and the aggregate nonmajor governmental funds

As discussed in Note 6 to the financial statements, direct payroll and benefit expenditures were allocated to the General Fund, the Community Development Block Grant Special Revenue Fund, Community Housing Authority Special Revenue Fund, the Gas Tax Capital Projects Fund, and the aggregate nonmajor governmental funds, based on budget estimates rather than time spent on the program or function. 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, the Community Development Block Grant Special Revenue Fund, Community Housing Authority Special Revenue Fund, the Gas Tax Capital Projects Fund, and the aggregate nonmajor governmental funds, and the classification of functional expenses in the government-wide statement of activities is not determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “*Basis for Qualified Opinions on Governmental Activities, the General Fund, the Community Development Block Grant Special Revenue Fund, the Community Housing Authority Special Revenue Fund, the Gas Tax Capital Projects Fund, and the aggregate nonmajor governmental funds*” paragraph the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bell, California, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Retirement Special Revenue Fund, the Low and Moderate Housing Special Revenue Fund, and the Public Financing Authority Debt Service Fund, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



To the Honorable Mayor and Members of the City Council
City of Bell, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information of the General Fund, the Retirement Special Revenue Fund, the Low and Moderate Housing Special Revenue Fund, the Community Development Block Grant Special Revenue Fund, the Community Housing Authority Special Revenue Fund, and the information on the City's Funding Process as 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 omitted 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 opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal



To the Honorable Mayor and Members of the City Council
City of Bell, California

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Solt & Lingham, LLP

Brea, California
January 20, 2015

CITY OF BELL

STATEMENT OF NET POSITION
 JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 35,615,131
Receivables:	
Accounts	539,340
Notes and loans	37,733
Accrued interest	19,579
Deferred loans	351,393
Prepaid costs	7,800
Due from other governments	968,537
Land held for resale	19,500
Restricted assets:	
Cash with fiscal agent	1,649,933
Prepaid assets - CalPERS	3,397,391
Capital assets not being depreciated	25,080,302
Capital assets, net of depreciation	<u>47,707,793</u>
Total Assets	<u>115,394,432</u>
Liabilities:	
Accounts payable	3,171,727
Accrued liabilities	389,713
Accrued interest	1,285,677
Deposits payable	323,681
Due to other governments	196,447
Noncurrent liabilities:	
Due within one year	4,677,964
Due in more than one year	<u>66,428,535</u>
Total Liabilities	<u>76,473,744</u>
Net Position:	
Net investment in capital assets	22,939,247
Restricted for:	
Community development projects	3,806,121
Public safety	389,100
Public works	2,372,160
Capital projects	4,607,853
Debt service	2,497,307
Low and moderate housing	14,343
Unrestricted	<u>2,294,557</u>
Total Net Position	<u>\$ 38,920,688</u>

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CITY OF BELL

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues	Program Revenues		Net Expense Change in Net Total
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Functions/Programs					
Primary Government:					
Governmental Activities:					
General government	\$ 10,195,188	\$ 1,346,886	\$ 17,333	\$ 1,290,302	\$ (7,540,667)
Public safety	7,024,122	495,132	93,944	242,125	(6,192,921)
Community development	2,886,158	-	1,116,779	-	(1,769,379)
Community services	3,641,279	308,335	-	-	(3,332,944)
Public works	4,549,870	664,497	504,435	1,168,247	(2,212,691)
Interest on long-term debt	3,026,573	-	-	-	(3,026,573)
Total Governmental Activities	\$ 31,323,190	\$ 2,814,850	\$ 1,732,491	\$ 2,700,674	(24,075,175)
General Revenues:					
Taxes:					
					8,389,636
					2,053,766
					689,643
					3,134,608
					108,520
					3,399,960
					10,981,533
					13,117,218
					41,874,884
					17,799,709
					22,844,928
					(1,723,949)
					\$ 38,920,688

CITY OF BELL

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds			
	General	Retirement	Low and Moderate Housing	CDBG
Assets:				
Pooled cash and investments	\$ 20,434,407	\$ -	\$ -	\$ -
Receivables:				
Accounts	445,377	9,563	-	-
Notes and loans	37,733	-	-	-
Accrued interest	12,191	-	-	-
Deferred loans	-	-	17,000	334,393
Prepaid costs	7,800	-	-	-
Due from other governments	450,998	48,566	24,651	185,559
Due from other funds	1,495,125	-	-	-
Land held for resale	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 22,883,631	\$ 58,129	\$ 41,651	\$ 519,952
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,211,056	\$ 75,551	\$ 10,308	\$ 53,682
Accrued liabilities	364,222	-	-	10,318
Deposits payable	312,456	-	-	-
Due to other governments	196,447	-	-	-
Due to other funds	-	864,230	-	122,560
Total Liabilities	2,084,181	939,781	10,308	186,560
Deferred Inflows of Resources:				
Unavailable revenues	37,733	-	17,000	334,393
Total Deferred Inflows of Resources	37,733	-	17,000	334,393
Fund Balances:				
Nonspendable:				
Prepaid costs	7,800	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Capital Projects	-	-	-	-
Debt service	-	-	-	-
Low and moderate housing	-	-	14,343	-
Committed to:				
Community development projects	-	-	-	-
Capital Projects	-	-	-	-
Assigned to:				
Public safety	-	-	-	-
Unassigned	20,753,917	(881,652)	-	(1,001)
Total Fund Balances	20,761,717	(881,652)	14,343	(1,001)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 22,883,631	\$ 58,129	\$ 41,651	\$ 519,952

CITY OF BELL

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Other Governmental Funds
	Community Housing Authority	Gas Tax	Public Financing Authority	
Assets:				
Pooled cash and investments	\$ 2,993,986	\$ 3,036,116	\$ -	\$ 9,150,622
Receivables:				
Accounts	-	-	-	84,400
Notes and loans	-	-	-	-
Accrued interest	1,799	1,394	-	4,195
Deferred loans	-	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	116,637	-	142,126
Due from other funds	-	-	-	-
Land held for resale	19,500	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	1,649,933	-
Total Assets	\$ 3,015,285	\$ 3,154,147	\$ 1,649,933	\$ 9,381,343
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 55,516	\$ 819,178	\$ 1,008	\$ 945,428
Accrued liabilities	2,957	2,620	-	9,596
Deposits payable	11,225	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	406,408	101,927
Total Liabilities	69,698	821,798	407,416	1,056,951
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Restricted for:				
Community development projects	2,945,587	-	-	860,534
Public safety	-	-	-	389,100
Public works	-	-	-	2,372,160
Capital Projects	-	2,332,349	-	2,275,504
Debt service	-	-	1,242,517	1,254,790
Low and moderate housing	-	-	-	-
Committed to:				
Community development projects	-	-	-	43,768
Capital Projects	-	-	-	835,188
Assigned to:				
Public safety	-	-	-	382,549
Unassigned	-	-	-	(89,201)
Total Fund Balances	2,945,587	2,332,349	1,242,517	8,324,392
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,015,285	\$ 3,154,147	\$ 1,649,933	\$ 9,381,343

CITY OF BELL

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Total Governmental Funds
Assets:	
Pooled cash and investments	\$ 35,615,131
Receivables:	
Accounts	539,340
Notes and loans	37,733
Accrued interest	19,579
Deferred loans	351,393
Prepaid costs	7,800
Due from other governments	968,537
Due from other funds	1,495,125
Land held for resale	19,500
Restricted assets:	
Cash and investments with fiscal agents	1,649,933
Total Assets	\$ 40,704,071
Liabilities, Deferred Inflows of Resources, and Fund Balances:	
Liabilities:	
Accounts payable	\$ 3,171,727
Accrued liabilities	389,713
Deposits payable	323,681
Due to other governments	196,447
Due to other funds	1,495,125
Total Liabilities	5,576,693
Deferred Inflows of Resources:	
Unavailable revenues	389,126
Total Deferred Inflows of Resources	389,126
Fund Balances:	
Nonspendable:	
Prepaid costs	7,800
Restricted for:	
Community development projects	3,806,121
Public safety	389,100
Public works	2,372,160
Capital Projects	4,607,853
Debt service	2,497,307
Low and moderate housing	14,343
Committed to:	
Community development projects	43,768
Capital Projects	835,188
Assigned to:	
Public safety	382,549
Unassigned	19,782,063
Total Fund Balances	34,738,252
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 40,704,071

CITY OF BELL

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Fund balances of governmental funds		\$ 34,738,252
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets net of depreciation have not been included as financial resources in governmental fund activity.</p>		
Capital assets	\$ 117,331,608	
Accumulated depreciation	<u>(44,543,513)</u>	72,788,095
<p>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 position.</p>		
Taxable pension revenue bonds	(5,155,000)	
Lease revenue bonds	(17,725,000)	
General obligation bonds	(31,295,000)	
Certificates of participation	(1,620,000)	
Other post-employment benefits obligation	(8,830,402)	
Unamortized bond premium	(644,548)	
Liability claims	(4,764,674)	
Compensated absences	<u>(1,071,875)</u>	(71,106,499)
<p>Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.</p>		
		(1,285,677)
<p>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 position.</p>		
		3,397,391
<p>Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.</p>		
		<u>389,126</u>
Net Position of governmental activities		<u>\$ 38,920,688</u>

CITY OF BELL

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	General	Retirement	Low and Moderate Housing	CDBG
Revenues:				
Taxes	\$ 10,120,651	\$ 1,940,098	\$ -	\$ -
Licenses and permits	743,436	-	-	-
Intergovernmental	25,759	-	-	603,751
Charges for services	947,108	-	-	-
Use of money and property	562,834	-	2,273	14
Fines and forfeitures	390,595	-	-	-
Miscellaneous	10,981,533	-	-	-
Total Revenues	23,771,916	1,940,098	2,273	603,765
Expenditures:				
Current:				
General government	8,163,800	1,085,001	-	-
Public safety	5,302,987	1,147,724	-	178,947
Community development	-	-	2,963,344	-
Community services	1,550,770	-	-	-
Public works	460,925	-	-	424,803
Capital outlay	453,789	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	15,932,271	2,232,725	2,963,344	603,750
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,839,645	(292,627)	(2,961,071)	15
Other Financing Sources (Uses):				
Transfers in	926,855	135,061	-	-
Transfers out	(31,018,452)	(739,967)	-	-
Proceeds from sale of capital asset	44,500,000	-	-	-
Total Other Financing Sources (Uses)	14,408,403	(604,906)	-	-
Net Change in Fund Balances	22,248,048	(897,533)	(2,961,071)	15
Fund Balances, Beginning of Year	(1,486,331)	15,881	2,975,414	(1,016)
Fund Balances, End of Year	\$ 20,761,717	\$ (881,652)	\$ 14,343	\$ (1,001)

CITY OF BELL

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds Community Housing Authority	Capital Projects Funds Gas Tax	Debt Service Fund Public Financing Authority	Other Governmental Funds
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 2,315,424
Licenses and permits	-	-	-	-
Intergovernmental	-	1,259,343	-	2,942,996
Charges for services	-	-	-	344,188
Use of money and property	2,741,452	9,090	15	84,282
Fines and forfeitures	-	-	-	14
Miscellaneous	-	-	-	-
Total Revenues	2,741,452	1,268,433	15	5,686,904
Expenditures:				
Current:				
General government	168,762	-	1,193	58,879
Public safety	-	-	-	129,088
Community development	-	-	-	1,179
Community services	689,918	-	-	584,626
Public works	-	978,168	-	1,120,379
Capital outlay	45	1,573,642	-	1,724,357
Debt service:				
Principal retirement	-	-	29,485,000	930,000
Interest and fiscal charges	-	-	397,085	2,382,320
Total Expenditures	858,725	2,551,810	29,883,278	6,930,828
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,882,727	(1,283,377)	(29,883,263)	(1,243,924)
Other Financing Sources (Uses):				
Transfers in	-	523,653	31,099,705	1,276,681
Transfers out	(1,276,681)	-	-	(926,855)
Proceeds from sale of capital asset	-	-	-	-
Total Other Financing Sources (Uses)	(1,276,681)	523,653	31,099,705	349,826
Net Change in Fund Balances	606,046	(759,724)	1,216,442	(894,098)
Fund Balances, Beginning of Year	2,339,541	3,092,073	26,075	9,218,490
Fund Balances, End of Year	\$ 2,945,587	\$ 2,332,349	\$ 1,242,517	\$ 8,324,392

CITY OF BELL

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Total Governmental Funds
Revenues:	
Taxes	\$ 14,376,173
Licenses and permits	743,436
Intergovernmental	4,831,849
Charges for services	1,291,296
Use of money and property	3,399,960
Fines and forfeitures	390,609
Miscellaneous	10,981,533
	<hr/>
Total Revenues	36,014,856
	<hr/>
Expenditures:	
Current:	
General government	9,477,635
Public safety	6,758,746
Community development	2,964,523
Community services	2,825,314
Public works	2,984,275
Capital outlay	3,751,833
Debt service:	
Principal retirement	30,415,000
Interest and fiscal charges	2,779,405
	<hr/>
Total Expenditures	61,956,731
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,941,875)
	<hr/>
Other Financing Sources (Uses):	
Transfers in	33,961,955
Transfers out	(33,961,955)
Proceeds from sale of capital asset	44,500,000
	<hr/>
Total Other Financing Sources (Uses)	44,500,000
	<hr/>
Net Change in Fund Balances	18,558,125
	<hr/>
Fund Balances, Beginning of Year	16,180,127
	<hr/>
Fund Balances, End of Year	\$ 34,738,252
	<hr/> <hr/>

CITY OF BELL

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds \$ 18,558,125

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 3,661,500	
Depreciation	(3,009,268)	
Capital assets disposed/sold	<u>(31,565,041)</u>	(30,912,809)

Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. 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 position and are amortized as a component of expense in the statement of activities.

Principal - revenue bonds	1,090,000	
Principal - taxable lease revenue bonds	28,700,000	
Principal - certificates of participation	125,000	
Principal - general obligation bonds	500,000	
Amortization of bond premiums	28,077	
Increase in insurance claims liabilities	1,319,161	
Increase in other post-employment benefits obligation	<u>(883,188)</u>	30,879,050

Net change in accrued interest on long-term debt for the current period reported on the statement of activities. (275,245)

The amortization of the prepaid pension assets reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (545,646)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 105,409

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. (9,175)

Change in net position of governmental activities \$ 17,799,709

CITY OF BELL

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	<u>Supplemental Retirement Plan Trust Fund</u>	<u>Bell Successor Agency Private- Purpose Trust</u>
Assets:		
Pooled cash and investments	\$ 222	\$ 1,195,548
Receivables:		
Accounts	-	54,198
Accrued interest	-	1,104
Land held for resale	-	835,730
Restricted assets:		
Cash and investments with fiscal agents	-	2,040,416
Capital assets:		
Capital assets, not being depreciated	-	8,286,780
Capital assets, net of accumulated depreciation	-	6,415,877
Total Assets	<u>222</u>	<u>18,829,653</u>
Liabilities:		
Accounts payable	-	130,603
Accrued liabilities	-	600
Accrued interest	-	259,288
Due to other governments	-	33,195
Long-term liabilities:		
Due in one year	-	1,455,706
Due in more than one year	-	21,807,474
Total Liabilities	<u>-</u>	<u>23,686,866</u>
Net Position:		
Held in trust for pension benefits and other purposes	<u>222</u>	<u>(4,857,213)</u>
Total Net Position	<u>\$ 222</u>	<u>\$ (4,857,213)</u>

CITY OF BELL

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Supplemental Retirement Plan Trust Fund</u>	<u>Bell Successor Agency Private- Purpose Trust</u>
Additions:		
Contributions:		
Taxes	\$ -	\$ 3,101,953
Interest and change in fair value of investments	171,257	1,282
Contributions from City	-	2,963,344
Miscellaneous	1,017	34,483
Total Additions	<u>172,274</u>	<u>6,101,062</u>
Deductions:		
Benefits	248,242	-
Refunds of contributions	5,283,633	2,963,344
Administrative expenses	3,070	187,552
Contractual services	-	48,737
Interest expense	-	1,062,602
Depreciation expense	-	152,815
Total Deductions	<u>5,534,945</u>	<u>4,415,050</u>
Changes in Net Position	<u>(5,362,671)</u>	<u>1,686,012</u>
Net Position - Beginning of the Year	5,362,893	(5,810,415)
Restatements	-	(732,810)
Net Position - Beginning of the Year as restated	<u>5,362,893</u>	<u>(6,543,225)</u>
Net Position - End of the Year	<u><u>\$ 222</u></u>	<u><u>\$ (4,857,213)</u></u>

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I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and 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.

a. Description of the 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 blended component units. The component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City.

Blended Component Units

A component unit should be included in the City's financial report utilizing the blending method in any of the following circumstances:

- The component unit's governing body is substantively the same as the governing body of the City and (1) the existence of a financial benefit or burden relationship between them or (2) management of the City has operational responsibility for the component unit.
- The component unit provides services entirely, or almost entirely, to the City or otherwise exclusively or almost exclusively, benefits the City even though it does not provide services directly to the City.
- The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with City resources.

City management has determined that the following related entities should be included in the basic financial statements as blended component units because the City Council serves as the governing board and the City's management has operational responsibility for these entities:

Bell Surplus Property Authority
Bell Public Financing Authority
Bell Community Housing Authority
Solid Waste and Recycling Authority

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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 Bell Redevelopment Agency on February 1, 1991. The Redevelopment Agency was dissolved in accordance with state law on February 1, 2012. 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.

The following organization is considered a joint powers agreement of the City.

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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

b. Government-Wide and Fund Financial Statements

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

Government-wide financial statements
Fund financial statements
Notes to 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. Fiduciary funds are not recorded in the government-wide financial statements. Certain management salaries and benefits have been allocated as indirect expenses to the various functions of the City.

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

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

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

Fund Financial Statements

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

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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

Governmental Funds

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to pay liabilities of the current period. The City uses a sixty-day availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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.

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

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

Community Housing Authority Special Revenue Fund — This fund is used to account for revenues and expenditures related to the operations of the Community Housing Authority.

Gas Tax Capital Projects Fund — This fund is used to account for gas taxes assessed by the State of California and allocated to the City to be used for street maintenance and improvements.

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

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Fiduciary Fund Types

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

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

The fiduciary funds follow the accrual basis of accounting.

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Cash and Investments

Cash includes demand deposits. The California Government Code and the City's investment policy permit the City to invest in various instruments and pools. The City did not adopt an investment policy for the fiscal year ended June 30, 2014 until January 2014, and continued to use the investment policy that was adopted for the fiscal year ended June 30, 2011, until then. Investments are reported in the accompanying statement of net position 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.

Except for fiduciary fund, the City recognizes changes in fair value that occur during a fiscal year 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. Fiduciary funds report changes in fair value that occur during a fiscal year as either a net gain or net loss on fair value of mutual funds.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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		40-60 years
Traffic signals		7-20 years
Sewer		40-60 years
Storm drain		40-60 years
Building and improvements		15-50 years
Furniture and equipment		3-20 years
Vehicles		5-15 years

Bond Premiums and Discounts

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which materially approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable whereas discounts are recorded as a reduction to the face value of the bonds payable amount.

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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The County of Los Angeles 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.

Land Held for Development

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

Prepaid Pension Asset

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

To reduce retirement costs and benefit from lower interest rates, on December 1, 2005, the Public Financing Authority issued \$9,225,000 of 2005 Taxable Pension Revenue Bonds to fund a) the City's unfunded actuarial accrued liability (UAAL) for retirement benefits to its safety employees and b) advance refund the Public Financing Authority's outstanding 1998 Taxable Pension Revenue Bonds dated May 1, 1998. The proceeds from the bond issue, after refunding of the 1998 Pension Obligation Bonds, were remitted directly into CalPERS. The City will amortize the \$7,320,000 net pension asset over the side fund's amortization period of twelve years. The prepaid pension asset as of June 30, 2014, is \$3,397,391. The amortization of the prepaid pension asset during the fiscal year ended June 30, 2014, is \$545,646.

Classification of Net Position

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

Net investment in capital assets - This component of net position 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 inflows and outflows of resources, 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 position.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Restricted net position - This component of net position 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, 2014, the restricted net position is \$13,686,884.

Unrestricted net position - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balances

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, 2014, 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 City Council, the highest level of decision making authority of the City. The City has determined that both a resolution and an ordinance are equally binding. These commitments may be changed or lifted, but only by the same formal action that was used to impose the constraint originally. City Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be subsequently determined.
- *Assigned Fund Balance* — includes amounts that are intended to be used by the City for specific purposes. Intent is expressed by (a) the City Council or (b) a body or official to which the City Council has delegated the authority to assign amounts to be used for a specific purpose.
- *Unassigned Fund Balance* — includes amounts within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification of fund balance in the nonspendable, restricted or committed categories.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Deficit Fund Equity

The following funds have deficit fund balances:

Major Funds:	
Retirement Special Revenue Fund	\$ 881,652
CDBG Special Revenue Fund	1,001
Nonmajor Funds:	
AB939 Recycling	16,344
Surplus Property Authority	52,856
Community Housing Authority Debt Service Fund	20,001

Budgetary Comparison Schedules

The budgetary comparison schedules are not presented for the Surplus Property Authority Fund, City Capital Projects Fund, or Community Housing Authority-Capital Projects Fund due to either no expenditures or no approved budget for the year ended June 30, 2014.

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.

New GASB Pronouncements

Implementation of the following GASB statements is effective fiscal year 2014.

GASB Statement No. 65

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

GASB Statement No. 66

In March 2012, the GASB issued Statement No. 66, Technical Corrections - 2012- an amendment of GASB Statements No. 10 and No. 62, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The City has fully confirmed to the requirements of this statement for the fiscal year ending June 30, 2014.

GASB Statement No. 67

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension plans – an amendment of GASB Statement No. 25, to improve the financial reporting requirements by state and local governmental pension plans. This statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and Statement No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The City has fully confirmed to the requirements of this statement for the fiscal year ending June 30, 2014.

GASB Statement No. 70

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

The following GASB statements will be evaluated and implemented in fiscal year 2015. The impact on the City has not been determined.

GASB Statement No. 68

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

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc post-employment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher to projected benefit payments to the extent that the conditions in (a) are not met.
- Adopting a single actuarial cost allocation method - entry age normal - rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

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

GASB Statement No. 69

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

GASB Statement No. 71

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68, which provides guidance to state and local governments clarifying the transition provisions for GASB No. 68 regarding pension contributions made after the measurement date. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

Note 2: Cash and Investments

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

	Government- wide	Fiduciary Funds		Total
		Supplemental Retirement Plan Trust	Bell Successor Agency Private- Purpose Trust Fund	
Statement of Net Position				
Cash and investments	\$ 35,615,131	\$ 222	\$ 1,195,548	\$ 36,810,901
Restricted cash and investments	1,649,933	-	2,040,416	3,690,349
Total cash and investments	<u>\$ 37,265,064</u>	<u>\$ 222</u>	<u>\$ 3,235,964</u>	<u>\$ 40,501,250</u>

CITY OF BELL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 2: Cash and Investments (Continued)

Cash and investments as of June 30, 2014, consist of the following:

	Government- wide	Fiduciary Funds		Total
		Supplemental Retirement Plan Trust	Bell Successor Agency Private- Purpose Trust Fund	
Cash on hand	\$ 2,700	\$ -	\$ -	\$ 2,700
Deposits with financial institutions	36,472	222	-	36,694
Investments	37,225,892	-	3,235,964	40,461,856
Total cash and investments	\$ 37,265,064	\$ 222	\$ 3,235,964	\$ 40,501,250

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 that was adopted for the calendar year 2014. The City adopts investment policies on the calendar basis. 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	Yes	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	No	Yes	5 years	30%	None
Mutual funds/money market mutual funds	Yes*	Yes	5 years	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	Yes	Yes	N/A	None	None
Joint power authority pool	Yes	Yes	5 years	None	None
Local Agency Investment Fund (LAIF)	Yes	Yes	N/A	None	50 Million

* limited to treasury obligations cash held with fiscal agents

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)Investments Authorized by Debt Agreements

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

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

*Represents credit rating of the counterparty.

Investments Authorized by Supplemental Retirement Plan Trust Agreement

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

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that the portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

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
U.S. Treasury obligations	\$ 3,690,349	\$ 3,690,349	\$ -
State investment pool	36,771,507	36,771,507	-
Total	<u>\$40,461,856</u>	<u>\$40,461,856</u>	<u>\$ -</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
U.S. Treasury obligations	\$ 3,690,349	\$ -	\$ 3,690,349
State investment pool	36,771,507	-	36,771,507
Total	<u>\$40,461,856</u>	<u>\$ -</u>	<u>\$ 40,461,856</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 mutual funds and external investment pools), which represent 5% or more of the total City investments as of June 30, 2014.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that the financial institution secure deposits made by state or local

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

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, 2014.

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.

Note 3: Interfund Receivables, Payables and Transfers

Current interfund receivables and payables at June 30, 2014, are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	CDBG Special Revenue Fund	\$ 122,560
	Retirement Special Revenue Fund	864,230
	Public Financing Authority Debt Service Fund	406,408
	Nonmajor Governmental Funds	101,927
		<u>\$ 1,495,125</u>

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

CITY OF BELL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 3: Interfund Receivables, Payables and Transfers (Continued)

Interfund transfer summary for the fiscal year ended June 30, 2014, is as follows:

<u>Transfer in (receiving fund)</u>	<u>Transfer out (paying fund)</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 926,855
Retirement Special Revenue Fund	General Fund	135,061
Gas Tax Special Revenue Fund	General Fund	523,653
Public Financing Authority Debt Service Fund	General Fund	30,359,738
	Retirement Special Revenue Fund	739,967
Nonmajor Governmental Funds	Community Housing Authority Special Revenue Fund	1,276,681
		<u>\$ 33,961,955</u>

Transfers provide funding for the City's general operations, debt service and to forgive uncollectible interfund receivables from the retirement and federal grants special revenue funds.

CITY OF BELL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 4: Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

Government Activities	Balance at July 1, 2013	Adjustments	Adjusted Beginning Balance	Transfers	Additions	Deletions	Balance at June 30, 2014
Capital assets, not being depreciated:							
Rights-of-way	\$ 6,725,298	\$ -	\$ 6,725,298	\$ -	\$ -	\$ -	\$ 6,725,298
Land	47,627,499	-	47,627,499	-	-	31,382,782	16,244,717
Construction in progress	1,113,792	(418,619)	695,173	(1,704,945)	3,120,059	-	2,110,287
Total capital assets not being depreciated	55,466,589	(418,619)	55,047,970	(1,704,945)	3,120,059	31,382,782	25,080,302
Capital assets being depreciated:							
Buildings and improvements	35,723,412	-	35,723,412	79,520	177,031	-	35,979,963
Equipment and vehicles	3,065,188	-	3,065,188	-	139,832	-	3,205,020
Infrastructure							
Roads and bridges	46,078,977	-	46,078,977	1,625,425	224,578	992,528	46,936,452
Traffic signals	3,956,697	-	3,956,697	-	-	-	3,956,697
Sewers	1,213,256	-	1,213,256	-	-	-	1,213,256
Storm drains	820,670	139,248	959,918	-	-	-	959,918
Total capital assets being depreciated	90,858,200	139,248	90,997,448	1,704,945	541,441	992,528	92,251,306
Less accumulated depreciation:							
Buildings and improvements	10,452,571	-	10,452,571	-	1,163,508	-	11,616,079
Equipment and vehicles	2,657,226	-	2,657,226	-	201,279	-	2,858,505
Infrastructure							
Roads and bridges	25,330,237	-	25,330,237	-	1,435,533	810,269	25,955,501
Traffic signals	2,299,685	-	2,299,685	-	193,103	-	2,492,788
Sewers	669,246	-	669,246	-	12,364	-	681,610
Storm drains	820,669	114,880	935,549	-	3,481	-	939,030
Total accumulated depreciation	42,229,634	114,880	42,344,514	-	3,009,268	810,269	44,543,513
Total capital assets being depreciated, net	48,628,566	24,368	48,652,934	1,704,945	(2,467,827)	182,259	47,707,793
Total capital assets, net	\$ 104,095,155	\$ (394,251)	\$ 103,700,904	\$ -	\$ 652,232	\$ 31,565,041	\$ 72,788,095

Depreciation expense was charged in the following functions in the statement of activities for the fiscal year ended June 30, 2014:

General government	\$ 391,093
Public Safety	109,460
Community Service	864,234
Public Works	1,644,481
	<u>\$ 3,009,268</u>

During the current year, the City received proceeds totaling \$44.5 million related to the sale of land with a book value of \$31.3 million. The sale was made to pay off delinquent liabilities related to the 2007 Taxable Lease Revenue Bonds, and resulted in a gain of \$13.1 million recorded on the Statement of Activities as well as the complete repayment of \$28.7 million owed on the bonds. See Note 5 for additional information.

CITY OF BELL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 5: Long-Term Liabilities

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

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2014	Due Within One Year
Governmental Activities:					
<u>General Obligation Bonds</u>					
Series 2004	\$ 13,900,000	\$ -	\$ 395,000	\$ 13,505,000	\$ 415,000
Series 2007	17,895,000	-	105,000	17,790,000	115,000
Unamortized premium	384,307	-	16,013	368,294	-
Total General Obligation Bonds	32,179,307	-	516,013	31,663,294	530,000
<u>Revenue Bonds:</u>					
Lease Revenue Refunding Bonds, Series 2005	18,155,000	-	430,000	17,725,000	455,000
Taxable Pension Revenue Bonds, Series 2005	5,815,000	-	660,000	5,155,000	720,000
Taxable Lease Revenue Bonds, Series 2007	28,700,000	-	28,700,000	-	-
Unamortized premium on revenue bonds	288,318	-	12,064	276,254	-
Total Revenue Bonds	52,958,318	-	29,802,064	23,156,254	1,175,000
<u>Certificates of Participation:</u>					
1998 Certificates	1,745,000	-	125,000	1,620,000	130,000
<u>Other Liabilities:</u>					
Liability Claims	6,083,835	1,211,529	2,530,690	4,764,674	1,981,959
Compensated absences	1,177,284	840,268	945,677	1,071,875	861,005
Other post-employment benefit obligations	7,947,214	1,400,793	517,605	8,830,402	-
Total Other Liabilities	15,208,333	3,452,590	3,993,972	14,666,951	2,842,964
Total Governmental Activities Long Term Liabilities	\$ 102,090,958	\$ 3,452,590	\$ 34,437,049	\$ 71,106,499	\$ 4,677,964

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, 2014, totaled \$13,505,000.

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. On May 21, 2014 Moody's upgraded the financial strength rating of National from Baa1 to A3.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5: Long-Term Liabilities (Continued)

Minimum annual requirements to amortize the 2004 General Obligation Bonds outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds Series 2004</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 415,000	\$ 602,619
2016	430,000	585,719
2017	445,000	568,219
2018	465,000	550,019
2019	485,000	531,019
2020-2024	2,715,000	2,339,550
2025-2029	3,355,000	1,687,653
2030-2034	4,220,000	792,000
2035	975,000	24,375
Total	<u>\$ 13,505,000</u>	<u>\$ 7,681,173</u>

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

General Obligation Bonds, Series 2007

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5: Long-Term Liabilities (Continued)

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. The amount of bonds outstanding at June 30, 2014, totaled \$17,790,000.

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. On March 18, 2014 Standards & Poor's upgraded the financial strength and enhancement rating of AGC from AA- to AA.

Minimum annual requirements to amortize the 2007 General Obligation Bonds outstanding as of June 30, 2014, are as follows:

Year Ending June 30	General Obligation Bond Series 2007	
	Principal	Interest
2015	\$ 115,000	\$ 884,600
2016	145,000	879,400
2017	185,000	871,875
2018	220,000	861,750
2019	265,000	849,625
2020-2024	2,045,000	3,981,125
2025-2029	3,545,000	3,292,875
2030-2034	5,365,000	2,196,375
2035-2038	5,905,000	608,375
Total	<u>\$ 17,790,000</u>	<u>\$ 14,426,000</u>

In accordance with the Series 2004 and 2007 General Obligation Bonds' Official Statements, the bonds are general obligation bonds of the City payable from ad valorem taxes. The City has the power and is obligated to annually levy or cause to be levied ad valorem taxes upon all property within the City subject to taxation by the City, without limit as to rate or amount, for the payment of the Bonds and the interest thereon. Accordingly, the Series 2004 and 2007 General Obligation Bonds are secured by and to be serviced from property taxes levied and collected by the City. Property tax revenues have been pledged until August 1, 2034, the final maturity of the 2004 bonds, and August 1, 2037, the final maturity of the 2007 bonds. The total remaining debt service for the bonds is \$53.4 million. Pledged property tax revenue recognized during the fiscal year ended June 30, 2014, was \$2.3 million against the total debt service payments of \$2.7 million.

Note 5: Long-Term Liabilities (Continued)

In January 2011, the IRS opened an audit with respect to the 2007 General Obligation Bonds. The IRS audits bonds to determine compliance with the IRC. The 2007 General Obligation Bonds were previously issued as tax-exempt obligations under the IRC. The IRS is still conducting the audit for the 2007 General Obligation Bonds and the City has received correspondence from the IRS indicating that the IRS believes interest on the 2007 General Obligation Bonds may not be tax-exempt under Section 103 of the IRC. Further information provided to the IRS has not altered its position. The IRS believes that the 2007 General Obligation Bond issue is a hedge bond as provided in Section 149(g)(3)(A) of the IRC because the City has not shown that it could afford to construct the projects and reasonably expect to spend the proceeds within three years of issuance, and therefore the interest paid to bondholders on the unspent portion of the bonds is not excludable from the gross income of bondholders under Section 103(a)(1) of the IRC. The City is cooperating with the IRS audit. However, the City cannot predict the outcome of the audit. If the IRS issues an adverse determination with respect to the 2007 General Obligation Bonds, interest on the 2007 General Obligation Bonds could be deemed to be includable in the gross income of the owners of the 2007 General Obligation Bonds. If the IRS issues an adverse determination and bondholders are taxed, the City could be sued by the bondholders. The City's potential maximum exposure in the event the City attempts to pay potential bondholder exposure for taxes is: 29% of interest payments on the 2007 General Obligation Bonds previously made (likely limited to three years back) and 29% of the present value of interest payments on remaining outstanding 2007 Bonds (currently \$17,895,000 of principal outstanding) (if the City does not refund the bonds on a taxable basis). The 29% is based on an estimated marginal tax rate that the IRS will use to calculate the tax liability. On November 4, 2014 the IRS notified the City that the examination of the Bonds was complete. The City and the IRS entered into a closing agreement that resolved the issues raised during the examination. As a result, the IRS closed the examination with no change to the tax-exempt status of the Bonds.

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, 2014, was \$17,725,000.

The 2005 Series Lease Revenue Refunding Bonds are subject to redemption prior to maturity as described in the bond covenants. The indenture provides that in lieu of a cash deposit, the Housing Authority may satisfy the reserve requirements by means of a qualified reserve fund credit instrument, which consists of a quality surety bond, insurance policy or similar financial undertaking. The Housing Authority deposited a Financial Guaranty Insurance Policy issued by Ambac Assurance Corporation (Ambac Assurance) in the reserve fund for the 2005 Series Lease Revenue Refunding Bonds. On

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5: Long-Term Liabilities (Continued)

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 12 regarding Ambac Financial 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, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Lease Revenue Refunding Bonds</u> <u>Series 2005</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 455,000	\$ 844,570
2016	475,000	823,645
2017	490,000	803,158
2018	510,000	783,158
2019	530,000	762,026
2020-2024	3,025,000	3,432,873
2025-2029	3,810,000	2,602,250
2030-2034	4,875,000	1,521,625
2035-2037	3,555,000	272,125
Total	<u>\$ 17,725,000</u>	<u>\$ 11,845,430</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 \$29.6 million. Pledged lease payments recognized during the fiscal year ended June 30, 2014, were \$2.1 million as against the total debt service payments of \$1.3 million.

2005 Taxable Pension Revenue Bonds

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

The 2005 Taxable Pension Revenue Bonds consist of \$3,655,000 of term bonds and \$5,570,000 of serial bonds. The serial bonds accrue interest at a rate between 4.77% and 5.26%, which is payable semiannually on February 1 and August 1 of each year,

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014
Note 5: Long-Term Liabilities (Continued)

commencing on August 1, 2006. Principal on the serial bonds is payable on August 1, 2006 through August 1, 2015, in amounts ranging from \$385,000 to \$780,000. The \$3,655,000 term bonds accrue interest at 5.48% and mature on August 1, 2019.

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

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

The annual requirements to amortize the 2005 Taxable Pension Revenue Bonds debt outstanding at June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Taxable Pension Revenue Bonds</u> <u>Series 2005</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 720,000	\$ 260,186
2016	780,000	220,808
2017	845,000	177,141
2018	920,000	128,780
2019	995,000	76,309
2020	895,000	24,523
Total	<u>\$ 5,155,000</u>	<u>\$ 887,747</u>

The 2005 Taxable Pension Revenue Bonds are secured by and to be serviced from the retirement tax (reported as special assessments) levied and collected by the City. Retirement tax revenues are pledged until August 1, 2019, the final maturity of the bonds. The total remaining debt service for the bonds is \$6.0 million. Pledged retirement tax revenue recognized during the fiscal year ended June 30, 2014, was \$1.8 million as against the total debt service payments of \$956,111.

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.

2007 Taxable Lease Revenue Bonds

During the current year, the City sold land and used the proceeds from the sale to pay off the outstanding liability of \$27.8 million owed to Dexia, the former holder of the bonds. See Note 4 for additional information.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5: Long-Term Liabilities (Continued)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, 2014, was \$1,620,000.

The annual requirements to amortize 1998 Certificates of Participation debt outstanding at June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Certificates of Participation</u>	
	<u>Series 1998</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 130,000	\$ 77,750
2016	135,000	71,125
2017	140,000	64,250
2018	150,000	57,000
2019	155,000	49,375
2020-2024	910,000	118,000
Total	<u>\$ 1,620,000</u>	<u>\$ 437,500</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 \$2.1 million. Pledged utility users tax revenue recognized during the fiscal year ended June 30, 2014, was \$3.1 million against the total debt service payments of \$208,969.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5: Long-Term Liabilities (Continued)Noncompliance with Debt Covenants and SEC Continuing Disclosure Requirements

The City, Public Financing Authority, and Housing Authority were not in compliance with reporting provisions of the indentures for all bonds and certificates of participation for the fiscal year ended June 30, 2013 because the City's audited financial statements were not issued within 90 to 240 days of the year-end. Accordingly, the City and the Public Financing Authority, and the Housing Authority have not complied with continuing disclosure requirements under SEC 15c2-12.

Risk Management

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

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

At June 30, 2014, 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 2013 and 2014, are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2012-2013	\$ 6,240,244	\$ 1,074,387	\$ (1,548,486)	\$ 6,083,835
2013-2014	6,083,835	1,211,529	2,530,690	4,764,674

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5: Long-Term Liabilities (Continued)

Compensated Absences

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

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

The outstanding balance at June 30, 2014, was \$1,071,875, which includes vested sick and vacation time.

Note 6: Interfund Allocations

Standard accounting practices and 2 CFR Part 225 Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87) Appendix A - C.3.a state, "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received." Further, accounting principles generally accepted in the United States of America require estimates to be reasonable and supported. In the current and prior years, direct payroll and benefit expenditures were allocated to various funds based on budget estimates rather than actual time spent on the program or function. Payroll and benefit expenditures for the fiscal year ended June 30, 2014, were reported in the governmental funds statement of revenues, expenditures and changes in fund balances (deficit) as follows:

Fund/Functional Expenditures	Community				Aggregate
	General Fund	CDBG	Housing Authority	Gas Tax	Non-Major Funds
General government	\$ 1,832,391	\$ -	\$ 122,501	\$ -	\$ 30,909
Public Safety	4,661,281	85,641	-	-	65,173
Community services	1,147,543	-	21,946	-	-
Public works	75,198	89,634	-	60,569	68,086
Total	7,716,413	175,275	144,447	60,569	164,168

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6: Interfund Allocations (Continued)

General Fund, the Community Development Block Grant Special Revenue Fund, the Community Housing Authority Special Revenue Fund, the Gas Tax Capital Projects Fund, and the aggregate nonmajor governmental funds for the fiscal year ended June 30, 2014, 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.

Note 7: Defined Benefit Pension Plan

Plan Description:

The City contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan for three groups of employees: miscellaneous employees, safety first tier employees, and safety police second tier employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by CalPERS. Copies of Ca1PERS' 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 except for department heads. 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. For the fiscal year ended June 30, 2014, the amount contributed by the City on behalf of the employees was \$223,989 for miscellaneous employees and \$229,305 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 26.010% for miscellaneous employees, 28.212% for safety first tier employees, and 23.397% for safety police second tier employees as a percentage of covered payroll for the fiscal year ended June 30, 2014. Benefit provisions and all other requirements are established by the state legislature.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014
Note 7: Defined Benefit Pension Plan (Continued)Annual Pension Cost:

For fiscal year 2013-14, the City's annual pension cost of \$747,628 for miscellaneous employees, \$619,163 for safety first tier employees, and \$153,979 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:

Miscellaneous Plan

Fiscal Year	Required Contributions	Percentage of required Contributions Contributed
6/30/2012	\$ 510,186	100%
6/30/2013	688,841	100%
6/30/2014	747,628	100%

Safety Police First Tier Plan

Fiscal Year	Required Contributions	Percentage of required Contributions Contributed
6/30/2012	\$ 517,725	100%
6/30/2013	581,871	100%
6/30/2014	619,163	100%

Safety Police Second Tier Plan

Fiscal Year	Required Contributions	Percentage of required Contributions Contributed
6/30/2012	\$ 130,115	100%
6/30/2013	141,340	100%
6/30/2013	153,979	100%

The City purchased five (5) years of Additional Retirement Service Credits (ARSC) on behalf of the former CAO, the former Assistant Chief Administration Officer (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 \$130,000 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. The former ACAO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7: Defined Benefit Pension Plan (Continued)

appealed that decision to the superior court. 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.

Note 8: Other Post-Employment Benefits (OPEB)

Plan Description:

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

Eligibility:

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

Funding Policy:

The contributions requirements of the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2014, the City contributed \$517,605 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 OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize an unfunded actuarial accrued liability (or funding excess) over a period not to exceed thirty years.

The Annual Required Contribution (ARC) for the fiscal year ended June 30, 2014, was \$1,398,403 based on the actuarial valuation performed as of July 1, 2012. The decrease in the annual required contribution is due to change in actuarial assumptions as follows:

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

CITY OF BELL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 8: Other Post-Employment Benefits (OPEB) (Continued)

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:

Annual required contribution	\$ 1,398,403
Interest on net OPEB obligation	397,361
Adjustment to annual required contribution	<u>(394,970)</u>
Annual OPEB cost (expense)	1,400,793
Contributions made	<u>517,605</u>
Increase/(decrease) in Net OPEB obligation	883,188
Net OPEB obligation - beginning of year	<u>7,947,214</u>
Net OPEB obligation - end of year	<u><u>\$ 8,830,402</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, and two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 1,418,710	29.6%	\$ 7,034,527
6/30/2013	1,412,890	35.4%	7,947,214
6/30/2014	1,400,793	37.0%	8,830,402

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	0.0%	\$ 5,364,968	321.8%
7/1/2014	-	16,572,431	16,572,431	0.0%	5,084,805	325.9%

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8: Other Post-Employment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions:

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

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

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

Note 9: 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 Call ERS 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 position and statement of changes in fiduciary net position have been included in the accompanying basic financial statements under the Supplemental Retirement Plan Trust Fund.

On April 20, 2011, the City Council adopted Resolution No. 2011-01 to terminate certain post-employment benefits as of August 1, 2010 in the interest of fiscal sustainability. Accordingly, the Supplemental Retirement Plan was terminated as of August 1, 2010. No additional contributions have been made to the Supplemental Retirement Plan during and subsequent to fiscal year 2010-11. Pension payments for participants who had retired and qualified under the Supplemental Retirement Plan before April 20, 2011, were discontinued effective March 2013. Four (4) participants who had retired and qualified under the Supplemental Retirement Plan after April 20, 2011, whose applications for benefits were not processed filed a lawsuit in November 2011, seeking those benefits. On

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9: Supplemental Retirement Plan

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, 2014, as well as the related net pension assets/obligations and funded status at June 30, 2014, are not reported and disclosed in the financial statements. Contributions were refunded to members in the amount of \$5,283,633 in the current fiscal year.

Note 10: 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). 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 Ca1PERS 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.

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. See Note 14 for further information.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 11: Related Party Transactions

As described in the California State Controller's Office (SCO) Audit of the City's Administrative and Internal Accounting Control System for the period July 1, 2008 to June 30, 2010, dated September 22, 2010, the City made unsecured interest bearing loans to members of the City Council, City officials, City employees, and local business at the discretion of the former Chief Administration Officer (CAO). Loans bear interest at LAIF interest rates and have various repayment terms. The outstanding loans receivable balance at June 30, 2014, was \$37,733 and is included in the loans receivable balance.

Note 12: Commitment and Contingencies

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

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

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

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

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

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

Note 12: Commitment and Contingencies (Continued)

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, 2014, and where the amount of loss can be reasonably estimated, the obligation has been accrued as an expense of the City (see Note 5 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. The following is summary of unresolved matters:

- **Assessment of the Sanitation and Sewerage System District**

The City Council improperly increased the assessment of the Sanitation and Sewerage System District without voter approval. The SCO Legal Counsel concluded that the increase in assessment of the Sanitation and Sewerage System District, referred to in the original authorizing resolution as a "standby" charge, is in violation of the California Constitution, Article XIII D, section 6, subsection (b)(4). That provision stipulates that sewer "standby" charges, be classified as assessments and shall not be imposed without complying with the California Constitution, Article XIII D, section 4, which requires a vote of the property owners who would be affected by the assessment. The SCO estimated that the amount of overcharge was \$621,737 for FY 2007-08 through FY 2009-10. The City disagreed with this finding and asserted that the amount imposed was 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 was \$822,000. The statute of limitations on the unpaid assessments is four years from the date of overpayment. Since the SCO's findings refer to assessments levied in or prior to fiscal year 2009-10, the statute of limitations for such claims has likely run out or will run out, at the latest by the end of 2014. No claims have been received at the City on the assessment of the Sanitation and Sewerage System District and no adjustments have been recorded in the financial statements for this matter based on the assumption that the City Council would reject claims that are outside the statute of limitations.

- **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

Note 12: Commitment and Contingencies (Continued)

unless and until that tax is submitted to the electorate and approved by a majority vote." The SCO estimated that the amount of overcharge was \$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. The statute of limitations for the business license tax is under the Government Claims Act and the City Municipal Code and must be filed within one year of accrual of the cause of action. If a claimant were to argue a longer statute of limitations, the longest likely statute of limitations applicable to refunds of taxes would be four years. No claims have been received at the City on the business license taxes and no adjustments have been recorded in the financial statements for this matter based on the assumption that the City Council would reject claims that are outside the statute of limitations.

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 was \$244,850, which included \$90,956 to fund a portion of the compensation of the City's CAO and Director of Administrative Services (DAS). There was no evidence that the CAO and DAS engaged in activities specifically related to the Low and Moderate Income Housing Fund. Salaries of the City's CAO, Assistant CAO and DAS were charged to the Community Redevelopment Agency Capital Projects Funds and were not supported.

There was no evidence that the officials engaged in activities that benefitted this fund. The total ineligible labor costs are \$242,268.

- Various expenditures in the amount of \$177,716 were inappropriately charged to the Low and Moderate Housing Fund because they did not serve to increase or preserve the supply of low and moderate income housing in the City.
- Other compliance matters were noted by the SCO, but they did not have an impact on the reported amounts in the financial statements.

On June 27, 2014 the Department of Finance issued a determination letter on the Low and Moderate Income Housing Fund Due Diligence Review. Based on their review, the Department of Finance made no adjustments to the Low and Moderate Income Housing Fund balance available for allocation to the affected taxing entities. As a result, the Low and Moderate Housing Fund balance available for distribution to the affected taxing entities was determined to be \$2,963,344. This was remitted to the Department of Finance in the current fiscal year. On July 25, 2014, the balance available from the other Successor Agency Funds was determined to be zero and no amount was required to be remitted.

Note 12: Commitment and Contingencies (Continued)

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, \$610,577 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. 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. On November 4, 2014 the IRS notified the City that the examinations of the Bonds were complete. The City and the IRS entered into a closing agreement that resolved the issues raised during the examination. As a result, the IRS closed the examination with no change to the tax-exempt status of the Bonds.

f. 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 ..."

Note 12: Commitment and Contingencies (Continued)

The City cannot predict the outcome of this investigation. Accordingly, no adjustments have been recorded in the financial statements for these matters.

g. Franchise Fees Associated with Bell Cudahy Cable TV Authority

As discussed in Note 1 under Bell-Cudahy Cable Television Joint Powers Authority, the City of Bell and the City of Cudahy entered into a joint exercise of powers agreement to award cable television franchises within their corporate limits. During the fiscal year ended June 30, 2012, the City received cable television franchise fees from the awarded cable television franchisee, which should be allocated to both the City of Bell and the City of Cudahy based on number of subscribers in each city. Based on amounts reported by the cable television company in prior years, the City of Cudahy is entitled to approximately 43% of the franchise fees remitted, approximately \$41,000. The City has not determined whether amounts were received prior to FY 2010 and appropriately allocated to the participants. The City has recorded a liability of approximately \$86,000 as amounts possibly due to the City of Cudahy for the year ended June 30, 2014. The City has an ongoing research project to determine if this balance should be paid to the City of Cudahy.

h. Supplemental Retirement Plan and Health Insurance Reimbursement Plan

As discussed in Notes 9 and 10 to the financial statements, the City Council terminated certain post-employment benefits, which include the Supplemental Retirement Plan and the Health Insurance Reimbursement Plan, as of August 1, 2010, in the interest of fiscal sustainability. Due to termination of these plans, some participants filed a lawsuit (Ramirez) in November 2011 seeking those benefits. In order to address these issues with respect to all current and former employees receiving or potentially eligible to receive the benefits under these plans, the City filed the Avila case in September 2012.

The City and the Ramirez plaintiffs filed motions for summary judgment, which were heard on January 18, 2013. The City contended the Supplemental Retirement Plan and Health Insurance Reimbursement Plan were not created in the manner required by law. The plaintiffs argued contract and estoppel theories. The court granted the City's motion in entirety and denied plaintiffs 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 appeal is now fully briefed.

The parties to the Avila case have engaged in mediation and a court-supervised settlement conference, which have led to settlements with several parties. Settlement discussions are ongoing and a further settlement conference is scheduled for April 21, 2014. As a result of progress on settlement, the trial in the Avila case has been postponed from May 19, 2014 to August 4, 2014. If settlements are not reached with all parties as to all issues, the outcome of the appeal in the Ramirez case likely would determine the result in the Avila case as well. However, it is not certain that a decision in the Ramirez case will precede the trial in the Avila case.

In recent weeks, other parties have been making settlement offers to the City regarding the Supplemental Retirement Plan issue, which the City is in the process of considering. If settlements are not reached with all parties as to all issues, the outcome of the appeal in the Ramirez case likely would determine the result in the Avila case as well.

Note 12: Commitment and Contingencies (Continued)

Through a successful mediation and settlement conference the appeal was been settled for all parties except the former City council members. All settlements were paid from the assets in the SRP. At this time any the remaining case is set to go to trial in early 2015. The outcome of any settlement is unknown and a determination of the amount of pension and medical benefits the City would have to pay in the future if the City is unsuccessful involves complicated actuarial calculations, therefore an amount is unable to estimate at this time. No adjustments have been recorded in the financial statements for these matters.

i. Proposition A Exchange

During the year, the City received \$350,000 from the Palos Verdes Peninsula Transit Authority (PVPTA) in exchange for Proposition A funds. The City did not receive any approval from the Los Angeles County Metropolitan Transportation Authority (MTA) for this swap prior to the exchange agreement with PVPTA pursuant to Proposition A and C Local Return Guidelines, Section I (B.3). MTA could disallow this exchange and request reimbursement from the City. The City has not received any correspondence from MTA requesting repayment.

Note 13: 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 emergence from Chapter 11 bankruptcy protection. The reserve fund surety bond and the financial guaranty policy are still in effect.

Note 14: Successor Agency Trust For Assets of the Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld AB lx 26 that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported the former Agency within the reporting entity of the City as a blended component unit. In June 2012, the Legislature adopted AR 1484, which amended portions of AB lx 26 and added certain new provisions. AB lx 26 and AB 1484 are collectively referred to herein as the "Bill."

The Bill provides that upon dissolution of a redevelopment agency, either city or another unit local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. The successor agency is defined as being a separate legal entity from the City. On January 10, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency in accordance with the Bill as part of City resolution number 28029. The assets and activities of the Successor Agency for the former Agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 14: Successor Agency Trust For Assets of the Former Redevelopment Agency (Continued)

Subject to the approval of the oversight board and the State of California Department of Finance (DOF), remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are allocated property tax revenue in the amount that is necessary to pay the estimated installment payments on enforceable obligations of the former redevelopment agencies until all enforceable obligations of the prior redevelopment agencies have been paid in full and all assets have been liquidated.

AB 1484 required the City to have performed two due diligence reviews to determine if the successor agencies held unobligated cash balances available for distribution to affected taxing entities. On June 27, 2014 the Department of Finance issued a determination letter on the Low and Moderate Income Housing Fund Due Diligence Review. Based on their review, the Department of Finance made no adjustments to the Low and Moderate Income Housing Fund balance available for allocation to the affected taxing entities. As a result, the Low and Moderate Housing Fund balance available for distribution to the affected taxing entities was determined to be \$2,963,344. This was remitted to the Department of Finance in the current fiscal year. On July 25, 2014, the balance available from the other Successor Agency Funds was determined to be zero and no amount was required to be remitted.

a. Cash and Investments

Cash and investments of the Successor Agency is pooled with the City funds and are invested in accordance with the City's investment policy. The Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and Investments	\$1,195,548
Restricted:	
Cash with fiscal agents	<u>2,040,416</u>
Total Cash and investments:	<u>\$3,235,964</u>

b. Capital Assets Held by the Successor Agency

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital Assets; not being depreciated				
Land	\$ 8,286,780	\$ -	\$ -	\$ 8,286,780
Capital assets being depreciated				
Buildings and improvements	7,478,618	-	-	7,478,618
Less accumulated depreciation				
Building and improvements	909,926	152,815	-	1,062,741
Total capital assets being depreciated; net	<u>6,568,692</u>	<u>(152,815)</u>	<u>-</u>	<u>6,415,877</u>
Total capital assets; net	<u>\$ 14,855,472</u>	<u>\$ (152,815)</u>	<u>\$ -</u>	<u>\$ 14,702,657</u>

Depreciation expense for the period ended June 30, 2014, was \$152,814.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

**Note 14: Successor Agency Trust For Assets of the Former Redevelopment Agency
(Continued)**

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

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014	Due Within One Year
Tax allocation bonds					
Refunding Bonds, Series 2003	\$ 20,835,000	\$ -	\$ 940,000	\$ 19,895,000	\$ 985,000
Promissory notes					
2009 Promissory Note	2,500,000	-	125,000	2,375,000	250,000
LAUSD Settlement Note	1,103,533	-	110,353	993,180	220,706
Total long-term debt	<u>\$ 24,438,533</u>	<u>\$ -</u>	<u>\$ 1,175,353</u>	<u>\$ 23,263,180</u>	<u>\$ 1,455,706</u>

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

The 2003 Bonds consist of \$13,420,000 of serial bonds and \$14,505,000 of term bonds. The serial bonds accrue interest at rates between 2.00% and 4.70%, which is payable semiannually on April 1 and October 1 of each year commencing October 1, 2004. Principal on the serial bonds is payable on April 1, 2004 through October 1, 2031 in amounts ranging from \$710,000 to \$965,000. The first portion of the term bonds with principal of \$6,870,000 accrues interest at a rate of 5.50% and matures on October 1, 2023. The second portion of term bonds with principal of \$7,635,000 accrues interest at a rate of 5.625% and matures on October 1, 2033. The outstanding balance at June 30, 2014, was \$19,895,000.

Year Ending June 30,	Tax Allocation Refunding Bonds Series 2003	
	Principal	Interest
2015	\$ 985,000	\$ 1,032,281
2016	1,030,000	986,944
2017	1,075,000	939,313
2018	1,125,000	888,700
2019	1,175,000	834,931
2020-2024	6,870,000	3,132,394
2025-2029	3,295,000	1,704,516
2030-2034	4,340,000	637,031
Total	<u>\$ 19,895,000</u>	<u>\$ 10,156,110</u>

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 \$30.1 million. The Successor Agency had debt service payments totaling \$2,015,006 during the fiscal year ended June 30, 2014.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 14: Successor Agency Trust For Assets of the Former Redevelopment Agency (Continued)

2009 Promissory Note

On May 21, 2009, the former Agency entered into a promissory agreement for \$4,600,000. The agreement was entered into for the purchase of a commercial property within the City. The agreement provides for monthly payments at a stipulated interest rate of 6% for a term of 15 years with the note paid in full in 2024. The outstanding balance at June 30, 2014, totaled \$2,375,000. In October 2010, the former Agency was in default on the 2009 Promissory Note. The entire \$4.4 million balance of the note became due and payable. The former Agency did not make any principal and interest payments since October 2010, because the validity of this transaction was questionable. The holder of the 2009 Promissory Note commenced a foreclosure proceeding against the former Agency. The City and the former Agency filed a lawsuit for declaratory relief, a gift of public funds, and injunctive relief to preclude and/or postpone the foreclosure and sale of the subject property, commonly known as the Western Auto Center. The City and the former Agency were successful in obtaining a temporary restraining order and preliminary injunction to prevent the sale or transfer of the property from occurring pending the outcome of this lawsuit. Following several motions, mediations and settlement conferences, the City and the Successor Agency reached a settlement agreement with the holder of the 2009 Promissory Note, pursuant to which the City will retain the property for redevelopment purposes for the price of \$2,500,000. To repay this settlement amount, the City and the Successor Agency also entered into a new promissory agreement secured by a new deed of trust for \$2,500,000 at a stipulated interest rate of 5% for a term of 10 year. The settlement was approved by the court on September 19, 2013. Since the principal amount of the new promissory note of \$2,500,000 is less than the principal amount of the 2009 Promissory Note of \$4,353,685 and the accrued interest of \$436,836, the gain on forgiveness of note payable due of \$2,290,521 was reported as a special item in fiscal year 2012/2013.

The new promissory note was approved by the Oversight Board of the Successor Agency on September 23, 2013, and the California Department of Finance on November 7, 2013, as an enforceable obligation of the former Agency. Since the new promissory note is an enforceable obligation, this obligation will be repaid by the incremental property tax revenue allocated to the Successor Agency. If the amount of incremental property tax revenue allocated to the Successor Agency is not sufficient to pay for principal and interest payment due on the note, the Successor Agency shall pay an amount equal to at least 33% of the available incremental property tax revenue allocated to the Successor Agency for that period.

Minimum annual requirements to amortize the new promissory note are as follows:

Year Ending June 30,	Promissory Note	
	Principal	Interest
2015	\$ 250,000	\$ 118,750
2016	250,000	106,250
2017	250,000	93,750
2018	250,000	81,250
2019	250,000	68,750
2020-2024	1,125,000	156,250
Total	\$ 2,375,000	\$ 625,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 14: Successor Agency Trust For Assets of the Former Redevelopment Agency (Continued)

LAUSD Settlement Note

On October 24, 2013, the Successor Agency entered into an agreement with the Los Angeles Unified School District (LAUSD) to resolve dispute over the past-due obligations related to tax increments. The Successor Agency agreed to pay \$1,103,533 in ten semi-annual installments plus interest accrued on each installment amount from the date of the settlement agreement at the rate equal to that earned by LAUSD on funds held by the County of Los Angeles in its Treasurer's investment pool.

Note 15: Net Position Restatements

Beginning net position has been restated as follows:

Government-Wide

Governmental Activities

To properly implement GASB 65 and remove the prior year deferred charges	\$ (1,329,698)
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To properly restate prior year Capital Asset amounts for amounts not properly presented during prior years	(394,251)
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Total restatement of Net Position	<u>\$ (1,723,949)</u>
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Fiduciary Funds

Bell Successor Agency Private-Purpose Trust

To properly implement GASB 65 and remove the prior year deferred charges	\$ (732,810)
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	<u>\$ (732,810)</u>
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CITY OF BELL

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (1,486,331)	\$ (1,486,331)	\$ (1,486,331)	\$ -
Resources (Inflows):				
Taxes	9,211,464	9,211,464	10,120,651	909,187
Licenses and permits	683,500	683,500	743,436	59,936
Intergovernmental	30,000	30,000	25,759	(4,241)
Charges for services	1,291,400	1,291,400	947,108	(344,292)
Use of money and property	602,000	602,000	562,834	(39,166)
Fines and forfeitures	383,500	383,500	390,595	7,095
Miscellaneous	280,500	10,536,973	10,981,533	444,560
Transfers in	1,088,000	1,088,000	926,855	(161,145)
Proceeds from sale of capital asset	-	15,233,686	44,500,000	29,266,314
Amounts Available for Appropriations	<u>12,084,033</u>	<u>37,574,192</u>	<u>67,712,440</u>	<u>30,138,248</u>
Charges to Appropriation (Outflow):				
General government				
City Council	128,327	128,327	153,917	(25,590)
City Administrator	216,317	216,317	259,334	(43,017)
Parking Enforcement	381,192	381,192	483,032	(101,840)
City Clerk	162,439	162,439	229,619	(67,180)
Finance	775,990	775,990	889,708	(113,718)
City Attorney	700,000	1,784,606	1,282,569	502,037
Planning	609,406	727,205	960,108	(232,903)
Personnel Services	140,972	149,337	161,996	(12,659)
General Services	730,300	1,430,300	1,750,675	(320,375)
Building Regulations	432,520	432,520	508,675	(76,155)
General Liabilities	1,542,148	1,542,148	1,484,167	57,981
Public safety				
Patrol Operations	2,626,516	2,626,516	3,126,870	(500,354)
Detective Operations	579,198	579,198	614,173	(34,975)
Communications	502,081	502,081	498,510	3,571
Records Bureau	273,955	273,955	244,791	29,164
Motor	251,886	251,886	144,770	107,116
Police Administration	195,677	245,677	371,718	(126,041)
Jail	218,042	218,042	252,341	(34,299)
Training	41,100	41,100	49,814	(8,714)
Community services				
Recreation	933,593	973,217	1,021,247	(48,030)
Social Services	438,583	438,583	508,288	(69,705)
Skate Parks	17,000	17,000	21,235	(4,235)
Public works				
Public works	314,850	314,850	300,184	14,666
Engineering	108,457	108,457	160,741	(52,284)
Capital outlay	387,500	687,500	453,789	233,711
Transfers out	346,853	346,853	31,018,452	(30,671,599)
Total Charges to Appropriations	<u>13,054,902</u>	<u>15,355,296</u>	<u>46,950,723</u>	<u>(31,595,427)</u>
Budgetary Fund Balance, June 30	<u>\$ (970,869)</u>	<u>\$ 22,218,896</u>	<u>\$ 20,761,717</u>	<u>\$ (1,457,179)</u>

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
RETIREMENT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 15,881	\$ 15,881	\$ 15,881	\$ -
Resources (Inflows):				
Taxes	2,771,000	2,771,000	1,940,098	(830,902)
Transfers in	135,065	135,065	135,061	(4)
Amounts Available for Appropriations	2,921,946	2,921,946	2,091,040	(830,906)
Charges to Appropriation (Outflow):				
General government	990,000	990,000	1,085,001	(95,001)
Public safety	1,126,750	1,126,750	1,147,724	(20,974)
Transfers out	739,962	739,962	739,967	(5)
Total Charges to Appropriations	2,856,712	2,856,712	2,972,692	(115,980)
Budgetary Fund Balance, June 30	\$ 65,234	\$ 65,234	\$ (881,652)	\$ (946,886)

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
LOW AND MODERATE HOUSING
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 2,975,414	\$ 2,975,414	\$ 2,975,414	\$ -
Resources (Inflows):				
Use of money and property	-	-	2,273	2,273
Amounts Available for Appropriations	<u>2,975,414</u>	<u>2,975,414</u>	<u>2,977,687</u>	<u>2,273</u>
Charges to Appropriation (Outflow):				
Community development	342,925	342,925	2,963,344	(2,620,419)
Total Charges to Appropriations	<u>342,925</u>	<u>342,925</u>	<u>2,963,344</u>	<u>(2,620,419)</u>
Budgetary Fund Balance, June 30	<u><u>\$ 2,632,489</u></u>	<u><u>\$ 2,632,489</u></u>	<u><u>\$ 14,343</u></u>	<u><u>\$ (2,618,146)</u></u>

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
CDBG
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (1,016)	\$ (1,016)	\$ (1,016)	\$ -
Resources (Inflows):				
Intergovernmental	979,929	1,029,929	603,751	(426,178)
Use of money and property	-	-	14	14
Amounts Available for Appropriations	978,913	1,028,913	602,749	(426,164)
Charges to Appropriation (Outflow):				
Public safety	176,295	176,295	178,947	(2,652)
Public works	300,766	560,766	424,803	135,963
Capital outlay	389,232	289,232	-	289,232
Total Charges to Appropriations	866,293	1,026,293	603,750	422,543
Budgetary Fund Balance, June 30	\$ 112,620	\$ 2,620	\$ (1,001)	\$ (3,621)

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,339,541	\$ 2,339,541	\$ 2,339,541	\$ -
Resources (Inflows):				
Use of money and property	2,693,400	2,693,400	2,741,452	48,052
Amounts Available for Appropriations	5,032,941	5,032,941	5,080,993	48,052
Charges to Appropriation (Outflow):				
General government	430,553	438,918	168,762	270,156
Community services	644,030	674,450	689,918	(15,468)
Capital outlay	130,000	130,000	45	129,955
Transfers out	1,276,683	1,276,683	1,276,681	2
Total Charges to Appropriations	2,481,266	2,520,051	2,135,406	384,645
Budgetary Fund Balance, June 30	\$ 2,551,675	\$ 2,512,890	\$ 2,945,587	\$ 432,697

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

Note 1: Budgetary Control and Accounting

The City Council approves budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the City Council. All supplemental appropriations, where required during the period, are also approved by the City Council. Intradepartmental budget transfers are approved by the City Manager. 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.

Note 2: Excess of Expenditures Over Appropriation

Actual expenditures may not exceed budgeted appropriations at the department and non-departmental level. For the fiscal year ended June 30, 2014, the following expenditures exceeded appropriations in the General Fund.

	Final Budget	Actual on a Budgetary Basis	Variance
City Council	\$ 128,327	\$ 153,917	\$ (25,590)
City Administrator	216,317	259,334	(43,017)
Parking Enforcement	381,192	483,032	(101,840)
City Clerk	162,439	229,619	(67,180)
Finance	775,990	889,708	(113,718)
Planning	727,205	960,108	(232,903)
Personnel Services	149,337	161,996	(12,659)
General Services	1,430,300	1,750,675	(320,375)
Building Regulations	432,520	508,675	(76,155)
Patrol Operations	2,626,516	3,126,870	(500,354)
Detective Operations	579,198	614,173	(34,975)
Police Administration	245,677	371,718	(126,041)
Jail	218,042	252,341	(34,299)
Training	41,100	49,814	(8,714)
Recreation	973,217	1,021,247	(48,030)
Social Services	438,583	508,288	(69,705)
Skate Park	17,000	21,235	(4,235)
Engineering	108,457	160,741	(52,284)
Non-departmental:			
Transfers out	346,853	31,018,452	(30,671,599)
	<u>\$ 9,998,270</u>	<u>\$ 42,541,943</u>	<u>\$ (32,543,673)</u>

CITY OF BELL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2014

Note 2: Excess of Expenditures Over Appropriation (Continued)

The following expenditures exceeded its appropriation for major special revenue funds for the fiscal year ended June 30, 2014:

	<u>Final Budget</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance</u>
Retirement Fund	\$ 2,856,712	\$ 2,972,692	\$ (115,980)
Low and Moderate Housing Fund	\$ 342,925	\$ 2,963,344	\$ (2,620,419)

CITY OF BELL

**DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

Special Revenue Funds

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

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.

Surplus Property Authority Fund

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

Street Lighting Fund

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

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.

Federal Asset Seizure Fund

To account for federal grants and costs related to special narcotics investigations and seizure of assets. Surplus Property Authority Special Revenue Fund

California 911 Grant Fund

To account for federal grants and costs related to police public safety functions.

CITY OF BELL

**DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

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.

Federal Grants Fund

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

State COPS Fund

To account for funds received 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 Capital Projects

To account for general capital projects through the City as determined by City Council.

Community Housing Authority Fund

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

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.

General Obligation Bonds Debt Service Fund

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

Community Housing Authority Fund

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

CITY OF BELL

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue Funds			
	Air Quality Management	Sanitation	Sewer Maintenance	AB939 Recycling
Assets:				
Pooled cash and investments	\$ 84,134	\$ 661,825	\$ 1,052,800	\$ -
Receivables:				
Accounts	-	74,278	-	9,647
Accrued interest	38	332	552	-
Due from other governments	11,528	924	4,520	3,847
Total Assets	\$ 95,700	\$ 737,359	\$ 1,057,872	\$ 13,494
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 15,005	\$ 46,890	\$ -
Accrued liabilities	-	-	2,393	-
Due to other funds	-	-	-	29,838
Total Liabilities	-	15,005	49,283	29,838
Fund Balances:				
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	95,700	722,354	1,008,589	-
Capital Projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Community development projects	-	-	-	-
Assigned to:				
Public safety	-	-	-	-
Unassigned	-	-	-	(16,344)
Total Fund Balances	95,700	722,354	1,008,589	(16,344)
Total Liabilities and Fund Balances	\$ 95,700	\$ 737,359	\$ 1,057,872	\$ 13,494

CITY OF BELL

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds			
	Surplus Property Authority	Street Lighting	Proposition A	Federal Asset Seizure
Assets:				
Pooled cash and investments	\$ -	\$ 660,563	\$ 111,249	\$ 359,806
Receivables:				
Accounts	-	-	475	-
Accrued interest	-	338	54	180
Due from other governments	-	9,422	-	-
Total Assets	\$ -	\$ 670,323	\$ 111,778	\$ 359,986
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 122,486	\$ 50,189	\$ -
Accrued liabilities	-	2,320	300	2,252
Due to other funds	52,856	-	-	-
Total Liabilities	52,856	124,806	50,489	2,252
Fund Balances:				
Restricted for:				
Community development projects	-	-	61,289	-
Public safety	-	-	-	357,734
Public works	-	545,517	-	-
Capital Projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Community development projects	-	-	-	-
Assigned to:				
Public safety	-	-	-	-
Unassigned	(52,856)	-	-	-
Total Fund Balances	(52,856)	545,517	61,289	357,734
Total Liabilities and Fund Balances	\$ -	\$ 670,323	\$ 111,778	\$ 359,986

CITY OF BELL

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds		Capital Projects Funds	
	California 911 Grant	Federal Grants	State COPS	Proposition C
Assets:				
Pooled cash and investments	\$ -	\$ 112,329	\$ 384,607	\$ 2,153,545
Receivables:				
Accounts	-	-	-	-
Accrued interest	-	116	192	1,058
Due from other governments	-	56,021	-	-
Total Assets	\$ -	\$ 168,466	\$ 384,799	\$ 2,154,603
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 89,979	\$ 2,250	\$ 496,396
Accrued liabilities	-	2,331	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	92,310	2,250	496,396
Fund Balances:				
Restricted for:				
Community development projects	-	1,022	-	-
Public safety	-	31,366	-	-
Public works	-	-	-	-
Capital Projects	-	-	-	1,658,207
Debt service	-	-	-	-
Committed to:				
Community development projects	-	43,768	-	-
Assigned to:				
Public safety	-	-	382,549	-
Unassigned	-	-	-	-
Total Fund Balances	-	76,156	382,549	1,658,207
Total Liabilities and Fund Balances	\$ -	\$ 168,466	\$ 384,799	\$ 2,154,603

CITY OF BELL

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Capital Projects Funds			Debt Service Funds
	Measure R	City Capital Projects	Community Housing Authority	GOB Debt Service Fund
Assets:				
Pooled cash and investments	\$ 738,387	\$ 834,774	\$ 798,223	\$ 1,198,380
Receivables:				
Accounts	-	-	-	-
Accrued interest	375	414	-	546
Due from other governments	-	-	-	55,864
Total Assets	\$ 738,762	\$ 835,188	\$ 798,223	\$ 1,254,790
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 121,465	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	121,465	-	-	-
Fund Balances:				
Restricted for:				
Community development projects	-	-	798,223	-
Public safety	-	-	-	-
Public works	-	-	-	-
Capital Projects	617,297	-	-	-
Debt service	-	-	-	1,254,790
Committed to:				
Community development projects	-	-	-	-
Assigned to:				
Public safety	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	617,297	835,188	798,223	1,254,790
Total Liabilities and Fund Balances	\$ 738,762	\$ 835,188	\$ 798,223	\$ 1,254,790

CITY OF BELL

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	<u>Debt Service Funds</u>	
	<u>Community Housing Authority</u>	<u>Total Governmental Funds</u>
Assets:		
Pooled cash and investments	\$ -	\$ 9,150,622
Receivables:		
Accounts	-	84,400
Accrued interest	-	4,195
Due from other governments	-	142,126
	<u>-</u>	<u>142,126</u>
Total Assets	<u>\$ -</u>	<u>\$ 9,381,343</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ 768	\$ 945,428
Accrued liabilities	-	9,596
Due to other funds	19,233	101,927
	<u>19,233</u>	<u>101,927</u>
Total Liabilities	<u>20,001</u>	<u>1,056,951</u>
Fund Balances:		
Restricted for:		
Community development projects	-	860,534
Public safety	-	389,100
Public works	-	2,372,160
Capital Projects	-	2,275,504
Debt service	-	1,254,790
Committed to:		
Community development projects	-	43,768
Assigned to:		
Public safety	-	382,549
Unassigned	<u>(20,001)</u>	<u>(89,201)</u>
Total Fund Balances	<u>(20,001)</u>	<u>8,324,392</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 9,381,343</u>

CITY OF BELL

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Air Quality Management	Sanitation	Sewer Maintenance	AB939 Recycling
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	40,556	22,568	352,307	17,333
Charges for services	-	298,797	-	9,647
Use of money and property	195	1,939	3,332	469
Fines and forfeitures	-	-	-	-
Total Revenues	40,751	323,304	355,639	27,449
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	58,909	171,013	330,804	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	58,909	171,013	330,804	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,158)	152,291	24,835	27,449
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	(816,002)
Total Other Financing Sources (Uses)	-	-	-	(816,002)
Net Change in Fund Balances	(18,158)	152,291	24,835	(788,553)
Fund Balances, Beginning of Year	113,858	570,063	983,754	772,209
Fund Balances, End of Year	\$ 95,700	\$ 722,354	\$ 1,008,589	\$ (16,344)

CITY OF BELL

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Surplus Property Authority	Street Lighting	Proposition A	Federal Asset Seizure
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	463,879	607,302	-
Charges for services	-	-	35,744	-
Use of money and property	61,647	1,872	500	1,199
Fines and forfeitures	-	-	-	14
Total Revenues	61,647	465,751	643,546	1,213
Expenditures:				
Current:				
General government	47,533	-	11,346	-
Public safety	-	-	-	47,173
Community development	-	-	-	-
Community services	-	-	584,626	-
Public works	-	501,357	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	47,533	501,357	595,972	47,173
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,114	(35,606)	47,574	(45,960)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(61,611)	-	-	-
Total Other Financing Sources (Uses)	(61,611)	-	-	-
Net Change in Fund Balances	(47,497)	(35,606)	47,574	(45,960)
Fund Balances, Beginning of Year	(5,359)	581,123	13,715	403,694
Fund Balances, End of Year	\$ (52,856)	\$ 545,517	\$ 61,289	\$ 357,734

CITY OF BELL

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds	Capital Projects Funds		
	California 911 Grant	Federal Grants	State COPS	Proposition C
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	30,959	402,198	123,800	506,156
Charges for services	-	-	-	-
Use of money and property	-	511	1,175	6,365
Fines and forfeitures	-	-	-	-
Total Revenues	30,959	402,709	124,975	512,521
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	45,056	36,859	-
Community development	-	1,179	-	-
Community services	-	-	-	-
Public works	-	32,100	-	22,023
Capital outlay	30,959	175,180	-	569,451
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	30,959	253,515	36,859	591,474
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	149,194	88,116	(78,953)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	(49,242)	-	-
Total Other Financing Sources (Uses)	-	(49,242)	-	-
Net Change in Fund Balances	-	99,952	88,116	(78,953)
Fund Balances, Beginning of Year	-	(23,796)	294,433	1,737,160
Fund Balances, End of Year	\$ -	\$ 76,156	\$ 382,549	\$ 1,658,207

CITY OF BELL

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	Capital Projects Funds			Debt Service Funds
	Measure R	City Capital Projects	Community Housing Authority	GOB Debt Service Fund
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 2,315,424
Intergovernmental	375,938	-	-	-
Charges for services	-	-	-	-
Use of money and property	2,356	1,886	-	836
Fines and forfeitures	-	-	-	-
Total Revenues	378,294	1,886	-	2,316,260
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	4,173	-	-	-
Capital outlay	948,767	-	-	-
Debt service:				
Principal retirement	-	-	-	500,000
Interest and fiscal charges	-	-	-	1,509,569
Total Expenditures	952,940	-	-	2,009,569
Excess (Deficiency) of Revenues Over (Under) Expenditures	(574,646)	1,886	-	306,691
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(574,646)	1,886	-	306,691
Fund Balances, Beginning of Year	1,191,943	833,302	798,223	948,099
Fund Balances, End of Year	\$ 617,297	\$ 835,188	\$ 798,223	\$ 1,254,790

CITY OF BELL

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Debt Service Funds</u>	
	<u>Community Housing Authority</u>	<u>Total Governmental Funds</u>
Revenues:		
Taxes	\$ -	\$ 2,315,424
Intergovernmental	-	2,942,996
Charges for services	-	344,188
Use of money and property	-	84,282
Fines and forfeitures	-	14
Total Revenues	-	5,686,904
Expenditures:		
Current:		
General government	-	58,879
Public safety	-	129,088
Community development	-	1,179
Community services	-	584,626
Public works	-	1,120,379
Capital outlay	-	1,724,357
Debt service:		
Principal retirement	430,000	930,000
Interest and fiscal charges	872,751	2,382,320
Total Expenditures	1,302,751	6,930,828
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,302,751)</u>	<u>(1,243,924)</u>
Other Financing Sources (Uses):		
Transfers in	1,276,681	1,276,681
Transfers out	-	(926,855)
Total Other Financing Sources (Uses)	1,276,681	349,826
Net Change in Fund Balances	<u>(26,070)</u>	<u>(894,098)</u>
Fund Balances, Beginning of Year	<u>6,069</u>	<u>9,218,490</u>
Fund Balances, End of Year	\$ (20,001)	\$ 8,324,392

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY MANAGEMENT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 113,858	\$ 113,858	\$ 113,858	\$ -
Resources (Inflows):				
Intergovernmental	42,000	42,000	40,556	(1,444)
Use of money and property	100	100	195	95
Amounts Available for Appropriations	155,958	155,958	154,609	(1,349)
Charges to Appropriation (Outflow):				
Public works	8,000	8,000	58,909	(50,909)
Capital outlay	-	82,000	-	82,000
Total Charges to Appropriations	8,000	90,000	58,909	31,091
Budgetary Fund Balance, June 30	\$ 147,958	\$ 65,958	\$ 95,700	\$ 29,742

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
SANITATION
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 570,063	\$ 570,063	\$ 570,063	\$ -
Resources (Inflows):				
Intergovernmental	-	-	22,568	22,568
Charges for services	324,000	324,000	298,797	(25,203)
Use of money and property	-	-	1,939	1,939
Amounts Available for Appropriations	894,063	894,063	893,367	(696)
Charges to Appropriation (Outflow):				
Public works	235,500	235,500	171,013	64,487
Total Charges to Appropriations	235,500	235,500	171,013	64,487
Budgetary Fund Balance, June 30	\$ 658,563	\$ 658,563	\$ 722,354	\$ 63,791

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
SEWER MAINTENANCE
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 983,754	\$ 983,754	\$ 983,754	\$ -
Resources (Inflows):				
Intergovernmental	355,200	355,200	352,307	(2,893)
Use of money and property	-	-	3,332	3,332
Amounts Available for Appropriations	<u>1,338,954</u>	<u>1,338,954</u>	<u>1,339,393</u>	<u>439</u>
Charges to Appropriation (Outflow):				
Public works	650,103	650,103	330,804	319,299
Total Charges to Appropriations	<u>650,103</u>	<u>650,103</u>	<u>330,804</u>	<u>319,299</u>
Budgetary Fund Balance, June 30	<u>\$ 688,851</u>	<u>\$ 688,851</u>	<u>\$ 1,008,589</u>	<u>\$ 319,738</u>

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
 AB939 RECYCLING
 YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 772,209	\$ 772,209	\$ 772,209	\$ -
Resources (Inflows):				
Intergovernmental	-	-	17,333	17,333
Charges for services	-	-	9,647	9,647
Use of money and property	-	-	469	469
Amounts Available for Appropriations	772,209	772,209	799,658	27,449
Charges to Appropriation (Outflow):				
Transfers out	1,088,000	1,088,000	816,002	271,998
Total Charges to Appropriations	1,088,000	1,088,000	816,002	271,998
Budgetary Fund Balance, June 30	\$ (315,791)	\$ (315,791)	\$ (16,344)	\$ 299,447

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 581,123	\$ 581,123	\$ 581,123	\$ -
Resources (Inflows):				
Intergovernmental	462,000	462,000	463,879	1,879
Use of money and property	150	150	1,872	1,722
Amounts Available for Appropriations	1,043,273	1,043,273	1,046,874	3,601
Charges to Appropriation (Outflow):				
Public works	743,932	743,932	501,357	242,575
Capital outlay	114,000	114,000	-	114,000
Total Charges to Appropriations	857,932	857,932	501,357	356,575
Budgetary Fund Balance, June 30	\$ 185,341	\$ 185,341	\$ 545,517	\$ 360,176

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION A
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 13,715	\$ 13,715	\$ 13,715	\$ -
Resources (Inflows):				
Intergovernmental	600,000	600,000	607,302	7,302
Charges for services	45,000	45,000	35,744	(9,256)
Use of money and property	-	-	500	500
Amounts Available for Appropriations	658,715	658,715	657,261	(1,454)
Charges to Appropriation (Outflow):				
General government	15,160	15,160	11,346	3,814
Community services	472,000	472,000	584,626	(112,626)
Capital outlay	-	87,102	-	87,102
Total Charges to Appropriations	487,160	574,262	595,972	(21,710)
Budgetary Fund Balance, June 30	\$ 171,555	\$ 84,453	\$ 61,289	\$ (23,164)

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
FEDERAL ASSET SEIZURE
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 403,694	\$ 403,694	\$ 403,694	\$ -
Resources (Inflows):				
Use of money and property	-	-	1,199	1,199
Fines and forfeitures	-	-	14	14
Amounts Available for Appropriations	403,694	403,694	404,907	1,213
Charges to Appropriation (Outflow):				
Public safety	-	140,000	47,173	92,827
Total Charges to Appropriations	-	140,000	47,173	92,827
Budgetary Fund Balance, June 30	\$ 403,694	\$ 263,694	\$ 357,734	\$ 94,040

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
CALIFORNIA 911 GRANT
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	111,319	111,319	30,959	(80,360)
Amounts Available for Appropriations	111,319	111,319	30,959	(80,360)
Charges to Appropriation (Outflow):				
Capital outlay	111,319	111,319	30,959	80,360
Total Charges to Appropriations	111,319	111,319	30,959	80,360
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,092,073	\$ 3,092,073	\$ 3,092,073	\$ -
Resources (Inflows):				
Intergovernmental	1,137,000	1,137,000	1,259,343	122,343
Use of money and property	500	500	9,090	8,590
Transfers in	-	-	523,653	523,653
Amounts Available for Appropriations	4,229,573	4,229,573	4,884,159	654,586
Charges to Appropriation (Outflow):				
Public works	589,335	1,364,335	978,168	386,167
Capital outlay	2,475,000	2,368,656	1,573,642	795,014
Total Charges to Appropriations	3,064,335	3,732,991	2,551,810	1,181,181
Budgetary Fund Balance, June 30	\$ 1,165,238	\$ 496,582	\$ 2,332,349	\$ 1,835,767

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
FEDERAL GRANTS
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (23,796)	\$ (23,796)	\$ (23,796)	\$ -
Resources (Inflows):				
Intergovernmental	315,648	333,868	402,198	68,330
Use of money and property	-	-	511	511
Amounts Available for Appropriations	291,852	310,072	378,913	68,841
Charges to Appropriation (Outflow):				
Public safety	-	68,220	45,056	23,164
Community development	-	-	1,179	(1,179)
Public works	-	-	32,100	(32,100)
Capital outlay	250,000	194,093	175,180	18,913
Transfers out	-	-	49,242	(49,242)
Total Charges to Appropriations	250,000	262,313	302,757	(40,444)
Budgetary Fund Balance, June 30	\$ 41,852	\$ 47,759	\$ 76,156	\$ 28,397

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
STATE COPS
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 294,433	\$ 294,433	\$ 294,433	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	123,800	23,800
Use of money and property	-	-	1,175	1,175
Amounts Available for Appropriations	394,433	394,433	419,408	24,975
Charges to Appropriation (Outflow):				
Public safety	198,742	198,742	36,859	161,883
Total Charges to Appropriations	198,742	198,742	36,859	161,883
Budgetary Fund Balance, June 30	\$ 195,691	\$ 195,691	\$ 382,549	\$ 186,858

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION C
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,737,160	\$ 1,737,160	\$ 1,737,160	\$ -
Resources (Inflows):				
Intergovernmental	435,000	435,000	506,156	71,156
Use of money and property	-	-	6,365	6,365
Amounts Available for Appropriations	2,172,160	2,172,160	2,249,681	77,521
Charges to Appropriation (Outflow):				
Public works	75,000	75,000	22,023	52,977
Capital outlay	1,036,565	1,036,565	569,451	467,114
Total Charges to Appropriations	1,111,565	1,111,565	591,474	520,091
Budgetary Fund Balance, June 30	\$ 1,060,595	\$ 1,060,595	\$ 1,658,207	\$ 597,612

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
MEASURE R
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,191,943	\$ 1,191,943	\$ 1,191,943	\$ -
Resources (Inflows):				
Intergovernmental	375,000	375,000	375,938	938
Use of money and property	-	-	2,356	2,356
Amounts Available for Appropriations	1,566,943	1,566,943	1,570,237	3,294
Charges to Appropriation (Outflow):				
Public works	-	-	4,173	(4,173)
Capital outlay	1,108,701	1,108,701	948,767	159,934
Total Charges to Appropriations	1,108,701	1,108,701	952,940	155,761
Budgetary Fund Balance, June 30	\$ 458,242	\$ 458,242	\$ 617,297	\$ 159,055

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
PUBLIC FINANCING AUTHORITY
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 26,075	\$ 26,075	\$ 26,075	\$ -
Resources (Inflows):				
Use of money and property	-	-	15	15
Transfers in	951,750	951,750	31,099,705	30,147,955
Amounts Available for Appropriations	977,825	977,825	31,125,795	30,147,970
Charges to Appropriation (Outflow):				
General government	-	-	1,193	(1,193)
Debt service:				
Principal retirement	785,000	785,000	29,485,000	(28,700,000)
Interest and fiscal charges	388,780	388,780	397,085	(8,305)
Total Charges to Appropriations	1,173,780	1,173,780	29,883,278	(28,709,498)
Budgetary Fund Balance, June 30	\$ (195,955)	\$ (195,955)	\$ 1,242,517	\$ 1,438,472

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
 GOB DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 948,099	\$ 948,099	\$ 948,099	\$ -
Resources (Inflows):				
Taxes	2,052,000	2,052,000	2,315,424	263,424
Use of money and property	-	-	836	836
Amounts Available for Appropriations	<u>3,000,099</u>	<u>3,000,099</u>	<u>3,264,359</u>	<u>264,260</u>
Charges to Appropriation (Outflow):				
Debt service:				
Principal retirement	500,000	500,000	500,000	-
Interest and fiscal charges	1,510,018	1,510,018	1,509,569	449
Total Charges to Appropriations	<u>2,010,018</u>	<u>2,010,018</u>	<u>2,009,569</u>	<u>449</u>
Budgetary Fund Balance, June 30	<u>\$ 990,081</u>	<u>\$ 990,081</u>	<u>\$ 1,254,790</u>	<u>\$ 264,709</u>

CITY OF BELL

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 6,069	\$ 6,069	\$ 6,069	\$ -
Resources (Inflows):				
Transfers in	1,276,683	1,276,683	1,276,681	(2)
Amounts Available for Appropriations	1,282,752	1,282,752	1,282,750	(2)
Charges to Appropriation (Outflow):				
Debt service:				
Principal retirement	430,000	430,000	430,000	-
Interest and fiscal charges	866,683	866,683	872,751	(6,068)
Total Charges to Appropriations	1,296,683	1,296,683	1,302,751	(6,068)
Budgetary Fund Balance, June 30	\$ (13,931)	\$ (13,931)	\$ (20,001)	\$ (6,070)

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