

10 CFR 50.71

January 30, 2013

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, D. C. 20555

Subject: **Docket Nos. 50-361 and 50-362**
Annual Corporate Financial Reports
San Onofre Nuclear Generating Station (SONGS) Units 2 and 3

Dear Sir or Madam:

In accordance with the requirements of 10 CFR Part 50, Section 50.71(b), enclosed are copies of the annual financial reports for the licensees of the San Onofre Nuclear Generation Station (SONGS), Units 2 and 3, who do not submit a Form 10-Q with the Securities and Exchange Commission or a Form 1 with the Federal Energy Regulatory Commission: the City of Riverside, California (for the fiscal year ending June 30, 2012); and the City of Anaheim, California (for the fiscal year ending June 30, 2012). Each report includes the appropriate certified financial statement required by Section 50.71(b).

There are no new commitments or required actions resulting from this letter.

If you have any questions or require additional information, please contact the SONGS Licensing Lead, Mr. Mark Morgan, at (949) 368-6745.

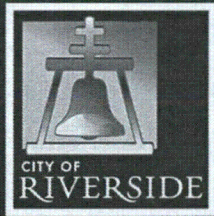
Sincerely,



Enclosures

cc: E. E. Collins, Regional Administrator, NRC Region IV
R. Hall, NRC Project Manager, San Onofre Units 2 and 3
B. Benney, NRC Project Manager, SONGS Units 2 and 3
G. G. Warnick, NRC Senior Resident Inspector, San Onofre Units 2 and 3

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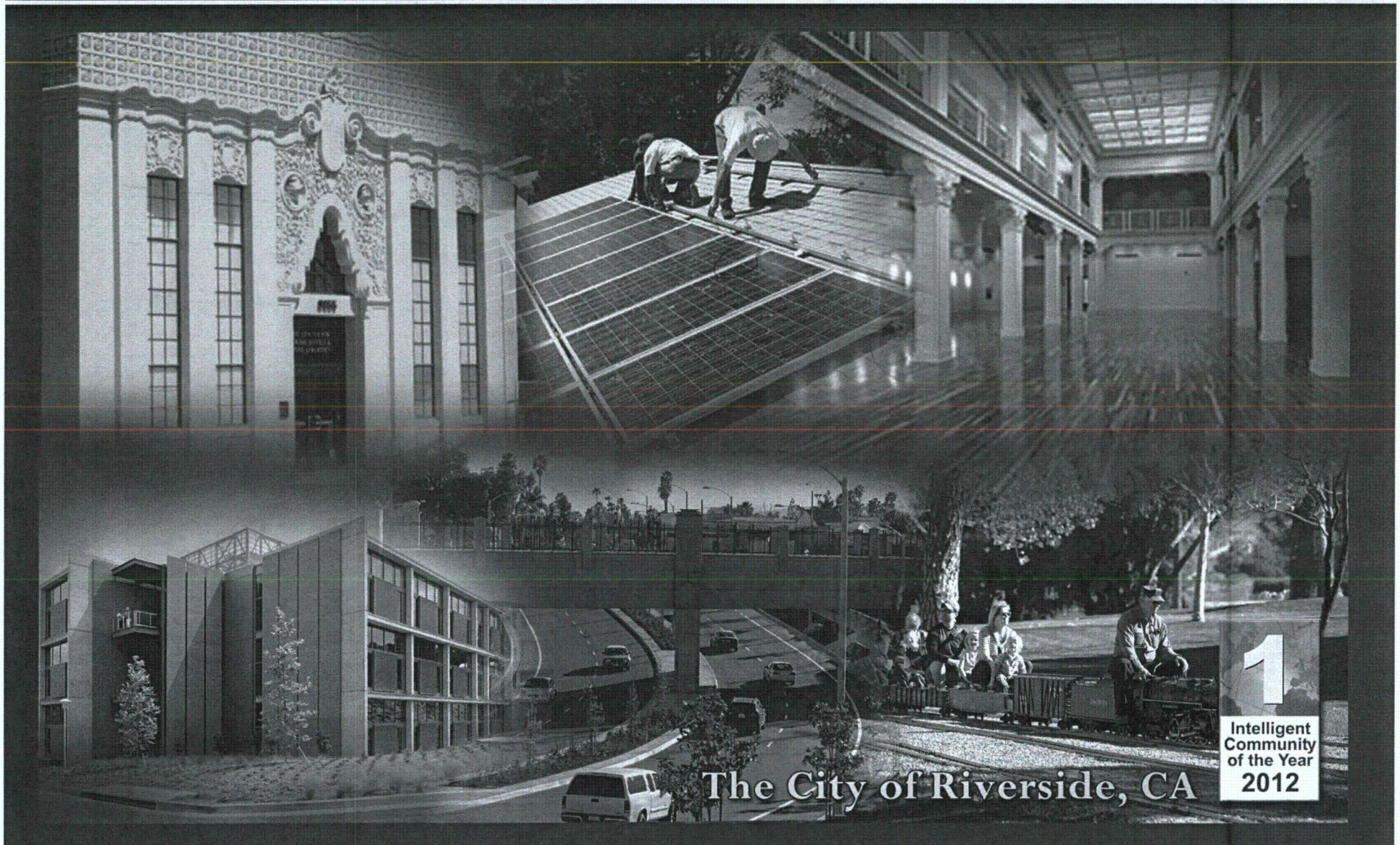


City of Arts & Innovation

Comprehensive Annual Financial Report

Year Ended June 30, 2012

SEIZING OUR DESTINY • The Agenda for Riverside's Innovative Future



The City of Riverside, CA

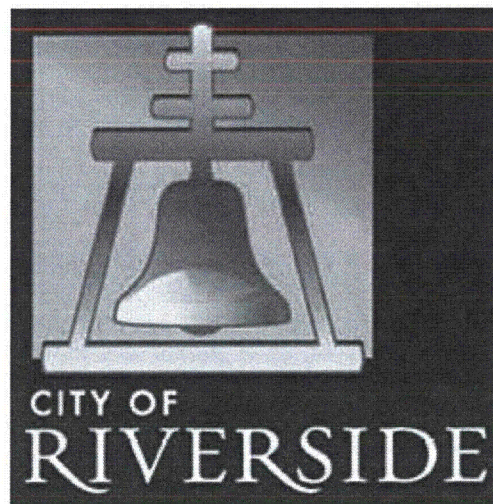
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Intelligent
Community
of the Year
2012

**CITY OF RIVERSIDE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2012**

**Prepared by the Finance Department
Brent A. Mason, Finance Director/Treasurer**

3900 Main Street, Riverside, California 92522 (951) 826-5660

This report was printed on recycled stock



**CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012**

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**CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012**

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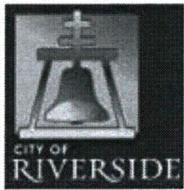
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October 24, 2012

To the Honorable Mayor, Members of the City Council and Citizens of the City of Riverside:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Riverside (the City) for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Moss Adams LLP, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2012. The independent auditor's report is presented as the first component of the financial section of this CAFR.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Management has provided an overall analysis of the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A

can be found immediately following the report of the independent auditors.

Profile of the City of Riverside

The City of Riverside, incorporated on October 11, 1883, is located in the western portion of Riverside County about 60 miles east of Los Angeles. The City currently occupies a land area of 81.507 square miles.

The City operates under the council-manager form of government, with a seven-member council elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the Council, but does not have a vote except in the case of a tie. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire, disaster preparedness and building inspection), construction and maintenance of highways and streets, economic development, culture and recreation, electric, water, airport, refuse, sewer, and senior citizen/handicap transportation. In addition to general City activities, the Council is financially accountable for the Riverside Housing Authority, Riverside Public Financing Authority, Riverside Municipal Improvements Corporation and the Successor Agency, which was formed to hold the assets of the former Redevelopment Agency; therefore, these entities are included as an integral part of the City's financial statements. Additional information on these legally separate entities can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents the proposed budget to the City Council for review at least thirty-five calendar days prior to the beginning of each fiscal year. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, which is the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 27 as part of the basic financial statements for the governmental funds. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on page 69.

Local economy: The City is located in the Inland Empire, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of the Inland Empire at approximately 4.2 million is larger than 24 states. The City leads the Inland Empire in most measures of economic power, including population, income, employment, bank deposits, assessed valuation, office space and college enrollment. The population of the City is 308,511, which places it as the sixth largest in Southern California.

Until recently the MSA has experienced a very strong economic environment. However, unemployment is currently at 12.3%. The budget for the City for fiscal year 2012/2013 projects a 4.5% increase in expenditures, but is balanced. The increase in expenditures is largely related to capital outlay.

The MSA is projected to grow rapidly in future years because land values remain well below those in Los Angeles, Orange and San Diego Counties. Among the City's challenges is a lack of available space for manufacturing and industrial development within current boundaries.

Goals and Vision: Seizing Our Destiny is Riverside's community-driven campaign that builds on the city's existing strengths to create an even better place to live, work and play for future generations. The Seizing Our Destiny Campaign was developed by City officials and civic leaders and encompasses a 20-year strategic vision that mobilizes the skills and resources of a broad cross-section of Riverside toward one common goal – a better community for us all. The goal, or Vision, has four primary aspects for Riverside:

- **Nurture Intelligent Growth**
- **Catalyst for Innovation**
- **Location of Choice**
- **Evolve as a Unified City**

Long-term financial planning. Annually, the City updates a five (5) year Capital Improvement Program (CIP). Planned capital expenditures during fiscal years 2012/13 - 2016/17 total approximately \$774 million. The projects encompass all seven Council wards and enhance the life of all residents. Funding comes from multiple sources, including existing funds; General Fund certificates of participation; Redevelopment Agency tax allocation bonds; and regional, state and federal funds. In addition to routine electric, water, sewer and transportation-related projects, the CIP includes improvements to parks in the City; railroad grade separations; library, museum, convention center and Municipal Auditorium improvements/expansions/rehabilitations; and, public safety projects.

Financial policies. A portion of fund balance within the General Fund is set aside and designated for future economic contingencies. The amount that has been set aside is equal to approximately 15% of General Fund expenditures.

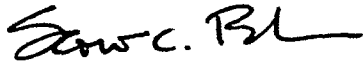
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the twenty-fourth consecutive year that the City has received this prestigious award. The City received this award for publishing an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

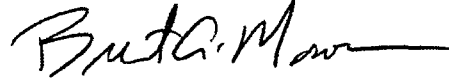
This award is valid for a period of one year only. We believe that our current CAFR continues to meet the Program's requirements and we are submitting it to the GFOA again this year.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Division, particularly the leadership of Jason Al-Imam, Controller. We would like to express our appreciation to all members of the Division who assisted and contributed to its preparation. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott C. Barber".

Scott C. Barber
City Manager

A handwritten signature in black ink, appearing to read "Brent A. Mason".

Brent A. Mason
Finance Director/Treasurer

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Riverside
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



Linda C. Danison

President

Jeffrey R. Enen

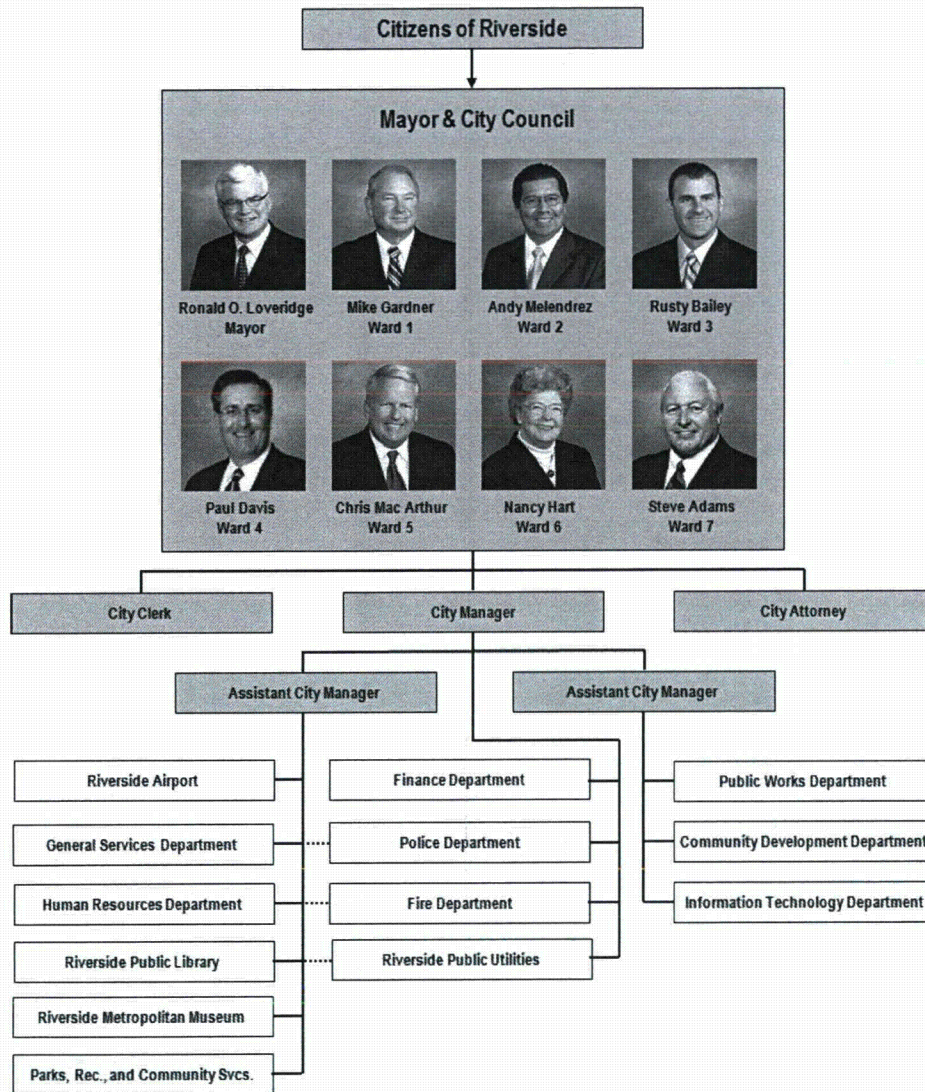
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ORGANIZATION CHART



LEGISLATIVE OFFICIALS

Ronald O. Loveridge Mayor
 Mike Gardner Councilmember – Ward 1
 Andy Melendrez Councilmember – Ward 2
 Rusty Bailey Councilmember – Ward 3
 Paul Davis Councilmember – Ward 4
 Chris Mac Arthur Councilmember – Ward 5
 Nancy Hart Councilmember – Ward 6
 Steve Adams Councilmember – Ward 7

CITY OFFICIALS

Scott C. Barber City Manager*
 Belinda Graham Assistant City Manager
 Deanna Lorson Assistant City Manager

Mark S. Ripley Airport Director
 Colleen J. Nicol City Clerk*
 Gregory P. Priamos City Attorney*
 Sergio G. Diaz Chief of Police
 Steve Reneker Chief Information Officer
 Al Zelinka Community Development Director
 Emilio Ramirez Development Director
 Brent A. Mason Finance Director/Treasurer
 Steve Earley Fire Chief
 Kris Martinez General Services Director
 Rhonda Strout Human Resources Director
 Tonya Kennon Library Director
 Ennette Morton Museum Director
 Ralph Nuñez Parks and Recreation Director
 David Wright General Manager - Public Utilities
 Tom Boyd Public Works Director/City Engineer

*Appointed by City Council



REPORT OF INDEPENDENT AUDITORS

Honorable Mayor and Members of the City Council
City of Riverside
3900 Main Street
Riverside, California

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riverside, California, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described further in note 1 to the financial statements, recent legislation in the State of California called for the dissolution of California redevelopment agencies. The accompanying financial statements reflect certain changes to account for the dissolution, including extraordinary gains and losses impacting governmental activities, the Redevelopment Debt Service and Capital Projects major funds, other governmental funds and the new Successor Agency to the Redevelopment Agency of the City of Riverside, a Private-Purpose Trust fiduciary fund.

MOSS ADAMS_{LLP}

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 19 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 the auditing standards generally accepted in the United States of America, which consisted of inquiries with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was 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 other schedules, listed in the table of contents on pages 65 through 85, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion the combining and individual nonmajor fund financial statements, and other schedules, on pages 65 through 85 are fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
October 24, 2012

Management's Discussion and Analysis

As management of the City of Riverside, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on page i of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreation. The business type activities of the City include Electric, Water, Sewer, Refuse, Public Parking, Airport and Transportation services.

The government-wide financial statements include the activities of the City and four blended component units, which consist of the Riverside Redevelopment Agency (which dissolved on January 31, 2012), Riverside Housing Authority, Riverside Public Financing

Authority and the Riverside Municipal Improvements Corporation. Although legally separate, these entities function for all practical purposes as departments of the City and therefore have been blended as part of the primary government. The Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is included as a fiduciary component unit since it would be misleading to exclude the Successor Agency due to the nature and significance of the relationship between the City and the Successor Agency. The activity of the Successor Agency is reported with the City's fiduciary funds, which is not included in the government-wide statements since the resources of those funds are *not* available to support the City's own programs.

Both the Governmental Activities and the Business Type Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified accrual basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to the Basic Financial Statements fully describe these bases of accounting. Proprietary funds, discussed below, also follow the accrual basis of accounting.

The government-wide financial statements can be found on pages 21-22 of this report.

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

Governmental funds. *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Reconciliations to facilitate this comparison are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The major reconciling items relate to capital assets and debt. In the Governmental Funds, acquisitions of capital assets are treated as "expenditures" because upon purchase of a capital asset, cash used for the acquisition is no longer available for other purposes. The issuance of debt provides cash, which is now available for specified purposes. Accordingly, at the end of the fiscal year, the unreserved fund balances of the Governmental Funds reflect spendable resources available for appropriation by the City Council. Spendable balances are not presented on the face of the government-wide financial statements.

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Redevelopment Agency Debt Service Fund, the Capital Outlay Fund, and the Redevelopment Capital Project Fund all of which are major funds. Data from

the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 65-72 in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

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

Proprietary funds. The City maintains two different types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as *business type activities* in the government-wide financial statements. The City uses enterprise funds to account for Electric, Water, Sewer, Refuse, Parking, Airport and Transportation services. *Internal service* funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insured insurance programs, central stores and its fleet of vehicles. Because these services predominantly benefit governmental rather than business type functions, they have been included within *governmental activities* in the government-wide financial statements. Internal service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting.

Proprietary funds provide the same type of information as the government-wide financial statements (*business type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Sewer operations, all of which are considered to be major funds of the City. The four remaining proprietary funds noted above are combined into a single, aggregated presentation. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major proprietary funds and the internal service funds is provided in the form of *combining statements* and can be found on pages 73-82 in this report.

The basic proprietary fund financial statements can be found on pages 28-32 of this report.

Fiduciary funds. Fiduciary funds are used to account for situations where the City's role is purely custodial. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 33-34 of this report, and the combining statement for the agency fund can be found on page 83.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 35 of this report.

Government-wide Financial Analysis

The following table presents a summarization of the City's assets, liabilities and net assets for its governmental and business type activities. As noted earlier, a government's net asset position may serve over time as a useful indicator of its financial position.

	Governmental Activities		Business type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 417,734	\$ 620,030	\$ 901,982	\$ 930,414	\$ 1,319,716	\$ 1,550,444
Capital assets, net	1,271,805	1,214,316	1,413,797	1,338,272	2,685,602	2,552,588
Total assets	1,689,539	1,834,346	2,315,779	2,268,686	4,005,318	4,103,032
Current liabilities	85,513	91,317	176,488	137,667	262,001	228,984
Long-term liabilities	414,859	732,476	1,132,387	1,163,610	1,547,246	1,896,086
Total liabilities	500,372	823,793	1,308,875	1,301,277	1,809,247	2,125,070
Net asset:						
Invested in capital assets, net of related debt	1,066,855	1,019,892	666,919	654,974	1,733,774	1,674,866
Restricted	93,818	80,820	54,923	56,397	148,741	137,217
Unrestricted	28,494	(90,159)	285,062	256,038	313,556	165,879
Total net assets	<u>\$ 1,189,167</u>	<u>\$ 1,010,553</u>	<u>\$ 1,006,904</u>	<u>\$ 967,409</u>	<u>\$ 2,196,071</u>	<u>\$ 1,977,962</u>

The City's assets exceeded liabilities by \$2,196,071 at June 30, 2012, an increase of \$218,109 from June 30, 2011.

By far the largest portion of the City's net assets (79 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of any related debt that is still outstanding used to acquire those assets and net of unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the City's net assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$285,062 is held by the business type activities and \$28,494 is held by the governmental activities. Unrestricted net assets for governmental activities increased in total in comparison to the prior year, which is primarily attributable to the dissolution of the Riverside Redevelopment Agency.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in the bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Successor Agency is a separate legal entity, which was formed to hold the assets of the former Redevelopment Agency pursuant to City Council actions taken on March 15, 2011 and January 10, 2012. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Riverside as Successor Agency of the former Redevelopment Agency.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was also reported in the private-purpose trust fund as an extraordinary loss. Because of the different measurement focus of the governmental funds and the measurement focus of the trust funds, the extraordinary loss recognized in the governmental funds was not the same as the extraordinary loss recognized in the fiduciary fund financial statements.

The City's total net assets increased by \$218,109 during the current fiscal year, which reflects growth in governmental activities (\$178,614) and growth in business type activities (\$39,495) activities. Governmental operating results is discussed on page 9 and business-type operating results is discussed on page 12.

On the following page is a condensed summary of activities of the City's governmental and business type operations for the period ended June 30, 2012 with the prior fiscal year presented for comparative purposes. Also included in the following analysis are revenue and expense graphs to aid in understanding the results of the current year's activities.

	Governmental		Business type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charge for services	\$ 43,653	\$ 42,481	\$ 462,249	\$ 434,581	\$ 505,902	\$ 477,062
Operating Grants and Contributions	31,581	21,127	2,738	2,159	34,319	23,286
Capital Grants and Contributions	54,476	38,138	21,164	7,337	75,640	45,475
General Revenues:						
Sales taxes	47,701	44,157	-	-	47,701	44,157
Property taxes	74,179	100,802	-	-	74,179	100,802
Other taxes and fees	35,549	35,644	-	-	35,549	35,644
Investment income	4,440	7,439	11,405	17,548	15,845	24,987
Other	9,273	9,544	3,110	4,808	12,383	14,352
Total Revenues	<u>300,852</u>	<u>299,332</u>	<u>500,666</u>	<u>466,433</u>	<u>801,518</u>	<u>765,765</u>
Expenses:						
General government	48,731	72,606	-	-	48,731	72,606
Public safety	148,605	139,364	-	-	148,605	139,364
Highways and streets	35,342	32,131	-	-	35,342	32,131
Culture and recreation	54,594	50,017	-	-	54,594	50,017
Interest on long-term debt	25,262	33,638	-	-	25,262	33,638
Electric	-	-	288,799	275,922	288,799	275,922
Water	-	-	56,715	56,390	56,715	56,390
Sewer	-	-	43,702	42,276	43,702	42,276
Refuse	-	-	19,979	20,046	19,979	20,046
Airport	-	-	2,646	2,320	2,646	2,320
Transportation	-	-	3,667	3,493	3,667	3,493
Public parking	-	-	4,984	4,401	4,984	4,401
Total expenses	<u>312,534</u>	<u>327,756</u>	<u>420,492</u>	<u>404,848</u>	<u>733,026</u>	<u>732,604</u>
Increase (decrease)						
in net assets before transfers and extraordinary items	(11,682)	(28,424)	80,174	61,585	68,492	33,161
Transfers, net	40,679	34,378	(40,679)	(34,378)	-	-
Extraordinary items:						
Transfer of assets and liabilities to Successor Agency	98,022	-	-	-	98,022	-
Transfer of assets from Successor Agency	56,522	-	-	-	56,522	-
Assumption of obligation	(4,927)	-	-	-	(4,927)	-
Total changes in net assets	<u>178,614</u>	<u>5,954</u>	<u>39,495</u>	<u>27,207</u>	<u>218,109</u>	<u>33,161</u>
Net assets - beginning	1,010,553	1,004,599	967,409	940,202	1,977,962	1,944,801
Net assets - ending	<u>\$ 1,189,167</u>	<u>\$ 1,010,553</u>	<u>\$ 1,006,904</u>	<u>\$ 967,409</u>	<u>\$ 2,196,071</u>	<u>\$ 1,977,962</u>

Governmental activities. Net assets for governmental activities increased by \$178,614, accounting for an 18 percent increase in total net assets. Governmental net assets in the prior fiscal year increased by \$5,954. Key elements of this year's activity in relation to the prior year are as follows:

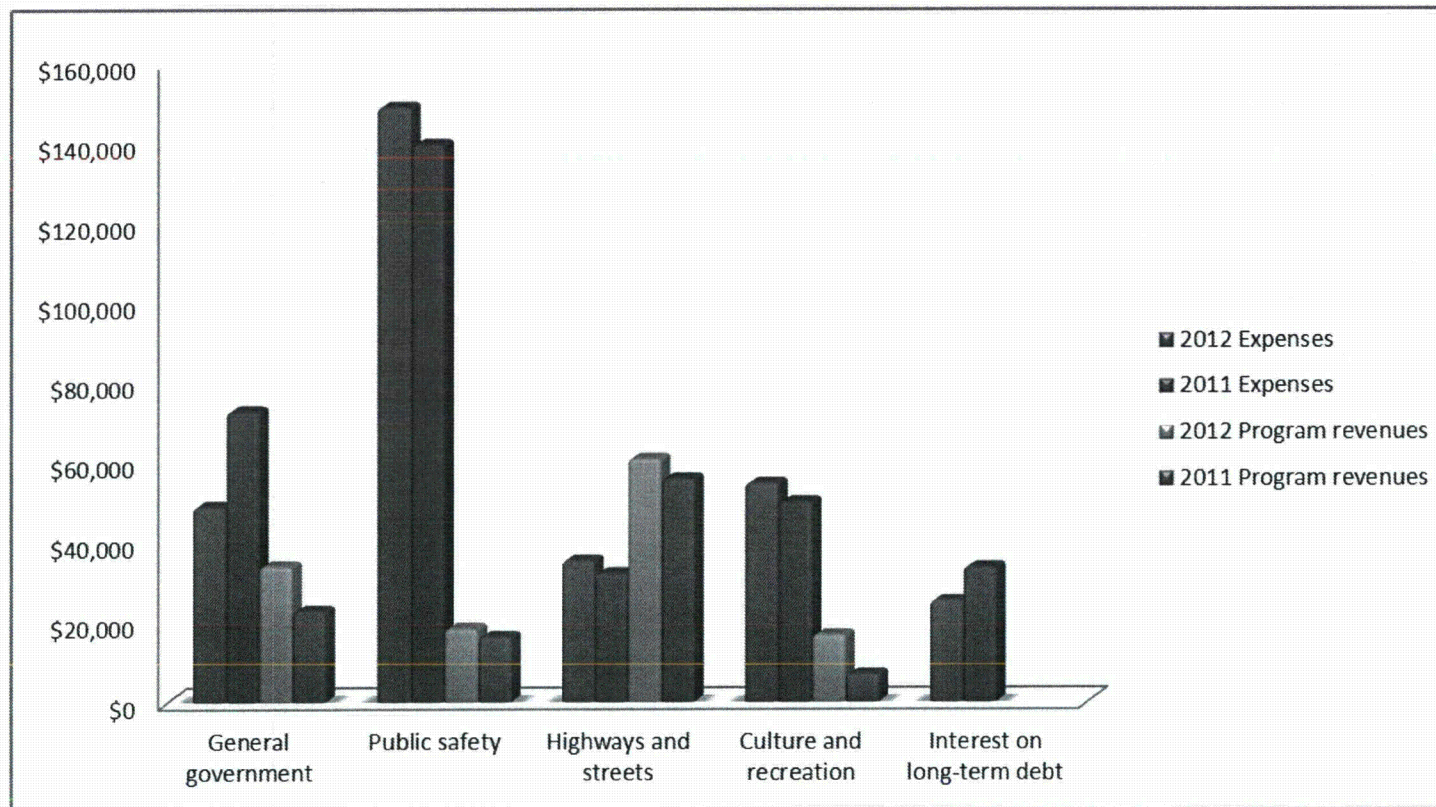
Revenues:

- While variances between years exist for the various revenue categories, the total net increase was approximately \$1.5 million, which is largely attributable to an increase in sales tax revenue. Sales tax revenue increased by \$3.5 million (8%) due to an increase in taxable sales. Higher fuel prices and usage, robust sales of new autos and rebounds in restaurants and general consumer goods helped boost overall receipts.

Expenses:

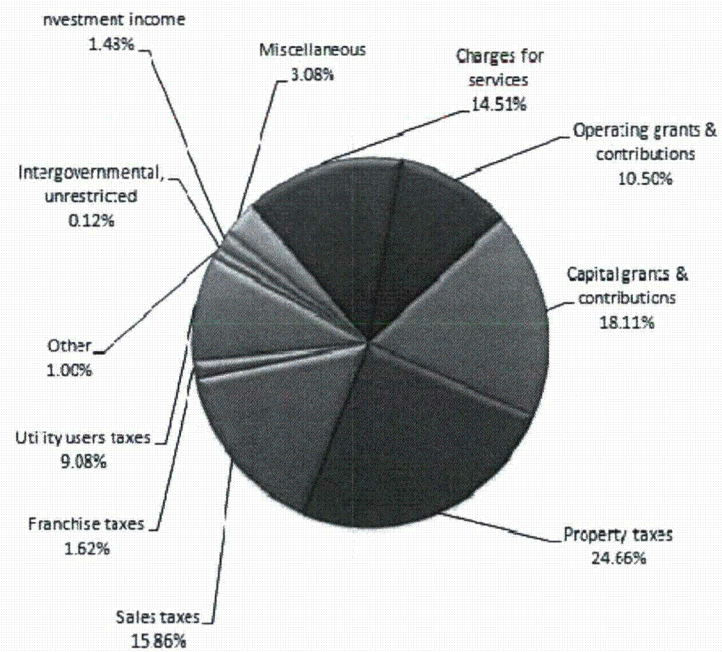
- While variances between years exist for the various expense functions, the total net decrease was approximately \$15.2 million. The more significant items are as follows:
 - In fiscal year 2010-11, payments from the redevelopment agency were made to the Supplemental Educational Revenue Augmentation Fund ("SERAF") in the amount of \$3.5 million as required by State Legislation. However, no such payment was made in the current fiscal year.
 - Decreased costs associated with interest expense of \$8.4 million, which primarily related to the dissolution of the Redevelopment Agency. The last five months of the fiscal year of the Redevelopment Agency was reported in the fiduciary trust fund of the Successor Agency, which reported interest expense of \$6.1 million. Additionally, the total amount of principal outstanding on debt decreased by approximately 8 percent (primarily related to the refunding of the 2011 Redevelopment Agency Tax Allocation Bonds) and therefore, the related interest paid decreased accordingly.

Expenses and Programs Revenues – Governmental Activities – Fiscal Year Comparison 2012 vs. 2011

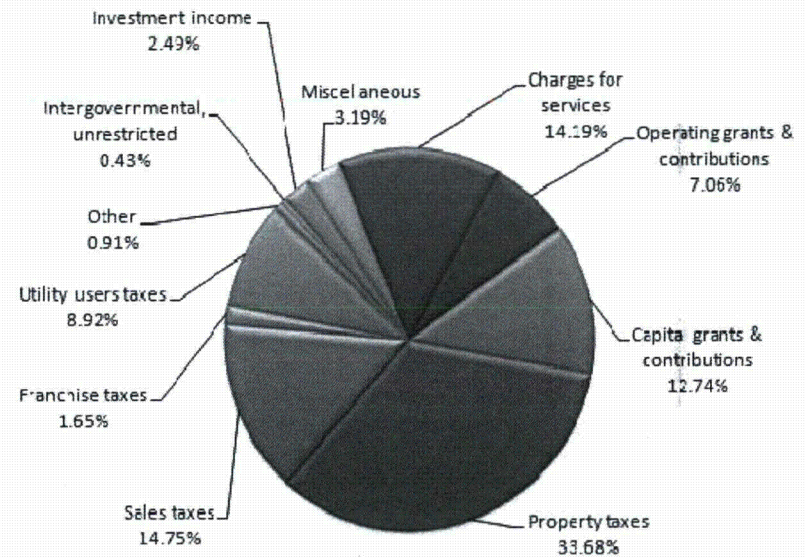


Revenues by Source – Governmental Activities – Fiscal Year Comparison

2012



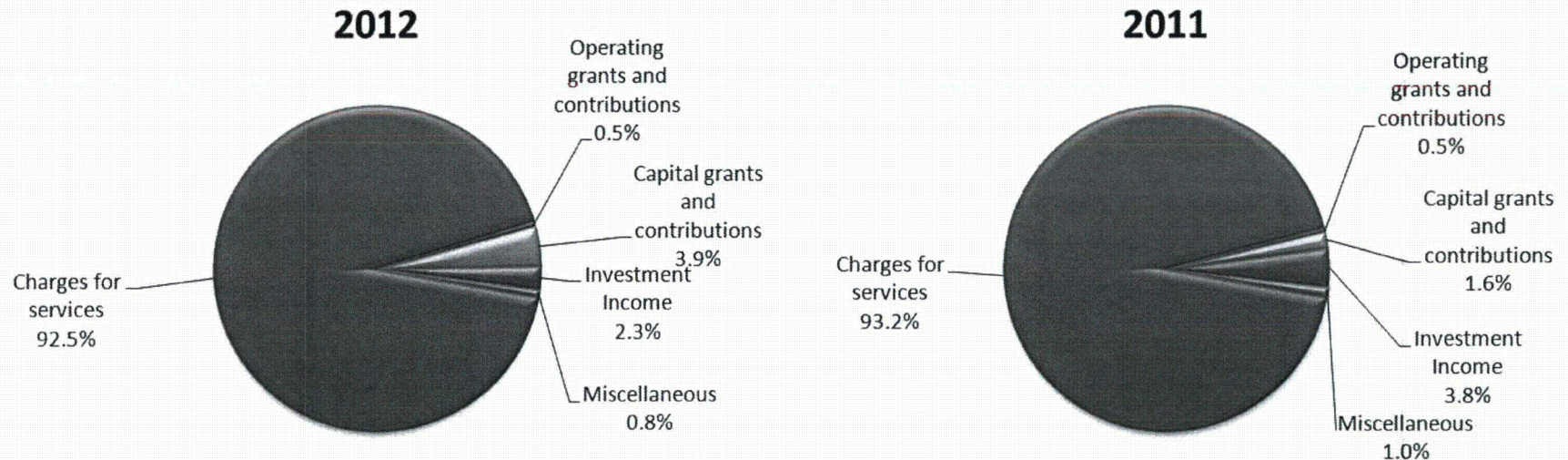
2011



Business-type activities. Business type activities increased the City's net assets by \$39,495, accounting for a 4.1 percent increase in total net assets. The net assets of business type activities increased by \$27,207 in the prior year. Key elements of this year's activity in relation to the prior year are as follows:

- In 2012, charges for services increased \$27,668 to \$462,249. The increase primarily related to increases in Electric, Sewer and Water revenues, which is explained in further detail as follows:
 - Electric charges for services increased by \$19,326 (6%). The increase was due to expanded customer base, a 4.6% increase in retail consumption and higher transmission revenues authorized by the Federal Energy Regulatory Commission.
 - Sewer charges for services increased by \$4,978 (15%). New rates and charges went into effect on July 1, 2011 for residential, commercial and industrial customers. Rates for basic single family and multi-family dwellings increased by 15%, which is the primary reason for the increase in Sewer charges for services.
 - Water charges for services increased by \$3,122 (5%). The increase was primarily due to a full year rate increase to support the Water Utility's Master, Water Supply and Asset Management Plans as well as a 4.4% increase in retail consumption.
- Expenses increased \$14,459 primarily due to a \$13 million increase in Electric Utility operating expenses, which primarily related to an increase in interest expense, transmission costs and distribution expenses.

Revenues by Source – Business Type Activities – Fiscal Year Comparison



Financial Analysis of the City's Funds

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following table summarizes the balance sheet of the City's General, Redevelopment Debt Service, Capital Outlay, Redevelopment Capital Projects, and Other Governmental Funds. As previously mentioned, with the dissolution of the Redevelopment Agency all assets and liabilities of the Redevelopment Agency were transferred to the Successor Agency. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

	General Fund		Redevelopment Debt Service		Capital Outlay	
	2012	2011	2012	2011	2012	2011
Total assets	\$ 123,992	\$ 212,468	\$ -	\$ 46,531	\$ 45,302	\$ 48,975
Total liabilities	\$ 49,742	\$ 51,625	\$ -	\$ 23,425	\$ 26,948	\$ 35,468
Fund balances						
Nonspendable	25,720	26,646	-	-	-	-
Restricted	2,803	82,249	-	23,106	18,354	13,507
Assigned	6,380	15,589	-	-	-	-
Unassigned	39,347	36,359	-	-	-	-
Total	74,250	160,843	-	23,106	18,354	13,507
Total liabilities and fund balances	\$ 123,992	\$ 212,468	\$ -	\$ 46,531	\$ 45,302	\$ 48,975

	Redevelopment Capital Projects		Other Governmental Funds		Total Governmental Funds	
	2012	2011	2012	2011	2012	2011
Total assets		\$ 126,943	\$ 121,028	\$ 130,744	\$ 290,322	\$ 565,661
Total liabilities		\$ 75,049	\$ 49,376	\$ 32,996	\$ 126,066	\$ 218,563
Fund balances						
Nonspendable		1	1,539	1,625	27,259	28,272
Restricted		51,893	70,113	96,123	91,270	266,878
Assigned	-	-	-	-	6,380	15,589
Unassigned	-	-	-	-	39,347	36,359
Total	-	51,894	71,652	97,748	164,256	347,098
Total liabilities and fund balances	\$ -	\$ 126,943	\$ 121,028	\$ 130,744	\$ 290,322	\$ 565,661

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$164,256, a decrease of \$182,842 in comparison with the prior year. This was primarily due to the dissolution of the Redevelopment Agency. Additionally, 17% of the fund balance (\$27,259) is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. Approximately 56% (\$91,270) of fund balance is *restricted*, which represents the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors. \$6,380 (4%) of fund balance is constrained by the City's intent to utilize fund balance for specific purposes, which is reported within the fund balance classification *assigned*. The remainder of the fund balance is *unassigned*, meaning it is available for spending at the City's discretion. Of that amount, \$33,000 has been set aside for future economic contingencies, leaving \$6,347; at June 30, 2011 the comparable amount was \$4,359.

The City's governmental funds reported combined total assets of \$290,322 at June 30, 2012, a decrease of \$275,339 in comparison with the prior year which was offset by a decrease of \$92,497 in total liabilities. The dissolution of the Redevelopment Agency was the primary reason for the overall decrease in related fund balances.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$74,250 in comparison to \$160,843 in the prior year. The portion of fund balance classified as unassigned was \$39,347, most of which was set aside for future economic contingencies. Fund balance decreased during the current year by \$86,593 in comparison to an increase of \$81,653 in the prior year. The primary reason for this is due to the return of \$76,334 of properties to the Redevelopment Agency Capital Projects Fund, which had been previously transferred to the General Fund in fiscal year 2010/11.

Fund balance for the Capital Outlay Fund increased by \$4,847. The primary reason for the increase is due to the issuance of debt to finance the Ryan Bonaminio Park improvements at the Tequesquite Arroyo.

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

Unrestricted net assets of the Electric, Water and Sewer operations at the end of the year amounted to \$219,198, \$61,859, and \$3,343 respectively. The total change in net assets for these funds was an increase of \$20,141, \$9,678 and \$597, respectively as a result of routine operations.

The Electric Fund reported strong operating results, with retail revenues exceeding the previous all-time record, primarily from the effects of an expanded customer base and a 4.6% increase in retail consumption which was partially offset by a reduction in investment income. Retail sales (residential, commercial, industrial, and other sales) represent 82.2% of total revenues. Retail sales, net of reserve/recovery were \$288,616 and \$278,406 for years ended June 30, 2012 and 2011, respectively. Total expenses, excluding transfers, increased \$13 million (4.7%), which primarily related to an increase in transmission costs and interest expense.

The Water Fund reported strong operating results, with retail sales exceeding the previous year's results. Retail sales (residential, commercial, industrial, and other sales) represent 80% of total revenues. Retail sales, net of reserve/recovery were \$59,620 and \$55,186 for years ended June 30, 2012 and 2011, respectively. The increase in sales was primarily due to a full year rate increase of 10% as part of the Water Utility's Master, Water Supply and Asset Management Plans and a 4.4% increase in retail consumption.

Net assets of the Sewer Fund increased by \$70 and decreased by \$5,418 for years ended June 30, 2012 and 2011, respectively. Total revenues increased by \$4,978 (15%) primarily as a result of a rate increase. However, total expenses increased by \$1,093 (3%) primarily as a result of an increase in routine operating expenses.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	<u>\$171,238</u>	<u>\$188,090</u>	<u>\$175,549</u>	<u>(\$12,541)</u>
Expenditures:				
General Government	3,061	10,179	11,717	(1,538)
Public Safety	148,306	163,454	147,086	16,368
Highways & Streets	18,176	20,441	16,651	3,790
Culture & Recreation	27,405	32,069	28,814	3,255
Capital Outlay	153.00	2,202	1,140	1,062
Debt Service	14,138	45,082	44,804	278
Total Expenditures	<u>211,239</u>	<u>273,427</u>	<u>250,212</u>	<u>23,215</u>
Deficiency of Revenue Under Expenditures	(40,001)	(85,337)	(74,663)	10,674
Other Financing Sources	40,001	(12,477)	(11,930)	547
Net Change in Fund Balances	-	(97,814)	(86,593)	11,221
Beginning Fund Balance	160,843	160,843	160,843	-
Ending Fund Balance	<u>\$160,843</u>	<u>\$63,029</u>	<u>\$74,250</u>	<u>\$11,221</u>

Final budgeted revenues increased from the amount originally budgeted as a result of grant related programs and financing associated with capital projects. In addition, final budgeted expenditures increased from the amount originally budgeted as a result of grant related appropriations made during the year.

Actual amounts differed from the final fund budget as follows:

- ❑ Approximately \$9.5 million of grant revenue was budgeted but not actually received during the year since the related grant expenditures had not been incurred.
- ❑ Approximately \$2.9 million of miscellaneous revenue was budgeted but not actually received during the year. This was primarily due to lower than expected one-time revenues.
- ❑ Actual tax revenue was more than the amounts budgeted for sales taxes (\$4.2 million), property taxes (\$1 million), and utility user taxes (\$800 thousand) due to higher than anticipated taxable sales, assessed property values, and utility revenues.
- ❑ Actual expenditures were less than budgeted amounts by approximately \$23 million. This is primarily associated with a decrease in grant related expenditures and capital projects not completed during the year (which are carried over to the next fiscal year).

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business type activities as of June 30, 2012 amounted to \$2,685,556 (net of accumulated depreciation). This investment includes land, intangibles, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's net investment in capital assets for the current fiscal year was \$133,014 (\$57,489 for governmental activities including internal service funds and \$75,525 for business type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements (\$27 million); Sewer system improvements (\$8 million); Electric Utility upgrades (\$40 million) and Water Utility upgrades (\$40 million).

Construction in progress totaled \$153,609 at June 30, 2012. Some of the major projects in process are various Sewer system improvements including phase 1 of the Water Quality Control Plant and Santa Ana River Trunk Replacement, and the Riverside Transmission Reliability Project (RTRP) and related reliability improvements to the Riverside Public Utility's Sub-Transmission System. Depreciation expense during the fiscal year was \$39,594 for governmental activities and \$49,082 for business type activities.

City of Riverside's Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$322,060	\$290,692	\$34,924	\$34,905	\$356,984	\$325,597
Nuclear fuel	-	-	8,832	4,878	8,832	4,878
Intangibles	-	-	16,627	16,128	16,627	16,128
Buildings	123,128	123,319	143,678	144,579	266,806	267,898
Improvements other than Buildings	170,236	154,601	1,056,566	1,005,897	1,226,802	1,160,498
Machinery and equipment	20,064	19,754	26,227	29,114	46,291	48,868
Infrastructure	609,651	602,388	-	-	609,651	602,388
Construction in progress	26,666	23,562	126,943	102,771	153,609	126,333
Total	<u>\$1,271,805</u>	<u>\$1,214,316</u>	<u>\$1,413,797</u>	<u>\$1,338,272</u>	<u>\$2,685,602</u>	<u>\$2,552,588</u>

Additional information on the City's capital assets can be found in note 5 on page 45 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$1,547,245 which includes bonded debt of \$1,388,028.

City of Riverside's Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue Bonds	\$0	\$305,195	\$1,041,739	\$1,071,554	\$1,041,739	\$1,376,749
General Obligation Bonds	16,107	16,845	-	-	16,107	16,845
Pension Obligation Bonds	127,480	132,095	-	-	127,480	132,095
Certificates of Participation	202,703	207,246	-	-	202,703	207,246
Notes Payable	-	7,749	29,680	31,178	29,680	38,927
Loans Payable	4,000	1,100	44,141	45,569	48,141	46,669
Capital Leases	5,220	6,670	1,332	1,720	6,552	8,390
Landfill Capping	-	-	6,695	6,915	6,695	6,915
Arbitrage Liability	-	-	190	102	190	102
Compensated Absences	21,674	21,153	-	-	21,674	21,153
Claims liability	27,542	26,615	-	-	27,542	26,615
Net OPEB Obligation	10,133	7,808	7,663	5,625	17,796	13,433
Water Acquisition Rights	-	-	947	947	947	947
Total	<u>\$414,859</u>	<u>\$732,476</u>	<u>\$1,132,387</u>	<u>\$1,163,610</u>	<u>\$1,547,246</u>	<u>\$1,896,086</u>

The City's total debt decreased by \$348,841 (18.4 percent) during the current fiscal year primarily due to the transfer of Redevelopment Agency Revenue Bonds to the Successor Agency Trust fund. The remaining decrease relates to payment of obligations related to Electric and Water Revenue Bonds.

The City's Water Utility maintains "AA+" and "AA" ratings, from Standard & Poors and Fitch, respectively, for their revenue bonds, while the Electric Utility maintains "AA-" ratings from both rating agencies. The City's general obligation bond ratings are "AA-" and "AA", respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total adjusted assessed valuation. The legal debt limit was \$612,856 at June 30, 2012, which applies only to general obligation debt. At June 30, 2012, the City had \$16,107 of general obligation debt, resulting in available legal debt capacity of \$596,749.

Additional information on the City's long-term debt can be found in note 6 beginning on page 46 of this report.

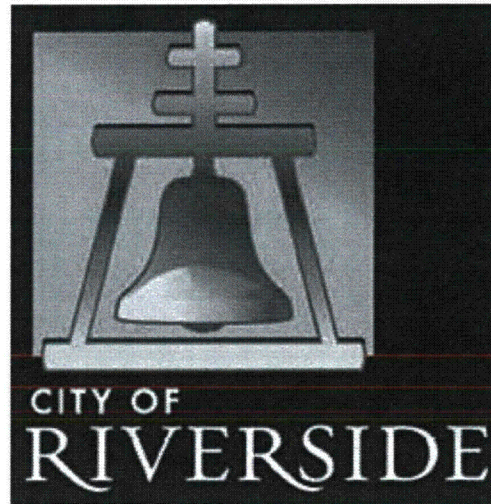
Economic Factors and Next Year's Budget and Rates

- ☐ Unemployment in the City of Riverside is 13.7% as compared to 14.8% for the prior year.
- ☐ The required employer contribution rates for the City's retirement program will remain relatively flat next fiscal year, with the rates (as a percentage of payroll) changing effective July 1, 2012 as follows:
 - Miscellaneous Plan – 18.438% to 18.277%. Employees are also required to contribute 8% of their annual covered salary. The City pays the employees' contribution for employees hired on or before specific dates as outlined in the notes to the financial statements.
 - Safety Plan – 25.303% to 25.091%. Employees are also required to contribute 9% of their annual covered salary. The City pays the employees' contribution for employees hired on or before specific dates as outlined in the notes to the financial statements.

At the time of budget preparation for fiscal year 2013, the economic outlook for the City was considered to be stable. The General Fund Budget for fiscal year 2013 of approximately \$220 million was adopted as balanced. It represents an increase from the prior year of approximately 4%, principally as a result of the absorption of costs previously funded by the Redevelopment Agency.

Request for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 3900 Main Street City of Riverside, CA 92522.



City of Riverside
Statement of Net Assets
June 30, 2012
(amounts expressed in thousands)

	Governmental	Business-type	
Assets	Activities	Activities	Total
Cash and investments	\$ 76,341	\$ 274,546	\$ 350,887
Receivables, net	107,482	60,100	167,582
Inventory	6,787	1,992	8,779
Nuclear material inventory	-	1,334	1,334
Prepaid items	320	16,532	16,852
Deposits	176	851	1,027
Deferred charges - other	113,414	40,161	153,575
Deferred charges - derivative instruments	24,326	37,760	62,086
Internal balances	12,908	(12,908)	-
Land and improvements held for resale	5,253	-	5,253
Restricted assets:			
Cash and cash equivalents	-	41,142	41,142
Cash and investments at fiscal agent	25,431	429,710	455,141
Other	-	954	954
Advances to Successor Agency	45,296	9,808	55,104
Nuclear fuel, at amortized cost	-	8,832	8,832
Land and other capital assets not being depreciated	348,726	192,636	541,362
Capital assets (net of accumulated depreciation)	923,079	1,212,329	2,135,408
Total assets	<u>1,689,539</u>	<u>2,315,779</u>	<u>4,005,318</u>
Liabilities			
Accounts payable and other current liabilities	22,988	34,358	57,346
Accrued interest payable	3,574	12,478	16,052
Deferred revenue	4,153	2,049	6,202
Deposits	24,826	3,873	28,699
Current liabilities payable from restricted assets	-	1,130	1,130
Derivative instruments	29,972	50,891	80,863
Decommissioning liability	-	71,709	71,709
Noncurrent liabilities:			
Due within one year	59,613	33,288	92,901
Due in more than one year	355,246	1,099,099	1,454,345
Total liabilities	<u>500,372</u>	<u>1,308,875</u>	<u>1,809,247</u>
Net Assets			
Invested in capital assets, net of related debt	1,066,855	666,919	1,733,774
Restricted for:			
Expendable:			
Capital projects	19,784	-	19,784
Debt service	-	45,714	45,714
Economic development	13,934	-	13,934
Landfill capping	-	2,295	2,295
Public works	12,692	-	12,692
Housing	45,869	-	45,869
Programs	-	6,914	6,914
Nonexpendable	1,539	-	1,539
Unrestricted	28,494	285,062	313,556
Total net assets	<u>\$ 1,189,167</u>	<u>\$ 1,006,904</u>	<u>\$ 2,196,071</u>

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

City of Riverside
Statement of Activities
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:								
General government	\$ 48,731	\$ (11,782)	\$ 14,662	\$ 11,695	\$ 7,530	\$ (3,062)		\$ (3,062)
Public safety	148,605	6,270	7,837	8,213	2,335	(136,490)		(136,490)
Highways and streets	35,342	3,008	16,532	859	43,279	22,320		22,320
Culture and recreation	54,594	2,504	4,622	10,814	1,332	(40,330)		(40,330)
Interest on long-term debt	25,262	-	-	-	-	(25,262)		(25,262)
Total governmental activities	312,534	-	43,653	31,581	54,476	(182,824)		(182,824)
Business type activities:								
Electric	288,799		333,029	-	9,744		\$ 53,974	53,974
Water	56,715		65,206	-	7,627		16,118	16,118
Sewer	43,702		37,747	-	2,280		(3,675)	(3,675)
Refuse	19,979		19,588	-	-		(391)	(391)
Airport	2,646		1,524	-	174		(948)	(948)
Transportation	3,667		352	2,738	1,339		762	762
Public parking	4,984		4,803	-	-		(181)	(181)
Total business type activities	420,492		462,249	2,738	21,164		65,659	65,659
Total	\$ 733,026		\$ 505,902	\$ 34,319	\$ 75,640	(182,824)	65,659	(117,165)
General revenues:								
Taxes:								
Sales						47,701	-	47,701
Property						74,179	-	74,179
Utility users						27,320	-	27,320
Franchise						4,883	-	4,883
Other						2,995	-	2,995
Intergovernmental, unrestricted						351	-	351
Investment income						4,440	11,405	15,845
Miscellaneous						9,273	3,110	12,383
Subtotal						171,142	14,515	185,657
Transfers, net						40,679	(40,679)	-
Total general revenues and transfers						211,821	(26,164)	185,657
Extraordinary items:								
Transfer of assets and liabilities to Successor Agency						98,022	-	98,022
Transfer of assets from Successor Agency						56,522	-	56,522
Assumption of obligation						(4,927)	-	(4,927)
Change in net assets						178,614	39,495	218,109
Net assets - beginning						1,010,553	967,409	1,977,962
Net assets - ending						\$ 1,189,167	\$ 1,006,904	\$ 2,196,071

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

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2012
(amounts expressed in thousands)

	General Fund	Redevelopment Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 47,677	\$ -	\$ -	\$ -	\$ 23,470	\$ 71,147
Cash and investments at fiscal agent	1,405	-	7,493	-	16,533	25,431
Receivables (net of allowance for uncollectibles)						
Interest	214	-	73	-	88	375
Property taxes	6,851	-	-	-	-	6,851
Sales tax	11,140	-	-	-	-	11,140
Utility billed	1,171	-	-	-	-	1,171
Accounts	10,034	-	823	-	373	11,230
Intergovernmental	3,375	-	36,737	-	4,901	45,013
Notes	1	-	-	-	31,386	31,387
Prepaid items	320	-	-	-	-	320
Deposits	-	-	176	-	-	176
Due from other funds	16,287	-	-	-	-	16,287
Advances to other funds	24,706	-	-	-	-	24,706
Advances to Successor Agency	693	-	-	-	39,142	39,835
Land & improvements held for resale	118	-	-	-	5,135	5,253
Total assets:	<u>\$ 123,992</u>	<u>\$ -</u>	<u>\$ 45,302</u>	<u>\$ -</u>	<u>\$ 121,028</u>	<u>\$ 290,322</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 5,454	\$ -	\$ 2,203	\$ -	\$ 935	\$ 8,592
Accrued payroll	11,036	-	-	-	27	11,063
Retainage payable	799	-	24	-	1,487	2,310
Intergovernmental	182	-	-	-	-	182
Deferred revenue	7,118	-	10,218	-	32,902	50,238
Deposits	24,804	-	-	-	22	24,826
Due to other funds	-	-	14,503	-	1,436	15,939
Advances from other funds	349	-	-	-	12,567	12,916
Total liabilities:	<u>49,742</u>	<u>-</u>	<u>26,948</u>	<u>-</u>	<u>49,376</u>	<u>126,066</u>
Fund balances:						
Nonspendable:						
Inventories, prepaids and noncurrent receivables	321	-	-	-	-	321
Advances	25,399	-	-	-	-	25,399
Permanent fund principal	-	-	-	-	1,539	1,539
Restricted for:						
Housing and redevelopment	118	-	-	-	26,911	27,029
Debt service	1,992	-	-	-	29,080	31,072
Transportation and public works	-	-	18,354	-	12,721	31,075
Other purposes	693	-	-	-	1,401	2,094
Assigned to:						
General government	3,129	-	-	-	-	3,129
Public safety	628	-	-	-	-	628
Highways and streets	508	-	-	-	-	508
Culture and recreation	877	-	-	-	-	877
Continuing projects	1,238	-	-	-	-	1,238
Unassigned	39,347	-	-	-	-	39,347
Total fund balances	<u>74,250</u>	<u>-</u>	<u>18,354</u>	<u>-</u>	<u>71,652</u>	<u>164,256</u>
Total liabilities and fund balances	<u>\$ 123,992</u>	<u>\$ -</u>	<u>\$ 45,302</u>	<u>\$ -</u>	<u>\$ 121,028</u>	<u>\$ 290,322</u>

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

CITY OF RIVERSIDE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012
(amounts expressed in thousands)

Total fund balances - governmental funds	\$164,256
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets net of accumulated depreciation used in governmental activities that are not current financial resources and, therefore, are not reported in the funds.	1,268,494
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Issuance costs from issuing debt are expenditures at the fund level but are deferred and subject to capitalization and amortization in the Statement of Net Assets.	3,212
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Pension contributions were expenditures at the fund level but are deferred as a net pension asset and subject to capitalization and amortization in the Statement of Net Assets.	108,706
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Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds.	46,085
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Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds.	(3,574)
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Long-term liabilities, as listed below, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$ (143,395)	
Certificates of participation payable	(202,020)	
Capital leases payable	(5,220)	
Loan payable	(4,000)	
Bond premiums	(875)	
Net OPEB obligation	(9,667)	
Compensated absences	<u>(21,181)</u>	
		(386,358)

The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The following related items have been reflected in the Statement of Net Assets.

Fair value of interest rate swap	\$ (29,972)	
Deferred amount related to the hedgeable portion of the derivative instrument	<u>24,326</u>	
		(5,646)

Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.	<u>(6,008)</u>
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Net assets of governmental activities	<u><u>\$1,189,167</u></u>
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City of Riverside
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	General Fund	Redevelopment Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 129,303	\$ 27,258	\$ -	\$ -	\$ 32	\$ 156,593
Licenses and permits	7,119	-	-	-	2,173	9,292
Intergovernmental	9,168	-	31,774	170	25,506	66,618
Charges for services	11,770	-	-	-	4	11,774
Fines and forfeitures	6,293	-	-	-	-	6,293
Special assessments	4,509	-	352	-	1,415	6,276
Rental and investment income	2,662	1,659	446	1,333	1,995	8,095
Miscellaneous	4,725	-	1,462	276	4,148	10,611
Total revenues	175,549	28,917	34,034	1,779	35,273	275,552
Expenditures						
Current:						
General government	11,717	837	-	4,090	2,191	18,835
Public safety	147,086	-	-	-	3,792	150,878
Highways and streets	16,651	-	-	-	-	16,651
Culture and recreation	28,814	-	-	17,444	11,280	57,538
Capital outlay	1,140	-	33,187	15,811	25,344	75,482
Debt service:						
Principal	37,620	41,008	-	-	4,750	83,378
Interest	7,015	7,117	-	538	9,463	24,133
Bond issuance costs	169	-	-	-	-	169
Total expenditures	250,212	48,962	33,187	37,883	56,820	427,064
Excess (deficiency) of revenues over (under) expenditures	(74,663)	(20,045)	847	(36,104)	(21,547)	(151,512)
Other financing sources (uses)						
Transfers in	40,266	43,541	-	96,428	16,624	196,859
Transfers out	(83,292)	(20,094)	-	(41,799)	(11,120)	(156,305)
Issuance of long term debt	30,940	-	4,000	-	-	34,940
Sales of capital assets	156	-	-	-	-	156
Total other financing sources and uses	(11,930)	23,447	4,000	54,629	5,504	75,650
Extraordinary items						
Dissolution of Riverside Redevelopment Agency:						
Transfer of assets and liabilities to						
Successor Agency	-	(26,508)	-	(70,419)	(33,247)	(130,174)
Transfer of assets from Successor Agency	-	-	-	-	28,121	28,121
Assumption of obligation	-	-	-	-	(4,927)	(4,927)
Total extraordinary items	-	(26,508)	-	(70,419)	(10,053)	(106,980)
Net change in fund balances	(86,593)	(23,106)	4,847	(51,894)	(26,096)	(182,842)
Fund balances - beginning	160,843	23,106	13,507	51,894	97,748	347,098
Fund balances - ending	\$ 74,250	\$ -	\$ 18,354	\$ -	\$ 71,652	\$ 164,256

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

CITY OF RIVERSIDE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2012
(amounts expressed in thousands)

Net change in fund balances-total governmental funds (\$182,842)

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 cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, as listed below:

Capital Asset additions	\$ 96,331	
Depreciation Expense	(38,876)	57,455

Revenues in the statement of activities that do not meet the "availability" criteria for revenue recognition and therefore are not reported as revenue in the funds.	34,509
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The amortization of the net pension asset 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.	(3,333)
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The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds immediately report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

The net effect of these differences in the treatment of long-term debt and related items is listed below:

Principal repayments	83,378	
Other post-employment benefit liabilities	(2,209)	
Compensated absences	(492)	
Interest	(79)	
Premiums on the issuance of LTD	(667)	
Proceeds from LTD	(34,940)	44,991

Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(362)
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The difference between the extraordinary loss related to the transfer of assets and liabilities to the Successor Agency as reported in the fund financial statements and the extraordinary gain reported in the government-wide financial statements.	228,196
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Change in net assets of governmental activities	<u>\$ 178,614</u>
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The notes to the financial statements are an integral part of this statement.

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget		Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final				Original	Final		
Revenues									
Taxes	\$ 128,121	\$ 128,121	\$ 129,303	\$ 1,182	Public safety:				
Licenses and permits	7,421	7,421	7,119	(302)	Police	91,244	102,282	91,062	11,220
Intergovernmental	2,350	18,716	9,168	(9,548)	Fire	46,825	50,833	45,893	4,940
Charges for services	11,182	11,220	11,770	550	Animal regulation	3,416	3,518	3,479	39
Fines and forfeitures	8,794	8,794	6,293	(2,501)	Building and zoning inspection	2,343	2,343	2,133	210
Special assessments	4,525	4,536	4,509	(27)	Street lighting	4,478	4,478	4,519	(41)
Rental and investment income	1,580	1,580	2,662	1,082	Total public safety	148,306	163,454	147,086	16,368
Miscellaneous	7,265	7,702	4,725	(2,977)	Highways and streets	18,176	20,441	16,651	3,790
Total revenues	171,238	188,090	175,549	(12,541)	Culture and recreation	27,405	32,069	28,814	3,255
Expenditures					Capital Outlay	153	2,202	1,140	1,062
General government:					Debt service:				
Mayor	908	1,026	1,014	12	Principal	6,930	37,705	37,620	85
Council	1,252	1,316	1,187	129	Interest	7,208	7,208	7,015	193
Manager	11,072	12,252	11,824	428	Bond issuance costs	-	169	169	-
Attorney	3,923	4,029	4,031	(2)	Total debt service	14,138	45,082	44,804	278
Clerk	1,291	1,712	1,314	398	Total expenditures	211,239	273,427	250,212	23,215
Community Development	8,190	8,401	7,681	720	Deficiency of revenue under expenditures	(40,001)	(85,337)	(74,663)	10,674
Human Resources	2,765	3,005	2,571	434	Other financing sources (uses)				
General Services	7,293	8,269	7,354	915	Transfers in	39,936	39,791	40,266	475
Information System	13,981	16,164	12,032	4,132	Transfers out	-	(83,273)	(83,292)	(19)
Development	7,754	9,373	7,987	1,386	Issuance of long term debt	-	30,940	30,940	-
Subtotal	58,429	65,547	56,995	8,552	Sale of capital assets	65	65	156	91
Allocated expenditures	(55,368)	(55,368)	(45,278)	(10,090)	Total other financing sources	40,001	(12,477)	(11,930)	547
Total general government	3,061	10,179	11,717	(1,538)	Net change in fund balances	-	(97,814)	(86,593)	11,221
				continued	Fund balance, beginning	160,843	160,843	160,843	-
					Fund balance, ending	\$ 160,843	\$ 63,029	\$ 74,250	\$ 11,221

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

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 2012
(amounts expressed in thousands)

Business-type Activities - Enterprise Funds							Governmental Activities-Internal Service Funds
Assets	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds		
Current assets:							
Cash and investments	\$ 187,541	\$ 63,927	\$ 17,137	\$ 5,941	\$ 274,546	\$ 5,194	
Receivables (net allowances for uncollectibles)							
Interest	825	280	98	28	1,231	34	
Utility billed	16,904	4,261	2,109	983	24,257	-	
Utility unbilled	13,139	3,423	1,409	599	18,570	-	
Accounts	8,041	3,968	566	335	12,910	69	
Intergovernmental	475	453	1,185	1,019	3,132	212	
Nuclear materials inventory	1,992	-	-	-	1,992	-	
Inventory	-	-	1,334	-	1,334	6,787	
Prepaid items	16,507	23	2	-	16,532	-	
Deposits	851	-	-	-	851	-	
Due from other funds	2,277	976	-	-	3,253	-	
Restricted assets:							
Cash and cash equivalents	4,221	2,294	-	2,295	8,810	-	
Public benefit programs receivable	834	120	-	-	954	-	
Total current assets	253,607	79,725	23,840	11,200	368,372	12,296	
Non-current assets:							
Restricted assets:							
Cash and cash equivalents	19,808	5,764	6,760	-	32,332	-	
Cash and investments at fiscal agent	238,254	41,810	143,049	6,597	429,710	-	
Advances to other funds	-	-	7,946	-	7,946	5,489	
Advances to Successor Agency	5,558	-	4,250	-	9,808	5,461	
Deferred charges - other	18,836	7,209	4,537	9,579	40,161	1,497	
Deferred charges - derivative instruments	30,922	6,838	-	-	37,760	-	
Capital assets:							
Nuclear fuel, at amortized cost	8,832	-	-	-	8,832	-	
Land	7,654	10,996	2,698	13,576	34,924	-	
Intangible assets, non-depreciable	9,821	6,307	-	-	16,128	-	
Improvements, non-depreciable	14,641	-	-	-	14,641	-	
Intangible assets, depreciable	292	353	-	-	645	-	
Accumulated depreciation - intangible assets, depreciable	(5)	(141)	-	-	(146)	-	
Buildings	21,450	18,209	190,416	16,533	246,608	1,488	
Accumulated depreciation - buildings	(5,524)	(4,336)	(88,488)	(4,582)	(102,930)	(241)	
Improvements other than buildings	882,340	510,374	84,096	23,994	1,500,804	-	
Accumulated depreciation - improvements other than buildings	(291,836)	(145,933)	(14,708)	(6,402)	(458,879)	-	
Machinery and equipment	26,240	12,989	10,020	17,817	67,066	9,580	
Accumulated depreciation - machinery and equipment	(13,675)	(9,835)	(5,638)	(11,691)	(40,839)	(8,160)	
Construction in progress	43,205	10,692	50,759	22,287	126,943	644	
Total non-current assets	1,016,813	471,296	395,697	87,708	1,971,514	15,758	
Total assets	1,270,420	551,021	419,537	98,908	2,339,886	28,054	

Continued

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 3012
(amounts expressed in thousands)

Business-type Activities - Enterprise Funds						
Liabilities	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Current liabilities:						
Accounts payable	13,055	3,331	2,269	2,821	21,476	755
Accrued payroll	5,460	1,808	1,424	891	9,583	580
Retainage payable	287	319	116	832	1,554	-
Unearned revenue	-	-	-	2,049	2,049	-
Deposits	3,148	724	-	1	3,873	-
Due to other funds	-	-	-	348	348	3,253
Capital leases - current	402	-	-	7	409	-
Water stock acquisitions - current	-	150	-	-	150	-
Landfill capping - current	-	-	-	200	200	-
Notes payable - current	1,481	-	705	838	3,024	-
Claims and judgements - current	-	-	-	-	-	11,750
Current liabilities payable from restricted assets:						
Revenue bonds	18,050	4,695	6,760	-	29,505	-
Accrued interest	6,100	1,858	4,520	-	12,478	-
Other payables	1,035	95	-	-	1,130	-
Total current liabilities	49,018	12,980	15,794	7,987	85,779	16,338
Non-current liabilities:						
Revenue bonds	572,192	203,729	236,313	-	1,012,234	-
Notes payable	42,660	-	5,174	22,963	70,797	-
Capital leases	901	-	-	22	923	-
Advances from other funds	12,003	5,164	3,304	3,288	23,759	1,466
Decommissioning liability	71,709	-	-	-	71,709	-
Derivative instruments	38,123	12,768	-	-	50,891	-
Claims and judgements	-	-	-	-	-	15,792
Water stock acquisitions	-	797	-	-	797	-
Landfill capping	-	-	-	6,495	6,495	-
Other payables	3,999	1,644	1,135	2,820	9,598	466
Total non-current liabilities	741,587	224,102	245,926	35,588	1,247,203	17,724
Total liabilities	790,605	237,082	261,720	43,575	1,332,982	34,062
Net Assets						
Invested in capital assets, net of related debt	236,789	243,997	133,757	52,376	666,919	3,311
Restricted for debt service	19,808	5,764	20,142	-	45,714	-
Restricted for landfill capping	-	-	-	2,295	2,295	-
Restricted for programs	4,020	2,319	575	-	6,914	-
Unrestricted	219,198	61,859	3,343	662	285,062	(9,319)
Total net assets	\$ 479,815	\$ 313,939	\$ 157,817	\$ 55,333	\$ 1,006,904	\$ (6,008)

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

City of Riverside
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

Business-type Activities - Enterprise Funds						
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Operating revenues:						
Charges for services	\$ 333,029	\$ 65,206	\$ 37,747	\$ 26,267	\$ 462,249	\$ 20,466
Operating expenses:						
Personnel services	38,400	12,635	10,029	8,464	69,528	3,897
Contractual services	6,821	2,314	975	5,177	15,287	228
Maintenance and operation	172,340	8,471	8,901	6,901	196,613	1,867
General	12,593	11,523	6,156	4,282	34,554	1,939
Materials and supplies	792	756	3,114	1,490	6,152	378
Claims/Insurance	1,244	682	457	343	2,726	12,264
Depreciation and amortization	27,482	11,824	6,600	3,581	49,487	718
Total operating expenses	259,672	48,205	36,232	30,238	374,347	21,291
Operating income (loss)	73,357	17,001	1,515	(3,971)	87,902	(825)
Non-operating revenues (expenses):						
Operating grants	-	-	-	2,738	2,738	-
Interest income	6,196	1,428	3,717	64	11,405	278
Other	3,058	918	28	(899)	3,105	300
Gain (loss) on retirement of capital assets	487	187	(3)	5	676	(10)
Capital improvement fees	-	-	1,098	-	1,098	-
Interest expense and fiscal charges	(29,127)	(8,510)	(7,470)	(1,038)	(46,145)	(105)
Total non-operating revenues (expenses)	(19,386)	(5,977)	(2,630)	870	(27,123)	463
Income before capital contributions and transfers	53,971	11,024	(1,115)	(3,101)	60,779	(362)
Cash capital contributions	7,425	6,892	1,185	1,513	17,015	-
Noncash capital contributions	1,832	548	-	-	2,380	-
Transfers out	(33,533)	(6,258)	-	(888)	(40,679)	-
Change in net assets	29,695	12,206	70	(2,476)	39,495	(362)
Total net assets - beginning	450,120	301,733	157,747	57,809	967,409	(5,646)
Total net assets - ending	\$ 479,815	\$ 313,939	\$ 157,817	\$ 55,333	\$ 1,006,904	\$ (6,008)

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

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:						
Cash received from customers and users	\$ 329,608	\$ 64,610	\$ 35,399	\$ 25,909	\$ 455,526	\$ 24,038
Cash paid to employees for services	(38,731)	(12,562)	(9,369)	(8,091)	(68,753)	(3,689)
Cash paid to other suppliers of goods or services	(187,592)	(22,783)	(19,091)	(16,276)	(245,742)	(19,918)
Other receipts	3,058	918	28	920	4,924	301
Net cash provided (used) by operating activities	106,343	30,183	6,967	2,462	145,955	732
Cash flows from noncapital financing activities:						
Transfers out	(33,533)	(6,258)	-	(888)	(40,679)	-
Operating grants	-	-	-	2,819	2,819	-
Intra-equity property acquisition	-	(976)	-	-	(976)	-
Advances from interfund receivables	-	-	-	326	326	-
Payments on interfund receivables	(378)	(163)	6,243	(508)	5,194	(39)
Advances to other funds	1,918	-	(104)	-	1,814	963
Net cash provided (used) by noncapital financing activities	(31,993)	(7,397)	6,139	1,749	(31,502)	924
Cash flows from capital and related financing activities:						
Purchase of capital assets	(41,752)	(27,794)	(34,247)	(12,114)	(115,907)	(949)
Purchase of nuclear fuel	(4,908)	-	-	-	(4,908)	-
Proceeds from the sale of capital assets	554	208	-	10	772	-
Principal paid on long-term obligations	(26,611)	(4,545)	(1,464)	(807)	(33,427)	-
Interest paid on long-term obligations	(30,764)	(9,273)	(7,470)	(1,038)	(48,545)	(105)
Capital improvement fees	-	-	1,098	-	1,098	-
Capital contributions	6,818	4,810	-	1,513	13,141	-
Net cash (used) for capital and related financing activities	(96,663)	(36,594)	(42,083)	(12,436)	(187,776)	(1,054)
Cash flows from investing activities:						
Sale/(purchase) of investments	(60)	149	-	-	89	-
Income from investments	6,840	1,583	3,679	107	12,209	356
Net cash provided by investing activities	6,780	1,732	3,679	107	12,298	356
Net change in cash and cash equivalents	(15,533)	(12,076)	(25,298)	(8,118)	(61,025)	958
Cash and cash equivalents, beginning (including \$198,600 for Electric, \$68,532 for Water, \$174,524 for Sewer and \$17,794 for Other Enterprise Funds in restricted accounts.)	367,505	125,336	192,244	22,951	708,036	4,236
Cash and cash equivalents, ending (including \$164,431 for Electric, \$49,333 for Water, \$149,809 for Sewer and \$8,892 for Other Enterprise Funds in restricted accounts.)	\$ 351,972	\$ 113,260	\$ 166,946	\$ 14,833	\$ 647,011	\$ 5,194

continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	continued					
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income (loss)	\$ 73,357	\$ 17,001	\$ 1,515	\$ (3,971)	\$ 87,902	\$ (825)
Other receipts	3,058	918	1,213	920	6,109	301
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	27,482	11,824	6,600	3,581	49,487	718
Amortization of pension costs	356	153	98	66	673	134
Amortization (burn) of nuclear fuel	954	-	-	-	954	-
(Increase) in utility billed receivables	(3,209)	(1,136)	(2,348)	-	(6,693)	-
(Increase) in utility unbilled receivables	(153)	(118)	-	(421)	(692)	-
(Increase) decrease in accounts receivable	1,211	612	-	72	1,895	(132)
(Increase) decrease in intergovernmental receivables	(414)	5	-	(9)	(418)	-
(Increase) in prepaid items	(4,698)	(21)	(2)	-	(4,721)	-
(Increase) in nuclear materials inventory	(87)	-	-	-	(87)	-
(Increase) decrease in inventory	-	-	(150)	-	(150)	647
Increase (decrease) in accounts payable	3,129	189	(521)	2,137	4,934	(164)
Increase in accrued payroll	331	73	250	45	699	47
Increase in retainage payable	137	213	-	-	350	-
Increase in other payable	1,034	424	312	262	2,032	20
Increase in deposits	115	46	-	-	161	-
(Decrease) in due to other funds	-	-	-	-	-	(942)
Increase in claims and judgments	-	-	-	-	-	928
Increase in decommissioning liability	3,740	-	-	-	3,740	-
(Decrease) in landfill capping	-	-	-	(220)	(220)	-
Net cash provided by operating activities	<u>\$ 106,343</u>	<u>\$ 30,183</u>	<u>\$ 6,967</u>	<u>\$ 2,462</u>	<u>\$ 145,955</u>	<u>\$ 732</u>
Schedule of noncash financing and investing activities:						
Capital contributions	\$ 1,832	\$ 548	\$ -	\$ -	\$ 2,380	\$ -
Increase (decrease) in fair value of investments	\$ 136	\$ -	\$ -	\$ -	\$ 136	\$ -

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

City of Riverside
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	\$ 46,485	\$ 7,515
Cash and investments at fiscal agent	31,188	6,569
Receivables:		
Interest	144	28
Accounts	58	-
Notes	21,957	-
Capital lease receivable	22,545	-
Deposits	132	-
Property tax receivables	-	406
Deferred charges	5,215	-
Land & improvements held for resale	15,036	-
Capital assets:		
Land	185	-
Equipment	6	-
Accumulated depreciation - equipment	(6)	-
Total assets	\$ 142,945	\$ 14,518
Liabilities		
Accounts payable	\$ 3,362	\$ -
Retainage payable	1,174	-
Accrued interest	5,174	-
Advances from City of Riverside	55,104	-
Bonds payable	264,385	-
Notes payable	7,189	-
Loan payable	1,100	-
Held for bond holders	-	14,518
Total liabilities	\$ 337,488	\$ 14,518
Net Assets/(Deficit)		
Held by Successor Agency	\$ (194,543)	-
Total net assets/(deficit)	\$ (194,543)	\$ -

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

City of Riverside
Statement of Changes in Net Assets
Fiduciary Fund - Private-Purpose Trust Fund
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund
Additions	
Property tax revenue	\$ 17,273
Rental and investment income	1,168
Miscellaneous	168
Total additions	<u>18,609</u>
Deductions	
Professional services and other deductions	1,259
Market value adjustment to land held for resale	45,113
Redevelopment projects	11,056
Interest expense	6,107
Total deductions	<u>63,535</u>
Extraordinary items	
Transfer of assets and liabilities from the former Riverside Redevelopment Agency	(98,022)
Transfer of assets to the City of Riverside	(56,522)
Transfer of obligation to the City of Riverside	4,927
Total extraordinary items	<u>(149,617)</u>
Change in Net Assets	(194,543)
Net Assets/(Deficit) - beginning	-
Net Assets/(Deficit) - ending	<u>\$ (194,543)</u>

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

**CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012**

(amounts expressed in thousands)

1. Summary of Significant Accounting Policies

The City of Riverside (City) was incorporated on October 11, 1883 as a Charter City and operates under a Council-Manager form of Government. The more significant accounting policies reflected in the financial statements are summarized as follows:

A. Reporting Entity

These financial statements present the City and its component units, entities for which the City is financially accountable. Blended component units are legally separate entities, but in substance are part of the City's operations and their data is combined with that of the City's. The City has no component units that meet the criteria for discrete presentation. All of the City's component units have a June 30 year end.

Blended Component Units

Riverside Redevelopment Agency (Redevelopment Agency) was established in 1967 by the City. The Redevelopment Agency's primary purpose was to eliminate blighted areas in the City by encouraging commercial development. City Council members served as the Redevelopment Agency's directors and had full accountability for fiscal matters. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in the bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Riverside Housing Authority (Housing Authority) was established in 2006 by the City. The Housing Authority's primary purpose is to provide safe and sanitary housing accommodations for persons with low or moderate income. City Council members serve as the Housing Authority's commissioners and have full accountability for fiscal matters.

Riverside Public Financing Authority (Public Financing Authority) was organized in December 1987 by the City and the Redevelopment Agency. The purpose of the Public Financing Authority is to provide financing for public capital improvements to the City or the Redevelopment Agency. City Council members serve as the Public Financing Authority's directors and have full accountability for fiscal matters.

Riverside Municipal Improvements Corporation (Municipal Improvements Corporation) was created in 1978 and operates under provisions of the Nonprofit Public Benefit Corporation Law of the State of California. The Municipal Improvements Corporation's primary purpose is to provide financing assistance by obtaining land, property and equipment on behalf of the City. Three members of the City Council serve as the Municipal Improvements Corporation's directors and have full accountability for fiscal matters.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency pursuant to City Council actions taken on March 15, 2011 and January 10, 2012. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Riverside as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency is such that it would be misleading to exclude the Successor Agency from the City's financial statements. The Successor Agency is presented herein in the City's fiduciary funds as a private-purpose trust fund.

Complete financial statements are prepared for the Riverside Public Financing Authority and the Successor Agency to the Redevelopment Agency of the City of Riverside, which can be obtained from the City's Finance Department, 3900 Main Street, Riverside, California, 92522 or online at www.riversideca.gov.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. Interfund activity has been removed from these statements except for utility charges, as this would distort the presentation of function costs and program revenues. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues.

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Indirect expenses are allocated to the various functions based on a proportionate utilization of the services rendered. Such allocations consist of charges for accounting, human resources, information technology and other similar support services.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide, proprietary and private-purpose trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds report only assets and liabilities, therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. An allowance for doubtful accounts is maintained for the utility and other miscellaneous receivables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for revenue associated with neglected property abatement which is eleven (11) months and except for grant revenue, including reimbursements received from Transportation Uniform Mitigation Fees, which is (6) months and sales tax revenue which is seven (7) months,

as described below. Grant revenue is recognized if received within six (6) months of year end to enable the matching of revenue with applicable expenditures. 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.

In 2004, the State temporarily began to exchange 25% of sales taxes for an equal amount of property taxes to securitize a short-term State bond issue. The State bond issue will remain outstanding for an uncertain number of years, but is currently estimated not to exceed eight (8) years. These in-lieu sales taxes will be paid to the City by the State on a different calendar than sales taxes, which are paid monthly, three months in arrears. The vast majority of the in-lieu amount will be paid during the applicable fiscal year; however, the final payment of the in-lieu sales taxes will not be paid until the January following the end of the applicable fiscal year. The City has budgeted this final payment in the current fiscal year and will continue this practice during this temporary period, effectively extending the availability period to seven (7) months for the in-lieu sales taxes and thus provide consistency in the reporting of sales tax revenue.

Property taxes, special assessments, sales taxes, franchise taxes, licenses, charges for services, amounts due from other governments and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other revenue items such as fines and permits are considered to be measurable and available only when the government receives cash, and are therefore not susceptible to accrual.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Redevelopment Agency's debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the Redevelopment Agency through dissolution, January 31, 2012.

The Capital Outlay fund accounts for the construction and installation of street and highway capital improvements for the City, including improvements funded by the ½ % sales tax approved by Riverside County in 1988.

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

The Redevelopment Agency's capital project fund accounts for the acquisition, relocation, demolition and sale of land for those portions of the City designated to be in need of redevelopment activities through dissolution, January 31, 2012.

The government reports the following major proprietary funds:

The Electric fund accounts for the activities of the City's electric distribution operations.

The Water fund accounts for the activities of the City's water distribution operations.

The Sewer fund accounts for the activities of the City's sewer systems.

Additionally, the government reports the following fund types:

Internal service funds account for self-insurance, central stores and central garage on a cost reimbursement basis.

Fiduciary funds include private-purpose trust and agency funds. The private-purpose trust fund accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust. The agency fund is used to account for special assessments that service no-commitment debt.

The permanent fund is a governmental fund that is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's Library programs. Non-expendable net assets on the Statement of Net Assets includes \$1 million of permanent fund principal which are considered nonexpendable net assets.

Pronouncements regarding accounting and financial reporting issued by the Financial Accounting Standards Board prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The sewer fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Investments

The City values its cash and investments in accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools (GASB 31)," which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net assets/balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using published market prices.

Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Investments are stated at fair value. All highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased are considered cash equivalents. Cash and investments held on behalf of proprietary funds by the City Treasurer are considered highly liquid and are classified as cash equivalents for the purpose of presentation in the Statement of Cash Flows.

E. Restricted Cash and Investments

Certain proceeds of Enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond

covenants. Additionally, unspent proceeds received from the City's landfill capping surcharge are also recorded as restricted assets.

F. Land and Improvements Held for Resale

Land and improvements held for resale were generally acquired for future development projects. The properties are carried at the lower of cost or net realizable value. In the current fiscal year, certain properties that were previously held for resale were transferred to the City upon dissolution of the former Redevelopment Agency and are accounted for as capital assets.

G. Inventory

Supplies are valued at cost using the average-cost method. Costs are charged to user departments when consumed rather than when purchased.

H. Prepaid Items

Payments to vendors for services benefiting future periods are recorded as prepaid items and expenditures are recognized when items are consumed.

I. Capital Assets and Nuclear Fuel

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, right of way, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs include: labor; materials; interest during construction; allocated indirect charges such as engineering, construction and transportation equipment, retirement plan contributions and other fringe benefits. Donated capital assets are recorded at estimated fair market value at the date of donation. Intangible assets that cost more than one hundred thousand dollars with useful lives of at least three years are capitalized and are recorded at cost. Donated intangible assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets other than land are depreciated using the straight-line method.

Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed for proprietary funds. For the year ended June 30, 2012, business-type activities capitalized net interest costs of \$5,992 in the government-wide and fund financial statements. Total interest expense incurred by the business-type activities (and the enterprise funds on the proprietary funds statements) before capitalization was \$52,137.

Nuclear Fuel

The City amortizes the cost of nuclear fuel to expense using the "as burned" method. In accordance with the Nuclear Waste Disposal Act of 1982, the City is charged one dollar per megawatt-hour of energy generated by the City's share of San Onofre Nuclear Generating Station's Units 2 and 3 to provide for estimated future storage and disposal of spent fuel. The City pays this fee to its operating agent, Southern California Edison Company, on a quarterly basis.

J. Compensated Absences

City employees receive 10 to 25 vacation days a year based upon length of service. A maximum of two years' vacation accrual may be accumulated and unused vacation is paid in cash upon separation.

City employees generally receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, certain employees or their estates receive a percentage of unused sick leave paid in a lump sum based on longevity. The General, Housing and Community Development Special Revenue, Electric and Water funds have been primarily used to liquidate such balances.

The liability associated with these benefits is reported in the government-wide statements. Vacation and sick leave of proprietary funds is recorded as an expense and as a liability of those funds as the benefits accrue to employees.

K. Derivative Instruments

The City's derivative instruments are accounted for in accordance with Government Accounting Standards Board (GASB) Statement No. 53,

"Accounting and Financial Reporting for Derivative Instruments" (GASB 53), which requires the City to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are reported as deferrals in the statements of net assets.

The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The City had debt that was layered with "synthetic fixed rate" swaps, which was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap was included in the net carrying amount of the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. The negative fair value of the interest rate swaps related to the new hedging relationship has been recorded and deferred on the statement of net assets. See Note 9 for further discussion related to the City's interest rate swaps.

Various transactions permitted in the Utility's Power Resources Risk Management Policies may be considered derivatives, including energy and/or gas transactions for swaps, options, forward arrangements and congestion revenue rights. The City has determined that all of its contracts including congestion revenue rights fall under the scope of "normal purchases and normal sales" and are exempt from GASB 53.

L. Long-Term Obligations

Long-Term Debt

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

In the fund financial statements, government fund types recognize bond issuance costs as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Decommissioning

Federal regulations require the Electric Utility to provide for the future decommissioning of its ownership share of the nuclear units at San Onofre. The Electric Utility established a trust account to accumulate resources for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. Each year the Electric Utility recognizes an expense in the amount of the contribution to the trust account. The funding will occur over the useful life of the generating plant.

Amounts held in the trust account are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside \$71,709 in cash and investments with the trustee as Riverside's estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by Southern California Edison and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately \$1,600 per year to fund this obligation. The plant site easement at San Onofre terminates May 2024. The plant must be decommissioned and the site restored by the time the easement terminates.

M. Claims and Judgments Payable

Claims and judgments payable are recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such claims, including an estimate for claims incurred but not reported at year end, are recorded as liabilities in the appropriate internal service fund.

N. Fund Equity

In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance is the portion of fund balance that cannot be spent due to form. Examples include inventories, prepaid amounts, long-term loans, notes receivable, and property held for resale, unless the proceeds are restricted, committed or assigned. Also, amounts that must be maintained intact legally or contractually, such as the principal of a permanent fund are reported within the nonspendable category.
- Restricted fund balance is the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

- Committed fund balance is the portion of fund balance that is subject to self-imposed constraints due to formal action of the City Council. No amounts have been reported within this category of fund balance.
- Assigned fund balance is the portion of fund balance that is constrained by the City's intent to utilize fund balance for a specific purpose. On February 22, 2011, the City Council approved a policy whereby the authority to assign fund balance was delegated to the City's chief financial officer.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the City's policy is to use restricted amounts before unrestricted amounts. Within unrestricted resources, committed resources are used first followed by assigned resources, and finally unassigned resources.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

P. Interfund Transactions

Interfund transactions are accounted for as revenues and expenditures or expenses. Transactions, which constitute reimbursements, are eliminated in the reimbursed fund and accounted for as expenditures or expenses in the fund to which the transaction is applicable.

During the year, transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying fund level statements. The noncurrent portion of long-term interfund loans receivable are reported as interfund receivables/payables and, for governmental fund

types, are equally offset by a fund balance reserve to indicate that the receivable does not constitute available expendable financial resources. Interfund payables also include accrued interest, which has been offset by deferred revenue.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Q. Deferred Revenue

Governmental and proprietary funds report unearned revenue on the statement of net assets. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. Deferred revenues arise in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.

R. Property Tax Calendar

Under California law, general property taxes are assessed for up to 1% of the property's assessed value. General property taxes are collected by the counties along with other special district taxes and assessments and voter approved debt. General property tax revenues are collected and pooled by the county throughout the fiscal year and then allocated and paid to the county, cities and school districts based on complex formulas prescribed by State statutes.

Property taxes are calculated on assessed values as of January 1 for the ensuing fiscal year. On July 1 of the fiscal year the levy is placed and a lien is attached to the property. Property taxes are due in two installments. The first installment is due November 1 and is delinquent on December 10. The second installment is due February 1 and is delinquent on April 10. Property taxes receivable represent current and prior years' uncollected tax levies, adjusted for uncollectable amounts.

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires

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management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures. Specifically, the City has made certain estimates and assumptions relating to the revenues due and expenditures incurred through fiscal year end, collectability of its receivables, the valuation of property held for resale, the useful lives of capital assets, and the ultimate outcome of claims and judgments. Actual results may differ from those estimates and assumptions.

T. Dissolution of Riverside Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. The bill provided that upon dissolution of the Redevelopment Agency, either the city or another unit of 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. On March 15, 2011, 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 22184.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, 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 will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. In the event that the California Department of Finance ultimately maintains that the obligations are not enforceable, the City's legal counsel believes that it is likely that a

legal determination will be made at a later date by an appropriate judicial authority that will resolve this issue favorably to the City and confirm the obligations as enforceable.

In accordance with the timeline set forth in the bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary loss.

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

The difference between the extraordinary loss related to the transfer of assets and liabilities recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Extraordinary loss reported in governmental funds related to transfer of assets and liabilities to Successor Agency upon dissolution:	\$ 130,174
Capital assets (net of accumulated depreciation) reported in the government-wide financial statements	185
Issuance costs reported in the government-wide financial statements	5,312

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Revenues reported in the government-wide financial statements	45,436
Accrued bond interest reported in the government-wide financial statements	(6,249)
Long-term debt reported in the government-wide financial statements	<u>(272,880)</u>
Net decrease to net assets of the Successor Agency Trust as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>(\$98,022)</u>

2. Legal Compliance - Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all departments within the general, special revenue and capital project funds. Formal budgets are not employed for debt service funds because debt indenture provisions specify payments. The permanent fund is not budgeted.

During the period December through February of each fiscal year, department heads prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget that includes a summary of proposed expenditures and financial resources and historical data for the preceding fiscal year. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund. All appropriations shall lapse at the end of the fiscal year to the extent they have not been expended or lawfully encumbered, except for appropriations for capital projects which shall continue to their completion.

3. Cash and Investments

Cash and investments at fiscal year-end consist of the following:

Investments	\$ 435,966
Investments at fiscal agent	<u>480,979</u>
	916,945
Cash on hand and deposits with financial institutions	168
Non-negotiable certificates of deposit	<u>21,814</u>
	<u>\$ 938,927</u>

The amounts are reflected in the government-wide statement of net assets:

Cash and investments	\$ 350,887
Restricted cash and cash equivalents	41,142
Restricted cash and investments at fiscal agent	<u>455,141</u>
Total per statement of net assets	847,170
Fiduciary fund cash and investments	<u>91,757</u>
	<u>\$ 938,927</u>

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures, which are administered by outside agencies.

Interest income earned on pooled cash and investments is allocated monthly to funds based on the beginning and month-end balances. Interest income from cash and investments held at fiscal agents is credited directly to the related account. Bank deposits are covered by federal depository insurance for the first \$250 or by collateral held in the pledging bank's trust department in the name of the City.

Authorized Investments

Under provisions of the City's investment policy, and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

	<u>Max Maturity</u>	<u>Max % of Portfolio</u>
Securities of the U.S. Gov't. and its sponsored agencies	5 Years	100%
Repurchase Agreements	1 Year	100%
Reverse Repurchase Agreements	90 Days	20%

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Negotiable Certificates of Deposit	5 Years	30%
Bankers Acceptances	180 Days	40%
Commercial Paper of "prime" quality	270 Days	25%
Local Agency Investment Fund (State Pool)	N/A	100%
Mutual Funds	N/A	20%
Medium-Term Corporate Notes	5 Years	30%
Local Agency Bonds	N/A	N/A

Investments in Medium Term Corporate Notes may be invested in securities rated A or better by Moody's or Standard and Poor's rating services and no more than 15% of the market value of the portfolio may be invested in one corporation.

The City's investment policy provides two exceptions to the above; one is for investments authorized by debt agreements (described below) and the other for funds reserved in the San Onofre Nuclear Generating Station Decommissioning Account for which the five-year maturity limitation may be extended to the term of the operating license.

Investments Authorized by Debt Agreements

Provisions of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy, govern investments of debt proceeds held by bond fiscal agents. Permitted investments are specified in related trust agreements and include the following:

- Securities of the U.S. Government and its sponsored agencies
- Bankers' Acceptances rated in the single highest classification
- Commercial Paper rated in the single highest classification
- Investments in money market funds rated in the single highest classification
- Municipal obligations rated Aaa/AAA or general obligations of states with ratings of at least A2/A or higher by both Moody's and S&P
- Investment Agreements

No maximum percentage of the related debt issue or maximum investment in one issuer is specified.

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
Money Market Funds	\$ 74,700	\$ 74,700	\$ -	\$ -	\$ -
Federal Agency Securities	193,919	23,587	44,643	125,689	-
Corp Medium Term Notes	59,818	10,128	20,765	28,925	-
State Investment Pool	99,647	99,647	-	-	-
Negotiable CDs	7,882	249	4,931	2,702	-
Held by Fiscal Agent					
Money Market Funds	22,229	22,229	-	-	-
Banker's Acceptance	274	274	-	-	-
State Investment Pool	31,913	31,913	-	-	-
Investment Contracts	343,725	158,604	148,754	25,606	10,761
Commercial Paper	3,733	3,733	-	-	-
Fed Agency Securities	55,921	4,676	4,187	47,058	-
Corp Med Term Notes	23,184	3,070	-	20,114	-
Total	<u>\$916,945</u>	<u>\$432,810</u>	<u>\$223,280</u>	<u>\$250,094</u>	<u>\$10,761</u>

The City assumes that callable investments will not be called.

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.

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Presented below is the actual rating as of year-end for each investment type:

Investment Type	Ratings as of Year End				
	Total	AAA	AA	A	Unrated
Money Market Funds	\$ 74,700	\$ 1,816	\$43,249	\$29,635	\$ -
Federal Agency Securities	193,919	193,919	-	-	-
Corp Medium Term Notes	59,818	-	49,101	10,717	-
State Investment Pool	99,647	-	-	-	99,647
Negotiable CDs	7,882	-	-	-	7,882
Held by Fiscal Agent					
Money Market Funds	22,229	15,572	-	-	6,657
Banker's Acceptance	274	-	274	-	-
State Investment Pool	31,913	-	-	-	31,913
Investment Contracts	343,725	-	-	-	343,725
Commercial Paper	3,733	-	-	3,733	-
Fed Agency Securities	55,921	55,921	-	-	-
Corp Med Term Notes	23,184	-	17,552	5,632	-
Total	\$916,945	\$267,228	\$110,176	\$49,717	\$489,824

Concentration on Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stated above. Investments in any one issuer (other than U.S. Treasury securities, money market funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Trinity Funding	Investment Contract	\$195,144
Deutsche Bank Securities Inc.	Investment Contract	\$141,213

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 City's investment policy requires that a third party bank trust department hold all securities owned by the City. All trades are settled on a delivery vs. payment basis through the City's safekeeping agent. The City has no deposits with financial institutions; bank balances are swept daily into a money market account.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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.

4. Capital Lease Receivable

The former Redevelopment Agency had a direct financing lease arrangement with the State of California (the State) for a twelve-story office building, which was transferred to the Successor Agency. The lease term is for thirty years and the State takes ownership of the facility at the conclusion of that term. The lease calls for semi-annual payments not less than the debt service owed on the related lease revenue bonds issued by the former Redevelopment Agency for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

2013	\$ 2,443
2014	2,473
2015	2,507
2016	2,533
2017	2,561
Thereafter	<u>21,666</u>
Total Due	34,183
Less: amount applicable to interest	<u>(11,638)</u>
Total capital lease receivable	<u>\$22,545</u>

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5. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 290,692	\$ 32,387	\$ (1,019)	\$ 322,060
Construction in progress	<u>23,562</u>	<u>31,868</u>	<u>(28,764)</u>	<u>26,666</u>
Total capital assets not depreciated	<u>314,254</u>	<u>64,255</u>	<u>(29,783)</u>	<u>348,726</u>
Capital assets being depreciated:				
Buildings	165,101	3,998	-	169,099
Improvements				
other than buildings	202,911	25,010	(370)	227,551
Machinery and equipment	74,503	6,564	(2,189)	78,878
Infrastructure	<u>849,090</u>	<u>27,422</u>	<u>-</u>	<u>876,512</u>
Total capital assets being depreciated	<u>1,291,605</u>	<u>62,994</u>	<u>(2,559)</u>	<u>1,352,040</u>
Less accumulated depreciation for:				
Buildings	(41,782)	(4,189)	-	(45,971)
Improvements				
other than buildings	(48,310)	(9,208)	203	(57,315)
Machinery and equipment	(54,749)	(6,038)	1,973	(58,814)
Infrastructure	<u>(246,702)</u>	<u>(20,159)</u>	<u>-</u>	<u>(266,861)</u>
Total accumulated depreciation	<u>(391,543)</u>	<u>(39,594)</u>	<u>2,176</u>	<u>(428,961)</u>
Total capital assets being depreciated, net	<u>900,062</u>	<u>23,400</u>	<u>(383)</u>	<u>923,079</u>
Governmental activities capital assets, net	<u>\$1,214,316</u>	<u>\$87,655</u>	<u>\$(30,166)</u>	<u>\$1,271,805</u>

Business type activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 34,905	\$ 144	\$ (125)	\$ 34,924
Intangibles, non-depreciable	16,128	-	-	16,128
Improvements, non-depreciable ¹	-	-	14,641	14,641
Construction in progress	<u>102,771</u>	<u>119,582</u>	<u>(95,410)</u>	<u>126,943</u>
Total capital assets not depreciated	153,804	119,726	(80,894)	192,636
Capital assets being depreciated:				
Buildings	241,742	4,867	(1)	246,608
Improvements				
other than buildings	1,497,956	88,373	(85,525)	1,500,804
Intangibles, depreciable	137	508	-	645
Machinery and equipment	<u>66,200</u>	<u>2,831</u>	<u>(1,965)</u>	<u>67,066</u>
Total capital assets being depreciated	<u>1,806,035</u>	<u>96,579</u>	<u>(87,491)</u>	<u>1,815,123</u>
Less accumulated depreciation for:				
Buildings	(97,163)	(5,767)	-	(102,930)
Improvements				
other than buildings	(492,059)	(37,704)	70,884	(458,879)
Intangibles, depreciable	(137)	(9)	-	(146)
Machinery and equipment	<u>(37,086)</u>	<u>(5,602)</u>	<u>1,849</u>	<u>(40,839)</u>
Total accumulated depreciation	<u>(626,445)</u>	<u>(49,082)</u>	<u>72,733</u>	<u>(602,794)</u>
Total capital assets being depreciated, net	<u>1,179,590</u>	<u>47,497</u>	<u>(14,758)</u>	<u>1,212,329</u>
Nuclear fuel, at amortized cost	4,878	4,907	(953)	8,832
Business type activities capital assets, net	<u>\$1,338,272</u>	<u>\$172,130</u>	<u>\$(96,605)</u>	<u>\$1,413,797</u>

¹The San Onofre Nuclear Generating Station (SONGS) Units 2 and 3 were taken offline in January 2012 and remain offline for extensive inspections, testing and analysis resulting from excessive wear of tubes in the steam generators. It is anticipated that Unit 2 could restart months in advance of Unit 3. Due to the uncertainty of the restart date for Unit 3, the capital assets of Unit 3 are reclassified from a depreciable to a non-depreciable plant asset until it is restored to service. Unit 2 will remain classified as a depreciable plant asset since it is anticipated that it could be restored to service in the coming months. See footnote 16 for additional information.

Estimated useful lives used to compute depreciation are as follows:

Buildings and Improvements	30-50 years
Improvements other than Buildings	20-99 years
Intangibles - Depreciating	3-5 years
Machinery and Equipment	3-15 years
Infrastructure	20-100 years

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Depreciation expense was charged to various functions as follows:

Governmental activities:	
General government	\$ 4,571
Public safety	3,997
Highways and streets, including depreciation of general infrastructure assets	21,699
Culture and recreation	<u>9,327</u>
Total depreciation expense – governmental activities	<u>\$39,594</u>
Business type activities:	
Electric	\$27,482
Water	11,824
Sewer	6,600
Refuse	1,106
Special Transportation	615
Airport	645
Public Parking	<u>810</u>
Total depreciation expense – business type activities	<u>\$49,082</u>

Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$1,071,554	\$ -	\$29,816	\$1,041,739	\$29,505
Loan Payable	45,569	-	1,428	44,141	1,481
Notes Payable	31,178	-	1,498	29,680	1,543
Capital Leases	1,720	-	388	1,332	409
Landfill Capping	6,915	-	220	6,695	200
Arbitrage Liability	102	88	-	190	-
Water Stock Acquisition Rights	947	-	-	947	150
Net OPEB Obligation	<u>5,625</u>	<u>2,705</u>	<u>667</u>	<u>7,663</u>	-
Total	<u>\$1,163,610</u>	<u>\$2,793</u>	<u>\$34,017</u>	<u>\$1,132,387</u>	<u>\$33,288</u>

The following debt has been issued for the purpose of generating capital resources for use in acquiring or constructing municipal facilities or infrastructure projects.

Long-Term Obligations at June 30, 2012:

Revenue Bonds:

Principal
Outstanding

Electric

\$75,405 2003 Electric Revenue Bonds; 2.0% to 5.0%, due in annual installments from \$1,035 to \$8,535 through October 1, 2013.

\$15,415

\$27,500 2004 Electric Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.5%, due in annual installments from \$2,615 to \$3,695 through October 1, 2014.

9,845

\$141,840 2008 Electric Refunding/Revenue Bonds; Series A and C. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.1% for the Series A bonds and 3.2% for the C bonds. For information on the swap agreements see note 9. Bonds are due in annual installments from \$1,325 to \$8,560 through October 1, 2035.

139,640

6. Long-Term Obligations

Changes in Long-Term Obligations: Below is a summary of changes in long-term obligations during the fiscal year:

Governmental Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency bonds	\$305,195	\$ -	\$ 305,195	\$ -	\$ -
General Obligation Bonds	16,845	-	738	16,107	780
Pension Obligation Bonds	132,095	30,940	35,555	127,480	36,415
Certificates of Participation	207,246	-	4,543	202,703	4,920
Capital leases	6,670	-	1,450	5,220	1,248
Notes Payable	7,749	-	7,749	-	-
Loan Payable	-	4,000	-	4,000	-
Commercial Loan	1,100	-	1,100	-	-
Compensated Absences	21,153	4,954	4,433	21,674	4,500
Claims liability	26,615	12,286	11,359	27,542	11,750
Net OPEB Obligation	<u>7,808</u>	<u>3,084</u>	<u>759</u>	<u>10,133</u>	-
Total	<u>\$732,476</u>	<u>\$55,264</u>	<u>\$372,881</u>	<u>\$414,859</u>	<u>\$59,613</u>

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\$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from \$125 to \$24,960 through October 1, 2038. 209,740

\$34,920 2009 Electric Refunding/Revenue Bonds; Series A fixed rate bonds, 0.35% to 5.0%, due in annual installments from \$450 to \$6,105 through October 1, 2018. The bonds refunded the 1998 series and partially refunded the 2001 series. 24,335

\$140,380 2010 Electric Revenue Bonds; Series A and B fixed rate bonds, 3% to 4.9%, due in annual installments from \$2,300 to \$33,725 through October 1, 2040. 140,380

\$56,450 2011 Electric Revenue Refunding Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 9. Bonds are due in annual installments from \$725 to \$5,175 through October 1, 2035. 55,125

Subtotal 594,480
Add: Unamortized bond premium 8,639
Less: Unamortized deferred bond refunding costs (12,877)
\$590,242

Water

\$20,000 2001 Water Revenue Bonds; 2.6% to 5.0%, due in annual installments from \$345 to \$585 through October 1, 2031 (partially advance refunded in 2005 and 2009, with final maturity in 2014). \$ 1,000

\$58,235 2008 Water Revenue Bonds; Series B fixed rate bonds, 4.0% to 5.0%, due in annual installments from \$1,210 to \$7,505 through October 1, 2038. 58,235

\$31,895 2009 Water Refunding/Revenue Bonds; Series A fixed rate bonds, 0.65% to 5.0%, due in annual installments from \$500 to \$3,835 through October 1, 2020. The bonds refunded the 1998 series and partially refunded the 2001 series. 28,095

\$67,790 2009 Water Revenue Bonds; Series B fixed rate bonds, 3.33% to 4.13%, due in annual installments from \$2,475 to \$4,985 through October 1, 2039. 67,790

\$59,000 2011 Water Refunding/Revenue Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see note 9. Bonds are due in annual installments from \$800 to \$3,950 through October 1, 2035. 58,200

Subtotal 213,320
Add: Unamortized bond premium 4,341
Less: Unamortized deferred bond refunding costs (9,237)
\$208,424

Sewer

\$240,910 2009 Sewer Revenue Bonds; Series A & B fixed rate bonds, 3.65% to 5.0%, due in annual installments from \$5,555 to \$13,350 through August 1, 2039. \$240,910
Add: Unamortized bond premium 2,163
\$243,073

Total Revenue Bonds \$1,041,739

Remaining revenue bond debt service payments will be made from revenues of the Electric, Water and Sewer Enterprise funds. Annual debt service requirements to maturity are as follows:

	<u>Electric Utility Fund</u>			<u>Water Utility Fund</u>		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 18,050	\$ 25,455	\$ 43,505	\$ 4,695	\$ 8,678	\$ 13,373
2014	14,685	24,543	39,228	4,870	8,487	13,357
2015	20,480	23,745	44,225	5,015	8,276	13,291
2016	15,415	23,113	38,528	5,260	8,046	13,306
2017	12,745	22,620	35,365	5,180	7,814	12,994
2018-2022	70,800	105,832	176,632	29,315	35,597	64,912
2023-2027	78,415	91,074	169,489	35,270	29,439	64,709
2028-2032	110,365	71,403	181,768	42,730	21,747	64,477
2033-2037	127,900	46,144	174,044	51,960	12,229	64,189
2038-2041	125,625	12,823	138,448	29,025	1,647	30,672
Premium	8,639	-	8,639	4,341	-	4,341
Refunding Costs	(12,877)	-	(12,877)	(9,237)	-	(9,237)
Total	<u>\$590,242</u>	<u>\$446,752</u>	<u>\$1,036,994</u>	<u>\$208,424</u>	<u>\$141,960</u>	<u>\$350,384</u>

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

Fiscal Year	Sewer Utility Fund		
	Principal	Interest	Total
2013	\$ 6,760	\$ 10,712	\$ 17,472
2014	7,035	10,436	17,471
2015	7,325	10,149	17,474
2016	7,660	9,811	17,471
2017	8,055	9,418	17,473
2018-2022	37,565	42,179	79,744
2023-2027	33,390	34,930	68,320
2028-2032	41,935	26,377	68,312
2033-2037	52,935	15,376	68,311
2038-2040	38,250	2,741	40,991
Premium	2,163	-	2,163
Total	<u>\$243,073</u>	<u>\$172,129</u>	<u>\$415,202</u>

General Obligation Bonds:

\$20,000 Fire Facility Projects, Election of 2003 General Obligation Bond; 3.0% to 5.5%, due in annual installments from \$410 to \$1,740 through August 1, 2024.

Add: Unamortized bond premium

Total General Obligation Bonds

Principal
Outstanding

\$15,915

192

\$16,107

Remaining general obligation bond debt service payments will be made from unrestricted revenues of the General fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 780	\$ 737	\$ 1,517
2014	840	706	1,546
2015	900	671	1,571
2016	965	634	1,599
2017	1,040	592	1,632
2018-2022	6,450	2,152	8,602
2023-2025	4,940	417	5,357
Premium	192	-	192
Total	<u>\$16,107</u>	<u>\$5,909</u>	<u>\$22,016</u>

Pension Obligation Bonds:

\$89,540 California Statewide Community Development Authority (Public Safety) 2004 Taxable Pension Obligation Bond; 2.65% to 5.896%, due in annual installments from \$1,125 to \$10,715 through June 1, 2023.

\$30,000 2005 Taxable Pension Obligation Bonds Series A; 3.85% to 4.78%, due in annual installments \$630 to \$3,860 through June 1, 2020.

\$30,940 2012 Taxable Pension Obligation Refunding Bond Anticipation Notes; rate at June 30, 2012 was 0.75%, \$30,940 due June 1, 2013.

Total Pension Obligation Bonds

Remaining pension obligation bond debt service payments will be made from unrestricted revenues of the General fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 36,415	\$ 5,589	\$ 42,004
2014	6,230	5,080	11,310
2015	7,050	4,759	11,809
2016	7,930	4,391	12,321
2017	8,880	3,971	12,851
2018-2022	50,260	11,677	61,937
2023	10,715	632	11,347
Total	<u>\$127,480</u>	<u>\$36,099</u>	<u>\$163,579</u>

Certificates of Participation:

\$53,185 2003 Riverside Public Financing Authority Certificates of Participation; 2.0% to 5.0%, due in annual installments from \$755 to \$2,830 through September 1, 2033.

Principal
Outstanding

\$ 73,935

22,605

30,940

\$127,480

Principal
Outstanding

\$44,025

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

\$19,945 2006 Galleria at Tyler Public Improvements
Certificates of Participation; 4.0% to 5.0%, due in
annual installments from \$435 to \$1,270 through
September 1, 2036. 19,510

\$128,300 2008 Riverside Renaissance Certificates of
Participation; issued at a variable rate; however the
City entered into an agreement to convert to a fixed
rate of 3.4%. For information on the swap agreement
see note 9. Due in annual installments from \$2,900 to
\$7,200 through March 1, 2037. 122,400

\$20,660 2010 Recovery Zone Facility Hotel Project
Certificates of Participation; 4.0% to 5.5%, due in
annual installments from \$415 to \$1,410 through March
1, 2040. 20,660

Subtotal 206,595
Add: Unamortized bond premium 683
Less: Unamortized deferred bond refunding costs (4,575)
Total Certificates of Participation \$202,703

Remaining certificates of participation debt service payments will be made
from unrestricted revenues of the Debt Service funds. Annual debt service
requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,920	\$ 8,155	\$ 13,075
2014	5,085	7,979	13,064
2015	5,680	7,785	13,465
2016	5,990	7,560	13,550
2017	6,200	7,332	13,532
2018-2022	34,835	32,849	67,684
2023-2027	40,750	25,340	66,090
2028-2032	48,695	16,544	65,239
2033-2037	50,420	6,254	56,674
2038-2040	4,020	450	4,470
Premium	683	-	683
Refunding Costs	(4,575)	-	(4,575)
Total	<u>\$202,703</u>	<u>\$120,248</u>	<u>\$322,951</u>

Loan Payable – Governmental Activities:

In March 2012 the City entered into a financing
arrangement in the amount of \$4,000 with Pinnacle
Public Finance, Inc. for the construction of Ryan
Bonaminio Park at the Tequesquite Arroyo. The debt
will be paid with resources from the General Fund in
semi-annual debt service payments of approximately
\$468 per year over a 10 year period, which includes
interest at an annualized rate of 3.05%.

**Principal
Outstanding**

\$4,000

Loan Payable – Electric Fund:

The City entered into the Clearwater Power Plant
Purchase and Sale Agreement dated March 3, 2010
with the City of Corona for the acquisition of Clearwater
Cogeneration Facility (Clearwater) located in Corona.
The total purchase price for Clearwater is \$46,569, and
will be funded through a series of semi-annual
payments ranging from \$1,158 to \$2,664 through 2013,
and \$182 to \$413 in 2014 and 2015. In addition, two
payments of \$36,406 and \$7,367 are due in 2013 and
2015, respectively, and will be funded primarily from
bond proceeds.

**Principal
Outstanding**

\$44,141

Notes payable – Enterprise Funds:

Sewer fund loan from State of California for
Cogeneration project, 2.336%, payable in net annual
installments of \$339, beginning January 29, 2003
through January 29, 2021

**Principal
Outstanding**

\$2,761

Sewer fund loan from State of California for Headworks
project, 1.803%, payable in net annual installments of
\$477, beginning November 6, 1999 through November
6, 2018

3,118

Public parking fund loan from City National Bank for
Fox Entertainment Plaza project, 3.85%, payable in net
annual installments of \$1,747, beginning June 16, 2011

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

through December 16, 2031 23,801

Total notes payable – Enterprise Funds \$29,680

Remaining notes payable debt service payments will be made from unrestricted revenues of the Sewer fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Sewer Fund		Total
	Principal	Interest	
2013	\$ 705	\$ 112	\$ 817
2014	718	99	817
2015	731	86	817
2016	745	72	817
2017	759	58	817
2018-2021	<u>2,221</u>	<u>92</u>	<u>2,313</u>
Total	<u>\$5,879</u>	<u>\$519</u>	<u>\$6,398</u>

Fiscal Year	Public Parking Fund		Total
	Principal	Interest	
2013	\$ 838	\$ 909	\$ 1,747
2014	871	876	1,747
2015	905	842	1,747
2016	940	807	1,747
2017	977	770	1,747
2018-2022	<u>5,483</u>	<u>3,251</u>	<u>8,734</u>
2023-2027	<u>6,634</u>	<u>2,100</u>	<u>8,734</u>
2028-2032	<u>7,153</u>	<u>707</u>	<u>7,860</u>
Total	<u>\$23,801</u>	<u>\$10,262</u>	<u>\$34,063</u>

Contracts – Enterprise Funds: Principal Outstanding

Water stock acquisition rights payable on demand to various water companies \$947

Capital Leases:

The City leases various equipment through capital leasing arrangements in the governmental and proprietary fund types. These activities are recorded for both governmental and business-type activities in the government-wide financial statements. The assets and related obligations under leases in governmental funds are not recorded in the fund statements. For proprietary funds, the assets and their related liabilities are reported directly in the fund.

Amortization applicable to proprietary assets acquired through capital lease arrangements is included with depreciation for financial statement presentation.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Business-Type Activities
Buildings and improvements	\$1,103	\$ -
Equipment	<u>5,595</u>	<u>2,763</u>
Subtotal	6,698	2,763
Less: Accumulated depreciation	<u>(2,580)</u>	<u>(859)</u>
Total	<u>\$4,118</u>	<u>\$1,904</u>

The future minimum lease obligations as of June 30, 2012 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2013	\$1,425	\$ 442
2014	1,190	442
2015	1,098	428
2016	1,099	65
2017	670	-
Thereafter	74	-
Copiers	<u>188</u>	<u>29</u>
Total Minimum lease payments	5,744	1,406
Less: Amount representing interest (rates ranging from 2.5% to 9%)	<u>(524)</u>	<u>(74)</u>
Total capital lease payable	<u>\$5,220</u>	<u>\$1,332</u>

The following are legally required debt service cash reserves. These amounts, at a minimum, are held by the City or fiscal agents at June 30, 2012:

Governmental long-term obligations:

Certificates of Participation	\$13,778
Total	<u>\$13,778</u>

Enterprise funds:

Electric	\$22,332
Water	535
Sewer	<u>20,142</u>
Total	<u>\$43,009</u>

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

The City has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. The debt service coverage ratios also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service Coverage Ratio for FYE 6/30/12
Electric revenues	118,222	52,804	2.24
Water revenues	38,248	13,580	2.82
Sewer revenues	12,930	6,163	2.10

There are also a number of limitations and restrictions contained in Assessment Bond indentures. The City believes they are in compliance with all significant limitations and restrictions.

Defeasance of Debt:

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt issues. Accordingly, the trust account assets and liability for the defeased debt issues are not included in the City's financial statements.

At June 30, 2012, the following amounts are considered defeased:

1993 Sewer Revenue Bonds \$4,745

Landfill Capping:

State and Federal laws and regulations require the City to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. To comply with these laws and regulations, the City is funding the costs of closure and "final capping" of the Tequesquite landfill located in the City. This area,

comprised of approximately 120 acres, operated as a "Class II Sanitary Landfill" until its closure in 1985. During its operation, the landfill did not accept hazardous waste and no clean up and abatement or cease and desist orders have been issued to the City. The capacity used at June 30, 2012 was 100%.

The estimated costs as determined by an independent consultant and updated by the City's Engineering Department are associated with flood control upgrades, remediation of possible ground water contamination and control of methane gas. All potential costs have been recognized in the financial statements. There is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. To fund the cost, the City imposed a landfill capping surcharge on customers effective August 1, 1988. The minimum unamortized estimated cost is recorded as a deferred charge in the accompanying financial statements of the Refuse fund and is being amortized on a straight-line basis over the remaining post closure period, currently 21 years.

7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property insurance coverage has a limit of \$1,000,000, with a deductible of \$50. Earthquake and flood insurance coverage has a limit of \$25,000, with a deductible of 5% for earthquake and \$100 for flood. Workers' compensation insurance coverage has a limit of \$25,000, with a self-insured retention of \$3,000 per occurrence. The City carries commercial insurance in the amount of \$20,000 for general and auto liability claims greater than \$3,000. There were no claims settled in the last three fiscal years that exceed insurance coverage. Internal service funds have been established to account for and finance the uninsured risks of loss.

All funds of the City participate in the Risk Management program and make payments to the Internal Service Funds based on actuarial estimates of the amounts needed to fund prior and current year claims and incidents that have been incurred but not reported. Interfund premiums are accounted for as quasi - external transactions and are therefore recorded as revenues of the Internal Service funds in the fund financial statements.

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
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(amounts expressed in thousands)

Changes in the self-insurance trust fund's claims liability amounts are:

Unpaid Claims, June 30, 2010	\$25,541
Incurred claims (including IBNR's)	10,576
Claim payments and adjustments	<u>(9,502)</u>
Unpaid Claims, June 30, 2011	26,615
Incurred claims (including IBNR's)	12,286
Claim payments and adjustments	<u>(11,359)</u>
Unpaid Claims, June 30, 2012	<u>\$27,542</u>

8. Other Long-Term Obligations

Changes in Long-Term Obligations: Below is a summary of changes in long-term obligations during the fiscal year for the former Redevelopment Agency, which is accounted for in the Successor Agency Trust (a fiduciary fund):

Successor Agency Trust:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment					
Agency bonds	\$ -	\$264,591	\$ 206	\$264,385	\$ 7,575
Notes Payable	-	7,189	-	7,189	960
Commercial Loan	-	1,100	-	1,100	1,100
Total	<u>\$ -</u>	<u>\$272,880</u>	<u>\$ 206</u>	<u>\$272,674</u>	<u>\$9,635</u>

Redevelopment Agency Bonds: Principal
Outstanding

\$13,285 1991 Public Financing Authority Revenue Bonds, Series A, Multiple Project Areas; \$1,470 serial revenue bonds 7.15% to 7.6%, due in annual installments from \$100 to \$145 through February 1, 2003; and \$4,175 term bonds, 8.0%, due in annual installments from \$155 to \$450 through February 1, 2018 (portion not refunded). \$ 115

\$17,025 1999 University Corridor/Sycamore Canyon Merged Project Area, Tax Allocation Bonds, Series A; \$6,205 serial bonds, 3.4% to 4.7% due in annual installments from \$40 to \$570 through August 1, 2014; \$4,810 term bonds at 4.75% due August 1, 2021; and \$6,010 term bonds at 5.0% due August 1, 2027. 12,455

\$6,055 1999 University Corridor/Sycamore Canyon Merged Project Area, Subordinate Tax Allocation

Bonds, Series B; \$1,900 serial bonds, 4.5% to 5.5% due in annual installments from \$35 to \$190 through Sept. 1, 2013; \$1,135 term bonds at 5.5% due Sept. 1, 2018; and \$3,020 term bonds at 5.625% due Sept. 1, 2027. 4,525

\$20,395 1999 Casa Blanca Project Area, Tax Allocation Bonds, Series A; \$8,925 serial bonds, 3.4% to 4.7% due in annual installments from \$455 to \$780 through Aug. 1, 2014; \$2,565 term bonds at 4.75% due Aug. 1, 2017; \$4,035 term bonds at 4.75% due Aug. 1, 2021; and \$4,870 term bonds at 5% due Aug. 1, 2025. 13,710

\$4,550 Arlington Redevelopment Project, 2004 Tax Allocation Bonds, Series A; \$420 term bonds at 3.8% due Aug. 1, 2014; \$615 term bonds at 4.6% due Aug. 1, 2024; \$3,515 term bonds at 4.7% due Aug. 1, 2034. 4,270

\$2,975 Arlington Redevelopment Project Area, 2004 Tax Allocation Bonds; Series B: 5.5% due in annual installments from \$85 to \$235 through August 1, 2024. 2,265

\$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A; 2% to 5% due in annual installments from \$545 to \$2,230 through October 1, 2024. 19,805

\$4,810 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; \$310 serial bonds 1.20% to 1.42% through October 1, 2004; \$620 term bonds at 3.090% due Oct. 1, 2008; \$1,110 term bonds at 4.340% due Oct. 1, 2014 and \$2,770 term bonds at 5.480% due Oct. 1, 2024. 3,360

\$40,435 Downtown/Airport Merged Project Area, 2003 Tax Allocation and Refunding Bonds; \$32,720 serial bonds 2.0% to 5.25% due in annual installments from \$1,220 to \$1,955 through August 1, 2023; and \$7,715 term bonds at 5.0% due in annual installments from \$195 to \$2,060 through August 2034. 29,830

\$24,115 2005 Housing Set-Aside Tax Allocation Bonds; \$17,025 serial bonds 3.0% to 4.625% due in annual

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

installments from \$505 to \$1,165 through August 1, 2025; \$2,425 term bonds at 5.0% due August 1, 2028; and \$4,665 term bonds at 4.85% due August 1, 2034. 19,870

\$8,340 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Tax Exempt, Series A, serial bonds 4.0% to 4.25% due in annual installments from \$20 to \$590,000 through Aug. 1, 2025; \$4,980 term bonds at 4.5% due Aug. 1, 2029; \$410 term bonds at 4.375% due Aug. 1, 2037. 8,260

\$1,465 California Statewide Communities Development Authority 2005 Taxable Revenue Bonds, Series A (CRA/ERAF Loan Program); 3.87% to 5.01% due in annual installments of \$105 to \$180 through August 1, 2015. 520

\$14,850 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Taxable, Series B, \$4,050 term bonds at 5.2% due August 1, 2017; \$10,800 term bonds at 5.8% due August 1, 2028. 13,380

\$89,205 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Tax-Exempt, Series C, serial bonds 4.0% to 5.0% due in annual installments from \$50 to \$3,210 through August 1, 2025; \$17,955 term bonds at 4.5% due August 1, 2030; \$47,775 term bonds at 5.0% due August 1, 2037. 88,170

\$43,875 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Taxable, Series D, \$15,740 term bonds due August 1, 2017; \$28,135 term bonds due August 1, 2032. 37,810

Subtotal 258,345
Add: Unamortized bond premium 5,704
Add: Unamortized deferred bond refunding costs 336
Total Redevelopment Agency Bonds \$264,385

Remaining debt service will be paid by the Successor Agency Trust from future property tax revenues. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 7,575	\$ 12,750	\$ 20,325
2014	7,930	12,408	20,338
2015	8,310	12,047	20,357
2016	8,520	11,665	20,185
2017	8,905	11,256	20,161
2018-2022	54,585	48,646	103,231
2023-2027	63,035	32,971	96,006
2028-2032	49,025	18,606	67,631
2033-2037	43,685	7,122	50,807
2038	6,775	169	6,944
Premium	5,704	-	5,704
Refunding Costs	336	-	336
Total	<u>\$264,385</u>	<u>\$167,640</u>	<u>\$432,025</u>

Notes Payable – Successor Agency:

Principal
Outstanding

These notes payable have been issued to promote development and expansion within the City's redevelopment areas.

Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of \$341, subject to recording of completion. \$2,987

HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning August 1, 1996 of \$272 to \$425 through August 1, 2015 1,445

HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999 of \$110 to \$420 through August 1, 2018 2,430

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2012

(amounts expressed in thousands)

Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of \$88 through 2013, for housing projects. 327

Total notes payable – Successor Agency \$ 7,189

Remaining debt service will be paid by the Successor Agency Trust from future property tax revenues. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 960	\$ 444	\$ 1,404
2014	681	400	1,081
2015	739	377	1,116
2016	778	350	1,128
2017	407	329	736
2018-2022	1,096	1,448	2,544
2023-2027	471	1,238	1,709
2028-2032	777	933	1,710
2033-2037	<u>1,280</u>	<u>430</u>	<u>1,710</u>
Total	<u>\$ 7,189</u>	<u>\$5,949</u>	<u>\$13,138</u>

Commercial Loan – Successor Agency:

The Successor Agency has a \$20,000 commercial loan with City National Bank, which is being used to purchase, rehabilitate and resell foreclosed homes. As of June 30, 2012, the Agency had borrowed \$1,100. The interest rate is based on "prime" less 75 basis points, which was 2.5% as of June 30, 2012. Interest is paid monthly. Principal is due in full on July 1, 2012.

For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. The debt service coverage ratios for the Successor Agency also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service Coverage Ratio for FYE 6/30/12</u>
Property Taxes:			
Non-Housing	\$38,874	\$15,311	2.54
Housing	8,247	2,768	2.98

Assessment Districts and Community Facilities Districts Bonds
(Not obligations of the City)

As of June 30, 2012, the City has several series of Assessment District and Community Facility District Bonds outstanding in the amount of \$48,360. Bonds were issued for improvements in certain districts and are long-term obligations of the property owners. The City Treasurer acts as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if applicable. Since the debt does not constitute an obligation of the City, it is not reflected as a long-term obligation of the City and is not reflected in the accompanying basic financial statements.

Conduit Debt Obligations

Industrial Development Revenue Bonds of \$7,000 are not included in the accompanying financial statements. These bonds are special obligations of a third party and is payable solely from and secured by a pledge of the receipts received from a loan and certain other reserve funds and related monies. The bonds are not payable from any other revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the bonds.

9. Derivative Instruments

Interest Rate Swaps

The City has five cash flow hedging derivative instruments, which are pay-fixed swaps. These swaps were employed as a hedge against debt that was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap is included in the net carrying amount of the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective.

CITY OF RIVERSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
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(amounts expressed in thousands)

The following is a summary of the derivative activity for the year ended June 30, 2012:

	<u>Notional Amount</u>	<u>Fair Value as of 6/30/12</u>	<u>Change in Fair Value for Fiscal Year</u>
Governmental Activities			
2008 Renaissance Certificates of Participation	128,300	(29,972)	(15,150)
Business-Type Activities			
2008 Electric Refunding/Revenue Bonds Series A	84,515	(14,985)	(7,957)
2008 Electric Refunding/Revenue Bonds Series C	57,325	(11,584)	(6,476)
2011 Electric Refunding/Revenue Bonds Series A	56,450	(11,554)	(6,474)
2011 Water Refunding/Revenue Bonds Series A	59,000	(12,768)	(7,320)

Objective: In order to lower borrowing costs as compared to fixed-rate bonds, the City entered into interest rate swap agreements in connection with its \$141,840 2008 Electric Revenue Bonds (Series A and C), \$56,450 2011 Electric Revenue Bonds and \$59,000 2011 Water Revenue Bonds. Also, in 2008, the City entered into an additional interest rate swap agreement in connection with its \$128,300 2008 Certificates of Participation.

Terms: Per the existing swap agreements, the City pays a counterparty a fixed payment and receives a variable payment computed as 62.68% of the London Interbank Offering Rate ("LIBOR") one month index plus 12 basis points for the Electric and Water swaps. For the COP swap, the City again pays a fixed payment and receives a variable payment computed as 63.00% of the LIBOR one month index plus 7 basis points. The swaps have notional amounts equal to the principal amounts stated above. The notional value of the swaps and the principal amounts of the associated debt decline by \$975 to \$7,200 until the debt is completely retired in fiscal year 2037.

The bonds and the related swap agreements for the 2008A Electric Revenue Bonds mature on October 1, 2029, 2008C Electric and 2011A Electric and 2011A Water Revenue/Refunding Bonds mature on October 1, 2035. The 2008 Certificates of Participation mature on March 1, 2037.

As of June 30, 2012 rates were as follows:

	<u>Terms</u>	<u>2011 Water Refunding/ Revenue Bonds Series A Rates</u>	<u>2011 Electric Refunding/ Revenue Bonds Series A Rates</u>
Interest rate swap:			
Fixed payment to counterparty	Fixed 62.68 LIBOR	3.20000%	3.20100%
Variable payment from counterparty	+ 12 bps	(0.26684%)	(0.26627%)
Net interest rate swap payments		2.93316%	2.93473%
Variable-rate bond coupon payments		<u>0.21969%</u>	<u>0.13270%</u>
Synthetic interest rate on bonds		<u>3.15285%</u>	<u>3.06743%</u>
		<u>2008 Electric Refunding/ Revenue Bonds Series C Rates</u>	<u>2008 Electric Refunding/ Revenue Bonds Series A Rates</u>
Interest rate swap:			
Fixed payment to counterparty	Fixed 62.68 LIBOR	3.20400%	3.11100%
Variable payment from counterparty	+ 12 bps	(0.51505%)	(0.51321%)
Net interest rate swap payments		2.68895%	2.59779%
Variable-rate bond coupon payments		<u>0.46955%</u>	<u>0.47253%</u>
Synthetic interest rate on bonds		<u>3.15850%</u>	<u>3.07032%</u>
		<u>COP 2008 Bonds Rates</u>	
Interest rate swap:			
Fixed payment to counterparty	Fixed 63.00 LIBOR	3.36200%	
Variable payment from counterparty	+ 7 bps	(0.4932%)	
Net interest rate swap payments		2.86880%	
Variable-rate bond coupon payments		<u>0.50543%</u>	
Synthetic interest rate on bonds		<u>3.37423%</u>	

Fair Value: As of June 30, 2012, in connection with all swap arrangements, the transactions had a total negative fair value of <\$80,863>. Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swap,

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assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit risk: As of June 30, 2012, the City was not exposed to credit risk because the swap had a negative fair value. The swap counterparties, Bank of America, J.P. Morgan Chase & Co. and Merrill Lynch were rated A, A and A- respectively by Standard & Poor's. To mitigate the potential for credit risk, the swap agreements require the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2012, there is no requirement for collateral posting for any of the outstanding swaps.

Basis risk: As noted above, the swaps expose the City to basis risk should the relationship between LIBOR and the variable interest rate, changing the synthetic rate on the bonds. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, a swap may be terminated by the City if either counterparty's credit quality falls below "BBB-" as issued by Standard and Poor's. The City or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination a swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt: As of June 30, 2012, the debt service requirements of the variable-rate debt and net swap payments assuming current interest rates remain the same, for their term are summarized in the following table. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2013	\$ 6,675	\$ 1,466	\$ 10,416	\$ 18,557
2014	6,900	1,440	10,222	18,562
2015	8,975	1,408	9,984	20,367
2016	16,700	1,352	9,576	27,628
2017	15,700	1,289	9,136	26,125
2018-2022	68,925	5,646	40,243	114,814
2023-2027	76,485	4,119	29,840	110,444
2028-2032	88,105	2,435	18,546	109,086
2033-2037	86,900	752	5,493	93,145
Total	<u>\$375,365</u>	<u>\$19,907</u>	<u>\$143,456</u>	<u>\$538,728</u>

10. Economic Contingency

A portion of unassigned fund balance within the General Fund is set aside for future economic contingencies. The amount that has been set aside is equal to approximately 15% of General Fund expenditures.

11. Interfund Assets, Liabilities and Transfers

Due From/To Other Funds: These balances resulted from expenditures being incurred prior to receipt of the related revenue source.

The following table shows amounts receivable/payable between funds within the City at June 30, 2012:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$ 1,436
	Capital Outlay Fund	14,503
	Nonmajor Enterprise Funds	348
		<u>16,287</u>
Electric	Central Stores *	<u>2,277</u>
Water	Central Stores *	<u>976</u>
Total		<u>\$19,540</u>

* Internal service fund

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Advances To/From Other Funds: These balances consist of advances used to fund capital projects in advance of related financing/assessments and for other long-term borrowing purposes.

The following table shows amounts advanced from funds within the City to other funds within the City at June 30, 2012:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Electric	\$12,003
	Water	5,164
	Sewer	3,304
	Nonmajor Governmental Funds	549
	Nonmajor Enterprise Funds	2,220
	Self-Insurance Trust *	217
	Central Stores *	227
	Central Garage *	<u>1,022</u>
		<u>24,706</u>
Self-Insurance Trust *	Nonmajor Enterprise Funds	1,068
	General	349
	Nonmajor Governmental Funds	<u>4,072</u>
		<u>5,489</u>
Sewer	Nonmajor Governmental Funds	<u>7,946</u>
Total		<u>\$38,141</u>

In addition, the following advances to the former Redevelopment Agency are accounted for in the Private-Purpose Trust Fund of the Successor Agency:

<u>Receivable Fund</u>	<u>Amount</u>
General	\$ 693
Nonmajor Governmental Funds	39,142
Electric	5,558
Sewer	4,250
Self-Insurance Trust *	<u>5,461</u>
Total	<u>\$55,104</u>

Transfers In/Out: Transfers are used to (1) move revenues to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) return properties to the Redevelopment Agency, (4) use unrestricted revenues collected in the

General fund to finance various programs accounted for in the other funds in accordance with budgetary operations.

The following table shows amounts transferred to/from funds within the City as of June 30, 2012:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General	Electric	\$33,533
	Water	6,258
	Redevelopment Capital Project	472
	Nonmajor Governmental Funds	<u>3</u>
		<u>40,266</u>
Redevelopment Debt Service	Redevelopment Capital Project	40,365
	Nonmajor Governmental Funds	<u>3,176</u>
		<u>43,541</u>
Nonmajor Governmental Funds	General Fund	6,958
	Redevelopment Capital Project	962
	Nonmajor Governmental Funds	7,941
	Nonmajor Enterprise Funds	<u>763</u>
		<u>16,624</u>
Redevelopment Capital Projects	General Fund	76,334
	Redevelopment Debt Service	<u>20,094</u>
		<u>96,428</u>
Total		<u>\$196,859</u>

In addition, the Public Parking Fund transferred a capital asset with an original carrying value of \$125 to the City. The difference in interfund transfers at the fund level is due to the difference in measurement focus and basis of accounting between governmental funds and proprietary funds.

12. Deficit Fund Balances/Net Assets

Deficit fund balance/net assets exist in the Special Capital Improvement Fund (\$963), Self-Insurance Internal Service Trust Fund (\$14,901) and Successor Agency Private-Purpose Trust Fund (\$194,543). The deficit in the fund Self-Insurance Internal Service Trust Fund will be primarily reduced based on a rate increase implemented in the subsequent fiscal year.

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Management's analysis shows that continuing cost control together with the rate increase will eliminate these deficits over the next few years. The deficit in the Successor Agency Trust Fund will be reduced over the years as the related debt is paid-off with funds received from the Redevelopment Property Tax Trust Fund (RPTTF), which is administered by the County Auditor-Controller.

13. Litigation

The City is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the City are incidental to the ordinary course of operations and are largely covered by the City's self-insurance program. In the opinion of management and the City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operation of the City.

The City continues to participate in key FERC dockets impacting the City's Electric Utility, such as the California Independent System Operator's (ISO) Market Redesign and Technology Upgrade (MRTU).

The Water Utility is also a plaintiff in a lawsuit against the manufacturers and distributors of methyl tertiary-butyl ether (MTBE) and its by-products, and of fuel containing these chemicals, arising out of the threat to the Water Utility wells of contamination with those chemicals from leaking underground storage tanks.

The defendants removed this lawsuit to federal court and then transferred the case to the Judicial Panel on Multidistrict Litigation, New York, where it was consolidated with all other pending MTBE water contamination litigation cases in the country. Although the City has tentatively settled with a number of the defendants, the settlement has not been approved by the court and no trial date for the remainder of the case.

14. City Employees Retirement Plan

(A) Plan Description. The City of Riverside contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. 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. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Benefit provisions and all other

requirements are established by state statute and City ordinance. Copies of CalPERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

(B) Funding Policy. For each of the fiscal years shown on the following page, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City has a multiple tier retirement plan with benefits varying by plan. The City pays the employees' contribution to CalPERS for both miscellaneous and safety employees hired on or before specific dates as follows:

Safety (Police):

- 1st Tier (RPOA, RPOA Supervisory & RPAA) - The retirement formula is 3% at age 50 for employees hired before February 17, 2012. The City pays the employee share (9%) of contributions on their behalf and for their account.
- 2nd Tier (RPOA only) - The retirement formula is 3% at age 50 and new employees hired on or after February 17, 2012 pay their share (9%) of contributions.

Safety (Fire):

- 1st Tier - The retirement formula is 3% at age 50 for employees hired before June 11, 2011. The City pays the employee share (9%) of contributions on their behalf and for their account.
- 2nd Tier - The retirement formula is 3% at age 55 and new employees hired on or after June 11, 2011 pay their share (9%) of contributions.

Miscellaneous:

- 1st Tier - The retirement formula is 2.7% at age 55. The City pays the employee share (8%) of contributions on their behalf and for their account.
- 2nd Tier - The retirement formula is 2.7% at age 55 and new employees hired on or after October 19, 2011 pay their share (8%) of contributions.

The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(C) Annual Pension Cost. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of

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3.25% per year compounded annually, attributable to inflation, and (c) 3.0% expected long term inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments (smoothed market value). All changes in the unfunded actuarial accrued liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately as a level percentage of pay over a closed 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses in fiscal years 2008-2009, 2009-2010 and 2010-2011. Each of these years' gains or losses has been isolated and amortized over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization).

Three-year trend information for CalPERS:

<u>Fiscal Year</u> <u>June 30,</u>	<u>Plan</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2010	Misc	\$16,463	93.8%	\$ (56,529)
2010	Safety	13,949	89.0%	(84,369)
2011	Misc	16,888	92.4%	(55,253)
2011	Safety	14,956	86.7%	(82,379)
2012	Misc	21,661	92.8%	(53,694)
2012	Safety	18,542	86.6%	(79,890)

A total of \$133,584 of net pension assets is included as a deferred charge in the Government-wide Statement of Net Assets. The deferred charge relating to the net pension assets is amortized in accordance with the method used by CalPERS for calculating actuarial gains and losses over a 19-year period.

Determination of Net Pension Asset as of June 30, 2012:

	<u>Misc</u>	<u>Safety</u>
Annual required contribution	\$ 20,102	\$ 16,053
Interest on net pension asset	(4,282)	(6,384)
Adjustment to annual required contribution	5,841	8,873
Annual pension cost	21,661	18,542
Less contributions made	(20,102)	(16,053)
Decrease in net pension asset	1,559	2,489
Net pension asset, beginning of year	(55,253)	(82,379)
Net pension asset, end of year	<u>\$(53,694)</u>	<u>(79,890)</u>

Schedule of funding for CalPERS:

<u>Plan</u>	<u>Actuarial Valuation Date</u>	<u>Entry Age Normal Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>% Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
Misc.	6/30/08	\$828,351	\$779,481	\$ 48,870	94.1	\$110,870	44.1
Misc.	6/30/09	921,349	810,929	110,420	88.0	110,318	100.1
Misc.	6/30/10*	952,499	846,368	106,131	88.9	106,590	99.6
Safety	6/30/08	608,192	570,661	37,531	93.8	63,966	58.7
Safety	6/30/09	660,742	595,018	65,724	90.1	63,924	102.8
Safety	6/30/10*	685,213	621,107	64,106	90.6	61,778	103.8

* Information presented is for the most recent valuation date available.

15. Other Post-Employment Benefits

The City provides healthcare benefits to retirees in the form of an implied rate subsidy. Retirees and active employees are insured together as a group, thus creating a lower rate for retirees than if they were insured separately. Although the retirees are solely responsible for the cost of their health insurance benefits through this plan, the retirees receive the benefit of a lower rate. The difference between these amounts is the implied rate subsidy, which is considered an other post-employment benefit (OPEB) under GASB 45.

Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age, or dies. However, the retiree benefit continues to the surviving spouse if the retiree elects the CalPERS survivor annuity.

The contribution requirements are established by the City Council. The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefits to eligible retirees and beneficiaries.

The City's annual OPEB cost (expense) is reported based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level of

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funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) (UAAL) over a period not to exceed thirty years. The ARC for the year ended June 30, 2012 was \$5,821, which consisted of normal cost of \$3,276 and UAAL amortization of \$2,545. The ARC as a percentage of payroll was 3.9% for the year ended June 30, 2012.

As of June 30, 2011, the most recent actuarial valuation date, the OPEB plan was 0.0% funded. The actuarial accrued liability for benefits was \$56 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$56 million.

Determination of the Net OPEB Obligation as of June 30, 2012:

Annual required contribution	\$ 5,821
Interest on net OPEB obligation	578
Amortization of net OPEB obligation	(610)
Annual benefit pension cost	5,789
Less contributions made	(1,426)
Increase in net OPEB obligation	4,363
Net OPEB liability, beginning of year	13,433
Net OPEB liability, end of year	<u>\$17,796</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. 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 to past expectations and new estimates are made about the future. The method used by the actuary was the entry age normal cost method. The actuarial assumptions included (a) discount rate of 4.30%, (b) 2.75% inflation, (c) projected salary increases of 3.25% annually and (d) healthcare cost trend rates ranging from 4.5% to 8.0%.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the city and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Three-year trend information:

<u>Fiscal Year</u> <u>June 30,</u>	<u>ARC</u>	<u>Actual</u> <u>Contributions</u>	<u>% of ARC</u> <u>Contributed</u>
2010	\$5,291	\$1,440	27%
2011	5,617	1,734	31%
2012	5,821	1,426	24%

<u>Fiscal Year</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>% of OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2010	\$5,101	28%	9,853
2011	5,314	33%	13,433
2012	5,789	25%	17,796

<u>Fiscal Year</u> <u>June 30,</u>	<u>UAAL</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a % of</u> <u>Covered Payroll</u>
2010	\$54,869	\$144,621	38%
2011	54,869	149,321	37%
2012	56,060	148,607	38%

16. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

The Electric Utility has entered into a power purchase contract with Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility's share of IPA power is equal to 7.6 percent, or approximately 137.1 MW, of the net generation output of IPA's 1,800 MW coal-fueled generating station located in central Utah. The contract expires in 2027 and the debt fully matures in 2024.

The contract constitutes an obligation of the Electric Utility to make payments solely from operating revenues. The power purchase contract requires the Electric Utility to pay certain minimum charges that are based on debt service requirements. Such payments are considered a cost of production.

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Southern California Public Power Authority

On November 1, 1980, the City of Riverside joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. As of July 2001, the City of Cerritos was admitted as a member. The primary purpose of SCPPA is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. SCPPA is governed by a Board of Directors, which consists of one representative for each of the members. During the 2011-12 and 2010-11 fiscal years, the Electric Utility paid approximately \$20,855 and \$18,725, respectively, to SCPPA under various take-or-pay contracts. These payments are reflected as a component of production and purchased power or transmission expense in the financial statements.

The projects and the Electric Utility's proportionate share of SCPPA's obligations, including final maturities and contract expirations are as follows:

<u>Project</u>	<u>Percent Share</u>	<u>Entitlement</u>
Palo Verde Nuclear Generating Station (PV)	5.40%	12.3MW
Southern Transmission System (STS)	10.20%	244.0MW
Hoover Dam Upgrading (Hoover)	31.90%	30.0MW
Mead – Phoenix Transmission (MPP)	4.00%	18.0MW
Mead – Adelanto Transmission (MAT)	13.50%	118.0MW

Terms of Take or Pay Commitments

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Management intends to pay these obligations from operating revenues received during the year that payment is due. A long-term obligation has not been recorded on the accompanying financial statements for these commitments. Take-or-pay commitments terminate upon the later of contract expiration or final maturity of outstanding bonds for each project.

Outstanding debts associated with the take-or-pay obligations have variable interest rates for the Palo Verde Nuclear Generating Station Project and the remaining projects have fixed interest rates which range from 1.25 percent to 6.13 percent. The schedule below details the amount of principal and interest that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated.

<u>Fiscal Year</u>	<u>SCPPA</u>						<u>Total</u>
	<u>IPA</u>	<u>PV</u>	<u>STS</u>	<u>Hoover</u>	<u>MPP</u>	<u>MAT</u>	
2013	\$ 17,514	\$ 672	\$ 8,191	\$ 717	\$ 318	\$ 3,090	\$ 30,502
2014	22,693	676	8,213	719	274	3,117	35,692
2015	21,114	680	8,242	718	265	3,004	34,023
2016	23,975	683	8,093	718	257	2,901	36,627
2017	14,046	687	8,001	717	258	2,905	26,614
Thereafter	<u>104,377</u>	<u>-</u>	<u>63,175</u>	<u>-</u>	<u>772</u>	<u>8,719</u>	<u>177,043</u>
Total	<u>\$203,719</u>	<u>\$ 3,398</u>	<u>\$103,915</u>	<u>\$ 3,589</u>	<u>\$ 2,144</u>	<u>\$23,736</u>	<u>\$340,501</u>

Final maturities of outstanding debt associated with take-or-pay obligations and related contract expirations are as follows:

<u>Project</u>	<u>Final Maturity</u>	<u>Contract Expiration</u>
Palo Verde Nuclear Generating Station	2017	2030
Southern Transmission System	2027	2027
Hoover Dam Upgrading	2017	2017
Mead – Phoenix Transmission	2020	2030
Mead – Adelanto Transmission	2020	2030

In addition to debt service, Riverside's entitlements require the payment of fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for the year ended June 30, 2012 and 2011, are as follows (in thousands):

<u>Fiscal Year</u>	<u>IPA</u>	<u>PV</u>	<u>STS</u>	<u>MAT</u>	<u>MPT</u>	<u>Hoover</u>	<u>Total</u>
2011	\$29,530	\$2,792	\$2,460	\$ 298	\$ 43	\$ 100	\$35,223
2012	\$22,555	\$2,843	\$2,677	\$ 300	\$ 40	\$ 102	\$28,517

These costs are included in production and purchased power or transmission expense on the Statements of Revenues, Expenses and Changes in Equity.

B. Other Commitments

Power Purchase Agreements:

The Electric Utility executed two firm power purchase agreements with Bonneville Power Administration (BPA). The first agreement with BPA was for the purchase of firm capacity (23 megawatts in the summer months and 16 megawatts in the winter months) beginning February 1, 1991, for a period of 20 years. This agreement terminated on March 3, 2011. The second BPA

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(amounts expressed in thousands)

agreement is for the purchase of capacity (50 megawatts during the summer months and 13 megawatts during the winter months) beginning April 30, 1996, for 20 years. Effective May 1, 1998, these summer and winter capacity amounts increased to 60 megawatts and 15 megawatts, respectively, for the remainder of the second agreement.

On April 12, 2011, the California Renewable Energy Resources Act (SBX1-2) was passed by the State Legislature and signed by the Governor. SBX1-2 revised the amount of statewide retail electricity sales from renewable resources in the State Renewable Energy Resources Program to 33% by December 31, 2020 in three stages: average of 20% of retail sales during 2011-2012; 25% of retail sales by December 31, 2016; and 33% of retail sales by December 31, 2020. The Riverside Public Utilities Board and City Council approved the enforcement program required by SBX1-2 on November 18, 2011 and December 13, 2011, respectively. The Utility met SBX1-2 Stage 1 requirement for 2011 requiring an average of 20% of retail sales coming from renewable resources. The Utility does not anticipate it will have significant difficulty in meeting the remaining requirements of SBX1-2.

The contracts in the following table were executed as part of compliance with this standard. The Utility also has an agreement with Bonneville Power Administration for the purchase of energy credits that add to the total renewable portfolio.

Long-term renewable power purchase agreements:

<u>Supplier</u>	<u>Type</u>	<u>Maximum Contract</u>	<u>Contract Expiration</u>	<u>Estimated Annual Cost for 2013</u>
Wintec	Wind	1.3MW	12/30/2018	\$ 205
Salton Sea Power	Geothermal	46.0MW	5/31/2020	21,176
Total		54.0MW		21,381

All contracts are contingent on energy production from specific related generating facilities. Riverside has no commitment to pay any amounts except for energy produced on a monthly basis from these facilities.

On August 23, 2005, the City Council approved an amendment to the Power Purchase Agreement between Salton Sea and the City. The agreement increases the amount of renewable energy available to the City from the current 20 MW to 46 MW effective June 1, 2009 through May 31, 2020, at the same price under the current contract until 2013, with escalation thereafter based on an inflationary type index. Similar to other renewable power purchase agreements, the City is only obligated for purchases of energy delivered to the City.

On November 10, 2006, the City of Riverside entered into a second Renewable Power Purchase Agreement with Wintec Energy, Ltd for wind generation capacity of up to 8 MW. The contract term is for 15 years, with additional capacity available upon completion of Wintec's Facility II Wind Turbine Project. The developer is encountering challenges in finding suitable wind turbines to complete the project and the project is expected to continue to be delayed.

The Hoover Uprating project has contractors from Arizona, Nevada, and California. Over the past two years, the Contractors have been meeting to negotiate terms for the renewal of contracts for electric services, which are set to expire on September 30, 2017. The Contractors developed proposed legislation, that became known as the Hoover Power Allocation Act (the Act), which would extend the availability of Hoover power to the existing Contractors for an additional fifty years and create a pool for new entrants.

In December 2011, President Obama approved and signed the Hoover Power Allocation Act of 2011. The new legislation requires the Utility to relinquish 5% (1.5 MW) of their current power for replacement of a new entitlement of 28.5 MW, effective October 1, 2017. The power relinquished will be used to create a new resource pool equal to 5% of the full rated capacity of 2,074,000 KW, and associated firm energy, and would be allocated to new entities as follows: two-thirds to the Western Area Power Administration and one-third allocated equally in Nevada, California and Arizona including fully recognized Indian tribes that do not currently purchase Hoover power. The new entities will be required to execute the Boulder Canyon Project Implementation Agreement which will include a provision requiring them to pay a proportionate share of their State's respective contribution to the cost of the Lower Colorado River Multi-Species Conservation Program and the Uprate Program. Any of the capacity and firm energy not allocated to the new entities and not placed under contract by October 1, 2017, will be returned to the existing contractors in the same proportion as the contractor's allocations.

Construction Commitments:

As of June 30, 2012, the Sewer, Electric and Water Utilities had approximately \$225 million, \$13.3 million and \$8.6 million, respectively, in major construction commitments related to unfinished capital projects. The Capital Outlay Fund also had major construction commitments of approximately \$33.7 million related to the renovation and expansion of the Riverside Convention Center. These construction commitments are expected to be funded primarily with bond proceeds.

C. Jointly-Owned Utility Project - SONGS

Pursuant to a settlement agreement with SCE, dated August 4, 1972, the City was granted the right to acquire a 1.79 percent ownership interest in San Onofre Nuclear Generating Station (SONGS), Units 2 and 3, equating to 19.2 MW and 19.3 MW respectively, of the available capacity. In the settlement agreement, SCE agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. SCE and the City entered into the SONGS Participation Agreement that sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Other participants in this project include SCE, 75.05 percent; San Diego Gas & Electric Company, 20.00 percent; and the City of Anaheim, 3.16 percent. In 2006, Anaheim sought and received approval to transfer its 3.16 percent to SCE for a total of 78.21 percent ownership. The Amended and Restated Operating Agreement was updated to reflect the change in ownership. Maintenance and operation of SONGS remain the responsibility of SCE, as operating agent for the City.

The original operating license for SONGS units 2 and 3 was set to expire in 2013; however, this was subsequently extended due to a construction recapture provision, and now expires February 16, 2022 and November 15, 2022 for Units 2 and 3 respectively. It has been reported that SCE is pursuing a license extension from the Nuclear Regulatory Commission ("NRC") to continue operations through 2042. To date, no final ruling on this extension request has been made.

There are no separate financial statements for the jointly-owned utility plant since each participant's interests in the utility plant and operating expenses are included in their respective financial statements. The Electric Utility's 1.79 percent share of the capitalized construction costs for SONGS totaled \$164,945 and \$159,907 and accumulated depreciation totaled \$135,664 and \$133,260 for fiscal years ended June 30, 2012 and 2011, respectively. Capital assets are depreciated through 2022, to include the construction recapture extension period. The Electric Utility sets aside approximately \$1,600 per year to fund decommissioning costs. The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

Recent Developments

In fiscal years 2010 and 2011, SCE completed the replacement of four steam generators at SONGS Units 2 and 3. The total cost of the project was \$758,000 of which approximately \$13,600 represented the Electric Utility's

share. On January 31, 2012, a water leak was detected in one of the heat transfer tubes in Unit 3 steam generators which required Unit 3 to be taken offline. During this same timeframe, Unit 2 was offline for a planned maintenance and refueling outage. During inspections of Unit 2 in February 2012, similar unexpected wear was observed in some Unit 2 heat transfer tubes albeit much less extensive than Unit 3 tube wear. Both Units 2 and 3 remain offline for extensive inspections, testing and analysis of the steam generators.

In March 2012, the NRC issued a Confirmatory Action Letter that required NRC permission to restart Units 2 and 3 and further outlined actions that SCE must complete before permission to restart either Unit may be considered. SCE is continuing to evaluate repairs and mitigation plans. Each Unit will be restarted only when the repairs and appropriate mitigation plans are completed in accordance with the NRC's letter and SCE is satisfied that it is safe to do so.

On August 3, 2012, SCE declared an "operating impairment", as defined in the Operating Agreement, for SONGS Units 2 and 3 and provided formal notification to the co-owners that the impairment resulted from excessive wear of the tubes in the steam generators. To date, SCE does not have a cost estimate and schedule for completing Restoration Work that will return both Units to service. SCE understands that the tube-to-tube contact arose from excessive vibration of the tubes in certain areas of the steam generators. Because Unit 2 experienced considerably less tube-to-tube wear, it is currently anticipated that Unit 2 could restart months in advance of Unit 3 and would only be able to operate at reduced power levels and with mid-cycle outages to provide assurance of safe operation.

On October 4, 2012, SCE submitted its response to the NRC Confirmatory Action Letter, along with its restart plan for SONGS Unit 2. The response and restart plans are being submitted simultaneously to provide the NRC with all the relevant information needed to evaluate the full spectrum of repairs, corrective actions and additional safety measures proposed to restart safe operations at the plant. SONGS Unit 3 will remain offline while the utility continues to study the potential solutions that are unique to this unit. The unit cannot be restarted until all plans have been approved by the NRC.

17. Water Utility Revenue Transfer

Section 1304 of the Riverside City Charter requires the City's water enterprise (the "Water Utility") to transfer, in monthly installments, an amount not to exceed 11.5% of the gross operating revenues of the Water Utility

("Water Revenue Transfer"). This requirement has been in the City Charter since 1907, when the City's charter was approved and adopted by the electorate. On November 5, 1996, California voters approved Proposition 218. Proposition 218 added Articles XIIC and XIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges.

After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General's opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID. However, recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances. This means that the revenues derived from these charges may, in certain circumstances, not exceed the cost to the City of providing the related services.

A claim has been filed with the City regarding the legality of including the Water Revenue Transfer as a cost of providing the related services. If a court were to conclude that the Water Revenue Transfer is not a cost of providing the service of the Water Utility, then the Water Utility might be required to revise its rates and charges to eliminate the revenues needed to pay the Water Revenue Transfers, and the Water Utility could be required to rebate to its customers the amount of any rates and charges in excess of the cost of service. In such an event, the Water Utility most likely would require the City to return the challenged Water Revenue Transfer and the Water Utility would be prohibited from making any future Water Revenue Transfers. In that situation, the City would prepare a cost study calculating the Water Utility's cost impact on the City, and the City would assess the Water Utility for such costs. It is unclear if such costs would equal the current Water Revenue Transfer.

18. Subsequent Events

San Onofre Nuclear Generating Station:

On August 3, 2012, SCE, as Operating Agent, declared an Operating Impairment and provided formal notification to the co-owners regarding the impairment for SONGS Units 2 and 3 resulting from excessive wear of the tubes in the steam generators for both units. SCE does not yet have a cost estimate and schedule for completing Restoration Work that will return both

units to service. SCE understands that the tube-to-tube contact arose from excessive vibration of the tubes in certain areas of the steam generators. Because Unit 2 experienced considerably less tube-to-tube wear, it is currently anticipated that Unit 2 could restart months in advance of Unit 3 and would only be able to operate at reduced power levels and with mid-cycle outages to provide assurance of safe operation.

2012A Lease Revenue Refunding Bonds:

On August 15, 2012, the City issued the Series 2012A Lease Revenue Refunding Bonds in the amount of \$41,240. The bonds were issued to refinance the 2003 Certificates of Participation. Interest on the bonds is payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2013. The rate of interest varies from 2% to 5% per annum depending on maturity date. Principal is payable in annual installments ranging from \$1,295 to \$2,840 commencing November 1, 2013 and ending November 1, 2033.

Convention Center Financing:

On July 19, 2012, the City secured financing in the amount of \$41,650 with BBVA Compass Bank for the renovation and expansion of the Riverside Convention Center. The financing consists of a variable rate lease-leaseback financing that will have a swap transaction layered over the variable rate financing resulting in a "synthetic fixed" rate of 3.24% for 20 of the 22 years of the financing. The financing consist of an initial 21-month variable rate interest only period during construction in which the required interest payments are made from the borrowed proceeds. At the end of that term, the swap begins and the interest rate "swaps" to fixed for the remaining 20-year amortization with principal and interest due on the first of each month, with equal payments each year of approximately \$2,850.

VOIP Capital Lease:

In August 2012, the City entered into a lease purchase agreement in the amount of \$1,650 with Pinnacle Public Finance, Inc., for the financing of the City's voice over IP (VOIP) phone system for City Hall and various satellite locations. The lease requires semi-annual debt service payments totaling \$186 over a 10-year term at an interest rate of 2.38%, which is payable on February 1 and August 1 of each year, commencing February 1, 2013.

Nonmajor Governmental Funds

Special Revenue Funds

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

Urban Areas Security Initiative (UASI) Fund – To account for UASI grants received from the U.S. Department of Homeland Security.

Special Gas Tax Fund – To account for the construction and maintenance of the road network system of the City. Financing is provided by the City's share of state gasoline taxes which state law requires to be used to maintain streets.

Air Quality Improvement Fund – To account for qualified air pollution reduction programs funded by the South Coast Air Quality Management District.

Housing and Community Development Fund – To account for Federal grants received from the Department of Housing and Urban Development (HUD). The grants are used for the development of a viable urban community by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons with low and moderate incomes.

Redevelopment Agency Fund – To account for the portion of Redevelopment tax increment monies which California Redevelopment Law requires be set aside for the development of low and moderate income housing.

National Pollution Discharge Elimination System (NPDES) – To account for storm drain maintenance and inspection required for California storm water permits. Activities are funded by a special assessment district of Riverside County, California.

Housing Fund – To account for the housing activities for persons with low or moderate income.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Special Capital Improvements Fund – To account for the acquisition, construction and installation of capital improvements and a Community Facilities District within the City.

Storm Drain Fund – To account for the acquisition, construction and installation of storm drains in the City.

Transportation Fund – To account for the construction and installation of street and highway improvements in accordance with Articles 3 and 8 of the Transportation Development Act of 1971 of the State of California.

Debt Service Fund

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

The **General Debt Service Fund** accounts for the resources accumulated and payments made for principal, interest and related costs on long-term general obligation debt of governmental funds, other than debt of the Redevelopment Agency which dissolved on January 31, 2012.

Permanent Fund

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

Library Special Fund – To account for the monies held in trust for the benefit of the Riverside City Public Library System.

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(amounts expressed in thousands)

Special Revenue								
	Urban Areas Security Initiative	Gas Tax	Air Quality Improvements	Housing & Community Development	Redevelopment Agency	NPDES Storm Drain	Housing	Total
Assets								
Cash and investments	\$ -	\$ 13,332	\$ 656	\$ -	\$ -	\$ -	\$ 1,341	\$ 15,329
Cash and investments at fiscal agent	-	-	-	-	-	-	-	-
Receivable (net of allowance for uncollectibles):								
Interest	-	55	3	-	-	-	5	63
Accounts	-	-	28	-	-	-	-	28
Intergovernmental	883	194	-	3,032	-	342	-	4,451
Notes	-	-	-	10,562	-	-	20,824	31,386
Advances to Successor Agency	-	-	-	-	-	-	20,571	20,571
Land & improvements held for resale	-	-	-	1,522	-	-	3,613	5,135
Total assets	<u>\$ 883</u>	<u>\$ 13,581</u>	<u>\$ 687</u>	<u>\$ 15,116</u>	<u>\$ -</u>	<u>\$ 342</u>	<u>\$ 46,354</u>	<u>\$ 76,963</u>
Liabilities and fund balances								
Liabilities:								
Accounts payable	\$ 259	\$ 169	\$ 10	\$ 450	\$ -	\$ 4	\$ 5	\$ 897
Accrued payroll	-	-	-	27	-	-	-	27
Retainage payable	-	1,397	-	-	-	-	-	1,397
Deferred revenue	-	-	-	12,085	-	-	20,807	32,892
Deposits	-	-	-	-	-	-	22	22
Due to other funds	624	-	-	156	-	338	-	1,118
Advance from other funds	-	-	-	549	-	-	458	1,007
Total liabilities	<u>883</u>	<u>1,566</u>	<u>10</u>	<u>13,267</u>	<u>-</u>	<u>342</u>	<u>21,292</u>	<u>37,360</u>
Fund balances								
Restricted for:								
Housing and redevelopment	-	-	-	1,849	-	-	25,062	26,911
Transportation and public works	-	12,015	677	-	-	-	-	12,692
Total fund balances	<u>-</u>	<u>12,015</u>	<u>677</u>	<u>1,849</u>	<u>-</u>	<u>-</u>	<u>25,062</u>	<u>39,603</u>
Total liabilities and fund balances	<u>\$ 883</u>	<u>\$ 13,581</u>	<u>\$ 687</u>	<u>\$ 15,116</u>	<u>\$ -</u>	<u>\$ 342</u>	<u>\$ 46,354</u>	<u>\$ 76,963</u>

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(amounts expressed in thousands)

	Capital Projects					Permanent Fund	Total Nonmajor Governmental Funds
Assets	Special Capital Improvement	Storm Drain	Transportation	Total	General Debt Service	Library Special	
Cash and investments	\$ 3,508	\$ 2,271	\$ -	\$ 5,779	\$ 823	\$ 1,539	\$ 23,470
Cash and investments at fiscal agent	2,351	-	-	2,351	14,182	-	16,533
Receivable (net of allowance for uncollectibles):							
Interest	15	10	-	25	-	-	88
Accounts	345	-	-	345	-	-	373
Intergovernmental	-	92	358	450	-	-	4,901
Notes	-	-	-	-	-	-	31,386
Advances to Successor Agency	-	-	-	-	18,571	-	39,142
Land & improvements held for resale	-	-	-	-	-	-	5,135
Total assets	<u>\$ 6,219</u>	<u>\$ 2,373</u>	<u>\$ 358</u>	<u>\$ 8,950</u>	<u>\$ 33,576</u>	<u>\$ 1,539</u>	<u>\$ 121,028</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable	\$ 1	\$ 9	\$ 1	\$ 11	\$ 27	\$ -	\$ 935
Accrued payroll	-	-	-	-	-	-	27
Retainage payable	90	-	-	90	-	-	1,487
Deferred revenue	-	-	10	10	-	-	32,902
Deposits	-	-	-	-	-	-	22
Due to other funds	-	-	318	318	-	-	1,436
Advance from other funds	7,091	-	-	7,091	4,469	-	12,567
Total liabilities	<u>7,182</u>	<u>9</u>	<u>329</u>	<u>7,520</u>	<u>4,496</u>	<u>-</u>	<u>49,376</u>
Fund balances							
Nonspendable:							
Permanent fund principal	-	-	-	-	-	1,539	1,539
Restricted for:							
Housing and redevelopment	-	-	-	-	-	-	26,911
Debt Service	-	-	-	-	29,080	-	29,080
Transportation and public works	-	-	29	29	-	-	12,721
Other purposes	(963)	2,364	-	1,401	-	-	1,401
Total fund balances	<u>(963)</u>	<u>2,364</u>	<u>29</u>	<u>1,430</u>	<u>29,080</u>	<u>1,539</u>	<u>71,652</u>
Total liabilities and fund balances	<u>\$ 6,219</u>	<u>\$ 2,373</u>	<u>\$ 358</u>	<u>\$ 8,950</u>	<u>\$ 33,576</u>	<u>\$ 1,539</u>	<u>\$ 121,028</u>

City of Riverside
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Special Revenue						
	Urban Area Security Initiative	Gas Tax	Air Quality Improvement	Housing & Community Development	Redevelopment Agency	NPDES Storm Drain	Housing
Revenues							Total
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 32	\$ -	\$ 32
Intergovernmental	3,792	8,440	363	12,369	-	-	24,964
Special assessments	-	-	-	-	-	340	340
Rental and investment income	-	110	1	19	41	-	283
Miscellaneous	-	-	204	2,105	1,081	-	3,565
Total revenues	3,792	8,550	568	14,493	1,154	340	29,184
Expenditures							
Current:							
General government	-	-	496	773	716	-	2,063
Public Safety	3,792	-	-	-	-	-	3,792
Culture and recreation	-	-	-	-	-	-	11,084
Capital outlay	-	8,853	-	13,232	2	340	22,427
Debt service:							
Interest	-	-	-	15	-	-	18
Total expenditures	3,792	8,853	496	14,020	718	340	39,384
Excess (deficiency) of revenues over (under) expenditures	-	(303)	72	473	436	-	(10,200)
Other financing sources (uses)							
Transfers in	-	-	-	962	4,215	-	5,598
Transfers out	-	-	-	-	(3,597)	-	(7,812)
Total other financing sources (uses)	-	-	-	962	618	-	(2,214)
Extraordinary items							
Dissolution of Riverside Redevelopment Agency:							
Transfer of assets and liabilities to Successor Agency	-	-	-	-	(33,247)	-	(33,247)
Transfer of assets from Successor Agency	-	-	-	-	-	-	28,121
Assumption of obligation	-	-	-	-	-	-	(458)
Total extraordinary items	-	-	-	-	(33,247)	-	(5,584)
Net change in fund balances	-	(303)	72	1,435	(32,193)	-	(17,998)
Fund balances - beginning	-	12,318	605	414	32,193	-	57,601
Fund balances - ending	\$ -	\$ 12,015	\$ 677	\$ 1,849	\$ -	\$ -	\$ 39,603

City of Riverside
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Capital Projects				Permanent Fund	Total Nonmajor Governmental Funds
	Special Capital Improvement	Storm Drain	Transportation	Total	General Debt Service	Library Special
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	2,035	138	-	2,173	-	-
Intergovernmental	-	92	450	542	-	-
Charges for services	4	-	-	4	-	-
Special assessments	-	-	-	-	1,075	-
Rental and investment income	41	-	-	41	1,647	24
Miscellaneous	26	1	-	27	470	86
Total revenues	2,106	231	450	2,787	3,192	110
Expenditures						
Current:						
General government	102	-	-	102	26	-
Public Safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	196
Capital outlay	608	1,859	450	2,917	-	-
Debt service:						
Principal	-	-	-	-	4,750	-
Interest	151	-	-	151	9,294	-
Total expenditures	861	1,859	450	3,170	14,070	196
Excess (deficiency) of revenues over (under) expenditures	1,245	(1,628)	-	(383)	(10,878)	(86)
Other financing sources (uses)						
Transfers in	19	-	-	19	11,007	-
Transfers out	(3,308)	-	-	(3,308)	-	-
Total other financing sources (uses)	(3,289)	-	-	(3,289)	11,007	-
Extraordinary items						
Dissolution of Riverside Redevelopment Agency:						
Transfer of assets and liabilities to Successor Agency	-	-	-	-	-	-
Transfer of assets from Successor Agency	-	-	-	-	-	-
Assumption of obligation	-	-	-	-	(4,469)	-
Total extraordinary items	-	-	-	-	(4,469)	-
Net change in fund balances	(2,044)	(1,628)	-	(3,672)	(4,340)	(86)
Fund balances - beginning	1,081	3,992	29	5,102	33,420	1,625
Fund balances - ending	\$ (963)	\$ 2,364	\$ 29	\$ 1,430	\$ 29,080	\$ 1,539

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Special Revenue								
	Urban Area Security Initiative			Gas Tax			Air Quality Improvement		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	10,394	3,792	(6,602)	8,094	8,440	346	333	363	30
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	-	-	150	110	(40)	-	1	1
Miscellaneous	-	-	-	-	-	-	100	204	104
Total revenues	10,394	3,792	(6,602)	8,244	8,550	306	433	568	135
Expenditures									
Current:									
General government	-	-	-	-	-	-	1,034	496	538
Public Safety	10,507	3,792	6,715	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	19,948	8,853	11,095	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Total expenditures	10,507	3,792	6,715	19,948	8,853	11,095	1,034	496	538
Excess (deficiency) of revenues over (under) expenditures	(113)	-	113	(11,704)	(303)	11,401	(601)	72	673
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Extraordinary items									
Dissolution of Riverside Redevelopment Agency:									
Transfer of assets and liabilities to private- purpose trust fund	-	-	-	-	-	-	-	-	-
Assumption of obligation	-	-	-	-	-	-	-	-	-
Total extraordinary items	-	-	-	-	-	-	-	-	-
Net change in fund balances	(113)	-	113	(11,704)	(303)	11,401	(601)	72	673
Fund balances (deficit), beginning	-	-	-	12,318	12,318	-	605	605	-
Fund balances (deficit), ending	\$ (113)	\$ -	\$ 113	\$ 614	\$ 12,015	\$ 11,401	\$ 4	\$ 677	\$ 673

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Special Revenue								
	Housing & Community Development			Redevelopment Agency			NPDES Storm Drain		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ 10,020	\$ 32	\$ (9,988)	\$ -	\$ -	\$ -
Intergovernmental	9,804	12,369	2,565	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	574	340	(234)
Rental and investment income	13	19	6	212	41	(171)	-	-	-
Miscellaneous	202	2,105	1,903	29	1,081	1,052	-	-	-
Total revenues	10,019	14,493	4,474	10,261	1,154	(9,107)	574	340	(234)
Expenditures									
Current:									
General government	707	773	(66)	22,909	716	22,193	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	23,518	13,232	10,286	4,857	2	4,855	574	340	234
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	15	(15)	-	-	-	-	-	-
Total expenditures	24,225	14,020	10,205	27,766	718	27,048	574	340	234
Excess (deficiency) of revenues over (under) expenditures	(14,206)	473	14,679	(17,505)	436	17,941	-	-	-
Other financing sources (uses)									
Transfers in	-	962	962	-	4,215	4,215	-	-	-
Transfers out	-	-	-	(14,840)	(3,597)	(11,243)	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	962	962	(14,840)	618	(7,028)	-	-	-
Extraordinary items									
Dissolution of Riverside Redevelopment Agency:									
Transfer of assets and liabilities to									
Successor Agency	-	-	-	-	(33,247)	33,247	-	-	-
Transfer of assets from Successor Agency	-	-	-	-	-	-	-	-	-
Assumption of obligation	-	-	-	-	-	-	-	-	-
Total extraordinary items	-	-	-	-	(33,247)	33,247	-	-	-
Net change in fund balances	(14,206)	1,435	15,641	(32,345)	(32,193)	44,160	-	-	-
Fund balances (deficit), beginning	414	414	-	32,193	32,193	-	-	-	-
Fund balances (deficit), ending	\$ (13,792)	\$ 1,849	\$ 15,641	\$ (152)	\$ -	\$ 44,160	\$ -	\$ -	\$ -

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Special Revenue			Capital Projects					
	Housing		Variance to Final Budget	Capital Outlay		Variance to Final Budget	Redevelopment		Variance to Final Budget
	Final Budget	Actual		Final Budget	Actual		Final Budget	Actual	
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	82,854	31,774	(51,080)	681	170	(511)
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	45	352	307	-	-	-
Rental and investment income	-	112	112	175	446	271	1,147	1,333	186
Miscellaneous	-	175	175	3,200	1,462	(1,738)	238	276	38
Total revenues	-	287	287	86,274	34,034	(52,240)	2,066	1,779	(287)
Expenditures									
Current:									
General government	204	78	126	-	-	-	8,166	4,090	4,076
Public Safety	-	-	-	-	-	-	-	-	-
Culture and recreation	11,084	11,084	-	-	-	-	13,050	17,444	(4,394)
Capital outlay	-	-	-	134,790	33,187	101,603	70,792	15,811	54,981
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	3	(3)	-	-	-	-	538	-
Total expenditures	11,288	11,165	123	134,790	33,187	101,603	92,008	37,883	54,663
Excess (deficiency) of revenues over (under) expenditures	(11,288)	(10,878)	410	(48,516)	847	49,363	(89,942)	(36,104)	54,376
Other financing sources (uses)									
Transfers in	-	421	-	-	-	-	96,428	96,428	-
Transfers out	-	(4,215)	4,215	-	-	-	(41,799)	(41,799)	-
Issuance of long-term debt	-	-	-	4,000	4,000	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(3,794)	4,215	4,000	4,000	-	54,629	54,629	-
Extraordinary items									
Dissolution of Riverside Redevelopment Agency:									
Transfer of assets and liabilities to									
Successor Agency	-	-	-	-	-	-	-	(70,419)	-
Transfer of assets from Successor Agency	-	28,121	-	-	-	-	-	-	-
Assumption of obligation	-	(458)	-	-	-	-	-	-	-
Total extraordinary items	-	27,663	-	-	-	-	-	(70,419)	-
Net change in fund balances	(11,288)	12,991	4,625	(44,516)	4,847	49,363	(35,313)	(51,894)	54,376
Fund balances (deficit), beginning	12,071	12,071	-	13,507	13,507	-	51,894	51,894	-
Fund balances (deficit), ending	\$ 783	\$ 25,062	\$ 4,625	\$ (31,009)	\$ 18,354	\$ 49,363	\$ 16,581	\$ -	\$ 54,376

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Capital Projects								
	Special Capital Improvement			Storm Drain			Transportation		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	2,916	92	(2,824)	815	450	(365)
Licenses and permits	-	2,035	2,035	130	138	8	-	-	-
Charges for services	-	4	4	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	41	41	-	-	-	-	-	-
Miscellaneous	-	26	26	-	1	1	-	-	-
Total revenues	-	2,106	2,106	3,046	231	(2,815)	815	450	(365)
Expenditures									
Current:									
General government	461	102	359	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	5,203	608	4,595	6,681	1,859	4,822	815	450	365
Debt service									
Principal	-	-	-	-	-	-	-	-	-
Interest	106	151	(45)	-	-	-	-	-	-
Total expenditures	5,770	861	4,909	6,681	1,859	4,822	815	450	365
Excess (deficiency) of revenues over (under) expenditures	(5,770)	1,245	7,015	(3,635)	(1,628)	2,007	-	-	-
Other financing sources (uses)									
Transfers in	-	19	19	-	-	-	-	-	-
Transfers out	(3,305)	(3,308)	3	-	-	-	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources	(3,305)	(3,289)	22	-	-	-	-	-	-
Extraordinary items									
Dissolution of Riverside Redevelopment Agency:									
Transfer of assets and liabilities to private- purpose trust fund	-	-	-	-	-	-	-	-	-
Assumption of obligation	-	-	-	-	-	-	-	-	-
Total extraordinary items	-	-	-	-	-	-	-	-	-
Net change in fund balances	(9,075)	(2,044)	7,037	(3,635)	(1,628)	2,007	-	-	-
Fund balances (deficit), beginning	1,081	1,081	-	3,992	3,992	-	29	29	-
Fund balances (deficit), ending	\$ (7,994)	\$ (963)	\$ 7,037	\$ 357	\$ 2,364	\$ 2,007	\$ 29	\$ 29	\$ -

Nonmajor Enterprise Funds

Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises. The City's intent is to demonstrate that the cost of services provided to the general public on a continuing basis is financed or recovered through user charges; or the City has decided that the periodic determination of net income is appropriate for accountability purposes.

Airport Fund – To account for the operations of the City's airport.

Refuse Fund – To account for the operations of the City's solid waste and sanitation program which provides for the collection and disposal of solid waste on a user charge basis to residents and businesses.

Transportation – To account for the operations of the City's Senior Citizens' and Handicapped Transportation System in accordance with Article 4 of the Transportation Development Act of 1971 (SB325) of the State of California. Federal Transit Administration Funds are also accounted for in this fund.

Public Parking – To account for the operations and construction of the City's public parking facilities.

City of Riverside
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012
(amounts expressed in thousands)

Assets	Airport	Refuse	Transportation	Public Parking	Total
Current assets:					
Cash and investments	\$ -	\$ 1,250	\$ 1,838	\$ 2,853	\$ 5,941
Receivables (net of allowance for uncollectibles)					
Interest	-	18	5	5	28
Utility billed	-	983	-	-	983
Utility unbilled	-	599	-	-	599
Accounts	88	236	5	6	335
Intergovernmental	-	-	951	68	1,019
Restricted assets:					
Cash and cash equivalents	-	2,295	-	-	2,295
Total current assets	<u>88</u>	<u>5,381</u>	<u>2,799</u>	<u>2,932</u>	<u>11,200</u>
Non-current assets:					
Restricted assets:					
Cash and investments at fiscal agent	-	-	-	6,597	6,597
Deferred charges - other	231	8,571	606	171	9,579
Capital assets:					
Land	9,988	-	-	3,588	13,576
Buildings	2,632	-	22	13,879	16,533
Accumulated depreciation-buildings	(1,113)	-	(9)	(3,460)	(4,582)
Improvements other than buildings	18,032	-	47	5,915	23,994
Accumulated depreciation-improvements other than buildings	(5,342)	-	(6)	(1,054)	(6,402)
Machinery and equipment	412	12,427	3,319	1,659	17,817
Accumulated depreciation-machinery and equipment	(249)	(8,149)	(2,058)	(1,235)	(11,691)
Construction in progress	581	-	1,329	20,377	22,287
Total non-current assets:	<u>25,172</u>	<u>12,849</u>	<u>3,250</u>	<u>46,437</u>	<u>87,708</u>
Total assets	<u>25,260</u>	<u>18,230</u>	<u>6,049</u>	<u>49,369</u>	<u>98,908</u>

(continued)

City of Riverside
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012
(amounts expressed in thousands)

Liabilities	Airport	Refuse	Transportation	Public Parking	Total
Current liabilities:					
Accounts payable	41	642	287	1,851	2,821
Accrued payroll	55	631	115	90	891
Retainage payable	-	-	-	832	832
Unearned revenue	-	-	2,049	-	2,049
Deposits	1	-	-	-	1
Due to other funds	348	-	-	-	348
Capital leases-current	-	-	7	-	7
Notes-current	-	-	-	838	838
Landfill capping-current	-	200	-	-	200
Total current liabilities	445	1,473	2,458	3,611	7,987
Non-current liabilities:					
Notes payables	-	-	-	22,963	22,963
Capital leases	-	-	22	-	22
Advances from other funds	226	1,234	594	1,234	3,288
Landfill capping	-	6,495	-	-	6,495
Other payables	67	564	253	1,936	2,820
Total non-current liabilities	293	8,293	869	26,133	35,588
Total liabilities	738	9,766	3,327	29,744	43,575
Net Assets					
Invested in capital assets, net of related debt	24,941	4,278	2,615	20,542	52,376
Restricted for landfill capping	-	2,295	-	-	2,295
Unrestricted	(419)	1,891	107	(917)	662
Total net assets	\$ 24,522	\$ 8,464	\$ 2,722	\$ 19,625	\$ 55,333

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	<u>Airport</u>	<u>Refuse</u>	<u>Transportation</u>	<u>Public Parking</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 1,524	\$ 19,588	\$ 352	\$ 4,803	\$ 26,267
Operating expenses:					
Personnel services	762	4,619	1,997	1,086	8,464
Contractual services	171	3,784	10	1,212	5,177
Maintenance and operation	269	5,568	471	593	6,901
General	278	3,512	349	143	4,282
Materials and supplies	482	839	161	8	1,490
Insurance	29	112	48	154	343
Depreciation and amortization	645	1,511	615	810	3,581
Total operating expenses	2,636	19,945	3,651	4,006	30,238
Operating Income (loss)	(1,112)	(357)	(3,299)	797	(3,971)
Nonoperating revenues (expenses):					
Operating grants	-	-	2,738	-	2,738
Interest income	-	47	16	1	64
Other	3	242	-	(1,144)	(899)
Gain/loss on retirement of capital assets	-	7	3	(5)	5
Interest expense and fiscal charges	(10)	(34)	(16)	(978)	(1,038)
Total non-operating revenues	(7)	262	2,741	(2,126)	870
Income before capital contributions and transfers	(1,119)	(95)	(558)	(1,329)	(3,101)
Cash capital contributions	174	-	1,339	-	1,513
Transfers out	-	-	-	(888)	(888)
Change in net assets	(945)	(95)	781	(2,217)	(2,476)
Total net assets - beginning	25,467	8,559	1,941	21,842	57,809
Total net assets - ending	\$ 24,522	\$ 8,464	\$ 2,722	\$ 19,625	\$ 55,333

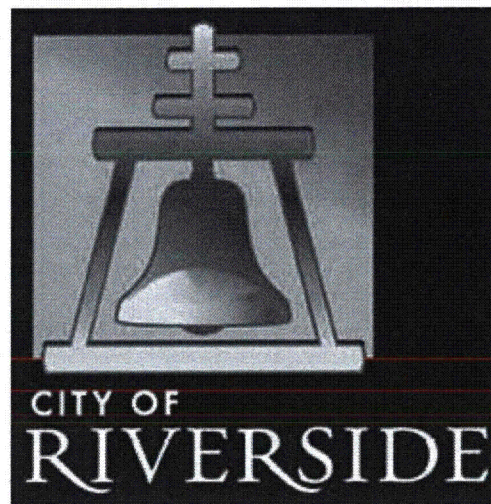
City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Airport	Refuse	Trans- portation	Public Parking	Totals
Cash flows from operating activities:					
Cash received from customers and users	\$ 1,542	\$ 19,167	\$ 356	\$ 4,844	\$ 25,909
Cash paid to employees for services	(728)	(4,398)	(1,921)	(1,044)	(8,091)
Cash paid to other suppliers of goods or services	(1,299)	(14,085)	(773)	(119)	(16,276)
Other receipts	3	242	-	675	920
Net cash provided (used) by operating activities	(482)	926	(2,338)	4,356	2,462
Cash flows from noncapital financing activities:					
Transfers out	-	-	-	(888)	(888)
Operating grants	-	-	2,819	-	2,819
Advances from (to) other funds	344	-	(18)	-	326
Payments on interfund receivables	(7)	(39)	-	(462)	(508)
Net cash provided (used) by noncapital financing activities	337	(39)	2,801	(1,350)	1,749
Cash flows from capital and related financing activities:					
Purchase of capital assets	(21)	(999)	(1,138)	(9,956)	(12,114)
Proceeds from the sale of capital assets	-	7	3	-	10
Principal paid on long-term obligations	-	-	-	(807)	(807)
Interest paid on long-term obligations	(10)	(34)	(16)	(978)	(1,038)
Capital contributions	174	-	1,339	-	1,513
Net cash (used) provided for capital and related financing activities	143	(1,026)	188	(11,741)	(12,436)
Cash flows from investing activities:					
Income from investments	-	59	20	28	107
Net cash provided by investing activities	-	59	20	28	107
Net change in cash and cash equivalents	(2)	(80)	671	(8,707)	(8,118)
Cash and cash equivalents, beginning	2	3,625	1,167	18,157	22,951
Cash and cash equivalents, ending	\$ -	\$ 3,545	\$ 1,838	\$ 9,450	\$ 14,833

continued

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Airport	Refuse	Trans- portation	Public Parking	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income (loss)	\$ (1,112)	\$ (357)	\$ (3,299)	\$ 797	\$ (3,971)
Other receipts	3	242	-	675	920
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	645	1,511	615	810	3,581
Amortization of pension costs	7	37	18	4	66
Increase in utility unbilled receivable	-	(421)	-	-	(421)
Decrease in accounts receivable	18	-	4	50	72
Increase in intergovernmental receivable	-	-	-	(9)	(9)
Increase (decrease) in accounts payable	(70)	(50)	266	1,991	2,137
Increase in accrued payroll	6	39	(3)	3	45
Increase in other payable	21	145	61	35	262
Decrease in landfill capping	-	(220)	-	-	(220)
Net cash provided (used) by operating activities	<u>\$ (482)</u>	<u>\$ 926</u>	<u>\$ (2,338)</u>	<u>\$ 4,356</u>	<u>\$ 2,462</u>



Internal Service Funds

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

Self-Insurance Trust – To account for the operations of the City's self-insured workers' compensation, unemployment and liability programs.

Central Stores Fund – To account for the operations of the City's centralized supplies inventory, including receiving and delivery services provided to City departments.

Central Garage Fund – To account for the maintenance and repair of all city-owned vehicles and motorized equipment, except for Police vehicles.

City of Riverside
Combining Statement of Net Assets
Internal Service funds
June 30, 2012
(amounts expressed in thousands)

Assets	Self-Insurance Trust	Central Stores	Central Garage	Totals
Current assets:				
Cash and investments	\$ 1,996	\$ -	\$ 3,198	\$ 5,194
Receivables (net of allowance for uncollectibles):				
Interest	22	-	12	34
Accounts	22	-	47	69
Intergovernmental	101	-	111	212
Inventory	-	6,349	438	6,787
Total current assets	2,141	6,349	3,806	12,296
Advances to other funds	5,489	-	-	5,489
Advances to Successor Agency	5,461	-	-	5,461
Deferred charges - other	221	232	1,044	1,497
Capital assets:				
Buildings	-	-	1,488	1,488
Accumulated depreciation-buildings	-	-	(241)	(241)
Machinery and equipment	-	139	9,441	9,580
Accumulated depreciation-machinery and equipment	-	(137)	(8,023)	(8,160)
Construction in Progress	-	-	644	644
Capital assets (net of accumulated depreciation)	-	2	3,309	3,311
Total noncurrent assets	11,171	234	4,353	15,758
Total assets	13,312	6,583	8,159	28,054
Liabilities				
Current liabilities:				
Accounts payable	353	229	173	755
Accrued payroll	38	100	442	580
Due to other funds	-	3,253	-	3,253
Claims and judgements - current	11,750	-	-	11,750
Total current liabilities	12,141	3,582	615	16,338
Noncurrent liabilities:				
Other payables	63	76	327	466
Advances from other funds	217	227	1,022	1,466
Claims and judgements	15,792	-	-	15,792
Total noncurrent liabilities	16,072	303	1,349	17,724
Total liabilities	28,213	3,885	1,964	34,062
Net Assets				
Invested in capital assets	-	2	3,309	3,311
Unrestricted	(14,901)	2,696	2,886	(9,319)
Total net assets	\$ (14,901)	\$ 2,698	\$ 6,195	\$ (6,008)

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	<u>Self-Insurance Trust</u>	<u>Central Stores</u>	<u>Central Garage</u>	<u>Totals</u>
Operating revenues:				
Charges for services	\$ 11,937	\$ 1,593	\$ 6,936	\$ 20,466
Operating expenses:				
Personnel services	473	649	2,775	3,897
Contractual services	113	-	115	228
Maintenance and operation	1	28	1,838	1,867
General	897	344	698	1,939
Materials and supplies	-	14	364	378
Claims/Insurance	12,220	9	35	12,264
Depreciation and amortization	-	4	714	718
Total operating expenses	13,704	1,048	6,539	21,291
Operating income (loss)	(1,767)	545	397	(825)
Non-operating revenues (expenses):				
Interest income	234	-	44	278
Other	257	-	43	300
Gain (loss) on retirement of capital assets	-	-	(10)	(10)
Interest expense and fiscal charges	(71)	(6)	(28)	(105)
Total non-operating revenue (expenses)	420	(6)	49	463
Change in net assets	(1,347)	539	446	(362)
Total net assets - beginning	(13,554)	2,159	5,749	(5,646)
Total net assets - ending	\$ (14,901)	\$ 2,698	\$ 6,195	\$ (6,008)

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Self-Insurance Trust	Central Stores	Central Garage	Total
Cash flows from operating activities:				
Cash received from customers and users	\$ 11,900	\$ 1,593	\$ 10,545	\$ 24,038
Cash paid to employees for services	(446)	(617)	(2,626)	(3,689)
Cash paid to other suppliers of goods or services	(12,216)	(963)	(6,739)	(19,918)
Other	257	-	44	301
Net cash provided (used) by operating activities	(505)	13	1,224	732
Cash flows from noncapital financing activities:				
Payments on interfund payables	(6)	-	(33)	(39)
Advances to other funds	970	(7)		963
Net cash provided (used) by noncapital financing activities	964	(7)	(33)	924
Cash flows from capital and related financing activities:				
Interest paid on long-term obligation	(71)	(6)	(28)	(105)
Purchase of capital assets	-	-	(949)	(949)
Net cash (used) for capital and related financing activities	(71)	(6)	(977)	(1,054)
Cash flows from investing activities:				
Income from investments	302	-	54	356
	302	-	54	356
Net increase in cash and cash equivalents	690	-	268	958
Cash and cash equivalents, beginning	1,306	-	2,930	4,236
Cash and cash equivalents, ending	\$ 1,996	\$ -	\$ 3,198	\$ 5,194

continued

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

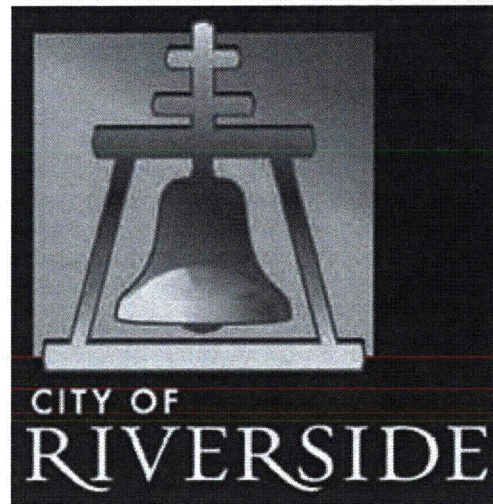
	Self-Insurance Trust	Central Stores	Central Garage	Total
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating (loss) income	\$ (1,767)	\$ 545	\$ 397	\$ (825)
Other	257	-	44	301
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	-	4	714	718
Amortization of pension costs	16	7	111	134
(Increase) in account receivable	(37)	-	(95)	(132)
Decrease in inventory	-	333	314	647
(Decrease) increase in accounts payable	94	41	(299)	(164)
Increase in other payable	-	20		20
Increase in accrued payroll	4	5	38	47
(Decrease) in due to other funds	-	(942)	-	(942)
Increase in claims and judgments	928	-	-	928
Net cash provided (used) by operating activities	<u>\$ (505)</u>	<u>\$ 13</u>	<u>\$ 1,224</u>	<u>\$ 732</u>

Agency Fund

The City's Agency Fund is used to account for special assessments that service no-commitment debt.

City of Riverside
Fiduciary Fund - Agency Fund
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 2012
(amounts expressed in thousands)

	Balance			Balance
	July 1, 2011	Additions	Deductions	June 30, 2012
Assets				
Cash and investments	\$ 8,655	\$ 5,708	\$ 6,848	\$ 7,515
Cash and investments at fiscal agent	8,962	8,252	10,645	6,569
Interest receivable	58	420	450	28
Property taxes receivable	262	407	263	406
Total assets	<u>\$ 17,937</u>	<u>\$ 14,787</u>	<u>\$ 18,206</u>	<u>\$ 14,518</u>
Liabilities				
Accounts payable	\$ 28	\$ 107	\$ 135	-
Held for bond holders	17,909	4,533	7,924	14,518
Total liabilities	<u>\$ 17,937</u>	<u>\$ 4,640</u>	<u>\$ 8,059</u>	<u>\$ 14,518</u>



**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

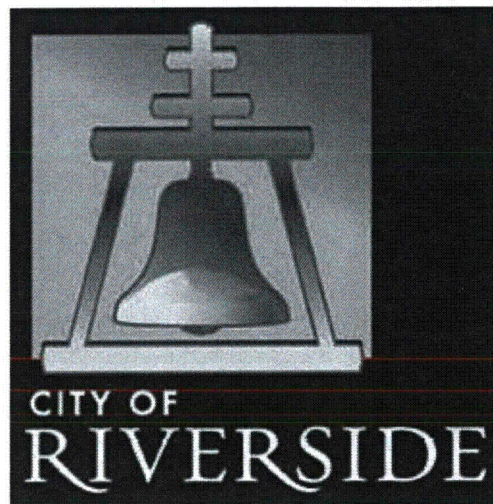
City of Riverside
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2012
(amounts expressed in thousands)

Governmental funds capital assets:

Land	\$	322,060
Buildings and improvements		169,099
Improvements other than buildings		227,553
Machinery and equipment		876,513
Infrastructure		78,875
Construction in progress		26,666
Total governmental funds capital assets	\$	<u>1,700,766</u>

Investments in governmental funds capital assets by source:

Certificates of participation	\$	121,108
Gifts		312,512
Operating revenue		472,382
General obligation bonds		4,484
Revenue bonds		21,229
County contracts and grants		110
State grants		40,374
Asset forfeiture - state		961
Asset forfeiture - federal		2,501
Housing and community development grants		18,545
Other federal grants		32,667
Community facilities bonds		1,026
Assessment district bonds		397
Capital leases		5,399
RDA tax increment bonds		2,278
Capital projects funds		664,793
Total governmental funds capital assets	\$	<u>1,700,766</u>



Statistical Section

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	87
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate property and sales taxes.	93
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	102
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	108
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	110

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1
City of Riverside
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 ¹
Governmental activities										
Invested in capital assets, net of related debt	\$ 471,380	\$ 484,784	\$ 515,354	\$ 622,336	\$ 712,801	\$ 850,740	\$ 950,496	\$ 976,614	\$ 1,019,892	\$ 1,066,855
Restricted	106,862	137,126	154,957	158,038	107,982	102,677	98,903	108,932	80,820	93,818
Unrestricted	(10,227)	(41,353)	(46,419)	(51,261)	(34,245)	(31,429)	(41,861)	(80,947)	(90,159)	28,494
Total governmental activities net assets	\$ 568,015	\$ 580,557	\$ 623,892	\$ 729,113	\$ 786,538	\$ 921,988	\$ 1,007,538	\$ 1,004,599	\$ 1,010,553	\$ 1,189,167
Business-type activities										
Invested in capital assets, net of related debt	\$ 323,094	\$ 341,041	\$ 402,377	\$ 425,285	\$ 520,059	\$ 601,999	\$ 659,904	\$ 660,619	\$ 654,974	\$ 666,919
Restricted	40,869	49,242	54,540	71,386	57,613	43,341	38,621	59,863	56,397	54,923
Unrestricted	181,985	217,762	229,462	250,041	242,966	225,281	207,405	219,720	256,038	285,062
Total business-type activities net assets	\$ 545,948	\$ 608,045	\$ 686,379	\$ 746,712	\$ 820,638	\$ 870,621	\$ 905,930	\$ 940,202	\$ 967,409	\$ 1,006,904
Primary government										
Invested in capital assets, net of related debt	\$ 794,474	\$ 825,825	\$ 917,731	\$ 1,047,621	\$ 1,232,860	\$ 1,452,739	\$ 1,610,400	\$ 1,637,233	\$ 1,674,866	\$ 1,733,774
Restricted	147,731	186,368	209,497	229,424	165,595	146,018	137,524	168,795	137,217	148,741
Unrestricted	171,758	176,409	183,043	198,780	208,721	193,852	165,544	138,773	165,879	313,556
Total primary government net assets	\$ 1,113,963	\$ 1,188,602	\$ 1,310,271	\$ 1,475,825	\$ 1,607,176	\$ 1,792,609	\$ 1,913,468	\$ 1,944,801	\$ 1,977,962	\$ 2,196,071

¹ The increase in total governmental activities net assets (and related unrestricted net assets) is due to the due to the dissolution of the Redevelopment Agency.

Table 2
City of Riverside
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands) Page 1 of 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 59,530	\$ 63,000	\$ 58,460	\$ 74,458	\$ 105,486	\$ 113,897	\$ 71,391	\$ 85,110	\$ 72,606	\$ 48,731
Public safety	88,969	102,500	110,969	120,470	114,312	122,783	142,353	137,338	139,364	148,605
Highways and streets	15,625	22,017	20,364	20,757	22,556	26,986	29,700	31,492	32,131	35,342
Culture and Recreation	29,236	22,988	26,353	32,602	28,016	31,659	29,423	44,319	50,017	54,594
Interest on long-term debt	7,696	10,996	15,885	16,358	26,378	34,075	34,361	32,049	33,638	25,262
Total governmental activities expenses	201,056	221,501	232,031	264,645	296,748	329,400	307,228	330,308	327,756	312,534
Business-type activities:										
Electric	186,917	196,727	200,030	226,186	232,346	271,412	269,209	256,860	275,922	288,799
Water	29,715	33,921	36,709	39,486	42,108	47,570	53,931	55,402	56,390	56,715
Sewer	20,053	23,273	26,108	27,299	29,510	31,209	34,853	41,248	42,276	43,702
Refuse	11,577	11,510	12,841	14,546	16,490	18,430	18,425	20,527	20,046	19,979
Airport	1,151	1,088	1,185	1,004	1,201	1,418	1,734	2,206	2,320	2,646
Transportation	2,110	2,286	2,557	2,917	2,831	3,190	3,194	3,368	3,493	3,667
Public parking	1,392	1,389	824	2,701	3,762	4,093	5,095	4,024	4,401	4,984
Total business-type activities expenses	252,915	270,194	280,254	314,139	328,248	377,322	386,441	383,635	404,848	420,492
Total primary government expenses	\$ 453,971	\$ 491,695	\$ 512,285	\$ 578,784	\$ 624,996	\$ 706,722	\$ 693,669	\$ 713,943	\$ 732,604	\$ 733,026
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 22,675	\$ 26,160	\$ 25,995	\$ 24,683	\$ 10,245	\$ 23,969	\$ 13,691	\$ 12,933	\$ 14,241	\$ 14,662
Public safety	6,427	6,799	6,982	5,845	12,410	9,924	8,414	8,177	8,075	7,837
Highways and streets	20,867	22,286	23,108	25,412	30,563	19,695	14,391	17,847	16,985	16,532
Culture and recreation	8,304	5,056	7,002	7,716	8,302	4,370	3,168	2,367	3,180	4,622
Operating grants and contributions	12,716	12,935	16,140	13,150	12,101	15,024	23,313	32,853	21,127	31,581
Capital grants and contributions	2,144	1,136	5,292	18,618	10,557	115,982	69,745	23,395	38,138	54,476
Total governmental activities program revenues	73,133	74,372	84,519	95,424	84,178	188,964	132,722	97,572	101,746	129,710
Business-type activities:										
Charges for services:										
Electric	204,293	233,102	252,322	259,572	278,888	305,299	314,164	309,910	313,703	333,029
Water	28,637	32,382	34,002	37,613	47,080	49,855	54,923	57,534	62,084	65,206
Sewer	21,172	21,672	21,967	21,510	24,057	22,525	23,247	27,342	32,769	37,747
Refuse	11,795	13,759	14,492	15,160	15,833	16,289	18,394	18,712	19,134	19,588
Airport	1,046	1,051	1,088	1,162	1,263	1,423	1,232	1,315	1,342	1,524
Transportation	170	185	200	238	302	313	336	328	344	352
Public parking	2,385	2,760	2,961	2,837	3,431	3,717	4,332	4,876	5,205	4,803
Operating grants and contributions	3,663	1,723	2,261	2,704	1,939	3,308	1,929	2,487	2,159	2,738
Capital grants and contributions	4,976	26,390	32,317	29,293	40,066	29,215	17,288	6,838	7,337	21,164
Total business-type activities program revenues	278,137	333,024	361,610	370,089	412,859	431,944	435,845	429,342	444,077	486,151
Total primary government program revenues	\$ 351,270	\$ 407,396	\$ 446,129	\$ 465,513	\$ 497,037	\$ 620,908	\$ 568,567	\$ 526,914	\$ 545,823	\$ 615,861

(continued)

Table 2
City of Riverside
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands) Page 2 of 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 ¹
Net Revenues (Expense)										
Governmental activities	\$ (127,923)	\$ (147,129)	\$ (147,512)	\$ (169,221)	\$ (212,570)	\$ (140,436)	\$ (174,506)	\$ (232,736)	\$ (226,010)	\$ (182,824)
Business-type activities	25,222	62,830	81,356	55,950	84,611	54,622	49,404	45,707	39,229	65,659
Total primary government net expense	\$ (102,701)	\$ (84,299)	\$ (66,156)	\$ (113,271)	\$ (127,959)	\$ (85,814)	\$ (125,102)	\$ (187,029)	\$ (186,781)	\$ (117,165)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Sales	\$ 41,691	\$ 46,624	\$ 53,348	\$ 57,522	\$ 55,666	\$ 50,526	\$ 41,882	\$ 39,645	\$ 44,157	\$ 47,701
Property	33,584	35,911	61,553	80,934	106,114	114,176	116,420	104,087	100,802	74,179
Utility Users	19,928	21,362	22,133	23,502	25,384	26,267	25,964	25,975	26,691	27,320
Franchise	3,811	4,261	4,481	4,813	5,031	4,972	5,144	4,477	4,937	4,883
Other	2,967	3,213	3,828	4,372	3,581	3,795	2,912	2,488	2,731	2,995
Intergovernmental, unrestricted	15,533	12,528	1,795	1,747	1,863	2,074	4,569	1,339	1,285	351
Unrestricted grants and contributions	-	18,710	15,220	39,653	29,743	-	-	-	-	-
Investment earnings	8,064	1,284	7,815	10,150	18,582	25,670	15,941	8,289	7,439	4,440
Miscellaneous	2,241	5,476	5,756	26,173	4,228	9,480	5,137	3,344	9,544	9,273
Transfers	18,218	10,302	14,918	25,576	31,171	32,326	42,087	40,153	34,378	40,679
Extraordinary items	-	-	-	-	-	-	-	-	-	149,617
Contributions	-	(2,800)	-	-	-	-	-	-	-	-
Total governmental activities	146,037	156,871	190,847	274,442	281,363	269,286	260,056	229,797	231,964	361,438
Business-type activities:										
Unrestricted grants and contributions	15,972	-	-	-	-	-	-	-	-	-
Investment income	9,115	5,016	7,548	11,259	16,988	22,756	23,402	21,271	17,548	11,405
Miscellaneous	3,849	4,553	7,362	18,700	3,498	4,931	4,590	7,447	4,808	3,110
Special item	-	-	(3,014)	-	-	-	-	-	-	-
Transfers	(18,218)	(10,302)	(14,918)	(25,576)	(31,171)	(32,326)	(42,087)	(40,153)	(34,378)	(40,679)
Total business-type activities	10,718	(733)	(3,022)	4,383	(10,685)	(4,639)	(14,095)	(11,435)	(12,022)	(26,164)
Total primary government	156,755	156,138	187,825	278,825	270,678	264,647	245,961	218,362	219,942	335,274
Change in Net Assets										
Governmental activities	\$ 18,114	\$ 9,742	\$ 43,335	\$ 105,221	\$ 68,793	\$ 128,850	\$ 85,550	\$ (2,939)	\$ 5,954	\$ 178,614
Business-type activities	35,940	62,097	78,334	60,333	73,926	49,983	35,309	34,272	27,207	39,495
Total primary government	\$ 54,054	\$ 71,839	\$ 121,669	\$ 165,554	\$ 142,719	\$ 178,833	\$ 120,859	\$ 31,333	\$ 33,161	\$ 218,109

¹ The increase in total governmental activities net assets is due to the dissolution of the Redevelopment Agency.

Table 3
City of Riverside
Fund Balances of Governmental Funds
Last Two Fiscal Years
(modified accrual basis of accounting, in thousands)

	2011	2012^{1,2}
General fund		
Nonspendable	\$ 26,646	\$ 25,720
Restricted	82,249	2,803
Assigned	15,589	6,380
Unassigned	36,359	39,347
Total general fund	<u>\$ 160,843</u>	<u>\$ 74,250</u>
 All other governmental funds		
Nonspendable	\$ 1,626	\$ 1,539
Restricted:		
Housing and redevelopment	96,571	26,911
Debt service	56,526	29,080
Transportation and public works	26,459	31,075
Other purposes	5,073	1,401
Total all other governmental funds	<u>\$ 186,255</u>	<u>\$ 90,006</u>

¹ The decrease in fund balance of the General Fund primarily relates to the transfer of land held for resale (in the amount of \$76.3 million) to the Redevelopment Agency Capital Projects Fund, which had been transferred to the General Fund during the fiscal year ended June 30, 2011.

² The decrease in fund balance of all other governmental funds relates to the dissolution of the Redevelopment Agency.

*The City of Riverside implemented GASB 54 in the fiscal year ended June 30, 2011.
The City has elected to show two years of data for this schedule.*

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands) Page 1 of 2

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	\$ 102,286	\$ 113,118	\$ 142,056	\$ 170,638	\$ 191,131	\$ 200,438	\$ 192,322	\$ 177,255	\$ 179,318	\$ 156,593
Licenses and permits	14,394	11,343	14,389	16,351	12,984	10,027	7,368	6,899	7,657	9,292
Intergovernmental	43,829	42,609	42,568	55,178	47,934	79,423	86,873	60,550	61,082	66,618
Charges for services	8,878	10,046	11,299	11,538	11,914	11,325	9,099	9,570	10,720	11,774
Fines and forfeitures	2,095	2,188	2,006	2,098	2,778	4,573	6,213	7,512	8,928	6,293
Special assessments	6,324	10,259	6,272	6,247	6,170	5,245	5,431	5,464	6,014	6,276
Use of money and property	11,255	10,587	10,915	14,324	22,587	27,970	18,620	11,173	10,173	8,095
Miscellaneous	5,042	7,133	9,996	8,502	6,164	12,796	7,596	7,082	16,605	10,611
Total revenues	\$ 194,103	\$ 207,283	\$ 239,501	\$ 284,876	\$ 301,662	\$ 351,797	\$ 333,522	\$ 285,505	\$ 300,497	\$ 275,552
Expenditures:										
General government	\$ 22,031	\$ 25,108	\$ 21,800	\$ 25,193	\$ 39,093	\$ 26,177	\$ 25,995	\$ 23,835	\$ 26,090	\$ 18,835
Public safety	96,487	107,386	117,267	126,007	139,739	151,773	145,802	138,594	140,994	150,878
Highways and streets	12,034	11,990	11,695	11,281	19,722	25,209	18,452	14,987	14,587	16,651
Culture and recreation	27,579	24,836	28,939	31,017	31,039	30,622	26,859	40,373	44,345	57,290
Capital outlay	39,098	50,333	64,127	121,978	149,325	171,952	180,394	131,908	105,689	75,482
Debt Service:										
Principal	4,470	2,422	8,599	9,733	12,045	11,257	44,349	48,078	89,264	83,378
Interest	7,785	9,945	15,025	19,205	21,330	31,239	33,033	31,267	32,611	24,133
Debt issuance costs	-	950	1,538	-	2,551	697	259	231	174	169
Total expenditures	\$ 209,484	\$ 232,970	\$ 268,990	\$ 344,414	\$ 414,844	\$ 448,926	\$ 475,143	\$ 429,273	\$ 453,754	\$ 426,816
Excess of revenues over (under) expenditures	\$ (15,381)	\$ (25,687)	\$ (29,489)	\$ (59,538)	\$ (113,182)	\$ (97,129)	\$ (141,621)	\$ (143,768)	\$ (153,257)	\$ (151,264)

(continued)

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands) Page 2 of 2

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other financing sources (uses):										
Transfers in	\$ 36,202	\$ 41,440	\$ 49,944	\$ 59,545	\$ 84,306	\$ 62,841	\$ 100,797	\$ 88,303	\$ 214,631	\$ 196,859
Transfers out	(17,984)	(31,338)	(35,026)	(33,969)	(53,135)	(30,515)	(58,710)	(48,150)	(180,280)	(156,305)
Sales of general capital assets	1,314	(675)	6,230	1,281	541	8,931	(5,798)	529	(1,629)	(92)
Advances from other funds	81	-	-	-	-	-	-	-	-	-
Long-term obligation proceeds	750	247,594	85,578	20,969	295,190	164,408	30,425	52,360	104,875	34,940
Capital lease proceeds	-	-	-	-	-	-	-	3,116	2,000	-
Premiums (discounts) on bonds issued	-	-	113	-	4,455	-	-	(539)	-	-
Payments to refunded bond agent	-	(58,657)	(9,167)	-	-	(148,975)	-	-	-	-
Total other financing sources (uses)	20,363	198,364	97,672	47,826	331,357	56,690	66,714	95,619	139,597	75,402
Special item - pension contribution	-	(88,300)	(32,141)	-	-	-	-	-	-	-
Extraordinary items:										
Dissolution of Riverside Redevelopment Agency:										
Transfer of assets and liabilities to										
Successor Agency	-	-	-	-	-	-	-	-	-	(130,174)
Transfer of assets from Successor Agency	-	-	-	-	-	-	-	-	-	28,121
Assumption of obligation	-	-	-	-	-	-	-	-	-	(4,927)
Total extraordinary items	-	-	-	-	-	-	-	-	-	(106,980)
Net change in fund balances	\$ 4,982	\$ 84,377	\$ 36,042	\$ (11,712)	\$ 218,175	\$ (40,439)	\$ (74,907)	\$ (48,149)	\$ (13,660)	\$ (182,842)
Debt service as a percentage of noncapital expenditures	6.545%	7.173%	15.301%	13.777%	14.011%	16.947%	26.058%	23.211%	32.757%	32.531%
			(1)			(2)	(3)		(4)	(5)

(1) Increase in debt service related to the issuance of the 2003 and 2004 Redevelopment Agency Tax Allocation Bonds.

(2) Increase in debt service related to the issuance of the 2007 Redevelopment Agency Tax Allocation Bonds and 2008 Riverside Renaissance Certificates of Participation.

(3) Increase relates to \$30 million refinancing of 2005B pension bonds that took place in May 2008, which became due in-full in June 2009. The \$30 million Pension Bond Anticipation Notes have been paid in-full and immediately re-issued each year in 2009, 2010, 2011 and 2012.

(4) Increase in debt service related to one-time early redemption of \$31.7 million of 2011 Redevelopment Tax Allocation Bonds and \$9.1 million of loan proceeds that were drawn-down during the year and re-paid within the year.

(5) Includes one-time early redemption of \$33.3 million of 2011 Redevelopment Tax Allocation Bonds.

Table 5
City of Riverside
Business-Type Activities Electricity Revenue By Source
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

Fiscal Year	Residential Sales	Commercial Sales	Industrial Sales	Wholesale Sales	Other Sales	Transmission Revenue	Other Operating Revenue	Total Revenues
2003	\$ 68,649	\$ 48,974	\$ 52,380	\$ 17,806	\$ 5,619	\$ 8,661	\$ 2,230	\$ 204,319
2004	80,872	57,079	56,117	9,581	6,354	20,917	2,182	233,102
2005	79,786	59,998	59,157	15,249	6,337	20,213	12,697	253,437
2006	85,243	53,773	71,084	11,952	7,139	20,043	9,183	258,417
2007	94,426	55,421	83,698	9,913	5,713	20,097	9,536	278,804
2008	99,981	60,768	92,697	14,805	5,425	19,211	12,405	305,292
2009	105,525	65,532	97,100	4,674	5,684	18,673	12,250	309,438
2010	107,301	65,091	97,458	1,466	5,639	21,100	11,855	309,910
2011	107,792	64,039	102,067	124	5,529	22,091	12,061	313,703
2012	110,471	66,047	107,455	50	5,614	30,735	12,657	333,029

The City started receiving Transmission Revenue in 2003.

Table 6
City of Riverside
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

Fiscal Year	Sales Tax	Property Tax¹	Utility Users Tax	Franchise Tax	Other Tax	Total Taxes
2003	41,691	33,584	19,928	3,811	2,967	101,981
2004	46,624	35,911	21,362	4,261	3,213	111,371
2005	53,348	61,553	22,133	4,481	1,795	143,310
2006	57,522	80,934	23,502	4,813	4,372	171,143
2007	55,666	101,469	25,384	5,031	3,581	191,131
2008	50,526	114,176	26,267	4,972	3,795	199,736
2009	41,882	116,420	25,964	5,144	2,912	192,322
2010	39,645	104,087	25,975	4,477	2,488	176,672
2011	44,157	100,802	26,691	4,937	2,731	179,318
2012	47,701	74,179	27,320	4,883	2,995	157,078

¹ Decrease in property taxes in fiscal year 2012 relates to the dissolution of the Redevelopment Agency. Upon the dissolution of the Redevelopment Agency on February 1, 2012, property taxes received by the Successor Agency are reported in a private-purpose trust fund and therefore are excluded from the activities of the primary government.

Table 7
City of Riverside
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended June 30	City				Dissolved Redevelopment Agency ¹				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2003	13,071,416	980,529	(2,406,961)	11,644,984	1,390,108	276,506	(27,690)	1,638,924	0.268
2004	14,188,658	845,858	(2,526,503)	12,508,013	1,508,478	228,775	(30,286)	1,706,967	0.264
2005	15,540,982	951,211	(2,751,844)	13,740,349	1,775,655	158,148	(33,654)	1,900,149	0.266
2006	17,557,341	1,058,995	(4,002,177)	14,614,159	2,914,600	210,025	(51,992)	3,072,633	0.309
2007	20,672,126	1,140,891	(5,417,388)	16,395,629	4,145,700	410,625	(93,261)	4,463,064	0.304
2008	23,618,776	1,291,972	(6,960,666)	17,950,082	5,509,441	553,124	(138,490)	5,924,075	0.334
2009	24,428,633	1,330,053	(7,515,667)	18,243,019	5,998,768	581,943	(224,025)	6,356,686	0.343
2010	22,644,262	1,299,353	(7,103,040)	16,840,575	5,598,484	564,825	(266,257)	5,897,052	0.349
2011	22,056,793	1,260,923	(6,920,720)	16,396,996	5,396,219	544,906	(268,323)	5,672,802	0.347
2012	22,031,328	1,264,151	(6,952,649)	16,342,830	5,395,632	572,153	(270,313)	5,697,472	0.348

Notes:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Assessed valuations are based on 100 percent of estimated actual value.

¹ In accordance with the timeline set forth in Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Source: Riverside County Auditor-Controller

Table 8
City of Riverside
Direct and Overlapping Property Tax Rates
(Rate per \$100 of Assessed Valuation)
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Basic Levy ¹	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Unified School Districts Debt Service ²	0.250	0.210	0.234	0.220	0.155	0.185	0.291	0.326	0.334	0.363
City of Riverside Debt Service	-	-	0.011	0.009	0.008	0.006	0.007	0.006	0.006	0.006
Eastern Municipal Water Improvement District	0.024	0.022	0.023	0.010	0.009	0.008	-	-	-	-
Metropolitan Water District Original Area	0.007	0.006	0.006	0.005	0.005	0.005	0.004	0.004	0.004	0.004
Riverside City Community College Debt Service	-	-	0.018	0.018	0.018	0.013	0.013	0.012	0.015	0.017
Rubidoux Community Service Debt Service	0.004	0.003	0.003	-	-	-	-	-	-	-
Total Direct & Overlapping³ Tax Rates	1.285	1.241	1.295	1.262	1.195	1.217	1.315	1.348	1.359	1.390
City's Share of 1% Levy Per Prop 13⁴	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145
General Obligation Debt Rate	-	-	0.011	0.009	0.009	0.006	0.007	0.006	0.006	0.006
Redevelopment Rate^{5,7}	1.007	1.006	1.006	1.005	1.005	1.005	1.004	1.004	1.004	1.004
Total Direct Rate⁶	0.268	0.264	0.266	0.309	0.304	0.334	0.343	0.349	0.347	0.348

¹ In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the various intergovernmental overlapping debt.

² Includes: Alvorad Unified School District, Corona Norco Unified School District, Jurupa Unified School District, Moreno Valley Unified School District, Riverside Unified School District and Val Verde Unified School District.

³ Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

⁴ City's share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

⁵ RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

⁶ Total Direct Rate is the weighted average of all individual direct rates.

⁷ In accordance with the timeline set forth in Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Source: Riverside County Assessor 2002/03 - 2011/12 Tax Rate Table.

Table 9
City of Riverside
Principal Property Taxpayers
Current Year and Nine Years Ago

(in thousands)

Property Owner	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Tyler Mall	\$ 186,759	1	0.8%			
La Sierra University	126,273	2	0.6%			
Riverside Healthcare System	107,935	3	0.5%	\$ 89,701	3	0.7%
State Street Bank & Trust Co of Calif	88,078	4	0.4%	92,987	2	0.7%
Rohr Inc	86,512	5	0.4%	75,965	5	0.6%
Press Enterprise Co	76,314	6	0.3%	46,941	8	0.4%
JSP Corona Pointe, LLC	74,739	7	0.3%			
BRE Properties, Inc.	69,300	8	0.3%			
Canyon Springs Marketplace Corp	67,991	9	0.3%			
Riverside Plaza	67,343	10	0.3%			
Mountain View Power Partners, LLC				88,300	4	0.7%
Metal Container Corp				48,209	7	0.4%
Ohio Teacher Retirement				146,436	1	0.8%
Toro Company				46,705	9	0.4%
Lyon Corona Pointe				54,743	6	0.4%
Mission Grove Park Apartments				42,833	10	0.3%
Totals	<u>\$ 951,244</u>		<u>4.3%</u>	<u>\$ 732,820</u>		<u>5.4%</u>

Notes:

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: Riverside County Assessor 2011/12 and 2002/03 Combined Tax Rolls

Table 10
City of Riverside
Property Tax Levies and Collections
Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended June 30	Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 25,809	25,479	98.72%	318	25,797	99.95%
2004	31,829	31,429	98.74%	376	31,805	99.93%
2005	36,825	36,332	98.66%	469	36,801	99.94%
2006	52,532	51,815	98.64%	681	52,496	99.93%
2007	69,246	67,046	96.82%	2,141	69,187	99.91%
2008	83,996	82,345	98.03%	1,556	83,901	99.89%
2009	86,251	84,134	97.55%	1,939	86,073	99.79%
2010	77,228	74,491	96.46%	2,476	76,967	99.66%
2011	74,608	72,327	96.94%	1,842	74,169	99.41%
2012	46,059	45,379	98.52%	-	45,379	98.52%

Note:

The table reflects amounts related to the City. In addition, it includes amounts related to the Redevelopment Agency through dissolution (1/31/12). The amounts collected by the Redevelopment Agency include monies that were passed-through to other agencies. Current tax levies are the original charge as provided by the County of Riverside. Current tax collections do not include supplemental taxes, aircraft taxes or other property taxes.

Source: Riverside County Auditor Controller's Office and City Finance Department

Table 11**City of Riverside****Electricity Sold by Type of Customer****Last Ten Fiscal Years****(in millions of kilowatt-hours)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Type of Customer:										
Residential	618.0	707.0	675.0	696.0	748.0	734.0	733.0	701.0	666.0	688.0
Commercial	451.0	522.0	530.0	474.0	456.0	441.0	433.0	406.0	400.0	413.0
Industrial	658.0	687.0	707.0	810.0	924.0	960.0	946.0	906.0	912.0	969.0
Wholesale sales	378.0	354.0	470.0	287.0	295.0	357.0	137.0	44.0	7.0	2.0
Other	49.0	52.0	50.0	58.0	39.0	34.0	33.0	32.0	31.0	31.0
Total	2,154.0	2,322.0	2,432.0	2,325.0	2,462.0	2,526.0	2,282.0	2,089.0	2,016.0	2,103.0
Total direct rate										
Monthly Base Rate ¹	3.18	3.28	3.36	3.36	5.00	11.35	13.06	18.06	18.06	18.06
Rate per 250 KWH ¹	20.98	21.65	22.20	22.20	22.20	25.88	25.88	25.88	25.88	25.88

¹ Rates are based on a monthly base rate plus energy charge for the first 250 KWH.

The Utility charges an excess use rate over 250 KWH.

Source: Riverside Public Utilities, Finance Services

Table 12
City of Riverside
Electricity Rates
Last Ten Fiscal Years
(Average Rate in Dollars per Kilowatt-Hour)

Fiscal Year Ended June 30	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>
2003	0.10990	0.10779	0.07901	0.11869
2004	0.11439	0.10936	0.08167	0.12271
2005	0.11813	0.11321	0.08369	0.12768
2006	0.12222	0.11330	0.08798	0.12373
2007	0.12621	0.12164	0.09059	0.14493
2008	0.13613	0.13781	0.09658	0.16099
2009	0.14389	0.15122	0.10271	0.17169
2010	0.15307	0.16014	0.10756	0.17876
2011	0.16173	0.16001	0.11194	0.18089
2012	0.16068	0.15991	0.11088	0.17938

NOTE:

Rates are based on a monthly base rate plus an energy charge for the first 250 KWH. The Utility charges an excess use rate over 250 KWH.

Source: Riverside Public Utilities, Finance Services

Table 13
City of Riverside
Top 10 Electricity Customers
Current Year and Nine Years Ago

Electricity Customer	2012		2003	
	Electricity Charges	Percent of Total Electric Revenues	Electricity Charges	Percent of Total Electric Revenues
Local University	\$10,005,990	3.46%	N/A	N/A
Local Government	7,880,131	2.72%	N/A	N/A
Local Government	7,343,622	2.54%	N/A	N/A
Local School District	4,014,894	1.39%	N/A	N/A
Corporation	3,951,734	1.36%	N/A	N/A
Corporation	2,833,591	0.98%	N/A	N/A
Hospital	2,410,157	0.83%	N/A	N/A
Local School District	2,051,858	0.71%	N/A	N/A
Corporation	1,963,047	0.68%	N/A	N/A
Shopping Mall	1,942,657	0.67%	N/A	N/A
	<u>\$44,397,681</u>	<u>15.34%</u>	<u>N/A</u>	<u>N/A</u>

Retail Sales Per Financial Statements \$289,587,035

N/A - not available

Source: Riverside Public Utilities, Finance Services

Table 14
City of Riverside
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands)

Fiscal Year	Governmental Activities							
	General Obligation Bonds	Redevelopment Bonds	Revenue Bonds	Assessment Bonds	Pension Obligation Bonds	Certificates of Participation	Capital Leases	Notes/Loans Payable
2003	-	109,615	-	-	-	4,650	5,517	11,447
2004	20,285	131,590	-	-	89,540	58,706	8,938	11,057
2005	20,280	144,024	-	-	148,280	57,336	7,431	10,645
2006	19,858	140,195	-	-	146,470	55,571	6,008	10,215
2007	19,331	296,598	-	-	144,450	192,874	4,929	9,759
2008	18,774	292,244	-	-	142,170	200,273	9,391	9,040
2009	18,171	285,743	-	-	139,410	198,268	7,455	8,749
2010	17,533	278,867	-	-	136,050	211,212	6,303	9,291
2011	16,845	305,195	-	-	132,095	207,246	6,670	8,849
2012	16,107	-	-	-	127,480	202,703	5,220	4,000

Fiscal Year	Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
	Revenue Bonds	Notes/Loans Payable	Capital Leases			
2003	342,559	11,524	498	485,810	9.89%	1.79
2004	440,970	11,066	439	772,591	15.02%	2.79
2005	419,581	10,459	392	818,428	14.98%	2.91
2006	509,577	9,841	317	898,052	15.47%	3.13
2007	482,929	9,211	253	1,160,334	18.67%	4.01
2008	720,749	8,569	211	1,401,421	21.51%	4.80
2009	670,512	7,915	2,574	1,342,931	20.15%	4.54
2010	968,393	7,249	2,151	1,637,049	24.83%	5.44
2011	1,071,554	76,747	1,720	1,826,921	27.58%	6.01
2012	1,041,739	73,821	1,332	1,472,402	21.62%	4.77

¹ These ratios are calculated using personal income and population data for the prior calendar year.

Source: City of Riverside Notes to Financial Statements and Statistical Table 19.

Table 15
City of Riverside
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

(in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Pension Bonds	Certificates of Participation	Tax Allocation Bonds	Total	Percent of Assessed Value ¹	Per Capita ²
2003	-	-	4,650	109,615	114,265	0.98%	422
2004	20,285	89,540	58,706	131,590	300,121	2.40%	1,083
2005	20,280	148,280	57,336	144,024	369,920	2.69%	1,316
2006	19,858	146,470	55,571	140,195	362,094	2.48%	1,264
2007	19,331	144,450	192,874	296,598	653,253	3.98%	2,260
2008	18,774	142,170	200,273	292,244	653,461	3.64%	2,239
2009	18,171	139,410	198,268	285,743	641,592	3.52%	2,167
2010	17,533	136,050	211,212	278,867	643,662	3.82%	2,140
2011	16,845	132,095	207,246	305,195	661,381	4.03%	2,175
2012	16,107	127,480	202,703	-	346,290	2.12%	1,122

Notes:

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (which, the City has none.)

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

² These ratios are calculated using population data for the prior calendar year.

Source: City of Riverside Notes to Financial Statements and Reserve Cash Reconciliation maintained by City Finance Department.

Table 16
City of Riverside
Direct and Overlapping Debt
As of June 30, 2012

Page 1 of 2

2011-12 Assessed Valuation:	\$ 22,040,302,315
Less Dissolved Redevelopment Agency Incremental Valuation:	5,697,472,391
Adjusted Assessed Valuation:	<u>\$ 16,342,829,924</u>

	<u>Total Debt</u>	<u>% Applicable (1)</u>	<u>City's Share of Debt</u>
Direct and Overlapping Tax and Assessment Debt:			
Metropolitan Water District	\$ 1,965,450	0.919%	\$ 1,806,249
Riverside City Community College District	230,858,371	28.657	66,157,083
Alvord Unified School District	205,160,854	62.393	128,006,074
Riverside Unified School District	147,135,000	84.115	123,762,605
Corona-Norco Unified School District	274,072,570	0.002	5,481
Jurupa Unified School District	51,252,972	0.003	1,538
Moreno Valley Unified School District	41,983,521	6.075	2,550,499
City of Riverside	16,107,000	100.	16,107,000
Alvord Unified School District Community District No.2006-1	8,340,000	69.778	5,819,485
Riverside Unified School District Community Facilities Districts	92,660,000	89.192-100.	92,508,688
City of Riverside Community Facilities Districts	13,600,000	100.	13,600,000
City of Riverside 1915 Act Bonds	29,360,000	100.	29,360,000
Total Direct and Overlapping Tax and Assessment Debt:			<u>\$ 479,684,702</u>

Ratios to 2011-12 Assessed Valuation:
Direct Debt (\$16,107,000).....0.07%
 Total Direct and Overlapping Tax and Assessment Debt.....2.14%

(continued)

Table 16
City of Riverside
Direct and Overlapping Debt
As of June 30, 2012

Page 2 of 2

Direct and Overlapping General Fund Debt:			
Riverside County General Fund Obligations	\$ 655,042,180	11.440%	\$ 74,936,825
Riverside County Pension Obligations	357,540,000	11.440	40,902,576
Riverside County Board of Education Certificates of Participation	5,055,000	11.440	578,292
Alvord Unified School District Certificates of Participation	2,027,061	62.393	1,264,744
Corona-Norco Unified School District Certificates of Participation	30,035,000	0.002	601
Jurupa Unified School District Certificates of Participation	7,220,000	0.003	217
Moreno Valley Unified School District Certificates of Participation	19,535,000	6.075	1,186,751
Riverside Unified School District General Fund Obligations	13,260,000	84.115	11,153,649
City of Riverside General Fund Obligations	202,703,000	100.	202,703,000
	(1)		
City of Riverside Pension Obligations	127,480,000	100.	127,480,000
Total Gross Direct and Overlapping General Fund Debt			460,206,655
Less: Riverside County supported obligations			1,418,092
Total Net Direct and Overlapping General Fund Debt			<u>\$ 458,788,563</u>
Total Direct Debt			\$ 346,290,000
Total Gross Overlapping Debt			\$ 593,601,357
Total Net Overlapping Debt			\$ 592,183,265
Gross Combined Total Debt			\$ 939,891,357
	(2)		
Net Combined Total Debt			\$ 938,473,265

(1) Excludes issues to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$346,290,000).....2.12%
Gross Combined Total Debt.....5.75%
Net Combined Total Debt.....5.74%

Overlapping governments are those that coincide at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: The information in this table is provided by California Municipal Statistics, Inc., except for the assessed valuation information which was provided by the County of Riverside Auditor-Controller.

Table 17
City of Riverside
Legal Debt Margin Information
Last Ten Fiscal Years

	(in thousands)									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed valuation	\$11,644,984	\$12,508,013	\$13,740,349	\$14,614,159	\$16,395,629	\$17,950,082	\$18,243,019	\$16,840,575	\$16,396,996	\$16,342,830
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,911,246	3,127,003	3,435,087	3,653,540	4,098,907	4,487,521	4,560,755	4,210,144	4,099,249	4,085,708
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	436,687	469,050	515,263	548,031	614,836	673,128	684,113	631,522	614,887	612,856
Total net debt applicable to limit:	-	20,285	20,280	19,858	19,331	18,774	18,171	17,533	16,845	16,107
Legal debt margin	436,687	448,765	494,983	528,173	595,505	654,354	665,942	613,989	598,042	596,749
Total net debt applicable to the limit as a percentage of debt limit	0.0%	4.3%	3.9%	3.6%	3.1%	2.8%	2.7%	2.8%	2.7%	2.6%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City of Riverside, Statistical Table 7 and Notes to Financial Statements.

Table 18
City of Riverside
Pledged-Revenue Coverage
Business Type Activity Debt
Last Ten Fiscal Years

(in thousands)

Fiscal Year	Electric Revenue Bonds						Water Revenue Bonds					
	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2003	211,553	157,450	54,103	7,840	10,966	2.88	36,837	19,928	16,909	3,895	2,720	2.56
2004	239,842	168,162	71,680	10,780	10,183	3.42	47,093	23,767	23,326	4,010	2,622	3.52
2005	262,350	164,159	98,191	14,555	12,143	3.68	45,348	26,436	18,912	4,045	2,591	2.85
2006	265,086	184,421	80,665	15,015	15,245	2.67	66,226	27,028	39,198	3,875	3,790	5.11
2007	289,784	187,700	102,084	18,815	14,200	3.09	55,699	29,461	26,238	4,300	3,454	3.38
2008	314,733	219,680	95,053	19,460	16,790	2.62	67,312	33,827	33,485	4,355	4,275	3.88
2009	320,447	202,904	117,543	20,572	24,941	2.58	60,886	35,639	25,247	4,473	6,728	2.25
2010	320,560	199,040	121,520	21,574	22,572	2.75	61,985	35,953	26,032	4,533	8,008	2.08
2011	319,177	212,878	106,299	23,029	25,087	2.21	84,328	35,220	49,108	4,799	9,263	3.49
2012	340,098	221,876	118,222	25,174	27,630	2.24	73,557	35,309	38,248	4,708	8,872	2.82

Fiscal Year	Sewer Revenue Bonds ²					
	Pledged Revenue ¹	Less: Operating Expenses ¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	31,470	26,865	4,605	666	151	5.64
2011	37,772	27,575	10,197	692	125	12.48
2012	42,562	29,632	12,930	692	5,471	2.10

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Amounts have been calculated in accordance with the provisions set forth in the debt covenants. Total operating expenses exclusive of depreciation.

² \$240,910 of Sewer Revenue Bonds were issued August 6, 2009

The City of Riverside does not have any pledged revenue related to Governmental Activities.

Table 19
City of Riverside
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population ¹	Personal Income ² (in thousands)	Per Capita Personal Income ²	Unemployment Rate ³
2002	270,805	4,914,404	18,147	6.5
2003	277,177	5,145,118	18,563	6.6
2004	281,192	5,462,823	19,427	6.1
2005	286,572	5,806,339	20,261	5.4
2006	289,045	6,214,628	21,501	5.1
2007	291,814	6,514,489	22,324	6.1
2008	296,038	6,665,142	22,514	8.6
2009	300,769	6,592,294	21,918	13.7
2010	304,051	6,623,143	21,783	14.8
2011	308,511	6,811,923	22,080	13.7

Sources:

¹ California State Department of Finance.

² Demographic Estimates for 2002-2009 are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries. Demographic Estimates for 2010 and later are per the US Census Bureau, most recent American Community Survey.

³ State of California Employment Development Department.

Table 20
City of Riverside
Principal Employers
Current Year and Nine Years Ago

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
County of Riverside	11,187	1	7.8%	N/A	N/A	N/A
Riverside Unified School District	5,580	3	3.9%	N/A	N/A	N/A
University of California	5,554	2	3.9%	N/A	N/A	N/A
Kaiser	4,500	4	3.1%	N/A	N/A	N/A
City of Riverside	2,693	5	1.9%	N/A	N/A	N/A
Riverside Community College District	2,087	7	1.4%	N/A	N/A	N/A
Riverside Community Hospital	1,880	6	1.3%	N/A	N/A	N/A
Alvord Unified School District	1,654	9	1.1%	N/A	N/A	N/A
Riverside County Office of Education	1,627	8	1.1%	N/A	N/A	N/A
Parkview Community Hospital	1,350	10	0.9%	N/A	N/A	N/A
Total	38,112		26.5%	N/A		N/A

N/A - not available

Source: City of Riverside, Development Department

Table 21
City of Riverside
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
General government	314.39	318.36	331.88	377.15	412.22	436.35	439.10	433.40	431.40	440.40
Public safety										
Police ¹	569.65	567.83	568.83	589.33	618.33	637.33	591.93	589.93	589.93	599.93
Fire	218.65	219.65	221.11	221.73	251.73	254.21	254.21	255.46	255.46	255.46
Firefighters and Police Officers	561.00	557.00	557.46	566.46	620.46	632.46	633.46	632.46	632.46	632.46
Highways and streets	280.10	285.10	281.35	262.35	286.35	318.35	369.65	349.50	348.11	357.11
Sanitation	44.49	48.49	48.49	59.49	60.29	64.29	58.60	59.00	56.00	56.00
Culture and recreation	301.97	302.92	300.92	311.45	324.26	339.52	340.71	328.07	328.07	341.22
Airport	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	9.50	9.50
Water	123.00	130.00	130.00	133.00	142.00	167.00	167.00	177.65	180.15	181.15
Electric	291.60	295.60	305.60	337.60	351.35	404.60	408.10	419.45	448.50	452.50
Total	2,149.85	2,173.95	2,194.18	2,298.10	2,453.53	2,628.65	2,636.30	2,619.46	2,647.12	2,693.27

¹ In fiscal year 2009 the Crossing Guards program (46.40 FTEs) was moved from the Police Department to the Public Works Department (highways and streets).

Source: City of Riverside, Finance Department

Table 22
City of Riverside
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Arrests	10,541	11,951	11,280	10,093	9,827	9,367	10,150	8,690	8,118	7,736
Fire										
Number of calls answered	24,886	25,876	26,505	26,696	27,458	27,429	26,397	26,484	27,322	27,637
Inspections	14,229	16,306	17,028	19,261	7,261	10,812	7,638	7,234	6,505	10,074
Public works:										
Street resurfacing (miles)	67.39	62.37	102.45	51.26	73.40	26.27	18.90	20.00	21.25	18.43
Parks and recreation										
Number of recreation classes	14,787	15,135	15,195	16,272	19,079	22,146	21,884	27,762	37,303	43,318
Number of facility rentals	26,854	27,014	27,074	27,483	32,980	35,076	36,822	34,565	42,638	43,288
Water										
Number of accounts	60,625	61,668	62,492	62,985	63,431	63,494	64,062	64,231	64,349	64,367
Annual consumption (ccf)	29,283,851	30,596,320	27,875,253	28,865,030	32,110,208	30,583,266	29,721,236	26,687,271	25,902,439	27,062,142
Electric										
Number of accounts	99,018	100,766	103,463	104,294	105,226	106,015	106,385	106,335	106,855	107,321
Annual consumption (kwh)	2,154	2,322	2,432	2,359	2,462	2,526	2,282	2,089	2,016	2,103
Sewer:										
New connections	5,825	7,034	9,621	16,717	15,423	16,412	18,765	16,971	17,746	18,166
Average daily sewage treatment (millions of gallons)	33.15	35.24	38.07	35.91	32.50	32.10	33.00	33.29	30.06	29.84

¹ Inspections were not tracked prior to 2003

² Amounts expressed in millions

N/A - not available

Source: City of Riverside, various departments

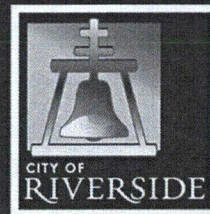
Table 23
City of Riverside
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005 (1)	2006	2007 (2)	2008	2009	2010	2011	2012
Public Safety										
Police										
Stations	2	2	2	3	3	3	3	3	3	3
Substations	7	11	7	5	4	4	5	4	4	4
Helicopters	4	4	4	4	4	4	4	4	4	4
Fire										
Stations	13	13	13	13	14	14	14	14	14	14
Active apparatus	30	30	30	29	30	30	30	30	26	27
Reserve apparatus	6	5	5	6	6	6	7	7	9	9
Training facilities	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	819.00	829.00	836.00	845.35	852.04	864.68	866.89	867.96	868.39	868.70
Streetsights	28,246	28,401	28,581	28,847	29,028	29,312	29,675	29,757	29,868	29,933
Traffic signals	320	322	322	353	358	363	365	362	362	365
Culture and recreation										
Parks acreage	2,534.00	2,500.00	2,534.00	2,534.00	2,773.00	2,773.00	2,773.00	2,773.00	2,811.00	2,811.00
Community centers	10	10	11	11	11	11	11	11	11	11
Playgrounds	30	26	26	27	38	38	41	41	41	41
Swimming pools	6	6	7	6	7	7	7	7	7	7
Softball & baseball diamonds	34	34	35	33	44	44	44	44	49	51
Library branches	7	5	5	6	6	6	7	7	8	8
Museum exhibit-fixed	6	11	8	7	13	8	6	5	8	5
Museum exhibit-special	-	4	1	-	2	5	2	2	2	1
Water										
Fire hydrants	6,763	6,763	6,926	7,127	7,187	7,381	7,523	7,593	7,632	7,682
Sewer										
Sanitary sewers (miles)	745	755	765	775	785	794	794	820	823	829
Electric										
Miles of overhead distribution system	593.3	539.0	531.0	527.0	528.0	523.5	522.0	519.0	517.0	515.0
Miles of underground system	538.2	608.0	622.0	663.0	704.0	741.6	769.0	782.0	791.0	804.0

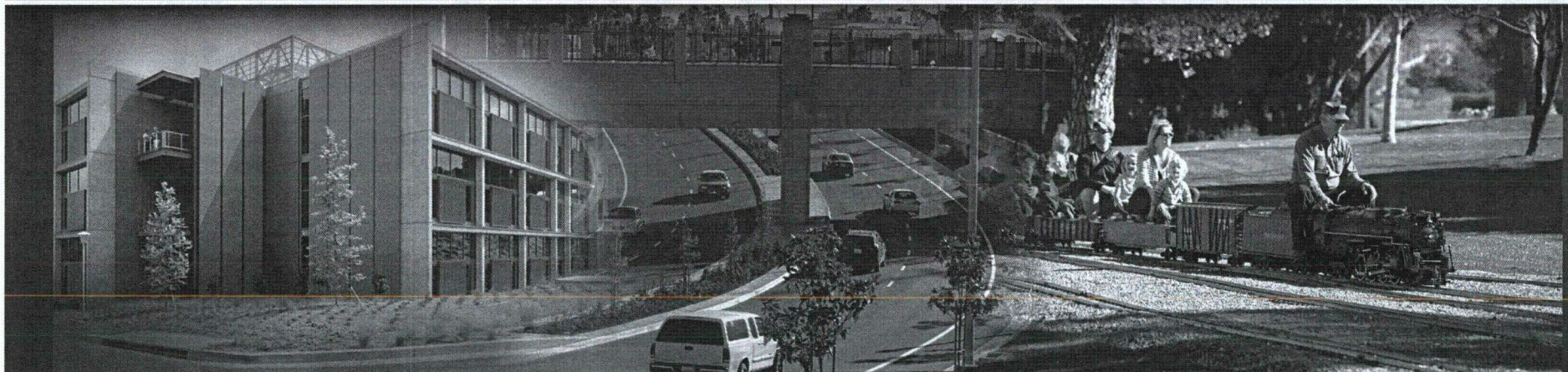
Source: City of Riverside, various departments

(1) During the 2004/05 fiscal year, four police substations closed.

(2) Museum Fixed Exhibits - In 2007, the Riverside Municipal Museum remodeled a number of the spaces within the museum allowing the museum the opportunity to debut new exhibitions and to display more permanent collections in addition to partnering with others on exhibits that were available that year.



City of Arts & Innovation





ANAHEIM, CALIFORNIA

Year Ended June 30, 2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Anaheim, California



ANAHEIM, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF ANAHEIM
CALIFORNIA

YEAR ENDED JUNE 30, 2012

PREPARED BY DEPARTMENT OF FINANCE

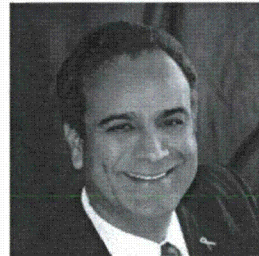


CITY OF ANAHEIM

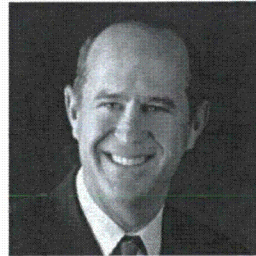
CITY COUNCIL



GAIL EASTMAN
COUNCIL MEMBER



HARRY S. SIDHU, P.E.
MAYOR PRO TEM



TOM TAIT
MAYOR

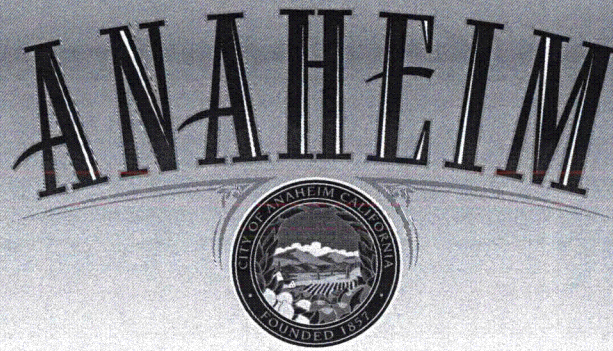


LORRI GALLOWAY
COUNCIL MEMBER



KRIS MURRAY
COUNCIL MEMBER

INTRODUCTORY SECTION



Comprehensive Annual Financial Report

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City of Anaheim, California Finance Department

December 19, 2012

To the Honorable Mayor and City Council
City of Anaheim
Anaheim, California

In accordance with the Charter of the City of Anaheim (City), we are submitting the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial activities have been included.

The City Charter requires an annual audit of the financial statements of the City by an independent certified public accountant. Accordingly, this year's audit was completed by KPMG LLP. In addition to meeting the requirements set forth in the City Charter, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditors' report on the basic financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are presented as a separate document.

Management's discussion and analysis (MD&A) immediately followed the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

ECONOMIC CONDITION AND OUTLOOK

The City is located in northwestern Orange County, about 28 miles southeast of downtown Los Angeles and 90 miles north of San Diego. The City lies on a coastal plain, which is bordered by the Pacific Ocean to the west and the Santa Ana Mountains to the east. The City is the oldest and most populous city in Orange County. Anaheim is home to the Disneyland Resort, the Anaheim Convention Center, and two major league professional sports teams—the Los Angeles Angels of Anaheim American League Baseball team that utilizes the Angel Stadium of Anaheim, and the Anaheim Ducks National Hockey League team that utilizes the Honda Center.

Anaheim and Orange County are home to a wide spectrum of industries—more than 4,600 manufacturing plants are located in the county, most notably defense and aerospace, biomedical, electronics, machinery, and computer product manufacturers. The City has over 17,000 active business licenses, of which 15,000 are businesses operating within the City's boundaries.

As the City continues to attract population growth and economic expansion, its municipal services are constantly being improved to serve residential and business needs. This growth in City service demand presents the City with significant challenges; and if the high level of service is to be maintained, the City will need to continue to explore new methods of obtaining financial resources and more efficient methods to deliver services. The unemployment rate in the Orange County, California area for June 2012 was 7.9%, which is below both the national average (8.2%) and the state average (10.7%).

Tourism related spending provides significant discretionary revenue to the City of Anaheim, and the City closely monitors and projects trends related to this market. Revenue from tourism strengthened in fiscal year 2012, and local economic forecasts expect modest growth to continue in fiscal year 2013. The City's revenue from sales and use taxes began its recovery in fiscal year 2011 and is expected to continue modest growth in fiscal year 2013.

MAJOR INITIATIVES

City management, under the direction of the Mayor and City Council, identifies priorities that will determine the path of the City's future. Initiatives are reevaluated regularly, and new ones added, to ensure that they are consistent with the priorities of our policy body and the community. Through a commitment to position the City of Anaheim to better fulfill its mission of delivering outstanding municipal services that are responsive to our entire community, the City of Anaheim is continuing its

tradition of innovation, ingenuity, and opportunity by focusing on community needs, building neighborhood connections, and governing for results that strengthen communities. The City's dedication to improvement and modernization has created an environment where residents and businesses are free to choose how best to enjoy all that Anaheim has to offer.

COMMUNITY FOCUS: The City of Anaheim is dedicated to ensuring an equitable and sustainable future for all Anaheim residents and businesses by investing in cultural and neighborhood amenities, parks and recreational spaces, and thriving commercial corridors to improve the livability and sustainability of the community. Foremost, the City understands that Anaheim neighborhoods are unique, ranging from the historical to the contemporary, and as such the needs of our neighborhoods vary as well. Because the City takes pride in its neighborhoods and embraces the diversity of our residents, significant resources have been dedicated to restore funding to the Neighborhood Improvement Fund to pre-recession levels. Because general economic conditions continue to improve, the City is expanding library services at the newly built Ponderosa Library; developing parks, trails, and open spaces including construction and renovation of Miraloma Park and Community Center; and is completing all-inclusive neighborhood maintenance projects to improve the drivability, reliability, and aesthetics of Anaheim roads, sidewalks, and streetscapes.

The City is always searching for new and innovative ways to enhance the Anaheim experience for our residents, visitors, and businesses. The Anaheim Regional Transportation Intermodal Center (ARTIC) and the Anaheim Rapid Connection (ARC) projects are further illustration of the City's commitment to developing transportation solutions for the region, while relieving traffic congestion and paving the way for new investment and economic growth in Anaheim. Combined with the efforts of the Anaheim Regulatory Relief Task Force to help foster more economic freedom and less red-tape for Anaheim's business community, the City is situating itself as a business friendly, community-oriented service organization; one that is well positioned to meet the challenges ahead.

NEIGHBORHOOD CONNECTIONS: The City of Anaheim has a rich and storied tradition of strong and involved neighborhoods that actively participate in making our community a better place. Over the years, the City has been a leader in adapting the latest trends in technology and social media to develop connections between the City and its residents. In an effort to build robust networks of neighborhoods, through the City of Anaheim's Hi Neighbor program residents can now connect with one another like never before through Nextdoor, a free and secure neighbor-to-neighbor social networking site. With Nextdoor, Anaheim residents can meet daily to find recommendations on local businesses, share information, ask and answer questions of each other, get updates on City events, and much more in a friendly, safe, active, and fun online environment.

Anaheim Anytime and the City's 311 hotline also provide residents with seamless access to services at any time of day. In our continued commitment to excellence in customer service, we have made accessing Anaheim services instantaneous through the My Anaheim smartphone application. The application can be used to find events in Anaheim or request any City service. Anaheim's efforts at outreach extend beyond event notification or the submission of service requests. In support of the Anaheim Police Department's (APD) problem-solving and community policing philosophy, the City's newly developed crime mapping tool helps Anaheim residents learn about and prevent crime in their neighborhoods. In addition, through the Hi Neighbor program, the City has partnered with the Community and Regional Resilience Institute (CARRI), as one of seven leading communities in the nation to pilot their Community Resilience System (CRS) in an effort to better prepare Anaheim to respond to and recover from disasters. Although the CRS is a critical piece of the City's emergency preparedness program, in the case of an emergency, the City's Anaheim Alert emergency text messaging system will notify residents of fire evacuations, power outages, public safety information, traffic information, road closures and other time sensitive news.

GOVERNING FOR RESULTS: The impacts of "The Great Recession" continue to have an impact on government finances. Although the national economy appears to have turned the corner, the City has taken a balanced approach in response to the ongoing economic climate to ensure that core services are protected while continuing to invest in the community. Providing residents with safe and vibrant neighborhoods is a top priority of the Anaheim City Council, and the City is continuing to manage the economic environment by making prudent adjustments that make it possible to maintain and, in some instances, enhance service levels for maximum community outcomes. To that end, the City has dedicated more resources to deter and abate graffiti in Anaheim in a committed effort to remove all reports of graffiti within 24 hours.

The City is also making considerable investments in public safety even at a time when the state, and the nation itself, are making or contemplating significant service and employee reductions. The Anaheim Police Department is continuing its proactive efforts to intervene on behalf of at-risk youth through the expansion of the Gang Reduction Intervention Program (GRIP). The GRIP program focuses on community engagement and education of faculty, parents, and students on the risks and impacts of gang behavior. Moreover, APD has a host of school and neighborhood based crime prevention programs that result in a Police Department that is actively engaged in the community to not only enforce the law but to prevent criminal activity.

The Anaheim Fire Department (AF&R) is reorganizing into a modern and efficient fire and rescue operation dedicated, above all else, to ensuring the safety and welfare of the public through the services it provides. AF&R is participating in the industry

leading Commission on Fire Accreditation International's (CFAI) accreditation for public safety agencies to ensure that Anaheim residents receive the very best in fire services. Through the accreditation process, AF&R will complete a comprehensive self-assessment and evaluation model that will enable the Department to examine past, current, and future service levels and performance, and compare them to industry best practices. In addition to organizational improvements, AF&R has acquired new vehicles and equipment in order to provide Anaheim firefighters the tools and resources they need to respond to hazards of any scale while providing timely and responsive emergency services to Anaheim neighborhoods.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining internal control designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

This report consists of management's representations concerning the finances of the City. As a result, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management asserts that, to the best of their knowledge and belief, this financial report is complete and reliable in all material respects.

BUDGETARY CONTROLS: The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, special revenue funds, debt service funds, capital projects funds, and all the proprietary funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the departmental level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances generally are re-appropriated as part of the following year's budget.

RELEVANT FINANCIAL POLICIES: Over the years, through sound fiscal management, the City has positioned itself well to weather economic downturns, create a positive atmosphere for economic development, and allow flexibility in addressing budgetary challenges. As of June 30, 2012, the City's General Fund has a spendable, unrestricted fund balance of \$22.6 million, which represents 10% of total expenditures. Traditionally, the policy has been to maintain General Fund reserves at a minimum of 7 to 10% of expenditures.

Further, the City has a long-standing practice of recognizing and reserving for known and anticipated liabilities. The City fully funds its compensated absences and self insurance liabilities. Additionally, the City has established an irrevocable trust for other post-employment benefits (also known as retiree medical) and continues to make the annual required contribution (ARC) to ensure this future obligation is fully funded.

LONG-TERM FINANCIAL PLANNING: On June 19, 2012, the City Council adopted the fiscal year 2013 budget. Additionally, as a companion to approving the budget plan, a five-year Capital Improvement Plan was presented to the City Council. The five-year plan links anticipated expenditures for infrastructure development with community needs and desires, and provides a citywide perspective of recommended projects and proposed funding sources. The Capital Improvement Plan was finalized in June 2012, and totaled \$694.2 million for the five-year fiscal period ending June 30, 2017. The five-year Capital Improvement Plan has been submitted and annually updated, in its present form, since 1982, for effective long-range planning purposes. It is City Management's belief that these two plans give City Council members an expanded opportunity to set policy and provide direction for implementation, resulting in improved management efficiency and improved financial results.

AWARD

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA (GFOA) CERTIFICATE OF ACHIEVEMENT AWARD: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Anaheim, California, for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the 36th consecutive year that the City has achieved this prestigious award (fiscal years ended June 30, 1976 through 2011). In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

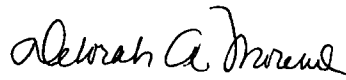
ACKNOWLEDGMENTS

The preparation of this report on a timely basis is a team effort involving many dedicated people across the entire organization. I would like to extend a special thanks to the talented finance professionals throughout the City, led by Peggy Au, Financial Accounting Manager. Appreciation is also expressed to Mayor Tait and former Mayor ProTem Harry Sidhu for their significant contributions as members of the Audit Committee. In closing, without the leadership and support of the City Council, preparation and results of this report would not have been possible. Its leadership has made possible the implementation of these important and innovative concepts in fiscal management by the City.

Respectfully submitted,



Bob Wingenroth
City Manager



Deborah A. Moreno
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Anaheim
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

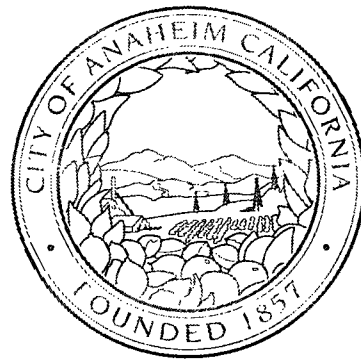
Jeffrey R. Ennis

Executive Director

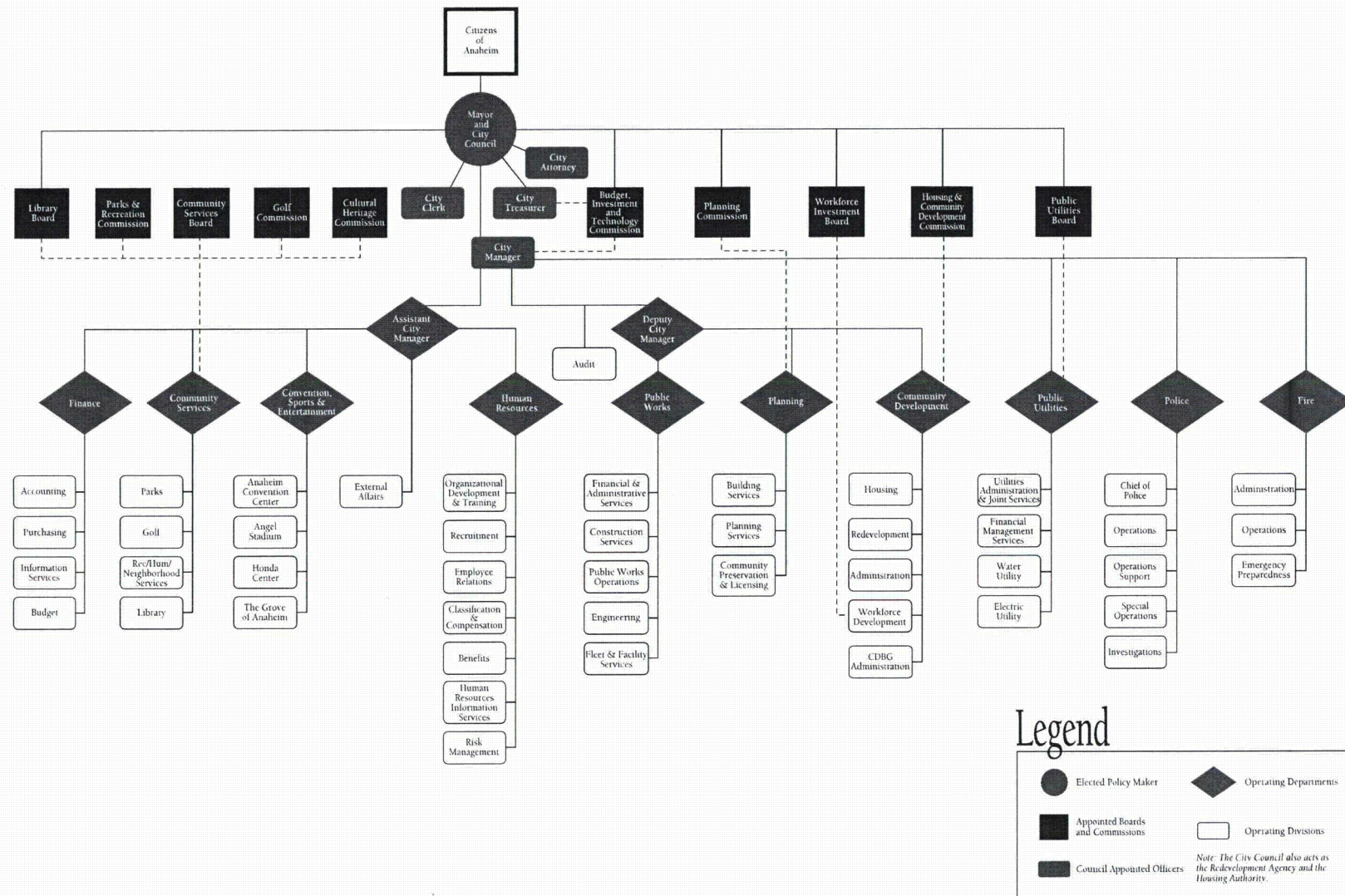
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Anaheim, California for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA.



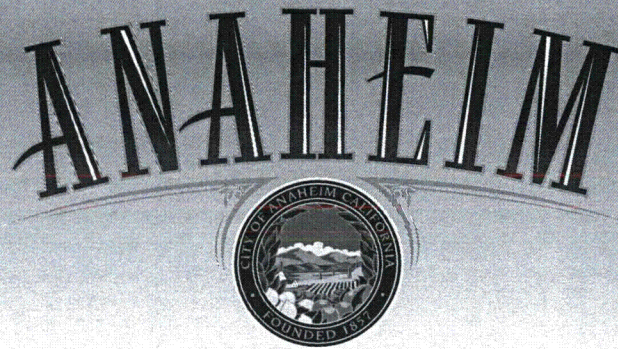
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Administrative Personnel
June 30, 2012

City Manager	Bob Wingenroth
Deputy City Manager	Greg Garcia
Chief of Police	John Welter
City Attorney	Cristina L. Talley
City Clerk	Linda N. Andal
City Treasurer	Henry W. Stern
Community Development Executive Director	John E. Woodhead IV
Community Services Director	Terry D. Lowe
Convention, Sports & Entertainment Executive Director	Thomas Morton
Finance Director	Deborah A. Moreno
Fire Chief	Randy R. Bruegman
Human Resources Director	Kristine Ridge
Planning Director	Sheri Vander Dussen
Public Utilities General Manager	Marcie L. Edwards
Public Works Director	Natalie Meeks

FINANCIAL SECTION





KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Honorable Mayor and City Council
City of Anaheim, California:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Anaheim, California, as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General and Housing Authority Funds for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 3 to the financial statements, effective February 1, 2012, the Redevelopment Agency of the City of Anaheim, California was dissolved and the assets and liabilities of the Redevelopment Agency were transferred to the City as the City Council elected to become the Successor Agency for the former redevelopment agencies.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

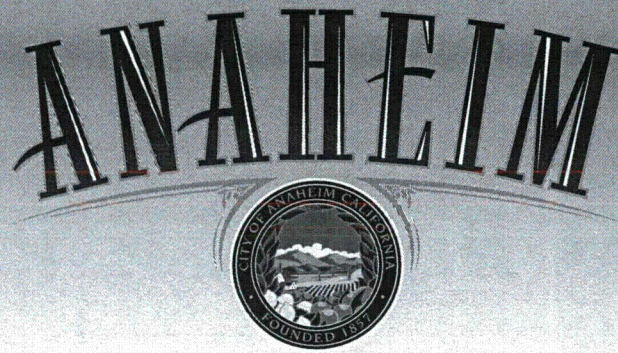
U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 11 through 22 and the required schedules of funding progress on page 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining individual fund statements and schedules, and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. *Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.* The combining individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

December 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS



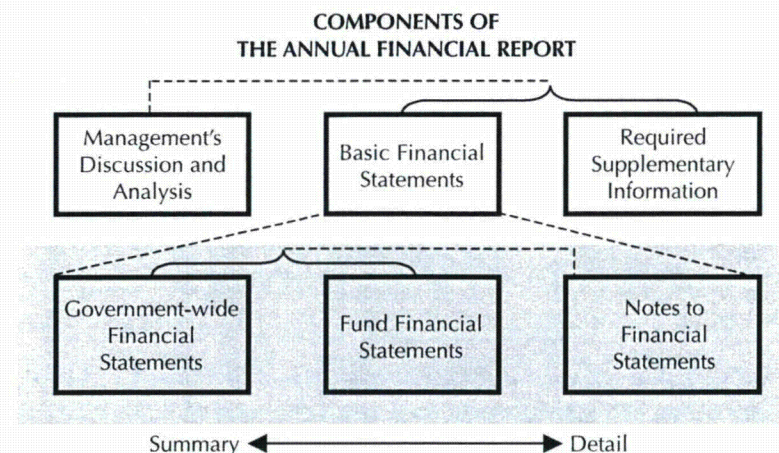
Management's Discussion and Analysis

(Unaudited)

As management of the City of Anaheim (City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City as of and for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and the City's basic financial statements in the financial section of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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



Government-wide financial statements. The government-wide financial statements are comprised of the Statement of Net Assets and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the City's finances utilizing the full accrual method of accounting, in a manner similar to a private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, liabilities, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and accrued but unpaid interest expense).

The Statement of Net Assets presents information on all of the City's assets and liabilities, including capital assets and long-term liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, Police, Fire, Community Development, Planning, Public Works, Community Services, Public Utilities (street lighting), Convention, Sports and Entertainment (Visitor and Convention Bureau and the Honda Center), and interest on related long-term debt. The business-type activities of the City include the electric, water and sanitation utilities, golf courses, and convention, sports and entertainment venues (Anaheim Convention Center, Angel Stadium of Anaheim, and The City National Grove of Anaheim) operations.

The government-wide financial statements include not only the City itself, but also the Anaheim Housing Authority, Anaheim Redevelopment Agency (Redevelopment Agency), Community Center Authority, Anaheim Public Improvement Corporation, and Anaheim Public Financing Authority. Although these entities are legally separate, they function for all practical purposes as a part of the City, and therefore have been

included as blended component units as an integral part of the primary government. It should be noted that only the first seven months of operation are reported for the Redevelopment Agency before its dissolution on January 31, 2012. See note 3 on page 54 of this report for discussion of the dissolution of the Redevelopment Agency.

The government-wide financial statements can be found on pages 23-25 of this report.

Fund financial statements. The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements utilize the modified accrual basis of accounting, which focuses on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 21 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Housing Authority Special Revenue Fund, both of which are considered to be major funds. Data for the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of supplementary combining statements on pages 79-84, 90-91, and 94-95 of this report.

The City adopts an annually appropriated budget for all governmental and proprietary funds. Budgetary comparison statements for the General Fund and the major special revenue fund (Housing Authority) are required to be presented and are included in the basic financial statements on pages 31-32 of this report. Additionally, budgetary schedules for the other governmental funds have been provided to demonstrate compliance with the budget and can be found as part of other supplementary schedules on pages 85-89, 92-93, and 96-98 of this report.

The governmental funds financial statements can be found on pages 27-30 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses its enterprise funds to account for its electric, water and sanitation utilities, golf courses, and convention, sports and entertainment venues operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its general benefits and insurance, motorized equipment, information services, and municipal facilities maintenance functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for all of the enterprise funds, which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary funds financial statements can be found on pages 33-37 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The City maintains three different types of fiduciary funds. The Investment Trust Fund is used to account for the external portion of the City's investment pool; the Private-Purpose Trust Fund is used to account for the assets and liabilities held in trust for the Successor Agency to the former Redevelopment Agency (Successor Agency); the

Agency Fund is used to account for monies collected and disbursed in a custodial capacity for the Mello-Roos districts in the City.

The fiduciary fund financial statements can be found on page 39-41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-75 of this report.

Other supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents combining individual fund statements referred to earlier in connection with nonmajor governmental funds and internal service funds. Also included are the budgetary comparison Schedules of Revenues, Expenditures and Changes in Fund Balances for all nonmajor special revenue funds, all debt service funds, and all capital projects funds. These statements and schedules can be found on pages 79-102 of this report.

FINANCIAL HIGHLIGHTS (Amounts in thousands)

- The City's total assets exceeded its liabilities at the end of the current fiscal year by \$2,000,182. Of this amount, \$128,919 represents unrestricted net assets, which may be used to meet the City's ongoing obligations to citizens and creditors. Net assets of the City's governmental activities represent \$1,040,358 (52%) and the business-type activities account for \$959,824 (48%) of the City's total net assets.
- The City's governmental funds reported an extraordinary loss of \$67,235; in the government-wide Statement of Activities, the City reported an extraordinary gain of \$102,882 as a result of the dissolution of the former Redevelopment Agency, pursuant to the enactment of the California Assembly Bill AB IX 26 that dissolved all redevelopment agencies in the State of California.
- The City's net assets increased as a result of this year's operations. Net Assets of the City's governmental activities increased \$148,432 (17%), mainly due to the dissolution of the Redevelopment Agency, discussed above; business-type activities net assets increased \$3,578 (less than 1%).
- At the close of the current fiscal year, the City's governmental funds reported a combined fund balance of \$202,078, a decrease of \$57,925 in comparison with the prior fiscal year, again, mainly due to the dissolution of the Redevelopment Agency above.
- At the end of the current fiscal year, spendable, the unassigned fund balance for the General Fund was \$22,636 or 10% of total General Fund expenditures.
- The City's total capital assets decreased by \$27,879 (1%). Capital assets in the City's governmental activities decreased by \$42,573 (3%) and business-type activities capital assets increased by \$14,694 (1%) during the current fiscal year.
- The City's total long-term liabilities decreased by \$245,333 (12%) during the current fiscal year; of this amount, long-term liabilities in the City's governmental activities decreased by \$216,372 (23%), mainly due to the dissolution of the Redevelopment Agency, and in business-type activities decreased by \$28,961 (3%).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS
JUNE 30, 2012 AND 2011

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 487,499	\$ 527,558	\$ 616,607	\$ 636,071	\$1,104,106	\$1,163,629
Capital assets, net	1,315,507	1,358,080	1,543,673	1,528,979	2,859,180	2,887,059
Total assets	1,803,006	1,885,638	2,160,280	2,165,050	3,963,286	4,050,688
Other liabilities	52,773	67,465	124,868	104,255	177,641	171,720
Long-term liabilities	709,875	926,247	1,075,588	1,104,549	1,785,463	2,030,796
Total liabilities	762,648	993,712	1,200,456	1,208,804	1,963,104	2,202,516
Net assets:						
Invested in capital assets, net of related debt	832,730	834,337	786,430	786,175	1,619,160	1,620,512
Restricted	190,868	182,011	61,235	54,626	252,103	236,637
Unrestricted (deficit)	16,760	(124,422)	112,159	115,445	128,919	(8,977)
Total net assets	\$1,040,358	\$ 891,926	\$ 959,824	\$ 956,246	\$2,000,182	\$1,848,172

By far the largest portion of the City's net assets \$1,619,160 (81%) reflects its investment in capital assets (e.g. land, buildings, utility plant, machinery, equipment, and infrastructure), net of any related outstanding debt that was used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

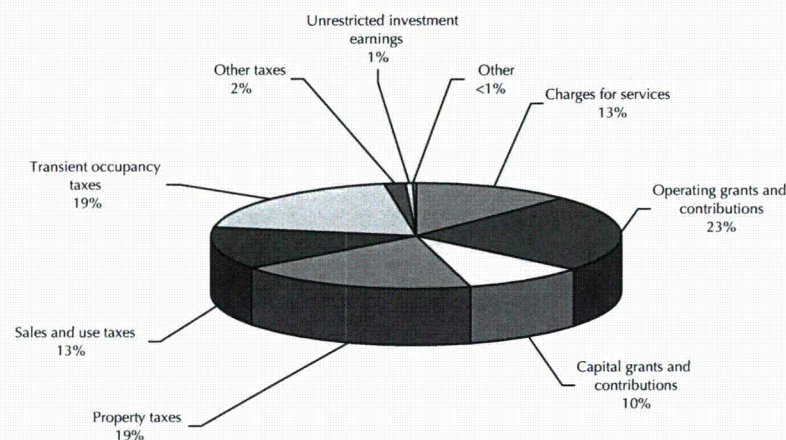
An additional portion of the City's net assets \$252,103 (13%) represents resources that are subject to external restrictions on how they may be used. The increase in restricted net assets of \$15,466 is primarily due to the dissolution of the former Redevelopment Agency.

The remaining balance of \$128,919 (6%) is unrestricted net assets and may be used to meet the City's ongoing obligations to citizens and creditors. The City's total unrestricted net assets increased by \$137,896, of which governmental activities increased by \$141,182 and business-type activities decreased by \$3,286. The increase of unrestricted net assets in governmental activities is mainly due to the dissolution of the Redevelopment Agency, whereby the assets and liabilities of the former Redevelopment Agencies were removed from the primary government and are now reported in the City's fiduciary funds. At the close of the prior fiscal year, the Redevelopment Agency reported an ending unrestricted net deficit of \$144,283.

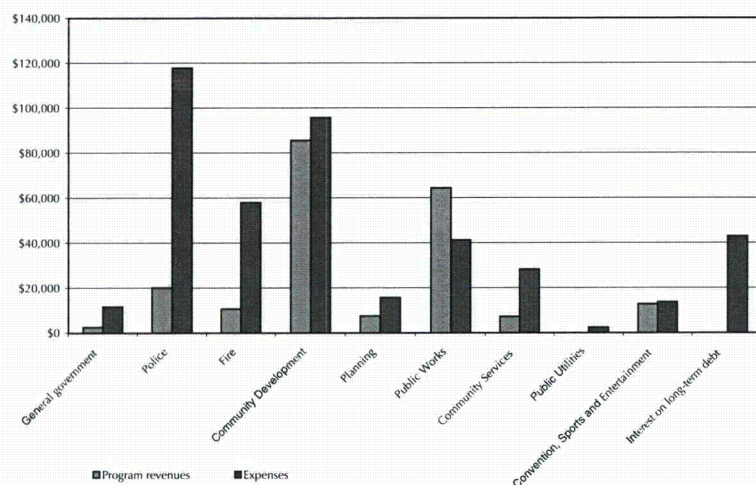
CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2012 AND 2011

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues:						
Charges for services	\$ 57,962	\$ 54,448	\$546,500	\$526,145	\$ 604,462	\$ 580,593
Operating grants and contributions	108,620	124,358	1,101	746	109,721	125,104
Capital grants and contributions	44,184	70,080	8,954	12,667	53,138	82,747
General revenues:						
Taxes:						
Property taxes	87,574	106,093			87,574	106,093
Sales and use taxes	59,654	54,711			59,654	54,711
Transient occupancy taxes	90,376	82,605			90,376	82,605
Motor vehicle license fees		1,783				1,783
Other taxes	7,272	7,288			7,272	7,288
Unrestricted investment earnings	3,598	3,667	10,216	9,617	13,814	13,284
Other	873	614			873	614
Total revenues	<u>460,113</u>	<u>505,647</u>	<u>566,771</u>	<u>549,175</u>	<u>1,026,884</u>	<u>1,054,822</u>
EXPENSES						
Program activities:						
Governmental activities:						
General government	11,617	10,911			11,617	10,911
Police	117,840	119,504			117,840	119,504
Fire	58,027	56,393			58,027	56,393
Community Development	95,683	105,937			95,683	105,937
Planning	15,648	15,627			15,648	15,627
Public Works	41,228	44,109			41,228	44,109
Community Services	28,282	30,958			28,282	30,958
Public Utilities	2,315	2,218			2,315	2,218
Convention, Sports and Entertainment	13,584	13,633			13,584	13,633
Interest on long-term debt	42,910	48,014			42,910	48,014
Business-type activities:						
Electric Utility			386,698	371,689	386,698	371,689
Water Utility			58,369	56,249	58,369	56,249
Sanitation Utility			55,957	49,864	55,957	49,864
Golf Courses			4,114	4,256	4,114	4,256
Convention, Sports and Entertainment Venues			45,484	44,707	45,484	44,707
Total expenses	<u>427,134</u>	<u>447,304</u>	<u>550,622</u>	<u>526,765</u>	<u>977,756</u>	<u>974,069</u>
Excess before transfers and extraordinary gain	32,979	58,343	16,149	22,410	49,128	80,753
Transfers in (out)	12,571	8,537	(12,571)	(8,537)		
Extraordinary gain	102,882				102,882	
Increase in net assets	148,432	66,880	3,578	13,873	152,010	80,753
Net assets at beginning of year	891,926	825,046	956,246	942,373	1,848,172	1,767,419
Net assets at end of year	<u>\$ 1,040,358</u>	<u>\$891,926</u>	<u>\$959,824</u>	<u>\$956,246</u>	<u>\$2,000,182</u>	<u>\$1,848,172</u>

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



Governmental activities. The most significant revenues of the governmental activities are general taxes (54%), which include transient occupancy taxes (20%), property taxes (19%), sales and use taxes (13%), and other taxes (2%). Program revenues are 45% of the total revenues of the governmental activities, which include operating grants and contributions (23%), charges for services (12%), and capital grants and contributions (10%).

Public safety (Police and Fire) expenses are the most significant (41%) of all governmental activities expenses, followed by Community Development (22%), interest on long-term debt (10%), Public Works (10%), Community Services (7%) and various other programs (10%). Included in these amounts is depreciation expense, which is 7% of the total expenses for governmental activities.

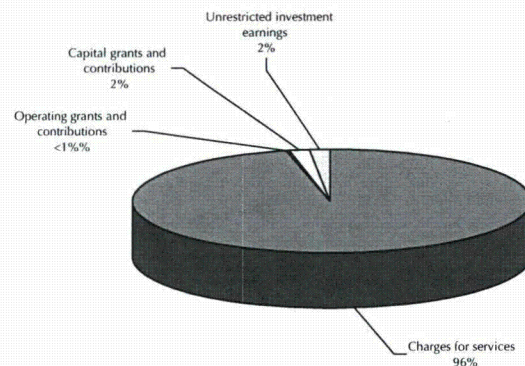
Governmental activities revenues decreased \$45,534 (9%) in the current fiscal year due to the following:

- Taxes decreased \$7,604 (3%) of which motor vehicle license fees (VLF) decreased by \$1,783 (100%) as part of the State of California fiscal year 2012 budget, and property tax decreased by \$18,519 as a result of the dissolution of the Redevelopment Agency; property tax increment was allocated to the former Redevelopment Agency up to the January 31, 2012 dissolution. These decreases were partially offset by increased transient occupancy tax (TOT) and sales and use tax. TOT increased \$7,771 (9%) due to an improvement in the leisure and hospitality sector. Sales and use tax increased \$4,943 (9%) as a result of higher gas prices, increased new car sales and general improvement across most business sectors.
- Charges for services increased \$3,514 (6%) primarily due to a full year of special assessments generated from the new Anaheim Tourism Improvement District (ATID). The ATID was established in November of the previous fiscal year.
- Operating grants decreased by \$15,738 (13%) mainly due to a \$2,712 decrease in Urban Area Security Initiative (UASI) grant reimbursements due to the nature and timing of projects; \$7,844 primarily due to one-time homebuyer grants in the previous fiscal year; and \$3,829 decrease in U.S. Department of Housing and Urban Development (HUD) Section 8 Housing Choice Voucher (Section 8) rental assistance.
- Capital grants and contributions decreased by \$25,896 (37%) primarily due the one-time developer contributions of \$41,007 for the Platinum Triangle infrastructure developments in fiscal year 2011 and partially offset by an increase of \$10,142 in grant reimbursements for the Anaheim Regional Transportation Intermodal Center (ARTIC) as the project progressed to the construction phase, and a one-time capital contribution of \$2,500 for the Canyon Business District from the Solid Waste Franchisee.

Governmental activities net transfers in increased \$4,034 (47%) primarily due to one-time transfers out of capital assets funded by grants and development fees in the amount of \$8,414 from the governmental activities to the business-type activities in the prior fiscal year offset by increase in transfer out of \$4,298 to the Convention, Sports and Entertainment Venues for debt services. Additional information regarding transfers can be found in note 4 of the notes to the financial statements on page 55-56 of this report.

Governmental activities reported an extraordinary gain of \$102,882 as a result of the dissolution of the Redevelopment Agency. This amount represented assets and liabilities transferred out to the Successor Agency. Assets of the transfer included cash, accounts receivables and other prepaid assets, unamortized cost of debt issuance, notes receivable, land held for resale, and capital assets. Liabilities of the transfer included accounts payable and other current liabilities, interest payable, and long-term debt. Additional information regarding the dissolution of the Redevelopment Agency can be found in note 3 of the notes to the financial statements on page 54 of this report.

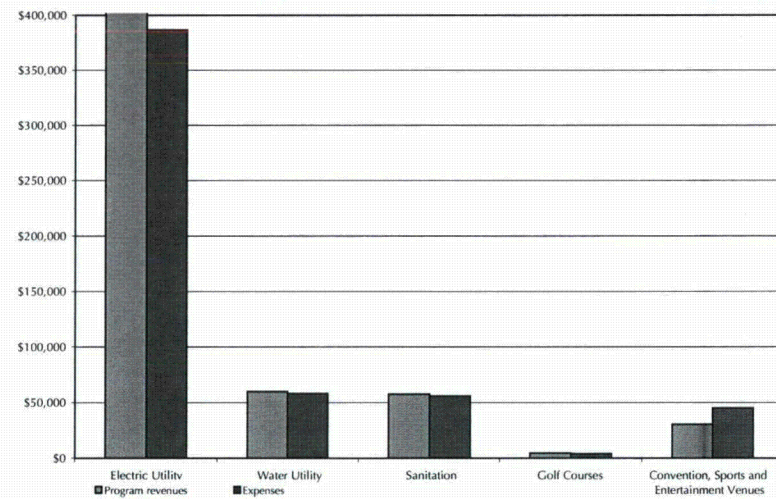
**REVENUES BY SOURCE -
BUSINESS-TYPE ACTIVITIES**



Governmental activities expenses decreased \$20,170 (5%) in the current fiscal year. The decreases in expenses were primarily due to decreases from Community Development of \$10,254 (10%), Community Services of \$2,676 (9%), Public Works of \$2,881 (7%) and interest on long-term debt of \$5,104 (11%).

- The decrease in Community Development was mainly due to decreases in expenses of \$12,248 due to dissolution of the Redevelopment Agency and partially offset by the increase in Section 8 Housing Choice Voucher rental assistance of \$2,491 resulting in an increase of 131 families assisted per month.
- The decreases in Community Services and Public Works expenses were primarily due to managed savings due to resource constraints from the continued effects of the economic downturn.
- The decrease in interest on long-term debt is mainly due to the dissolution of the Redevelopment Agency. Accrued interest expense of \$6,572 was reported in the City's fiduciary fund.

**EXPENSES AND PROGRAM REVENUES -
BUSINESS-TYPE ACTIVITIES**



Business-type activities. Business-type activities increased the City's net assets by \$3,578. Key elements of this change are as follows:

Charges for services of \$546,500 increased \$20,355 (4%). The increase in charges for services was primarily due to an increase from the Electric Utility of \$16,435 (4%), Water Utility of \$2,150 (4%) and \$1,408 (5%) from Convention, Sports and Entertainment Venues.

- The increase in the Electric Utility charges for services is partly due to increased retail sales revenue of \$13,399 (5%). In response to sustained increased power costs, the City Council approved an increase in the electric billing base rates by 5% effective on December 11, 2011. Additionally, transmission revenues increased \$9,333 (38%) mainly due to the increased statewide transmission demand and rates set by the California Independent System Operator (CAISO). The increase in the Electric Utility charges for services is partially offset by decreases of \$6,329 (69.6%) in surplus natural gas sales mainly due to less natural gas available for resale in the spot market when more purchased gas was used for Magnolia, Canyon and Kraemer Combustion Turbine plants in this fiscal year.
- The increase in Water Utility charges for services is mainly due to an increase of \$2,170 (4%) in revenues from the sale of water. Effective on July 1, 2011 the Water System Reliability Adjustment (WSRA) charge increased by 7.5 cents to a total of 22.5 cents per cubic foot. The WSRA is charged to customers in order to recover projected capital costs, including rehabilitation and construction of water and reclaimed water system infrastructure, as well as the related debt service payments. In addition, the Water Utility experienced a small increase (0.7%) in customer demand, from 59,923 to 60,371 acre feet.
- The increase in Convention, Sports and Entertainment Venues charges for services is primarily due to an increase in facility rental revenues of \$843 (4%) as a result of an increase in the total numbers of public events from 56 to 79 during fiscal year 2012

Transfers out of \$12,571 increased by \$4,034 (47%) as discussed in the government-wide financial analysis of governmental activities.

Total expenses of \$550,622 increased \$23,857 (5%). The increase is primarily due to increases of \$15,009 (4%) in the Electric Utility and \$6,093 (12%) in the Sanitation Utility.

- The increase in the Electric Utility expenses is partly attributable to the increase in purchased power costs of \$6,103 (3%). The increase in purchased power costs is primarily due to the new Canyon power costs of \$14,494; this increase was partially offset by a decrease in natural gas costs of \$7,755 when more purchased gas was used for the Magnolia and Combustion Turbine plants in the current fiscal year. Maintenance, operations and administration expense increased by \$4,198 (10%) mainly due to \$6,073 less overhead from maintenance, operations and administration that were allocable to capital assets as less capital construction was performed during the fiscal year; this increase offset a \$1,935 decrease in maintenance expense due to certain delayed maintenance projects. Interest expense increased by \$2,820 due to the full year of interest expense recognition for the 2011 Electric Revenue Bonds issued in May 2011.
- The increase in Sanitation Utility expenses is primarily due to \$4,284 loss on disposal of capital assets. In June 2012, the Sanitation Utility transferred ownership of 24 City-owned automated trash collection vehicles to Republic Services, the City's solid waste collection franchisee, for one dollar in accordance with the Franchise Agreement.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$202,078, a decrease of \$57,925 in comparison with the prior fiscal year. The decrease was primarily due to the transfer of the former Redevelopment Agency residual fund balance of \$67,235 to the Successor Agency. Of the total fund balance of \$202,078, restricted fund balance totaled \$189,850 and indicates the use of resources are constrained by external parties, resource providers, constitutions or enabling legislations. Fund balance of \$120,942 was restricted for capital projects, \$53,398 was restricted for debt service, and \$15,510 was restricted for various grant programs. Assigned fund balance totaled \$18,957, of which \$12 was assigned to debt service, \$18,165 was assigned to capital and housing projects, and \$780 was assigned for other purposes. Nonspendable fund balance of \$3,083 represents financial resources that are not anticipated to be liquidated in the near-term. The remaining fund balance deficit of \$9,812 is unassigned and includes the unassigned fund balance of the General Fund of \$22,636 and the unassigned fund

balance deficit of the nonmajor governmental funds of \$32,448. The unassigned fund balance deficit of the nonmajor governmental funds will be eliminated in future years by the receipt of various grant revenues.

General Fund revenues were \$7,403 (3%) greater than the prior fiscal year primarily due to an increase in taxes of \$11,102 (5%). Due to an improvement in the overall economy, transient occupancy taxes (TOT) increased \$7,771 (9%) and sales and use taxes increased \$3,555 (6%). The increases were partially offset by a decrease of \$2,386 (46%) in intergovernmental revenues, primarily due to the elimination of the motor vehicle license fee revenue (\$1,783) allocation by the State of California. General Fund expenditures decreased \$8,285 (4%) due to overall managed savings and the elimination of General Fund commitment for Convention Center marketing and promotion costs (\$5,046) that are now funded by the special assessments in the Anaheim Transportation Improvement District (ATID) Fund.

The Housing Authority Fund revenues decreased by \$2,953 (4%) primarily due to a decrease of \$3,829 in HUD funding for Section 8 rental assistance, partially offset by an increase in land sales of \$854. Housing Authority expenditures increased by \$4,079 (6%), primarily due to increased HUD Section 8 rental assistance of \$2,491, utilizing carryover funding in order to maximize assistance to qualifying families which resulted in an average of 131 more families being assisted each month. Also, housing development and administration costs increased by \$1,338 due to the Housing Authority assuming the housing functions after the dissolution of the Redevelopment Agency in January 2012.

The Nonmajor governmental funds reported an extraordinary loss of \$67,235 as a result of the dissolution of the Redevelopment Agency. This amount represented the current financial resources (\$73,924) and obligations (\$6,689) that were included in the extraordinary gain explanation in the governmental activities.

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

The Electric Utility fund net assets increased \$4,411 (1%) in the current fiscal year. The most significant factors of the change in fund net assets are discussed in the government-wide financial analysis of business-type activities.

The Water Utility fund net assets decreased \$292 (less than 1%) in the current fiscal year. There were no significant or unusual changes.

The Sanitation fund net assets increased \$155 (less than 1%) in the current fiscal year. The most significant factors of the change in fund net assets are discussed in the government-wide financial analysis of business-type activities.

The Golf Courses fund net assets increased \$106 (2%) in the current fiscal year. There were no significant or unusual changes.

The Convention, Sports and Entertainment Venues fund net assets increased \$293 (less than 1%) in the current fiscal year. The most significant factors of the change in fund net assets are discussed in the government-wide financial analysis of business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the original budget was amended to increase appropriations by \$2,189 (less than 1%). The increase in appropriations was primarily the result of the carryover of prior year appropriations amounting to \$269 and the reallocation of appropriations from other funds of \$1,920. These amendments were to be funded from savings in other programs of the General Fund during the year.

General Fund revenues of \$253,218 were greater than budgeted revenues of \$244,850 by \$8,368 (3%), primarily due to stronger than anticipated performance of sales and use taxes and transient occupancy taxes.

General Fund expenditures were less than budgeted. Of the total appropriations of \$229,776, approximately 1%, or \$2,796, went unspent. Expenditure reductions were managed to reduce the reliance on reserves, while working toward a structurally balanced budget where ongoing revenues are sufficient to cover ongoing expenditures. There were no unusual variances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS
(net of accumulated depreciation)
JUNE 30, 2012 AND 2011

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 606,611	\$ 616,994	\$ 58,410	\$ 58,369	\$ 665,021	\$ 675,363
Construction in Progress	89,486	80,054	80,795	58,560	170,281	138,614
Buildings, structures and improvements	163,024	203,740	386,547	385,574	549,571	589,314
Utility plant			1,008,373	1,013,805	1,008,373	1,013,805
Machinery and equipment	29,647	33,087	9,548	12,671	39,195	45,758
Infrastructure	426,739	424,205			426,739	424,205
Total	<u>\$1,315,507</u>	<u>\$1,358,080</u>	<u>\$1,543,673</u>	<u>\$1,528,979</u>	<u>\$2,859,180</u>	<u>\$2,887,059</u>

Capital assets. The City's investment in capital assets for its governmental and business-type activities at June 30, 2012 amounted to \$2,859,180 (net of accumulated depreciation). This investment in capital assets included land, construction in progress, buildings, structures and improvements, utility plant, machinery and equipment, and infrastructure. The total decrease over the prior fiscal year was 1% (\$27,879), of which governmental activities decreased 3% (\$42,573) and business-type activities increased 1% (\$14,694).

The decrease of capital assets in governmental activities is primarily due to the dissolution of the Redevelopment Agency. Capital assets, net of accumulated depreciation in the amount of \$72,560, were transferred out to the Successor Agency. Partially offsetting this decrease are capital asset additions of \$63,626. Major capital asset projects during the current fiscal year include the following:

- Additions of \$52,645 for construction work in progress which include construction of the Colony Park Street improvement, the Anaheim Regional Transportation Intermodal Center (ARTIC), the Anaheim Fixed Guideway project, Gene Autry Way, Brookhurst Street, Anaheim Canyon Station pedestrian connections and various other public infrastructure construction.
- Land and right-of-way acquisitions for street-widening and other capital projects totaling \$4,372.
- Acquisitions of various vehicles and equipment totaling \$3,890.
- Completion of \$29,388 of construction work in progress that includes the Anaheim Coves recreation area at Burris Basin (\$6,889), Founders Park (\$2,036), streets (\$13,527), traffic signals (1,395), and storm drains (\$2,976).

The increase in business-type activities is primarily due to increases in the following:

- The Electric Utility increase of \$3,735 (less than 1%) is mainly due to additions of \$41,098 construction work in progress which include the expansion or improvement of existing substations, transmission and distribution systems, and the replacement of aging overhead electrical lines with underground facilities and upgrading equipment for the San Juan and Combustion Turbine plants offset by the current year additions to accumulated depreciation of \$38,995.
- The Water Utility increase of \$11,100 (4%) is primarily due to additions of \$18,894 construction work in progress for ongoing expansion and refurbishment of water transmission and distribution infrastructure, pumping plant and source of water supply offset by the current year additions to accumulated depreciation of \$9,739.
- The Sanitation Utility increase of \$4,020 (5%) includes replacement of street sweeping vehicles (\$3,038) and sanitary sewer improvements (\$7,893), partially offset by the transfer of title to collection vehicles of \$4,284, as previously discussed, and current year additions to accumulated depreciation of \$2,627.
- Convention, Sports and Entertainment decrease of \$3,621 (1%) primarily includes capital asset additions of \$9,425 for the construction of the Grand Plaza and various capital projects offset by current year additions to accumulated depreciation of \$12,840.
- Additionally, the business-type activities completed \$51,663 of construction work in progress which include improvements to the electric and water utility facilities, sanitary improvements and the Convention Center transit plaza.

Additional information on the City's capital assets can be found in note 6 of the notes to the financial statements, on pages 57-58 of this report.

LONG-TERM LIABILITIES
JUNE 30, 2012 AND 2011

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 3,185	\$ 3,735			\$ 3,185	\$ 3,735
Revenue bonds	610,669	609,683	\$ 882,155	\$ 908,683	1,492,824	1,518,366
Tax allocation bonds		208,169				208,169
Certificates of participation	11,085	12,070	38,000	38,000	49,085	50,070
Capital lease obligations	1,694	2,341			1,694	2,341
Notes and loans payable	25,546	34,566	24,488	30,519	50,034	65,085
Self-insurance	39,343	35,405			39,343	35,405
Compensated absences	18,353	19,558			18,353	19,558
Pollution remediation obligation		720				720
Decommissioning provision						
			130,945	127,347	130,945	123,347
Total	\$709,875	\$926,247	\$1,075,588	\$ 1,104,549	\$1,785,463	\$2,030,796

Long-term liabilities. The City's outstanding long-term liabilities, including bonds, certificates of participation, capital leases, notes and loans payable, self-insurance, compensated absences, and the provision for decommissioning costs totaled \$1,785,463 at June 30, 2012. Of this total, \$709,875 (40%) was in governmental activities and \$1,075,588 (60%) was in business-type activities. The City's outstanding long-term liabilities decreased \$245,333 (12%) in fiscal year 2012. The decrease is primarily due to the transfer of \$217,983 in long-term liabilities of the former Redevelopment Agency to the Successor Agency. There were no significant or unusual changes during the year.

Additional information on the City's long-term liabilities can be found in notes 7 and 8 of the notes to the financial statements, on pages 58-67 and 65 of this report.

ECONOMIC FACTORS

- There remains a focus on public pensions and their sustainability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. One of the most significant factors used in determining the liability and the funding requirements is the rate of return that investments will yield prior to making payments, known as the discount rate. The City's pension plans currently utilize a discount rate of 7.75%, which was reduced to 7.50% to establish rates beginning July 1, 2013, in determining the pension liability and funding requirements. If it is determined in the future that an even lesser rate of return is more appropriate, there will be a significant increase in the liability and the contributions required to meet those obligations. The Governmental Accounting Standards Board also has issued new standards related to the

accounting and reporting for pensions that are required to be implemented for the fiscal year beginning July 1, 2014. The City is currently evaluating the potential impacts to the financial statements from implementation of these new standards. Additional information about the City's retirement plans can be found in note 10 of the notes to the financial statements on pages 67 and 68 of this report, as well as multi-year trend information as part of the required supplementary information on page 77.

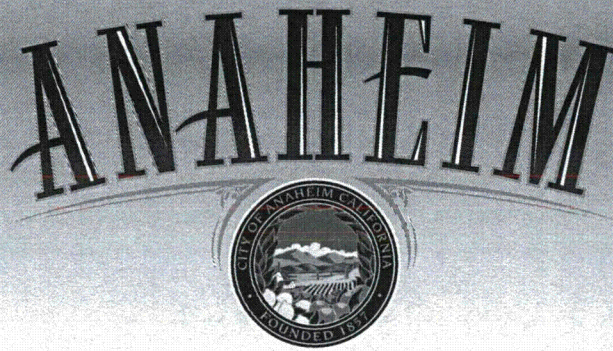
- Recently, the State of California enacted pension legislation that will go into effect in January 2013 and apply mainly to new public employees. Some of the major changes include mandatory cost sharing by employees, reducing the overall benefit level (e.g. percentage of pay), increasing the retirement age, and placing a cap on the salary used to determine retirement benefits. The impacts to the City for these changes for future employees has yet to be determined.
- For the 2013 fiscal year, the City appropriated \$247,147 in estimated available resources of \$269,079 for General Fund spending. This leaves approximately \$21,932 in estimated available reserves, which is 9% of General Fund appropriations. The City's long-standing policy is to maintain General Fund reserves of at least 7% to 10% of annual appropriations.
- The City annually reviews all of its fees as part of the budget adoption process. Development, construction, and other fees applicable to residents and developers doing business with the City are adjusted in June of each year, generally by the average of the Consumer Price Index (CPI). Although CPI for 12 months was 2.1 in January 2012, in light of the current economic environment, most fees were not increased.

- California Senate Bill 1X 2 signed into law in April 2011 mandated that all California utilities are required to reach 20% renewable power in their power portfolios by 2013, and 33% by 2020. The higher renewable power costs will raise future power supply costs in fiscal year 2013.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, City of Anaheim, 200 South Anaheim Boulevard, Suite 643, Anaheim, California, 92805.

BASIC FINANCIAL STATEMENTS



Statement of Net Assets

June 30, 2012 (In thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 70,687	\$ 52,703	\$ 123,390
Investments	113,068	69,290	182,358
Accounts receivable, net	18,388	57,715	76,103
Accrued interest receivable	660	1,920	2,580
Internal balances, net	16,244	(16,244)	
Due from other governments	55,274		55,274
Notes receivable, net	68,845		68,845
Inventories	978	8,875	9,853
Land held for resale, net	23,684		23,684
Prepaid and other assets	6,352	57,493	63,845
Restricted cash and cash equivalents	45,959	115,990	161,949
Restricted investments	31,607	252,410	284,017
Unamortized debt issuance costs	3,008	7,799	10,807
Bond payment receivable		8,555	8,555
Pipeline receivable		101	101
Net other post-employment benefits (OPEB) asset	9,765		9,765
Due from the Successor Agency	22,980		22,980
Capital assets, net:			
Nondepreciable	696,097	139,205	835,302
Depreciable	619,410	1,404,468	2,023,878
Total assets	<u>1,803,006</u>	<u>2,160,280</u>	<u>3,963,286</u>
LIABILITIES			
Accounts payable	27,787	39,060	66,847
Wages payable	6,071	1,086	7,157
Due to other governments	872		872
Interest payable	6,861	11,581	18,442
Arbitrage rebate liability		211	211
Deposits	5,150	7,215	12,365
Due to the Successor Agency	1,551		1,551
Regulatory credits		65,402	65,402
Unearned revenues	4,481	313	4,794
Long-term liabilities:			
Due within one year	41,275	34,043	75,318
Due in more than one year	668,600	1,041,545	1,710,145
Total liabilities	<u>762,648</u>	<u>1,200,456</u>	<u>1,963,104</u>
NET ASSETS			
Invested in capital assets, net of related debt	832,730	786,430	1,619,160
Restricted for:			
Debt service	14	17,248	17,262
Capital projects	64,677	36,736	101,413
Community development	83,702		83,702
Streets, roads and transportation improvement projects	30,089		30,089
Grant purposes	12,386	7,251	19,637
Unrestricted	16,760	112,159	128,919
Total net assets	<u>\$1,040,358</u>	<u>\$ 959,824</u>	<u>\$2,000,182</u>

The accompanying notes are an integral part of these financial statements.



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Statement of Activities

Year Ended June 30, 2012 (In thousands)

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
General government	\$ 23,187	\$(11,570)	\$ 1,872	\$ 655		\$ (9,090)		\$ (9,090)
Police	114,322	3,518	10,122	9,905		(97,813)		(97,813)
Fire	57,818	209	9,431	1,182		(47,414)		(47,414)
Community Development	95,229	454	7,281	78,319		(10,083)		(10,083)
Planning	14,688	960	5,327	2,213		(8,108)		(8,108)
Public Works	40,979	249	11,401	14,843	\$38,198	23,214		23,214
Community Services	27,710	572	3,386	1,503	2,353	(21,040)		(21,040)
Public Utilities	2,315					(2,315)		(2,315)
Convention, Sports and Entertainment	13,394	190	9,142		3,633	(809)		(809)
Interest on long-term debt	42,910					(42,910)		(42,910)
Total governmental activities	<u>432,552</u>	<u>(5,418)</u>	<u>57,962</u>	<u>108,620</u>	<u>44,184</u>	<u>(216,368)</u>		<u>(216,368)</u>
Business-type activities:								
Electric Utility	383,642	3,056	397,931		5,518		\$ 16,751	16,751
Water Utility	57,404	965	57,748	463	1,799		1,641	1,641
Sanitation Utility	55,595	362	56,630	91	1,022		1,786	1,786
Golf Courses	3,979	135	4,802				688	688
Convention, Sports and Entertainment Venues	44,584	900	29,389	547	615		(14,933)	(14,933)
Total business-type activities	<u>545,204</u>	<u>5,418</u>	<u>546,500</u>	<u>1,101</u>	<u>8,954</u>		<u>5,933</u>	<u>5,933</u>
Total government	<u>\$977,756</u>	<u>\$</u>	<u>\$604,462</u>	<u>\$109,721</u>	<u>\$53,138</u>	<u>(216,368)</u>	<u>5,933</u>	<u>(210,435)</u>
General revenues:								
Taxes:								
Property taxes						87,574		87,574
Sales and use taxes						59,654		59,654
Transient occupancy taxes						90,376		90,376
Other taxes						7,272		7,272
Unrestricted investment earnings						3,598	10,216	13,814
Other						873		873
Transfers						12,571	(12,571)	
Extraordinary gain						<u>102,882</u>		<u>102,882</u>
Total general revenues, transfers and extraordinary gain						<u>364,800</u>	<u>(2,355)</u>	<u>362,445</u>
Change in net assets						<u>148,432</u>	<u>3,578</u>	<u>152,010</u>
Net assets at beginning of year						<u>891,926</u>	<u>956,246</u>	<u>1,848,172</u>
Net assets at end of year						<u>\$1,040,358</u>	<u>\$959,824</u>	<u>\$2,000,182</u>

The accompanying notes are an integral part of these financial statements.



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Balance Sheet
Governmental Funds
June 30, 2012 (In thousands)

	<u>General</u>	<u>Housing Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 7,033	\$ 6,149	\$ 24,193	\$ 37,375
Investments	11,250	9,836	38,699	59,785
Accounts receivable, net	11,383	26	1,414	12,823
Accrued interest receivable	54	68	227	349
Notes receivable, net		44,788	24,001	68,789
Due from other funds	4,129		10,796	14,925
Due from other governments	15,063	48	40,163	55,274
Inventories	253			253
Land held for resale, net		23,684		23,684
Prepaid and other assets	176	13	6,105	6,294
Restricted cash and cash equivalents		2,783	43,176	45,959
Restricted investments			31,607	31,607
Due from the Successor Agency		8,176	14,804	22,980
Total assets	<u>\$49,341</u>	<u>\$ 95,571</u>	<u>\$235,185</u>	<u>\$380,097</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,974	\$ 523	\$ 13,434	\$ 19,931
Wages payable	2,462	66	217	2,745
Deposits	3,849	211	1,090	5,150
Due to the Successor Agency			1,551	1,551
Due to other funds	65		11,724	11,789
Due to other governments	817	55		872
Deferred revenues	9,154	53,544	73,283	135,981
Total liabilities	<u>22,321</u>	<u>54,399</u>	<u>101,299</u>	<u>178,019</u>
Fund balances:				
Nonspendable:				
Interfund receivable	2,653			2,653
Inventory	253			253
Prepaid and other assets	176		1	177
Restricted:				
Anaheim Resort maintenance and improvement			7,588	7,588
Capital projects			2,902	2,902
Debt service			53,398	53,398
Development impact projects			61,399	61,399
Grant purposes	982		4,555	5,537
Homebuyer assistance programs		38	6,037	6,075
Low and moderate income housing		25,999		25,999
Rental assistance		3,898		3,898
Streets, roads and transportation improvement projects			23,054	23,054
Assigned:				
Debt service			12	12
Capital projects			7,388	7,388
Housing projects		10,777		10,777
Other purposes	320	460		780
Unassigned	<u>22,636</u>		<u>(32,448)</u>	<u>(9,812)</u>
Total fund balances	<u>27,020</u>	<u>41,172</u>	<u>133,886</u>	<u>202,078</u>
Total liabilities and fund balances	<u>\$49,341</u>	<u>\$ 95,571</u>	<u>\$235,185</u>	<u>\$380,097</u>

The accompanying notes are an integral part of these financial statements.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets **June 30, 2012** (In thousands)

Total fund balances - governmental funds		\$ 202,078
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in the operation of governmental funds are not current financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	\$ 606,611	
Construction in progress	89,486	
Buildings, structures and improvements	262,617	
Machinery and equipment	48,073	
Infrastructure	761,001	
Accumulated depreciation	<u>(470,392)</u>	
Total capital assets, net		1,297,396
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		132,999
Unamortized debt issuance costs are not current financial resources and, therefore, are not reported in the funds.		3,008
Internal service funds are used by management to charge the costs of certain activities, such as insurance, employee benefits, and fleet services, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		62,472
Compensated absences, not otherwise included in the internal service funds, are not due and payable in the current period and, therefore, are not reported in the funds.		(249)
Long-term liabilities of governmental funds, including bonds, certificates of participation, notes and loans payable (\$650,485), and accrued interest payable (\$6,861), are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(657,346)</u>
Net assets of governmental activities		<u><u>\$1,040,358</u></u>

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2012 (In thousands)

	<u>General</u>	<u>Housing Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 58,220		\$ 29,354	\$ 87,574
Sales and use taxes	58,589			58,589
Transient occupancy taxes	90,376			90,376
Other taxes	6,401			6,401
Licenses, fees and permits	15,982	\$ 38	1,047	17,067
Intergovernmental revenues	2,788	70,735	69,825	143,348
Charges for services	13,110		16,562	29,672
Fines, forfeits and penalties	3,515			3,515
Use of money and property	2,916	1,297	3,444	7,657
Other	834	1,993	3,790	6,617
Total revenues	<u>252,731</u>	<u>74,063</u>	<u>124,022</u>	<u>450,816</u>
Expenditures:				
Current:				
City Council	506			506
City Administration	3,099			3,099
City Attorney	4,788		120	4,908
City Clerk	635			635
Human Resources	1,312			1,312
Finance	3,584		24	3,608
City Treasurer	2,434			2,434
Police	104,060		8,596	112,656
Fire	55,003		883	55,886
Community Development	263	76,192	18,897	95,352
Planning	12,728		1,680	14,408
Public Works	12,828		10,033	22,861
Community Services	22,453		2,165	24,618
Public Utilities	2,313			2,313
Convention, Sports and Entertainment	899		8,826	9,725
Capital outlay	75	1,290	54,140	55,505
Debt service:				
Principal retirement			16,294	16,294
Interest charges			26,927	26,927
Total expenditures	<u>226,980</u>	<u>77,482</u>	<u>148,585</u>	<u>453,047</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,751</u>	<u>(3,419)</u>	<u>(24,563)</u>	<u>(2,231)</u>
Other financing sources (uses):				
Transfers in	26,100	35,482	69,511	131,093
Transfers out	(51,319)	(8,633)	(59,600)	(119,552)
Total other financing sources (uses)	<u>(25,219)</u>	<u>26,849</u>	<u>9,911</u>	<u>11,541</u>
Extraordinary loss			(67,235)	(67,235)
Net change in fund balances	532	23,430	(81,887)	(57,925)
Fund balances at beginning of year	26,488	17,742	215,773	260,003
Fund balances at end of year	<u>\$ 27,020</u>	<u>\$41,172</u>	<u>\$133,886</u>	<u>\$202,078</u>

The accompanying notes are an integral part of these financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012 (In thousands)

Net change in fund balances - total governmental funds	\$ (57,925)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$55,505) exceeded depreciation (\$27,830) in the current period.	27,675
Transfers of capital assets between governmental funds and proprietary funds do not require the use of financial resources and are not reported as transfers in the funds.	(470)
The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements and contributions) is to increase net assets.	4,285
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.	3,398
Payments of principal on long-term debt use current financial resources in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets.	16,294
Certain 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.	(14,277)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, employee benefits, and fleet services, to individual funds. The net expense of the internal service funds is reported with governmental activities.	(665)
Transfer of capital assets (\$72,560), other long-term assets (\$5,581) and long-term liabilities (\$248,258) of the former Anaheim Redevelopment Agency to the Successor Agency is to increase net assets.	<u>170,117</u>
Change in net assets of governmental activities	<u><u>\$148,432</u></u>

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Budgetary Basic Actual – General Fund
Year Ended June 30, 2012 (In thousands)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 59,045	\$ 59,045	\$ 58,220	\$ (825)
Sales and use taxes	52,504	52,504	58,589	6,085
Transient occupancy taxes	84,471	84,471	90,376	5,905
Other taxes	6,248	6,248	6,401	153
Licenses, fees and permits	17,951	17,951	15,982	(1,969)
Intergovernmental revenues	3,624	3,624	2,788	(836)
Charges for services	13,540	13,540	13,110	(430)
Fines, forfeits and penalties	3,294	3,294	3,515	221
Use of money and property	2,349	2,349	2,916	567
Other	1,824	1,824	1,321	(503)
Total revenues	<u>244,850</u>	<u>244,850</u>	<u>253,218</u>	<u>8,368</u>
Expenditures:				
City Council	579	584	506	(78)
City Administration	3,733	3,733	3,099	(634)
City Attorney	4,923	4,933	4,822	(111)
City Clerk	670	670	635	(35)
Human Resources	1,384	1,384	1,312	(72)
Finance	3,830	3,830	3,584	(246)
City Treasurer	2,545	2,557	2,434	(123)
Police	104,115	104,164	104,060	(104)
Fire	53,756	55,011	55,011	
Community Development	479	479	263	(216)
Planning	13,893	13,897	12,728	(1,169)
Public Works	12,725	12,861	12,861	
Community Services	21,871	22,453	22,453	
Public Utilities	2,177	2,313	2,313	
Convention, Sports and Entertainment	907	907	899	(8)
Total expenditures	<u>227,587</u>	<u>229,776</u>	<u>226,980</u>	<u>(2,796)</u>
Excess of revenues over expenditures	<u>17,263</u>	<u>15,074</u>	<u>26,238</u>	<u>11,164</u>
Other financing sources (uses):				
Transfers in	28,163	28,163	26,100	(2,063)
Transfers out	(45,544)	(45,544)	(51,319)	(5,775)
Total other financing uses	<u>(17,381)</u>	<u>(17,381)</u>	<u>(25,219)</u>	<u>(7,838)</u>
Net change in fund balance	(118)	(2,307)	1,019	3,326
Fund balance at beginning of year	<u>26,488</u>	<u>26,488</u>	<u>26,488</u>	
Fund balance at end of year	<u>\$ 26,370</u>	<u>\$ 24,181</u>	<u>27,507</u>	<u>\$ 3,326</u>
Adjustment to reconcile to GAAP:				
Receipt of interfund receivable			(487)	
Ending fund balance - GAAP basis			<u>\$ 27,020</u>	

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Budgetary Basis Actual – Housing Authority
Year Ended June 30, 2012 (In thousands)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Licenses, fees and permits	\$ 32	\$ 32	\$ 38	\$ 6
Intergovernmental revenues	74,905	74,905	70,735	(4,170)
Use of money and property	310	2,688	2,821	133
Other	1,759	1,759	1,993	234
Total revenues	<u>77,006</u>	<u>79,384</u>	<u>75,587</u>	<u>(3,797)</u>
Expenditures:				
Community Development	<u>76,842</u>	<u>77,482</u>	<u>77,482</u>	_____
Total expenditures	<u>76,842</u>	<u>77,482</u>	<u>77,482</u>	_____
Excess (deficiency) of revenues over (under) expenditures	<u>164</u>	<u>1,902</u>	<u>(1,895)</u>	<u>(3,797)</u>
Other financing sources (uses):				
Transfers in	_____	274	1,744	1,470
Total other financing sources	_____	<u>274</u>	<u>1,744</u>	<u>1,470</u>
Net change in fund balance	164	2,176	(151)	(2,327)
Fund balance at beginning of year	<u>17,742</u>	<u>17,742</u>	<u>17,742</u>	_____
Fund balance at end of year	<u>\$17,906</u>	<u>\$19,918</u>	17,591	<u>\$(2,327)</u>
Adjustments to reconcile to GAAP:				
Proceeds on sale of land held for resale			(2,378)	
Gain on disposition of land held for resale			854	
Transfer in of housing assets from Anaheim Redevelopment Agency			<u>25,105</u>	
Ending fund balance - GAAP basis			<u>\$41,172</u>	

The accompanying notes are an integral part of these financial statements.

Statement of Fund Net Assets
Proprietary Funds
June 30, 2012 (In thousands)

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Electric Utility	Water Utility	Sanitation Utility	Golf Courses	Convention, Sports and Entertainment Venues		
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 12,999	\$ 12,407	\$ 15,580	\$ 355	\$ 11,362	\$ 52,703	\$ 33,312
Investments	20,794	10,918	21,282	568	15,728	69,290	53,283
Restricted cash and cash equivalents	11,007	1,957	2,060		1,796	16,820	
Restricted investments	15,298	528				15,826	
Accounts receivable, net	42,269	6,701	7,259	93	1,393	57,715	3,580
Accrued interest receivable	1,343	122	169	2	284	1,920	311
Note receivable							56
Interfund receivable							12
Inventories	8,305	567			3	8,875	725
Bond payment receivable					2,010	2,010	
Prepaid and other assets	5,371	1,014			36	6,421	58
Total current assets	117,386	34,214	46,350	1,018	32,612	231,580	91,337
Noncurrent assets:							
Restricted cash and cash equivalents, less current portion	47,807	11,571	20,900		18,892	99,170	
Restricted investments, less current portion	222,388	7,707			6,489	236,584	
Unamortized debt issuance costs	6,084	707	394		614	7,799	
Bond payment receivable, less current portion					6,545	6,545	
Pipeline receivable		101				101	
Accounts receivable, less current portion							1,985
Interfund receivable, less current portion							53
Prepaid and other assets	51,072					51,072	
Net other post-employment benefits (OPEB) asset							9,765
Capital assets:							
Land	35,671	2,339	316	1,949	18,135	58,410	
Buildings, structures and improvements			89,388	16,632	493,039	599,059	6,938
Utility plant	1,126,422	380,997				1,507,419	
Machinery and equipment			4,767	983	24,066	29,816	56,889
Construction in progress	46,201	22,871	7,492		4,231	80,795	
Total Capital assets	1,208,294	406,207	101,963	19,564	539,471	2,275,499	63,827
Less accumulated depreciation	(386,832)	(112,214)	(9,144)	(10,029)	(213,607)	(731,826)	(45,716)
Capital assets, net	821,462	293,993	92,819	9,535	325,864	1,543,673	18,111
Total noncurrent assets	1,148,813	314,079	114,113	9,535	358,404	1,944,944	29,914
Total assets	1,266,199	348,293	160,463	10,553	391,016	2,176,524	121,251

(continued)

Statement of Fund Net Assets

Proprietary Funds

June 30, 2012 (In thousands) (continued)

	Business-type Activities – Enterprise Funds						Governmental Activities – Internal Service Funds
	Electric Utility	Water Utility	Sanitation Utility	Golf Courses	Convention, Sports and Entertainment Venues	Total	
LIABILITIES							
Current liabilities (payable from current assets):							
Accounts payable	\$ 16,918	\$ 12,567	\$ 3,321	\$ 325	\$ 711	\$ 33,842	\$ 7,856
Wages payable	406	184	81	5	296	972	3,326
Interest payable					503	503	
Compensated absences							13,956
Long-term obligations	4,749		513		12,756	18,018	9,122
Unearned revenues					313	313	1,499
Deposits	4,105	758	544	5	1,803	7,215	
Interfund payable				548		548	
Regulatory credits	59,392	6,010				65,402	
Total current liabilities (payable from current assets)	<u>85,570</u>	<u>19,519</u>	<u>4,459</u>	<u>883</u>	<u>16,382</u>	<u>126,813</u>	<u>35,759</u>
Current liabilities (payable from restricted assets):							
Accounts payable	3,199		799		1,220	5,218	
Wages payable	103		11			114	
Interest payable	8,551	1,068	883		576	11,078	
Arbitrage rebate liability	206	5				211	
Long-term obligations	14,246	1,412	367			16,025	
Total current liabilities (payable from restricted assets)	<u>26,305</u>	<u>2,485</u>	<u>2,060</u>		<u>1,796</u>	<u>32,646</u>	
Total current liabilities	<u>111,875</u>	<u>22,004</u>	<u>6,519</u>	<u>883</u>	<u>18,178</u>	<u>159,459</u>	<u>35,759</u>
Noncurrent liabilities:							
Interfund payable, less current portion				2,653		2,653	
Long-term obligations, less current portion	687,670	94,027	45,564		83,339	910,600	36,063
Provision for decommissioning costs	130,945					130,945	
Total noncurrent liabilities	<u>818,615</u>	<u>94,027</u>	<u>45,564</u>	<u>2,653</u>	<u>83,339</u>	<u>1,044,198</u>	<u>36,063</u>
Total liabilities	<u>930,490</u>	<u>116,031</u>	<u>52,083</u>	<u>3,536</u>	<u>101,517</u>	<u>1,203,657</u>	<u>71,822</u>
FUND NET ASSETS							
Invested in capital assets, net of related debt	238,623	216,040	59,858	9,535	262,374	786,430	16,417
Restricted for:							
Debt service	13,633	1,301	367		1,947	17,248	
Capital projects	15,503	2,711	8,287		10,235	36,736	
Other purposes	7,251					7,251	
Unrestricted	60,699	12,210	39,868	(2,518)	14,943	125,202	33,012
Total fund net assets	<u>\$ 335,709</u>	<u>\$ 232,262</u>	<u>\$108,380</u>	<u>\$ 7,017</u>	<u>\$ 289,499</u>	<u>972,867</u>	<u>\$ 49,429</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(13,043)	
Net assets of business-type activities						<u>\$ 959,824</u>	

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012 (In thousands)

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Electric Utility	Water Utility	Sanitation Utility	Golf Courses	Convention, Sports and Entertainment Venues		
Operating revenues:							
Sales of light and power	\$360,194					\$360,194	
Transmission revenues	33,923					33,923	
Sales of water		\$ 57,041				57,041	
Solid waste collection fees			\$ 40,462			40,462	
Wastewater fees			11,676			11,676	
Street cleaning fees			3,243			3,243	
Green fees and cart rentals				\$4,631		4,631	
Facilities rental					\$ 22,412	22,412	
Concession fees				134	5,609	5,743	
Other	3,814	707	1,249	37	1,368	7,175	\$161,197
Total operating revenues	<u>397,931</u>	<u>57,748</u>	<u>56,630</u>	<u>4,802</u>	<u>29,389</u>	<u>546,500</u>	<u>161,197</u>
Operating expenses:							
Cost of purchased power	245,442					245,442	
Fuel and generation of power	21,884					21,884	
Cost of purchased water		28,088				28,088	
Treatment and pumping of water		5,739				5,739	
Maintenance, operations and administration	46,905	10,788	47,105	3,516	26,628	134,942	36,665
Insurance premiums and claims							11,174
Compensated absences and other benefits							113,673
Depreciation and amortization	38,995	9,739	2,627	540	12,840	64,741	4,540
Total operating expenses	<u>353,226</u>	<u>54,354</u>	<u>49,732</u>	<u>4,056</u>	<u>39,468</u>	<u>500,836</u>	<u>166,052</u>
Operating income (loss)	<u>44,705</u>	<u>3,394</u>	<u>6,898</u>	<u>746</u>	<u>(10,079)</u>	<u>45,664</u>	<u>(4,855)</u>
Nonoperating income (expenses):							
Intergovernmental revenues	2,194	463	1,113			3,770	480
Interest income	7,662	1,119	682	10	743	10,216	1,014
Debt service recovery					547	547	
Interest expense	(32,899)	(3,803)	(1,817)	(50)	(5,770)	(44,339)	(91)
Gain (loss) from disposal of capital assets			(4,284)		(68)	(4,352)	192
Total nonoperating income (expenses)	<u>(23,043)</u>	<u>(2,221)</u>	<u>(4,306)</u>	<u>(40)</u>	<u>(4,548)</u>	<u>(34,158)</u>	<u>1,595</u>
Income (loss) before contributions and transfers	<u>21,662</u>	<u>1,173</u>	<u>2,592</u>	<u>706</u>	<u>(14,627)</u>	<u>11,506</u>	<u>(3,260)</u>
Capital contributions	3,533	1,799	261		615	6,208	
Transfers in	67				14,305	14,372	1,500
Transfers out	<u>(20,851)</u>	<u>(3,264)</u>	<u>(2,698)</u>	<u>(600)</u>		<u>(27,413)</u>	
Change in fund net assets	<u>4,411</u>	<u>(292)</u>	<u>155</u>	<u>106</u>	<u>293</u>	<u>4,673</u>	<u>(1,760)</u>
Fund net assets at beginning of year	<u>331,298</u>	<u>232,554</u>	<u>108,225</u>	<u>6,911</u>	<u>289,206</u>		<u>51,189</u>
Fund net assets at end of year	<u>\$335,709</u>	<u>\$232,262</u>	<u>\$108,380</u>	<u>\$7,017</u>	<u>\$289,499</u>		<u>\$ 49,429</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						(1,095)	
Change in net assets of business-type activities						<u>\$ 3,578</u>	

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012 (In thousands)

	Business-type Activities – Enterprise Funds					Governmental Activities – Internal Service Funds
	Electric Utility	Water Utility	Sanitation Utility	Golf Courses	Convention, Sports and Entertainment Venues	Total
Cash flows from operating activities:						
Receipts from customers and users	\$ 408,260	\$ 57,656	\$ 55,515	\$ 4,630	\$ 30,463	\$ 556,524
Receipts from interfund services provided	1,590	322	21			1,933
Payments to suppliers	(254,277)	(26,245)	(37,107)	(2,675)	(6,367)	(326,671)
Payments for salaries, wages and other benefits	(35,808)	(12,964)	(7,047)	(569)	(16,620)	(73,008)
Payments for interfund services used	(8,098)	(4,309)	(3,161)	(216)	(2,506)	(18,290)
Payments for insurance premiums and claims						
Other receipts			1,228	171		1,399
Net cash provided by operating activities	<u>111,667</u>	<u>14,460</u>	<u>9,449</u>	<u>1,341</u>	<u>4,970</u>	<u>141,887</u>
Cash flows from noncapital financing activities:						
Receipt of interfund balances						17
Transfers in					13,366	13,366
Transfers out	(19,912)	(3,197)	(2,698)	(600)		(26,407)
Operating grant receipts		441	91			532
Net cash provided by (used for) noncapital financing activities	<u>(19,912)</u>	<u>(2,756)</u>	<u>(2,607)</u>	<u>(600)</u>	<u>13,366</u>	<u>(12,509)</u>
Cash flows from capital and related financing activities:						
Proceeds from sale of capital assets					16	16
Capital contributions	2,575	3				2,578
Capital purchases	(40,781)	(18,264)	(10,390)		(7,666)	(77,101)
Capital grant receipts	1,986		568			2,554
Principal payment on long-term debt	(18,175)	(2,262)	(835)		(11,638)	(32,910)
Interest payments	(34,684)	(4,736)	(2,161)	(66)	(4,986)	(46,633)
Debt service recovery					2,437	2,437
Payment of interfund balances of capital purposes				(482)		482
Transfers in (out) for capital purposes	39	(39)				
Net cash used for capital and related financing activities	<u>(89,040)</u>	<u>(25,298)</u>	<u>(12,818)</u>	<u>(548)</u>	<u>(21,837)</u>	<u>(149,541)</u>
Cash flows from investing activities:						
Purchase of investment securities	(100,745)	(6,429)	(13,279)	(490)	(10,660)	(131,603)
Proceeds from sale and maturity of investment securities	87,745	8,600	13,029	350	9,630	119,354
Interest received	7,832	1,217	744	2	749	10,544
Collection of note receivable		16				16
Net cash provided by (used for) investing activities	<u>(5,168)</u>	<u>3,404</u>	<u>494</u>	<u>(138)</u>	<u>(281)</u>	<u>(1,689)</u>
Increase (decrease) in cash and cash equivalents	(2,453)	(10,190)	(5,482)	55	(3,782)	(21,852)
Cash and cash equivalents at beginning of the year	74,266	36,125	44,022	300	35,832	190,545
Cash and cash equivalents at end of the year	<u>\$ 71,813</u>	<u>\$ 25,935</u>	<u>\$ 38,540</u>	<u>\$ 355</u>	<u>\$ 32,050</u>	<u>\$ 168,693</u>
						<u>\$ 33,312</u>

(continued)

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012 (In thousands) (continued)

	Business-type Activities – Enterprise Funds						Governmental Activities – Internal Service Funds
	Electric Utility	Water Utility	Sanitation Utility	Golf Courses	Convention, Sports and Entertainment Venues	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 44,705	\$ 3,394	\$ 6,898	\$ 746	\$(10,079)	\$ 45,664	\$ (4,855)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation and amortization	38,995	9,739	2,627	540	12,840	64,741	4,540
Increase in provision for decommissioning costs	3,598					3,598	
Changes in assets and liabilities:							
Accounts receivable	(2,143)	171	174	1	1,022	(775)	(3,199)
Inventories	1,470	(222)			2	1,250	25
Prepaid and other assets	6,475				(3)	6,472	
Note receivable							13
Accounts payable	4,931	1,484	(129)	72	1,326	7,684	1,455
Wages payable	(426)	(165)	(81)	(16)	(190)	(878)	(224)
Unearned revenues					(89)	(89)	175
Compensated absences, OPEB and self-insurance liability							2,586
Deposits	975	(6)	(40)	(2)	141	1,068	
Regulatory credits	13,087	65				13,152	
Total adjustments	66,962	11,066	2,551	595	15,049	96,223	5,371
Net cash provided by operating activities	\$ 111,667	\$ 14,460	\$ 9,449	\$ 1,341	\$ 4,970	\$ 141,887	\$ 516
Schedule of noncash investing, capital and noncapital financing activities:							
Capital assets financed through capital leases							\$ 462
Capital contributions	\$ 958	\$ 1,796			\$ 615	\$ 3,369	
Transfers in (out) of capital assets	(911)	(28)	\$ 261		939	261	
Increase (decrease) in fair value of investments	14	(58)	(11)	\$ 6	10	(39)	52
Reconciliation of cash and cash equivalents:							
Cash and cash equivalents	\$ 12,999	\$ 12,407	\$ 15,580	\$ 355	\$ 11,362	\$ 52,703	\$ 33,312
Restricted cash and cash equivalents, current portion	11,007	1,957	2,060		1,796	16,820	
Restricted cash and cash equivalents, noncurrent portion	47,807	11,571	20,900		18,892	99,170	
Total cash and cash equivalents	\$ 71,813	\$ 25,935	\$ 38,540	\$ 355	\$ 32,050	\$ 168,693	\$ 33,312

The accompanying notes are an integral part of these financial statements.



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Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012 (In thousands)

	<u>Investment Trust Funds</u>	<u>Successor Agency to the Former Anaheim Redevelopment Agency Private Purpose Trust Fund</u>	<u>Total</u>	<u>Agency Fund</u>
ASSETS				
Restricted cash and cash equivalents	\$ 396	\$ 54,425	\$ 54,821	\$5,085
Restricted investments	634	1,865	2,499	3,256
Accrued interest receivable	7	156	163	
Accounts receivable, net		4	4	48
Notes receivable, net		1,499	1,499	
Prepaid and other assets		560	560	
Unamortized debt issuance costs		3,980	3,980	
Due from City of Anaheim		1,551	1,551	
Land held for resale, net		18,098	18,098	
Capital assets, net				
Depreciable		30,533	30,533	
Nondepreciable		43,121	43,121	
Total assets	<u>1,037</u>	<u>155,792</u>	<u>156,829</u>	<u>\$8,389</u>
LIABILITIES				
Accounts payable		5,196	5,196	
Wages payable		25	25	
Interest payable		6,572	6,572	
Due to other governments		13,897	13,897	
Deposits		316	316	
Due to bond holders				\$8,389
Long-term liabilities:				
Due within one year		6,622	6,622	
Due in more than one year		239,196	239,196	
Total liabilities		<u>271,824</u>	<u>271,824</u>	<u>\$8,389</u>
NET ASSETS				
Held in trust for pool participants	1,037		1,037	
Held in trust for other purposes		(116,032)	(116,032)	
Total net assets	<u>\$1,037</u>	<u>\$ (116,032)</u>	<u>\$ (114,995)</u>	

The accompanying notes are an integral part of these financial statements.



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Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012 (In thousands)

	Investment Trust Funds	Successor Agency to the Former Anaheim Redevelopment Agency Private Purpose Trust Fund	Total
ADDITIONS			
Property taxes		\$ 15,146	\$ 15,146
Contributions to pooled investments	\$1,959		1,959
Interest and investment income	20	250	270
Rental income		685	685
Other		9	9
Total additions	<u>1,979</u>	<u>16,090</u>	<u>18,069</u>
DEDUCTIONS			
Distribution from pool investments	2,204		2,204
Salaries and administration		1,403	1,403
Professional services		54	54
Project costs		7,677	7,677
State of California		13,897	13,897
Depreciation		646	646
Interest expense		5,563	5,563
Total deductions	<u>2,204</u>	<u>29,240</u>	<u>31,444</u>
Extraordinary loss		(102,882)	(102,882)
Change in net assets	(225)	(116,032)	(116,257)
Net assets held in trust at beginning of year	<u>1,262</u>		<u>1,262</u>
Net assets held in trust at end of year	<u>\$1,037</u>	<u>\$ (116,032)</u>	<u>\$ (114,995)</u>

The accompanying notes are an integral part of these financial statements.



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Notes to Financial Statements

(Amounts in thousands)

NOTE 1 —SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial reporting entity

As defined by U. S. generally accepted accounting principles (GAAP) that are established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present the City of Anaheim (City), the primary government, and its component units. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The component units described below are each legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They are reported as part of and accountable to the City and blended into the government-wide and fund financial statements.

Anaheim Housing Authority (Housing Authority) is a separate entity primarily funded by the U.S. Department of Housing and Urban Development to administer funds received under the Federal Housing Assistance Payments program. City Council members, in separate session, serve as the governing board of the Housing Authority, and all accounting and administrative functions are performed by the City. The financial activity of the Housing Authority has been blended into the City's Comprehensive Annual Financial Report (CAFR) in the government-wide governmental activities and in the fund financial statements as the Housing Authority Special Revenue Fund.

Anaheim Redevelopment Agency (Redevelopment Agency) is a separate government entity created to develop and execute plans for improvement, rehabilitation and redevelopment of blighted areas within the City. City Council members, in separate session, serve as the governing board of the Redevelopment Agency, and all accounting and administrative functions are performed by the City. The financial activity of the first seven months of fiscal year 2012 of the Redevelopment Agency has

been blended into the City's CAFR in the government-wide governmental activities and in the fund financial statements as the Redevelopment Housing Set-Aside Special Revenue Fund, the Redevelopment Agency Debt Service Fund, and the Redevelopment Projects Capital Projects Fund. On February 1, 2012, The Anaheim Redevelopment Agency dissolved per the State of California Assembly Bill 1X26. See note 3 for more information related to the dissolution of the Anaheim Redevelopment Agency.

Community Center Authority (CCA), a joint powers authority, was created primarily to finance the initial construction of the Anaheim Convention Center. A five-member board appointed by the City Council governs the CCA. The City has entered into a noncancelable long-term lease with the CCA, which provides for lease payments in amounts sufficient to meet the annual debt service requirements on the certificates of participation issued by the CCA to finance the construction of the facility. The lease is a financing arrangement, which transfers the ownership of the facility to the City at the end of the lease term, and the sole activity of the CCA is to provide financing for the City. As such, the financial data for the CCA has been blended into the City's CAFR in the government-wide business-type activities and in the fund financial statements with the City's Convention, Sports and Entertainment Venues Fund, as all activity related to the Anaheim Convention Center is accounted for in this enterprise fund. The capital lease has been eliminated in the financial statements. For a copy of the CCA's separate financial statements, contact the Finance Director of the City.

Anaheim Public Improvement Corporation (APIC), a non-profit corporation, was created primarily to finance several construction projects in the City. City Council members, in separate session, serve as the governing board of APIC. The City has entered into noncancelable long-term leases with APIC, which provide for lease payments in amounts sufficient to meet the annual debt service requirements on the certificates of participation issued by APIC to finance these construction projects. The leases are financing arrangements, which transfer ownership of the constructed assets to the City at the end of the lease terms. The financial data of APIC has been blended into various governmental and business-type activities and funds of the City as applicable, and the capital leases have been eliminated.

Anaheim Public Financing Authority (Authority), a joint powers authority, was established as a vehicle to reduce local borrowing costs and promote greater use of existing and new financial instruments and mechanisms. City Council members, in separate session, serve as the governing board of the Authority. Financial activity of the Authority has been blended into the City's CAFR into various governmental and business-type activities and funds of the City as applicable.

The City is a participant in three joint ventures and jointly-owned properties (see note 11), which are not considered part of the financial reporting entity, as the City does not have significant equity interests in the joint ventures and jointly-owned properties.

New Accounting Pronouncements

On July 1, 2011, the city adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. This Statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. It also sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement has no material effects on amounts reported in the City's financial statements for the fiscal year ended June 30, 2012.

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

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Issued in November 2010, this Statement addresses issues related to service concession arrangements (SCAs) between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration, and (2) the operator collects and is compensated by fees from third party. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. Issued in November 2010, this Statement modifies certain requirements for inclusion of component units in the financial reporting entity; it amends the criteria for reporting component units as if they were part of the primary government in certain circumstances, it also clarifies the reporting of equity interests in legally separate organizations. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Issued in December 2010, this Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance from all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This Statement is effective for financial statements for periods beginning after December 15, 2011.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*. Issued in June 2011, This Statement provides guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows and deferred inflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period and the acquisition of net assets by the government that is applicable to a future reporting period. Net position is defined as the residual of all other elements presented in a statement of financial position. This Statement is effective for financial statements for periods beginning after December 15, 2011.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Issued in March 2012, this Statement establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for financial statements for period beginning after December 15, 2012.
- GASB Statement No. 66, *an Amendment of GASB Statement No. 10 and No. 62*. Issued in March 2012, this Statement resolves the conflicting guidance that resulted from the issuance of two pronouncements. The 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 an entity's risk financing activities to the general fund and the internal service fund type. It also amends Statement No. 62, *Fund Balance Reporting and Governmental Fund Type Definition*, by providing specific guidance on accounting for operating lease payments, purchased loan or group of loans, and service fees related to mortgaged loans. This Statement is effective for periods beginning after December 15, 2012.
- GASB Statement No. 68, this Statement provides guidance for employers offering defined benefit pensions through plans administered as trusts or equivalent arrangements. It replaces certain requirements related to plan trusts in Statement No. 27 *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective for periods beginning after June 15, 2014.

Basic financial statements

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the City and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements, except for interfund services provided and used. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The “doubling up” effect of internal service fund activity has been eliminated from the government-wide financial statements with the expenses shown in the various functions and programs on the Statement of Activities.

The government-wide Statement of Net Assets reports all financial and capital resources of the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equal net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt, represents capital assets net of accumulated depreciation which is reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the City are offset by program revenues. Direct expenses are those that are clearly identifiable

with a specific function or program. Indirect expenses for administrative overhead are allocated among the functions and programs using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other nonmajor funds, as well as the internal service funds, are combined in a single column on the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Housing Authority Special Revenue Fund accounts for the providing of housing assistance to low and moderate-income families in the Anaheim area. Financing is provided primarily from Federal Section 8, U.S. Department of Housing and Urban Development (HUD) receipts.

The City reports the following major enterprise funds:

The Electric Utility Fund accounts for the operation of the City's electric utility, a self-supporting activity, which renders services on a user charge basis to residents and businesses located in Anaheim.

The Water Utility Fund accounts for the operation of the City's water utility, a self-supporting activity, which renders services on a user charge basis to residents and businesses located in Anaheim.

The Sanitation Utility Fund accounts for the operation of the City's solid waste and sanitation program, a self-supporting activity, which provides for the collection and disposal of solid waste, street sweeping, and sanitary sewer cleaning on a user charge basis to residents and businesses located in Anaheim.

The Golf Courses Fund accounts for the operation of the Anaheim Municipal ("Dad Miller") Golf Course and the Anaheim Hills Golf Course, a self-supporting activity that renders services on a user charge basis.

The Convention, Sports and Entertainment Venues Fund accounts for the operations of the Anaheim Convention Center, Angel Stadium of Anaheim, and The City National Grove of Anaheim. See note 12 for further discussions of the Angel Stadium of Anaheim and The City National Grove of Anaheim.

The internal service funds, which provide services to the other funds of the City, are presented in a single column in the proprietary funds financial statements. Because the principal users of the internal service funds are the City's governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net Assets. The costs of the internal service fund services are spread to the appropriate function or program on the government-wide Statement of Activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling effect of these revenues and expenses. The City operates four internal service funds:

The General Benefits and Insurance Fund is used to account for employee compensated absences, retirement and health benefits, and self-insurance programs.

The Motorized Equipment Fund is used to account for motorized equipment used by City departments.

The Information and Communication Services Fund is used to account for data processing and telecommunication services provided to City departments.

The Municipal Facilities Maintenance Fund is used to account for office maintenance services and equipment used by City departments.

Fiduciary Funds account for assets held by the City in a trustee or agency capacity on behalf of others and, therefore, are not available to support City programs. The Fiduciary Funds are not included in the government-wide financial statements as they are not an asset of the City. The City reports the following fiduciary funds:

The Investment Trust Fund is used to account for the external portion of the City's investment pool, which commingles resources of legally separate entities administered by the City in an investment portfolio for the benefit of all participants. The entities include two Joint Powers Authorities (JPA) governed by

local boards. The City separately maintains these entities' money in two individual funds; these funds represent the assets, primarily cash and investment, and the related liability of the City to disburse these monies on demand.

The Private Purpose Trust Fund is used to account for resources legally held in trust for use by the Successor Agency to the Former Anaheim Redevelopment (Successor Agency). The Successor Agency was established on February 1, 2012 and represents five months of activities for fiscal year 2012.

The Agency Fund is used to account for the monies collected and paid on behalf of the Mello-Roos Districts located in the City.

Measurement focus and basis of accounting

The governmental funds financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.
- Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as other financing source.

With this measurement focus, operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements. The net costs of the internal service funds are also partially allocated to the business-type activities column on the government-wide financial statements. A reconciliation of the total enterprise funds on the fund financial statements to the business-type activities column on the government-wide financial statements is provided on the face of the fund financial statements.

Enterprise funds account for operations where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and fees. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has elected for proprietary funds not to apply Financial Accounting Standards Board (FASB) statements issued after November 30, 1989.

The Electric and Water Utility funds follow the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (Electric Utility) and the California Public Utilities Commission (Water Utility). The utilities are not subject to the regulations of these commissions.

The reporting focus for the investment trust fund and the private-purpose trust fund is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Cash and investments

The City pools available cash from all funds for the purpose of increasing income through investment activities. Investments in U.S. Treasury obligations and agency securities and medium term corporate notes are carried at fair value based on quoted market prices. Participating guaranteed investment contracts and flexible repurchase agreements are carried at fair value. Money market mutual funds are carried at fair value based on the fund's share price. The City's investment in the State of California Local Agency Investment Fund (LAIF) is carried at fair value based on the value of each participating dollar as provided by LAIF. LAIF is authorized by California Government Code (Government Code) Section 16429 under the oversight of the Treasurer of the State of California. Commercial paper, participating guaranteed investment contracts and negotiable certificates of deposit are carried at amortized cost (which approximates fair value). Interest income, which includes changes in fair value, on investments is allocated to all funds on the basis of daily cash and investment balances. See note 2 for further discussion.

For purposes of the basic financial statements, the City considers cash equivalents to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within three months of the date they are acquired. Cash and cash equivalents are included in the City's cash and investments pool and in accounts held by fiscal agents.

Notes receivable

In the government-wide financial statements, notes receivable of \$68,845 includes accrued interest receivable of \$10,667, ranging from 3% to 10% interest per annum, and is net of allowances of \$8,593 for uncollectible accounts at June 30, 2012. Allowances for uncollectible accounts were estimated based on certain assumptions; therefore, actual results could differ from the estimates.

In the governmental funds financial statements, due to the extended period of time over which notes receivable are to be collected and the contingent nature of certain sources of repayment, the City has recorded deferred revenue equal to the outstanding principal and accrued interest balance of the notes receivable.

Inventories

Inventories are stated at average cost. Inventories in the General Fund are recorded as expenditures when used and are reported under the consumption method of accounting.

Prepaid and other assets

Certain payments to vendors such as insurance premiums, prepaid rents, and deposits for real property acquisitions reflect costs applicable to future periods and are recorded as prepaid and other assets in both government-wide and fund financial statements. These costs will be recognized in the period when services are received or when the City receives title to the real property.

Land held for resale

The Housing Authority received transfers in of certain parcels of land from the former Redevelopment Agency, for the primary purpose of developing low and moderate income housing. The Housing Authority records these parcels as land held for resale in their financial records. The properties held for resale are recorded at the lower of cost or estimated net realizable value. At June 30, 2012, land held for resale with an original cost of \$44,171 was recorded net of the allowance for decline in value of \$20,487 and totaled \$23,684, with this amount offset by a restriction of fund balance for low and moderate income housing in the Housing Authority major governmental fund financial statement. See notes 3 and 4 for discussion of the transfer of housing assets.

Restricted assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the Statement of Net Assets, Balance Sheet, or Statement of Fund Net Assets, because they are maintained in separate bank accounts and their use is limited by applicable debt covenants. Additionally, resources set aside by the Electric Utility for future decommissioning of its former ownership share of the San Onofre Nuclear Generating Station, Units 2 and 3 (SONGS) and the San Juan Generating Station, Unit 4, are classified as restricted on both the government-wide Statement of Net Assets and proprietary funds Statement of Fund Net Assets.

Capital assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City), are defined as assets with an initial, individual cost of more than \$5 (\$50 for infrastructure) and an estimated useful life of greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as the projects are

constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed for proprietary funds. For the year ended June 30, 2012, business-type activities capitalized net interest costs of \$3,072 in the government-wide and fund financial statements. Total interest expense incurred by the business-type activities (and the enterprise funds on the proprietary funds statements) before capitalization was \$47,411.

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

Buildings, structures and improvements	5	to	85 years
Utility plant	5	to	75 years
Machinery and equipment	2	to	40 years
Infrastructure	25	to	75 years

The net book value of capital assets retired or disposed of, related salvage value proceeds and the costs of removal are recorded in accumulated depreciation in the Electric Utility and Water Utility Funds. In all other cases, these amounts are recorded as gains or losses on disposal of capital assets.

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

Debt costs

Debt issuance costs in the amount of \$10,807 are included in noncurrent assets at June 30, 2012. Unamortized discounts, consisting of refunding costs of \$10,182 reduced by premiums net of discounts of \$8,811, are reflected in net long-term obligations. Both debt issuance costs and premiums net of discounts are amortized over the life of the related bond issue using the effective interest method. Refunding costs are amortized over the life of the new bond or the life of the old bond, whichever is shorter, using the effective interest method.

Accretion

Accretion is an adjustment of the difference between the price of a bond or certificate of participation (COP) issued at an original discount and the par value of the bond or COP. The accreted value is recognized as it accrues by fiscal year.

Regulatory credits

The Electric Utility's Rates, Rules, and Regulations provide for the Rate Stabilization Account (RSA), formerly referred to as Power Cost Adjustment/Rate Stabilization Account, which contains two components: the Power Cost Adjustment (PCA) that was adopted by City Council on April 1, 2001, and the Environmental Mitigation Adjustment (EMA) that was adopted by the City Council on January 13, 2009. The

PCA will reflect variations in the power supply or fuel costs. The EMA will allow the recovery of environmental mitigation costs, such as greenhouse gas emissions costs, the marginal cost differential between renewable power and traditional fossil fuel based power. The RSA provides the City with operational and billing flexibility to mitigate material fluctuations in the cost of energy, loss of revenues or unbudgeted costs including unexpected long-term loss of a generating facility, unplanned limits on the ability to transmit energy to the City, or major disasters. The RSA funded by PCA and EMA collections are billed to customers through standard rates.

Since inception, the Electric Utility has collected \$164,658 in regulatory credits related to PCA. As of March 15, 2012, the PCA rates were changed from \$0.0100 to \$0.0190 per kWh for all domestic retail customers, excluding residential lifeline customers, and from \$0.0100 to \$0.0145 per kWh for all commercial, industrial and municipal customers. At June 30, 2012, the liability recorded for regulatory credits related to PCA totaled \$56,996 for the Electric Utility. During fiscal year 2012, \$9,076 was recognized as RSA revenues to mitigate the impact of energy costs and operation costs.

Since inception, the Electric Utility has collected \$35,225 in regulatory credits related to EMA. As of April 20, 2010, the EMA rate was changed from \$0.0050 to \$0.0100 per kWh for all domestic customers, and \$0.0050 for all other customers. At June 30, 2012, the liability recorded for regulatory credits related to EMA totaled \$2,396. During fiscal year 2012, \$14,924 was recognized as RSA revenues to mitigate the impact of environmental mitigation costs.

The Water Utility's rates, rules and regulations provide for a water regulatory credit account to reflect variations in the cost of water to the Water Utility and provide more stable retail water rates to the customers of the City's Water Utility. This rate stabilization account (RSA) provides increased flexibility by allowing the Water Utility to maintain financial performance indicators and goals specified in bond covenants. The account is funded through expense reimbursements such as water supply cost refunds received from the Metropolitan Water District and Orange County Water District and other miscellaneous credits and revenue. At June 30, 2012 the liability recorded for regulatory credits totaled \$6,010 for the Water Utility. During fiscal year 2012, no PCA revenue was recognized for the Water Utility.

Deferred revenues

Deferred revenues arise in governmental funds when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise, in both governmental and proprietary funds, when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures/expenses (unearned). In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

Deferred revenues in the governmental funds amounted to \$135,981 at June 30, 2012 as follows:

	General Fund	Housing Authority	Nonmajor Governmental Funds	Total
Availability:				
Notes receivable		\$44,788	\$24,001	\$ 68,789
Long-term receivable due from the Successor Agency		8,176	14,804	22,980
Other revenues	\$ 6,681	71	34,478	41,230
Unearned	<u>2,473</u>	<u>509</u>		<u>2,982</u>
Total	<u>\$ 9,154</u>	<u>\$53,544</u>	<u>\$73,283</u>	<u>\$135,981</u>

Compensated absences

Compensated absences, vacation and sick pay, for all City employees are generally paid by the General Benefits and Insurance Fund, an internal service fund. The General Benefits and Insurance Fund is reimbursed through payroll charges to all other funds based on estimates of benefits to be earned and used during the fiscal year. It is the policy of the City to pay all accumulated vacation pay when an employee retires or terminates. Accumulated sick pay in excess of 175 hours per employee is paid to employees at their then current rate of pay in January each year or upon termination from the City. Employees are paid for all accumulated sick pay when they retire from the City. Vested vacation and sick pay benefits are accrued when incurred in the General Benefits and Insurance Fund and at June 30, 2012, totaled \$18,104 and is included in long-term liabilities in the Statement of Net Assets. Also included in long-term liabilities in the Statement of Net Assets at June 30, 2012, is compensatory time liability of \$249.

Changes in the City's compensated absences liability in fiscal year 2012 were as follows:

Compensated absences liability at beginning of year	\$ 19,558
Estimated compensated absences benefits earned	20,873
Compensated absences used	<u>(22,078)</u>
Compensated absences liability at end of year	<u>\$ 18,353</u>

Nuclear fuel and decommissioning costs

Federal regulations require the Electric Utility to provide for the future decommissioning costs of its former ownership share of San Onofre Nuclear Generating Station (SONGS). The Electric Utility has established a provision for decommissioning costs of SONGS and restoration of the beachfront at San Onofre, California where it is located. The Electric Utility funds the reserve and recognizes this expense over the remaining useful life of the generating plant. A separate irrevocable

trust account has been established for prior and future amounts funded and these amounts are classified as restricted assets in the accompanying balance sheets. At June 30, 2012, the provision for decommissioning costs totaled \$127,425. For the year ended June 30, 2012, the Electric Utility has recorded decommissioning costs incurred for SONGS in the amount of \$3,158, which is included in the fuel and generation component in operating expenses.

The City sold its ownership share in SONGS to Southern California Edison (SCE) on December 29, 2006. The Electric Utility's decision to divest SONGS was largely based on the need for operating flexibility to provide both peak and base load power, ongoing cost concerns for environmental disposal of nuclear waste and marine mitigation, as well as escalating decommissioning costs. See note 11 for further discussion.

The California Public Utilities Commission approved a cost estimate by SCE for the decommissioning costs of SONGS. At June 30, 2012, SCE's future cost estimate for the Electric Utility's share of decommissioning costs is \$114,840. The Electric Utility currently has \$127,425 in irrevocable trust for the decommissioning costs. Based on an assumed 2.5% rate of return, it is estimated that the Electric Utility's current reserve of \$127,425 will grow to \$163,116 by 2022, which exceeds SCE's future cost estimate of \$147,170. Based on these estimates the Electric Utility does not expect that it will need to further fund the provision for decommissioning costs with cash contributions for SONGS.

The Electric Utility has a 10.04% ownership interest of the San Juan Generating Station, Unit 4 (SJ). The Electric Utility is providing for the future demolition and reclamation costs of its ownership share of SJ. As of June 30, 2012, the Electric Utility has recorded a provision for decommissioning costs for SJ of \$3,520. For the year ended June 30, 2012, the Electric Utility has recorded decommissioning costs incurred for SJ of \$440 in operating expenses. Based on the cost projections, the Electric Utility has estimated \$440 in costs per year until 2027 to fund this obligation.

Pension plan

Full-time City employees are members of the State of California Public Employees' Retirement System (PERS). The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System's actuary. See note 10 for further discussion.

Net assets restricted by enabling legislation

The government-wide Statement of Net Assets reports \$190,868 of governmental activities restricted net assets, of which \$42,731 is restricted by enabling legislation.

Fund balances

In the fund financial statements, governmental funds report the following classifications:

- **Nonspendable fund balance** includes amounts that cannot be spent because they are either (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 or long term loans and notes receivable.
- **Restricted fund balance** includes amounts when constraints placed on the use of the resources are either imposed by external resource providers, constitutional provisions or enabling legislation.
- **Committed fund balance** includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the City's highest level of the decision-making authority, the City Council. The City Council can modify or remove the commitments by taking the same kind of action it previously employed to commit those amounts. At June 30, 2012, the City does not have any committed fund balances.
- **Assigned fund balance** includes amounts that the City intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Council has by Resolution authorized the City Manager or his designee to establish, modify or rescind an assigned fund balance.
- **Unassigned fund balance** accounts for the residual balance of the City's general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification reports a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

In all governmental funds, encumbered amounts have been restricted or assigned for specific purposes for which resources have already been allocated. At June 30, 2012, encumbrances totaled \$320, \$60 and \$9,381 in the General Fund, Housing Authority Special Revenue Fund, and other nonmajor governmental funds, respectively.

Generally, the City would first apply restricted resources when expenditures incurred for which both restricted and unrestricted resources are available.

The accumulated deficit fund balances at June 30, 2012, for Workforce Development, and Transportation Improvement Projects included in nonmajor governmental funds in the amount of \$33 and \$10,801 respectively, will be eliminated in future years by the receipt of reimbursements for grant expenditures.

Budgetary principles

The City is required by its charter to adopt an annual budget on or before June 30 for the ensuing fiscal year. The General, special revenue, debt service, and capital projects governmental fund types and proprietary fund types have legally adopted budgets approved by City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level. From the effective date of the budget, the amounts stated herein as proposed expenditures/expenses become appropriations to the various City departments. Throughout the fiscal year the budget was amended to add supplemental appropriations. All amendments to the budget which change the total appropriation amount for any department require City Council approval and all increases in appropriations must be accompanied by an increase in revenue sources of a like amount to maintain a balanced budget. The City Manager has the authority to change individual budget line items within a department as long as the total department's appropriation amount is not changed.

The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. All appropriations lapse at the end of the fiscal year, except for capital projects (other than the Redevelopment Agency Capital Projects Fund), which are carried forward until such time as the project is completed or terminated and for encumbered balances that are re-appropriated in the next year.

GASB Statement No. 34 allows that budgetary comparison statements for the General Fund and major special revenue funds be presented in the basic financial statements rather than as Required Supplementary Informations. These statements must display original budget, amended budget and actual results.

Budgeted revenue amounts represent the original budget modified by City Council authorized adjustments during the year, which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. Budgets are generally prepared in conformity with GAAP using the modified accrual basis of accounting, with the exception of capital leases, or other similar instruments, and land held for resale, which are budgeted on a cash basis.

Property taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments due on November 1 and February 1 and become delinquent after December 10 and April 10. The County of Orange, California (County) bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied in the governmental funds to the extent that they result in current receivables collectable within 60 days after year-end. See note 8 for discussion of pledged property tax revenues.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year from the full market value at the time of purchase. The City receives a share of this basic levy proportionate to what it received in the 1976 and 1978 periods.

Entitlements, shared revenues and grants

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized in the fund financial statements as revenue when the qualifying expenditures have been incurred, all eligibility requirements have been met, and reimbursement is received within the availability period.

Revenue recognition for Electric Utility, Water Utility, and Sanitation Utility Funds

Revenue is recorded in the period in which services are provided. Residential and smaller commercial customers are billed bimonthly and all other customers monthly. At June 30, 2012 unbilled but earned service charges recorded in accounts receivable for the Electric Utility, Water Utility, and Sanitation Utility Funds amounted to \$18,517, \$3,840, and \$3,537, respectively. See note 8 for discussion of pledged revenues.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS:

The City maintains a cash and investment pool, which includes the cash balances of all funds, and is invested by the City Treasurer to enhance interest earnings. The pooled interest earned, net of administrative fees, is reallocated to each fund based on their respective average daily cash balances.

The City's pooled investment fund has been reviewed by Standard and Poor's Corporation (S&P) and received a credit rating of AAf in July 2011.

The City's investment policy further limits the permitted investments in Government Code Sections 53600 et al, 16429.1 and 53684 to the following: obligations of the United States government, federal agencies, and government sponsored enterprises; medium-term corporate notes; certificates of deposit; bankers' acceptances; commercial paper; LAIF; repurchase agreements; reverse repurchase agreements; and money market mutual funds.

Deposits and investments are comprised of the following at June 30, 2012.

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Restricted Investments	Total
Governmental activities:					
General Fund	\$ 7,033	\$ 11,250			\$ 18,283
Housing Authority	6,149	9,836	\$ 2,783		18,768
Nonmajor governmental funds	24,193	38,699	43,176	\$ 31,607	137,675
Internal service funds	33,312	53,283			86,595
Total governmental activities	70,687	113,068	45,959	31,607	261,321
Business-type activities:					
Electric Utility	12,999	20,794	58,814	237,686	330,293
Water Utility	12,407	10,918	13,528	8,235	45,088
Sanitation	15,580	21,282	22,960		59,822
Golf Courses	355	568			923
Convention, Sports and Entertainment Venues	11,362	15,728	20,688	6,489	54,267
Total business-type activities	52,703	69,290	115,990	252,410	490,393
Government-wide totals	123,390	182,358	161,949	284,017	751,714
Fiduciary funds			59,906	5,755	65,661
Total cash and investments	<u>\$123,390</u>	<u>\$182,358</u>	<u>\$221,855</u>	<u>\$289,772</u>	<u>\$817,375</u>

Deposits and investments are comprised of the following at June 30, 2012:

Deposits	\$ 2,925
Investments	814,450
Total deposits and investments	<u>\$817,375</u>

At June 30, 2012, deposits of \$2,925 with a corresponding bank balance of \$8,444 were maintained in various federally regulated financial institutions. The difference of \$5,519 represents deposits in transit, outstanding checks, and other reconciling items. Deposits with bank balances of \$594 are insured by the Federal Depository Insurance Corporation. For deposits with bank balances totaling \$7,850, California state statutes require federally regulated financial institutions to secure a city's deposits by pledging collateral consisting of either government securities with a value of 110% of a city's total deposits or by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits. The collateral is required by regulation to be held by the counterparty's agent in the name of the City.

Investments

The City Treasurer prepares an investment policy statement annually, which is presented to the Budget, Investment and Technology Commission for review and the City Council for approval. The approved investment policy Statement is submitted to the California Debt and Investment Advisory Committee in accordance with Government Code.

The policy provides the basis for the management of a prudent, conservative investment program. Public funds are invested for the maximum security of principal and to meet daily cash flow needs while providing a return. All investments are made in accordance with the Government Code and, in general, the City Treasurer's policy is more restrictive than Government Code.

Investments authorized by the Government Code and the City's investment policy

The following table identifies the investment types that are authorized for the City by its investment policy which is more restrictive than Government Code. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer	Minimum Rating (S&P/ Moody's /Fitch)
U.S. Treasury obligations	5 years	100%	100%	None
U.S. agency securities	5 years	100%	40%	None
Bankers' acceptances	180 days	40%	5%	None
Commercial paper	270 days	25%	5%	A-1/P-1/F-1
Negotiable certificates of deposit	360 days	25%	5%	None
Repurchase agreements	360 days	30%	None	None
Reverse repurchase agreements	90 days	20%	None	None
Medium-term corporate notes	5 years	30%	5%	A/A/A
Money market mutual funds	N/A	20%	10%	None
		\$50 million	\$50 million	
LAIF	N/A	per account	per account	None
Time certificates of deposit (TCD)	1 year	20%	5%	None

*Excluding amounts held by bond trustees that are not subject to Government Code restrictions

The City's pooled investments comply with the requirements of the investment policy. GAAP requires disclosure of certain investments in any one issuer that exceed five percent concentration of the total investments. At June 30, 2012, the following investments represent five percent or more of the City's total pooled investments:

Issuer	Investment Type	Fair Value	%
Federal Farm Credit Bank	U.S. agency securities	\$57,844	14%
Federal Home Loan Bank	U.S. agency securities	36,398	9%
Federal Home Loan Mortgage Corporation	U.S. agency securities	38,637	9%
Federal National Mortgage Association	U.S. agency securities	65,178	15%
LAIF	LAIF	83,849	20%

Investments authorized by debt agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage Allowed</u>	<u>Investment in One Issuer</u>
U.S. Treasury obligations	None	None	None
U.S. agency securities	None	None	None
Guaranteed investment contracts	None	None	None
Collateralized investment contracts	None	None	None
Flexible repurchase agreements	None	None	None
Money market mutual funds	None	None	None
LAIF	None	None	None
City of Anaheim Treasurer's investment portfolio	None	None	None

At June 30, 2012, the following investments represent five percent or more of the City's total investments controlled by bond trustees:

<u>Issuer</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>%</u>
Federal Home Loan Bank	U.S. agency securities	\$51,272	13%
Federal National Mortgage Association	U.S. agency securities	41,939	11%
Federal Farm Credit Bank	U.S. agency securities	29,301	7%
Morgan Stanley	Flexible repurchase agreement	26,299	7%
U.S. Bank Money Market	Mutual Fund	39,484	10%
LAIF	LAIF	63,903	16%

All guaranteed investment contracts have downgrade language that requires collateral should credit ratings drop below certain levels.

Custodial credit risk

Custodial credit risk for investments is the risk that the City will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the City with the exception of LAIF and money market mutual funds are deposited in trust for safekeeping with a custodial bank different from the City's primary bank. Securities are not held in broker accounts. Funds held by LAIF and money market mutual funds are held in the City's name.

Custodial credit risk for investments held by bond trustees is the risk that the City will not be able to recover the value of investment securities that are in the possession of an outside party. All securities held by bond trustees are in the name of the bond issue

in trust for safekeeping with the bond trustee, which is different from the City's primary bank.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City Treasurer mitigates this risk by investing in longer-term securities only with funds that are not needed for current cash flow purposes and holding these securities to maturity. The City Treasurer uses the segmented time distribution method to identify and manage interest rate risk. In accordance with the City investment policy, the City Treasurer monitors the segmented time distribution of its investment portfolio and analysis of cash flow demand.

Investments held by bond trustees are typically long-term securities which are not adversely affected by interest rate changes. Guaranteed investment contracts for construction funds are usually limited to three years or less. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity at June 30, 2012:

<u>Investments</u>	<u>Credit Rating (S&P/ Moody's)</u>	<u>Fair Value 6/30/2012</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 36 Months</u>	<u>37 to 60 Months</u>	<u>More Than 60 Months</u>
Investments controlled by City Treasurer:							
U.S. agency securities	AA+/Aaa	\$198,057	\$ 35,239	\$ 55,916	\$ 59,149	\$ 47,753	
Medium-term corporate notes	A-/A3	7,292	2,291			5,001	
Medium-term corporate notes	A-/Baa2	8,371	8,371				
Medium-term corporate notes	A-/A2	6,258			6,258		
Medium-term corporate notes	A+/A2	5,152	5,152				
Medium-term corporate notes	A+/A2	9,176	8,175		1,001		
Medium-term corporate notes	AA/Aa2	3,023				3,023	
Medium-term corporate notes	AA+/A1	10,351			5,084	5,267	
Medium-term corporate notes	AAA/Aaa	11,351		3,041		8,310	
Commercial paper	A-1/P-1	51,992	51,992				
Money market mutual funds	AAA/Aaa	25,972	25,972				
LAIF	Unrated	83,849	83,849				
Total investments controlled by City Treasurer		420,844	221,041	58,957	71,492	69,354	
Investments controlled by bond trustees:							
U.S. Treasury obligations	Exempt	85	85				
U.S. agency securities	AA+/Aaa	125,822	10,175	50,431	18,715	46,501	
Guaranteed investment contracts	Unrated	36,952				10,135	\$26,817
Collateralized investment contracts	Unrated	4,879				1,210	3,669
Flexible repurchase agreements	Unrated	45,367			10,703		34,664
Money market mutual funds	AAA/Aaa	116,598	116,598				
LAIF	Unrated	63,903	63,903				
Total investments controlled by bond trustees		393,606	190,761	50,431	29,418	57,846	65,150
Total investments		\$814,450	\$411,802	\$109,388	\$100,910	\$127,200	\$65,150

NOTE 3 – SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER ANAHEIM REDEVELOPMENT AGENCY:

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Anaheim that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of 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. 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 2012-001.

While Assembly Bill 1X 26 (“the Bill”) dissolved all redevelopment agencies in the State of California as of February 1, 2012, it also allowed the City to retain the housing assets and functions previously performed by the Anaheim Redevelopment Agency (“the Agency”). On January 24, 2012, the City Council passed resolution number 2012-008 electing not to have the City retain the responsibility for performing housing functions previously performed by the Agency and, instead, allowed the Anaheim Housing Authority to make the election authorized under the Bill. In resolution number AHA-2012-001, the governing board of the Anaheim Housing Authority elected to assume the housing assets and functions previously performed by the Agency. The City Council reaffirmed the transfer of all housing assets in the former housing set-aside fund to be provided to the Anaheim Housing Authority in resolution number 2012-068 on June 19, 2012.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California generally cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining liquid assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated. In order to receive these revenue allocations, the successor agencies must prepare and get approval of their semi-annual Recognized Obligation Payment Schedule (ROPS) from their Oversight Board and the California State Department of

Finance in advance of the property tax distribution from the Redevelopment Property Tax Trust Fund (RPTTF).

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 from governmental funds of the City to fiduciary funds was reported in the Redevelopment Housing Set-Aside special revenue fund, Redevelopment Agency debt service fund and Redevelopment Projects capital project fund as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was reported in the private-purpose trust fund as an extraordinary gain. The transfer of the assets and liabilities as of February 1, 2012 from the governmental activities of the government-wide statements is reported as an extraordinary gain and in the private-purpose trust fund as an extraordinary loss.

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

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

Total extraordinary loss reported in governmental funds-	
Increase to net assets of the Successor Agency Trust Fund	\$ 67,235
Amount recorded in government-wide financial statements:	
Increase to net assets of the Successor Agency Trust Fund:	
Capital Assets, net	72,560
Unamortized cost of debt issuance	4,109
Notes Receivable, net	1,472
Decrease to net assets of the Successor Agency Trust Fund:	
Accrued interest payable	(7,295)
Long-term liabilities	(240,963)
Net decrease to net assets of the Successor Agency Trust Fund	
as a result of initial transfers equal to amount of extraordinary gain	
reported in the government-wide financial statements of the City	<u>\$ (102,882)</u>

NOTE 4 – ACCOUNTS RECEIVABLE, DUE FROM OTHER GOVERNMENTS, DUE FROM THE ANAHEIM REDEVELOPMENT SUCCESSOR AGENCY, INTERFUND RECEIVABLE AND PAYABLE BALANCES, AND CERTAIN INTERFUND TRANSACTIONS:

Accounts receivable

Accounts receivable for the City's governmental and business-type activities, including the applicable allowance for uncollectible accounts at June 30, 2012, are as follows:

	Accounts Receivable	Less: Allowance for Uncollectibles	Total
Governmental activities:			
General Fund	\$14,982	\$(3,599)	\$11,383
Housing Authority	131	(105)	26
Nonmajor governmental funds	1,414		1,414
Internal service funds	5,565		5,565
Total governmental activities	<u>22,092</u>	<u>(3,704)</u>	<u>18,388</u>
Business-type activities:			
Electric Utility	42,693	(424)	42,269
Water Utility	6,762	(61)	6,701
Sanitation Utility	7,423	(164)	7,259
Golf Courses	93		93
Convention, Sports and Entertainment Venues	1,462	(69)	1,393
Total business-type activities	<u>58,433</u>	<u>(718)</u>	<u>57,715</u>
Total accounts receivable	<u>\$80,525</u>	<u>\$(4,422)</u>	<u>\$76,103</u>

Due from other governments

Due from other governments for the City's governmental activities at June 30, 2012, are as follows:

	Taxes	Grants	Other	Total
Governmental activities:				
General Fund	\$14,388	\$ 198	\$477	\$15,063
Housing Authority		48		48
Nonmajor governmental funds	20	40,138	5	40,163
Total due from other governments	<u>\$14,408</u>	<u>\$40,384</u>	<u>\$482</u>	<u>\$55,274</u>

Revenues are reported net of estimated uncollectible amounts. Total estimated uncollectible amounts related to revenues of the current period are as follows:

General Fund	\$ 647
Electric Utility	581
Water Utility	65
Sanitation Utility	196
Others	70
Total	<u>\$1,559</u>

Due from the Successor Agency

The amount due from the Successor Agency at June 30, 2012 is \$22,980. Due to the extended period of time over which the receivables are to be collected, the City has recorded deferred revenue equal to the amount due.

- On April 1, 2003 the former Anaheim Redevelopment Agency entered into a Cooperation Agreement with the City whereby the City will assist the Redevelopment Agency with the development of Westgate utilizing \$10,000 of funds from the HUD Section 108 loan program. The amount is due to the City by annual installment through June 2024. At June 30, 2012, the amount due to the City is \$8,130.
- On June 1, 2010, the former Anaheim Redevelopment Agency entered into a Cooperation Agreement with the City whereby the City will assist the Redevelopment Agency with the rehabilitation of the historic Packing House site utilizing \$7,000 of funds from the HUD Section 108 \$15,000 loan proceeds. The amount is due to the City by annual installment through June 2031. At June 30, 2012, the amount due to the City is \$6,674.
- In fiscal years 2010 and 2011, the former Anaheim Redevelopment Agency paid a total of \$19,163 to the State of California Supplement Educational Revenue Augmentation Fund (SERAF). Of this amount, \$8,500 was paid with funds borrowed from Housing Set-Aside property tax increment. At June 30, 2012, the amount due to the City is \$8,176.

Interfund receivable and payable balances

Net internal balances between governmental activities and business-type activities of \$16,244 are included in the government-wide financial statements at June 30, 2012.

Interfund receivables and payables that are included in the fund financial statements at June 30, 2012, are as follows:

	Interfund Receivable	Interfund Payable
Governmental funds:		
General Fund	\$ 4,129	\$ 65
Nonmajor governmental funds	10,796	11,724
Total governmental funds	<u>14,925</u>	<u>11,789</u>
Enterprise funds:		
Golf Courses		3,201
Total enterprise funds		<u>3,201</u>
Internal service funds	65	
Total	<u>\$14,990</u>	<u>\$14,990</u>

Certain interfund balances at June 30, 2012 are generally short-term loans to relieve temporary cash deficits in various funds. The following interfund balance is expected to be repaid in more than one year:

General Fund

Of the total interfund receivable in the General Fund, \$3,201 is due from the Golf Courses Fund. On September 24, 2002, the City Council approved a loan up to \$6,400 from the General Fund to the Golf Courses Fund for construction of the Anaheim Hills Golf Clubhouse. The loan is payable in annual amounts of not less than \$548 beginning in July 2005 until July 2023 and bears interest at the City's investment yield as of June 30th of each year.

Certain interfund transactions

The net transfers of \$12,571 from the business-type activities to the governmental activities on the government-wide Statement of Activities are primarily comprised of operational subsidies from business-type activities to the General Fund offset by debt service subsidies to the Convention, Sports and Entertainment Venues Fund and the transfers of capital assets from governmental activities to business-type activities.

Capital assets with net book value totaled \$470 were transferred from the governmental activities to Business-type activities: street light installations to Electric Utilities (\$210), sanitary sewer improvements to Sanitation (\$260). These amounts were accounted for as Capital Contribution in the respective Enterprise Fund financial statements.

On February 1, 2012, upon dissolution of the former Redevelopment Agency, housing assets of \$25,105 consisted of land held for resale, net of allowance for decline in value (\$25,207) and deposits payable (\$102) were transferred to the Housing Authority from the Redevelopment Housing Set-Aside and Redevelopment Projects nonmajor governmental funds. Additionally, the former Redevelopment Agency also transferred housing assets of \$41,087 consisting of notes receivable, net of allowance (\$19,147), due from the Successor Agency (\$8,176) and capital assets, net of accumulated depreciation (\$13,764) to the Housing Authority in the governmental activities. The effect of the interfund activities from the housing asset transfers was removed from the Government-wide Statement of Activities.

The following interfund transfers are reflected in the fund financial statements at June 30, 2012:

	Transfers In	Transfers Out
Governmental funds:		
General Fund	\$ 26,100	\$ 51,319
Housing Authority	35,482	8,633
Nonmajor governmental funds	<u>69,511</u>	<u>59,600</u>
Total governmental funds	<u>131,093</u>	<u>119,552</u>
Enterprise funds:		
Electric Utility	67	20,851
Water Utility		3,264
Sanitation Utility		2,698
Golf Courses		600
Convention, Sports and Entertainment Venues	<u>14,305</u>	
Total enterprise funds	<u>14,372</u>	<u>27,413</u>
Internal service funds	<u>1,500</u>	
Total	<u>\$146,965</u>	<u>\$146,965</u>

The Interfund transfers generally are made for the purpose of debt service payments made from a debt service fund but funded from an operating fund or subsidy transfers. Except for the transfers of capital assets and the housing assets detailed previously, there were no other significant transfers during the fiscal year that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

NOTE 5 – BOND PAYMENT RECEIVABLE:

On August 3, 1995, the Los Angeles Rams Football Company, currently the St. Louis Rams (Rams), exercised its right to terminate its lease under the Fourth Amendment to the Exhibition Agreement between the Rams and the City (Rams Agreement). Under the Rams Agreement, the Rams became obligated to repay the City for the debt service on the 1979 Anaheim (California) Stadium Inc. Lease Revenue Bonds in the principal amount of \$28,110, which obligation is supported by an irrevocable standby letter of credit with Dresdner Bank AG, will be repaid by August 15, 2015. The 1979 Anaheim (California) Stadium Inc. Lease Revenue Bonds were subsequently refunded, and are no longer outstanding, by a portion of the Convention, Sports and Entertainment Venues Fund 1993 Refunding Projects Certificates of Participation. In December 2008, the 1993 Refunding Projects Certificates of Participation were refunded and replaced by the 2008 Lease Revenue Refunding Bonds. At June 30, 2012, there remained principal outstanding of \$8,555 on the 2008 Lease Revenue Refunding Bonds. During fiscal year 2012, the Rams reimbursed the City \$2,437 (representing \$1,890 for principal and \$547 for interest) for the current portion of their debt service obligation. The City accounted for the termination of the lease by recording a bond payment receivable from the Rams and a contribution to the Convention, Sports and Entertainment Venues Enterprise Fund in the amount of the debt obligation assumed by the Rams under the Rams Agreement.

NOTE 6 – CAPITAL ASSETS:

Capital asset activities for the year ended June 30, 2012, were as follows:

	Beginning Balance	Additions	Transfer In (Out)	Deletions	Dissolution of the Anaheim Redevelopment Agency	Ending Balance
Governmental activities:						
Nondepreciable assets:						
Land	\$ 616,994	\$ 4,372	\$ 814	\$ (1)	\$ (15,568)	\$ 606,611
Construction in progress	80,054	52,645	(29,388)	(600)	(13,225)	89,486
Total	697,048	57,017	(28,574)	(601)	(28,793)	696,097
Depreciable assets:						
Buildings, structures and improvements	323,658	1,243	10,071	(72)	(65,345)	269,555
Machinery and equipment	104,481	3,890	88	(2,618)	(879)	104,962
Infrastructure	741,736	1,476	17,898	(109)	—	761,001
Total	1,169,875	6,609	28,057	(2,799)	(66,224)	1,135,518
Total assets	1,866,923	63,626	(517)	(3,400)	(95,017)	1,831,615
Less accumulated depreciation for:						
Buildings, structures and improvements	(119,918)	(8,487)	—	31	21,843	(106,531)
Machinery and equipment	(71,394)	(7,050)	46	2,469	614	(75,315)
Infrastructure	(317,531)	(16,833)	—	102	—	(334,262)
Total accumulated depreciation	(508,843)	(32,370)	46	2,602	22,457	(516,108)
Total governmental activities capital assets, net	\$ 1,358,080	\$ 31,256	\$ (471)	\$ (798)	\$ (72,560)	\$ 1,315,507
Business-type activities:						
Nondepreciable assets:						
Land	\$ 58,369	\$ 41	\$ —	\$ —	\$ —	\$ 58,410
Construction in progress	58,560	74,022	(51,663)	(124)	—	80,795
Total	116,929	74,063	(51,663)	(124)	—	139,205
Depreciable assets:						
Buildings, structures and improvements	584,995	2,167	12,023	(126)	—	599,059
Utility plant	1,468,061	2,502	39,976	(3,120)	—	1,507,419
Machinery and equipment	33,721	3,898	135	(7,938)	—	29,816
Total	2,086,777	8,567	52,134	(11,184)	—	2,136,294
Total assets	2,203,706	82,630	471	(11,308)	—	2,275,499
Less accumulated depreciation for:						
Buildings, structures and improvements	(199,421)	(13,193)	—	102	—	(212,512)
Utility plant	(454,256)	(48,734)	—	3,944	—	(499,046)
Machinery and equipment	(21,050)	(2,814)	—	3,596	—	(20,268)
Total accumulated depreciation	(674,727)	(64,741)	—	7,642	—	(731,826)
Total business-type activities capital assets, net	\$ 1,528,979	\$ 17,889	\$ 471	\$ (3,666)	\$ —	\$ 1,543,673

Fiduciary FundsSuccessor Agency

Capital asset activities for the year ended June 30, 2012 are as follows:

	Transfer in from former Redevelopment Agency	Additions	Deletions	Ending Balance
Nondepreciable assets:				
Land	\$15,568	—	—	\$15,568
Construction in progress	13,225	\$ 2,331	\$ (591)	14,965
Total	28,793	2,331	(591)	30,533
Depreciable assets:				
Buildings, Structures and improvements	43,502	—	—	43,502
Machinery and equipment	265	—	—	265
Total	43,767	—	—	43,767
Total assets	72,560	2,331	(591)	74,300
Less accumulated depreciation for:				
Buildings, Structures and improvements	—	(609)	—	(609)
Machinery and equipment	—	(37)	—	(37)
Total depreciation	—	(646)	—	(646)
Total capital assets, net	\$72,560	\$ 1,685	\$ (591)	\$73,654

Capital leases

Included in the capital assets amounts listed above are the following capitalized leased assets:

	Governmental Activities
Machinery and equipment	\$ 3,979
Less accumulated amortization	(2,159)
Capitalized leased assets, net	\$ 1,820

Operating leasesHousing Authority

At June 30, 2012, the Housing Authority earned revenues as the lessor of land, carried at cost of \$52,714 in the government-wide financial statements, under seven operating ground leases. These leases to developers are noncancelable. Two of the leases are for a term of 55 years, expiring in 2055 and 2057; three of the leases are for a term of 57 years, expiring in 2060, 2063 and 2064 and two of the leases are for a term of 65 years, expiring in 2076. The total base rent amounts to be collected over the terms of the leases are \$12,400, \$8,700, \$7,505, \$7,900, \$5,200, \$5,600 and \$5,600 respectively, with simple interest accruing on unpaid portions at a rate of

4.0%, 4.5%, 4.0%, 4.0%, 4.0%, 2% and 2% respectively. Minimum lease payments are calculated annually, based on residual receipts, as defined in the lease agreements. At June 30, 2012, the Housing Authority has recorded notes receivable due from developers related to these transactions of \$10,276 and is net of allowances of \$2,120 for uncollected accounts in the government-wide financial statements.

Successor Agency

At June 30, 2012, the Redevelopment Successor Agency earned revenues as lessor from certain parking structure properties, carried at cost of \$9,564, less accumulated depreciation of \$8,896, under operating leases. The following is a schedule of minimum future rentals on noncancelable operating leases at June 30, 2012:

Fiscal Year Ending June 30

2013	\$ 273
2014	274
2015	277
2016	277
2017	278
2018-2022	1,384
2023-2027	1,231
2028-2032	1,231
2033-2034	<u>492</u>
Total minimum future rentals	<u>\$5,717</u>

NOTE 7 – SELF INSURANCE:

The General Benefits and Insurance Fund, an internal service fund, is used to account for self-insured workers' compensation related benefits, self-insured general liability claims, commercial insurance purchases, alternative risk financing vehicles as well as employee compensated absences, retirement and health benefits. Revenues of the General Benefits and Insurance Fund are derived from charges to City departments using estimates of benefits earned and cost allocation charges established at the beginning of the year and from interest income on reserves.

At June 30, 2012, the City was fully funded for self-insured workers' compensation and general liability claims (self-insured retention levels of \$750 per occurrence for workers' compensation claims and \$1,000 per occurrence for general liability claims). Above these self-insured retention levels, the City's potential liability is covered through various commercial insurance and intergovernmental risk pooling programs (collectively, "Insurance"). Settled claims have not exceeded total insurance coverage in any of the past three years, nor does management believe that there are any pending claims that will exceed total insurance coverage.

The unpaid claims liability included in the General Benefits and Insurance Fund is based on the results of actuarial studies and includes amounts for claims incurred but not reported, known-claim development, and allocated loss adjustment expenses. Claims liabilities are calculated using a discount rate of 3% and consider the effects of inflation, multi-year loss development trends, and other economic and social

factors. It is the City's practice to obtain full actuarial studies annually for general liability and workers' compensation coverages. Premiums are charged by the General Benefits and Insurance Fund using various allocation methods that include actual costs, trends in claims experience, exposure base, and number of participants.

Changes in claims liability of the General Benefits and Insurance Fund and that relates to the governmental funds and reported in the governmental activities in the government wide Statement of Net Assets in fiscal years 2012 and 2011 were as follows:

	2012	2011
Claims liability at beginning of year	\$35,405	\$37,756
Current year claims and changes in estimates	10,281	6,293
Claims payments	(6,343)	(8,644)
Claims liability at end of year	<u>\$39,343</u>	<u>\$35,405</u>

Above the self-insured retention of \$750 per occurrence for workers' compensation losses, the City purchases excess coverage, utilizing both commercial insurance and an intergovernmental risk pooling program (CSAC-EIA) to statutory limits.

Above the self-insured retention of \$1,000 per occurrence for liability losses, the City maintains excess coverage for all City operations to \$100,000 per occurrence, excluding helicopter operations for which the City purchases \$50,000, per occurrence, of commercial liability insurance (on a first-dollar basis). The first layer of excess liability loss coverage is procured through the Authority for California Cities Excess Liability (ACCEL), a joint powers insurance authority, formed in 1986, pooling catastrophic general, automobile, personal injury, and public officials errors and omissions liability losses among twelve California cities, through both risk-sharing and commercial insurance joint-purchase arrangements. The City, therefore, continues to maintain some limited excess liability risk sharing exposure, above \$1,000 per occurrence, directly with ACCEL. This pooled coverage has exposure (i) from the run-out periods from prior years in which commercial excess insurance was not obtained, and (ii) from an ACCEL retained layer for fiscal year 2012 of \$4,000 in excess of \$1,000. Each ACCEL member's share of pooled losses is based on a retrospectively-rated risk-sharing formula which includes, but is not limited to, exposure and loss experience factors.

In order to provide funds to pay claims, ACCEL collects a deposit from each member. The deposits are credited with investment income at the rate earned on ACCEL's investments. At June 30, 2012, ACCEL's cash and investments totaled \$42,469, of which \$5,202 consists of deposits and interest on deposits provided by the City. The City has no specific equity interest in ACCEL. Deposits provided to ACCEL by the City are expensed when paid by the General Benefits and Insurance Fund.

ACCEL is responsible for deciding the risks it will underwrite, monitoring and handling of large claims, and arranging risk-financing programs. ACCEL does not have any debt outstanding. For a copy of ACCEL's separate financial statements, contact the Finance Director of the City.

NOTE 8 – LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2012:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Dissolution of the Anaheim Redevelopment Agency	Ending Balance	Within One Year
Governmental activities:						
Bonds payable:						
General obligation	\$ 3,735		\$ (550)		\$ 3,185	\$ 580
City lease revenue	481,769		(13,409)		468,360	15,134
Redevelopment Agency	208,195			\$ (208,195)		
Accretion	132,945	\$ 14,349			147,294	
Motorized Equipment	314		(314)			
Unamortized bond						
premium/(discount), net	(5,371)		691	(305)	(4,985)	
Total	<u>821,587</u>	<u>14,349</u>	<u>(13,582)</u>	<u>(208,500)</u>	<u>613,854</u>	<u>15,714</u>
COPs:						
City COPs	12,070		(985)		11,085	1,065
Total	<u>12,070</u>		<u>(985)</u>		<u>11,085</u>	<u>1,065</u>
Capitalized lease obligations:						
Internal Service Funds	2,341	462	(1,109)		1,694	999
Total	<u>2,341</u>	<u>462</u>	<u>(1,109)</u>		<u>1,694</u>	<u>999</u>
Notes and loans payable:						
City	24,929		(1,124)		23,805	1,169
Redevelopment Agency	7,896		(226)	(7,670)		
Housing Authority	1,741				1,741	
Total	<u>34,566</u>		<u>(1,350)</u>	<u>(7,670)</u>	<u>25,546</u>	<u>1,169</u>
Self-insurance (note 7)	35,405	14,219	(10,281)		39,343	8,123
Compensated absences (note 1)	19,558	20,873	(22,078)		18,353	14,205
Pollution remediation Liability	720	1,542	(449)	(1,813)		
Governmental activities total	<u>926,247</u>	<u>51,445</u>	<u>(49,834)</u>	<u>(217,983)</u>	<u>709,875</u>	<u>41,275</u>
Business-type activities:						
Bonds payable:						
Electric Utility	719,930		(18,175)		701,755	18,995
Water Utility	86,655		(915)		85,740	930
Sanitation Utility	46,130		(835)		45,295	880
Convention, Sports and						
Entertainment Venues	52,505		(6,918)		45,587	7,756
Unamortized bond						
premium/discount, net	3,463		315		3,778	
Total	<u>908,683</u>		<u>(26,528)</u>		<u>882,155</u>	<u>28,581</u>
COPs:						
Convention, Sports and						
Entertainment Venues	38,000				38,000	
Total	<u>38,000</u>				<u>38,000</u>	
Notes and loans payable:						
Water Utility	10,719		(1,347)		9,372	462
Convention, Sports and						
Entertainment Venues	20,000		(4,720)		15,280	5,000
Unamortized note discount	(200)		36		(164)	
Total	<u>30,519</u>		<u>(6,031)</u>		<u>24,488</u>	<u>5,462</u>
Decommissioning provision	127,347	3,598			130,945	
Business-type activities total	<u>1,104,549</u>	<u>3,598</u>	<u>(32,559)</u>		<u>1,075,588</u>	<u>34,043</u>
Governmental-wide total	<u>\$2,030,796</u>	<u>\$ 55,043</u>	<u>\$ (82,393)</u>	<u>\$ (217,983)</u>	<u>\$1,785,463</u>	<u>\$75,318</u>

GOVERNMENTAL ACTIVITIES:**BONDS PAYABLE**

At June 30, 2012, bonds payable consisted of the following:

	Date Issued	Final Maturity	Range of Interest Rates at Issue Date	Authorized and Issued	Out- standing 6/30/12
City					
1993 General Obligation Refunding Bonds	11/01/93	10/01/16	4.0%-7.0%	\$ 10,055	\$ 3,185
1997 Anaheim Lease Revenue Bonds	2/01/97	3/01/37	4.5%-6.0%	510,427	211,662
Accretion					147,294
2007 Anaheim Lease Revenue Refunding Bonds	6/13/07	3/01/37	3.25%-5.5%	256,320	252,785
2008 Anaheim Lease Revenue Refunding Bonds	12/10/08	8/01/19	3.0%-5.0%	5,084	3,913
Total					618,839
Unamortized bond refunding costs/premium/discounts, net					(4,985)
Total government activities bonds					<u>\$613,854</u>

Bonds Payable - CityGeneral obligation refunding bonds

The 1993 General Obligation Refunding Bonds were issued to finance storm drain improvements and are payable from the levy of ad valorem taxes. Total principal and interest remaining on the bonds is \$3,517, payable through October 2016. During the fiscal year ended June 30, 2012, total principal and interest paid was \$695.

Debt service requirements to maturity for the 1993 General Obligation Refunding Bonds to be paid by the General Obligation Bonds Debt Service Fund from future property tax revenues are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2013	\$ 580	\$118	\$ 698
2014	610	92	702
2015	635	67	702
2016	660	41	701
2017	700	14	714
Total	<u>\$3,185</u>	<u>\$332</u>	<u>\$3,517</u>

Lease payment measurement revenues

In February 1997, the Anaheim Public Financing Authority sold \$510,427 of lease revenue bonds to construct public improvements in The Anaheim Resort. In June 2007, the Authority sold \$256,320 of lease revenue bonds to defease \$248,335 of the 1997 lease revenue bonds. The bonds are special obligations of the Authority payable solely from lease payments to be made by the City to the Authority for the use and

occupancy of the leased premises. Debt service requirements to maturity for these lease revenue bonds are paid from lease payment measurement revenues (LPMR) defined as amounts equal to: 1) 3% of the 15% transient occupancy taxes (TOT) (i.e. 20% of the total transient occupancy taxes) for all hotel properties in the City, excluding Disney properties, and 2) 100% of the incremental TOT, sales, and property tax revenues from all Disney properties over the 1995 base, adjusted each year by the CPI change, with a minimum 2% increase annually. The City is not required to pay any additional sums should the LPMR fall short of the amount required to pay debt service on the bonds. The Walt Disney Company provided a guarantee to the bond insurer to enable the issuer to obtain municipal bond insurance.

LPMR began on January 1, 2001, with the first payment made to the trustee on July 7, 2001, for the LPMR generated during the period January through June 2001. Subsequent to that date, LPMR is collected and remitted to the trustee monthly. During the fiscal year ended June 30, 2012, \$32,936 was remitted to the trustee.

Debt service requirements to maturity for the 1997 Anaheim Lease Revenue Bonds, and the 2007 Anaheim Lease Revenue Refunding Bonds to be paid by the Anaheim Resort Improvements Debt Service Fund from future LPMR are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2013	\$ 14,705	\$ 17,828	\$ 32,533
2014	16,540	16,917	33,457
2015	18,510	15,894	34,404
2016	20,630	14,750	35,380
2017	22,900	13,479	36,379
2018-2022	63,375	138,860	202,235
2023-2027	77,762	156,618	234,380
2028-2032	92,953	177,583	270,536
2033-2037	137,072	214,282	351,354
Total	464,447	766,211	1,230,658
Unamortized bond discount	(4,684)		(4,684)
Total bonds	<u>\$459,763</u>	<u>\$766,211</u>	<u>\$1,225,974</u>

Included in interest is \$147,294 related to accretion on capital appreciation bonds.

Lease revenue refunding bonds – City

Debt service requirements to maturity for the City's lease revenue bonds to be paid from unrestricted revenues of the Municipal Facilities Debt Service Fund are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2013	\$ 429	\$ 170	\$ 599
2014	460	151	611
2015	479	131	610
2016	506	111	617
2017	463	89	552
2018-2020	1,576	120	1,696
Total	3,913	772	4,685
Unamortized bond discount	(301)		(301)
Total bonds	<u>\$3,612</u>	<u>\$ 772</u>	<u>\$4,384</u>

CERTIFICATES OF PARTICIPATION

At June 30, 2012, certificates of participation consisted of the following:

	Date Issued	Final Maturity	Range of Interest Rates at Issue Date	Authorized and Issued	Out-standing 6/30/12
City					
1993 Arena Land Refinancing	11/01/93	11/01/19	5.9%-7.50%	21,210	<u>\$11,085</u>
Total governmental activities COPs					<u>\$11,085</u>

Certificates of Participation Payable – City

Certificates of participation debt service payments are to be paid from unrestricted revenues of the Certificates of Participation Debt Service Fund. COP debt service requirements to maturity are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2013	\$ 1,065	\$ 686	\$ 1,751
2014	1,140	614	1,754
2015	1,225	537	1,762
2016	1,315	455	1,770
2017	1,415	366	1,781
2018-2020	4,925	495	5,420
Total COPs	<u>\$11,085</u>	<u>\$3,153</u>	<u>\$14,238</u>

CAPITAL LEASE OBLIGATIONS

The City has a long-term noncancelable agreement with HP Financial Services to finance the acquisition of the City's server, desktop, and portable computer equipment. The agreement qualifies as a capital lease for accounting purposes as defined under the FASB Statement No. 13, Accounting for Leases, and therefore has been recorded at the present value of future minimum lease payments at the date of inception of the lease. Future minimum lease payments to be made from unrestricted revenues of the Information Services Internal Service Fund under the capital lease are as follows:

Fiscal Year Ending 6/30	
2013	\$ 1,076
2014	671
2015	84
2016	4
Total	1,835
Less amount representing interest, variable	(141)
Present value of future minimum lease payments	<u>\$ 1,694</u>

NOTES AND LOANS PAYABLE

At June 30, 2012, notes and loans payable are as follows:

Notes and Loans Payable – CityHUD Section 108 guaranteed loans payable

In May 2003, the City entered into an agreement with HUD, making available \$10,000 to provide financial assistance related to the development of Westgate on a former landfill site located at the northeast corner of Beach Boulevard and Lincoln Avenue. The loan is payable from sales tax revenue generated by Westgate, from The Community Development Block Grant yearly entitlement, and from receipts of the Successor Agency receivable. The outstanding balance at June 30, 2012 was \$8,314. The loan bears interest ranging from 1.74% to 5.97% and is payable over 20 years beginning on February 1, 2005, until August 1, 2023. Loan debt service requirements to maturity are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 435	\$ 449	\$ 884
2014	478	427	905
2015	517	402	919
2016	561	374	935
2017	670	342	1,012
2018-2022	3,948	1,097	5,045
2023-2027	<u>1,705</u>	<u>94</u>	<u>1,799</u>
Total notes and loans	<u>\$8,314</u>	<u>\$3,185</u>	<u>\$11,499</u>

In March 2010, the City entered into an agreement with HUD, making available \$15,000 to fund the acquisitions of the Anaheim Family Justice Center and Miraloma Park site, construction of the Thornton Brady storm drain and the rehabilitation of the historic Packing House site. The loan is payable from the Community Development Block Grant yearly entitlement and from the receipts of the Successor Agency receivable. The outstanding balance of the loan at June 30, 2012, was \$14,050. The loan bears interest ranging from 1.74% to 3.97% and is payable over 20 years beginning on February 1, 2011 through August 1, 2030. Loan debt service requirements to maturity are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 605	\$ 478	\$ 1,083
2014	615	471	1,086
2015	625	462	1,087
2016	640	449	1,089
2017	655	433	1,088
2018-2022	3,555	1,850	5,405
2023-2027	<u>4,185</u>	<u>976</u>	<u>5,161</u>
2028-2031	<u>3,170</u>	<u>392</u>	<u>3,562</u>
Total notes and loans	<u>\$14,050</u>	<u>\$5,511</u>	<u>\$19,561</u>

Helicopter loan payable

In January 2009, the City entered into an agreement with Government Capital Corporation to finance the acquisition of a police helicopter. The amount of the loan totaled \$1,799 and bears interest at 5.391% per annum for a term of 12 years. On January 29, 2009, Government Capital Corporations assigned this loan agreement to Bank of America which subsequently assigned it to Western Alliance Equipment Finance on March 21, 2012. Principal and interest payments of \$206 are due annually beginning on December 16, 2009, until December 16, 2020. The outstanding balance at June 30, 2012 was \$1,441. Loan debt service requirements to maturity are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 129	\$ 77	\$ 206
2014	136	70	206
2015	143	63	206
2016	150	56	206
2017	158	48	206
2018-2021	<u>725</u>	<u>101</u>	<u>826</u>
Total notes and loans	<u>\$1,441</u>	<u>\$415</u>	<u>\$1,856</u>

Notes and Loans Payable – Housing AuthorityHousing Authority CHFA loan agreements

In October 2003 and October 2007, the Housing Authority entered into separate loan agreements with the California Housing Finance Agency (CHFA), to provide funding for down payment assistance to first-time homebuyers. The 2003 loan is for an amount up to \$1,800 and bears 3% simple interest, with principal and accrued interest due in October 2013. At June 30, 2012, the outstanding balance of the 2003 loan was \$707. The 2007 note is for an amount up to \$1,250 and bears 3.5% interest with principal and accrued interest due in October 2017. At June 30, 2012, the outstanding balance of the 2007 loan was \$1,034.

BUSINESS-TYPE ACTIVITIES:**BONDS PAYABLE**

	Date Issued	Final Maturity	Range of Interest Rates at Issue Date	Authorized and Issued	Out-standing 6/30/12
Electric Utility					
1999 Revenue Bonds	9/01/99	10/01/27	3.0%-5.0%	\$ 45,000	\$ 34,650
2002 Revenue Bonds	2/15/02	10/01/31	3.3%-5.25%	178,705	164,310
2003 Revenue Bonds	4/01/03	10/01/22	3.0%-5.0%	60,415	29,640
2004 Revenue Bonds	6/01/04	10/01/34	2.5%-5.25%	131,265	113,960
2007 Revenue Bonds	2/01/07	10/01/37	4.0%-5.0%	206,035	201,040
2009 Revenue Bonds	3/10/09	10/01/39	3.0%-5.25%	70,000	67,765
2011 Revenue Bonds	5/11/11	10/01/36	3.0%-5.375%	90,390	90,390
Total					701,755
Unamortized bond refunding costs/premium, net					4,910
Total Electric Utility					706,665
Water Utility					
2004 Revenue Bonds	5/01/04	10/01/16	4.0%-4.5%	12,105	2,635
2008 Revenue Bonds	7/09/08	10/01/38	4.0%-5.0%	48,580	48,580
2010 Revenue Bonds	10/28/10	10/01/40	2.0%-4.75%	34,525	34,525
Total					85,740
Unamortized bond refunding costs/discount, net					492
Total Water Utility					86,232
Sanitation Utility					
2007 Revenue Bonds	5/23/07	2/01/39	3.9%-5.0%	47,710	45,295
Unamortized bond premium					1,149
Total Sanitation					46,444
Convention, Sports and Entertainment Venues					
2002 Revenue Bonds	7/02/02	8/01/23	3.0%-5.5%	26,260	9,280
2008 Anaheim Lease Revenue Refunding Bonds	12/10/08	8/01/19	3.0%-5.0%	45,847	36,307
Total					45,587
Unamortized bond refunding costs/premium, net					(2,773)
Total Convention, Sports and Entertainment Venues					42,814
Total business-type activities bonds				\$ 996,837	\$882,155

Bonds Payable - Electric Utility

The City's Electric Utility has pledged future electric revenues, net of certain costs, to repay a total of \$1,174,702 outstanding long-term obligations, principal and interest. Proceeds from bonds provided financing for various capital improvements, primarily distribution assets. The Electric Utility's bonds are payable solely from electric customer net revenues and are payable through 2040. At June 30, 2012, the annual principal and interest payments on the bonds were less than 55.9% of net revenues. Principal and interest paid for the current fiscal year and total net revenues were \$52,279 and \$93,556 respectively.

Bond debt service requirements to maturity for the Electric Utility to be paid from revenues are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2013	\$ 18,995	\$ 33,816	\$ 52,811
2014	19,765	32,944	52,709
2015	20,745	31,975	52,720
2016	21,725	30,969	52,694
2017	24,590	29,866	54,456
2018-2022	123,495	130,859	254,354
2023-2027	139,520	98,950	238,470
2028-2032	178,200	60,154	238,354
2033-2037	126,390	22,044	148,434
2038-2041	28,330	1,370	29,700
Total	701,755	472,947	1,174,702
Unamortized bond refunding costs/premium, net	4,910		4,910
Total bonds	<u>\$706,665</u>	<u>\$472,947</u>	<u>\$1,179,612</u>

Bonds Payable - Water Utility

The City's Water Utility has pledged future revenues from the sale of water, net of certain costs, to repay a total of \$168,648 for outstanding long-term obligations, principal and interest. Proceeds from bonds provided financing for various capital improvements, primarily distribution assets. The bonds are payable solely from water net revenues and are payable through 2041. At June 30, 2012, the annual principal and interest payments on the bonds were less than 35.4% of net revenues. Principal and interest paid for current fiscal year and total net revenues were \$5,207 and \$14,715 respectively.

Bond debt service requirements to maturity for the Water Utility to be paid from revenues are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2013	\$ 950	\$ 4,255	\$ 5,205
2014	920	4,217	5,137
2015	960	4,178	5,138
2016	1,000	4,135	5,135
2017	1,045	4,092	5,137
2018-2022	6,525	19,763	26,288
2023-2027	13,970	17,469	31,439
2028-2032	17,345	13,656	31,001
2033-2037	21,735	8,711	30,446
2038-2041	21,290	2,432	23,722
Total	85,740	82,908	168,648
Unamortized bond refunding costs/premium, net	492		492
Total bonds	<u>\$86,232</u>	<u>\$82,908</u>	<u>\$169,140</u>

Bonds Payable – Sanitation Utility

The City's Sanitation Utility has pledged future sanitation system net revenues to pay a total of \$80,928 for revenue bonds issued in May 2007. Proceeds from the bonds provided financing for capital improvements to the sanitation sewer collection system. The bonds are payable solely from system net revenues and are payable through February 2039. At June 30, 2012, total principal and interest payments on the bonds were less than 42.2% of net revenues. Total principal and interest paid and total system net revenues for the current fiscal year were \$2,996 and \$7,101 respectively.

Bond debt service requirements to maturity for the Sanitation Utility to be paid from revenues are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2013	\$ 880	\$ 2,119	\$ 2,999
2014	920	2,079	2,999
2015	955	2,042	2,997
2016	1,005	1,994	2,999
2017	1,045	1,954	2,999
2018-2022	5,985	8,998	14,983
2023-2027	7,560	7,424	14,984
2028-2032	9,445	5,544	14,989
2033-2037	11,910	3,078	14,988
2038-2039	5,590	401	5,991
Total	45,295	35,633	80,928
Unamortized bond premium	1,149		1,149
Total bonds	<u>\$46,444</u>	<u>\$35,633</u>	<u>\$82,077</u>

Bonds Payable – Convention, Sports and Entertainment Venues

Bond debt service requirements to maturity for the Convention, Sports and Entertainment Venues to be paid from revenues are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2013	\$ 7,756	\$ 1,962	\$ 9,718
2014	8,120	1,579	9,699
2015	4,995	1,280	6,275
2016	4,424	1,091	5,515
2017	4,662	887	5,549
2018-2022	15,520	1,224	16,744
2023-2024	110	7	117
Total	45,587	8,030	53,617
Unamortized bond refunding costs/premium, net	(2,773)		(2,773)
Total bonds	<u>\$42,814</u>	<u>\$ 8,030</u>	<u>\$50,844</u>

CERTIFICATES OF PARTICIPATION

	Date Issued	Final Maturity	Range of Interest Rates at Issue Date	Authorized and Issued	Out-standing 6/30/12
Convention, Sports and Entertainment Venues					
1992 Convention Center Financing Project	1/01/92	8/01/23	3.9%-6.4%	\$ 92,777	\$38,000
Total Convention, Sports and Entertainment Venues					<u>\$38,000</u>

Certificates of Participation Payable – Convention, Sports and Entertainment Venues

Certificates of participation debt service requirements to maturity for the Convention, Sports and Entertainment Venues Fund to be paid from unrestricted revenues are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2013		\$ 2,350	\$ 2,350
2014		2,350	2,350
2015	\$ 3,500	2,345	5,845
2016	4,500	1,895	6,395
2017	4,800	1,601	6,401
2018-2022	23,200	3,216	26,416
2023-2024	2,000	74	2,074
Total COPs	<u>\$38,000</u>	<u>\$13,831</u>	<u>\$51,831</u>

NOTES AND LOANS PAYABLE**Note Payable – Water Utility**

At June 30, 2012, note payable is as follows:

State of California Revolving Fund note payable

In June 2001, the Water Utility executed a note payable to the State of California Revolving Fund at a rate of 2.8% in the amount of \$18,063. There are semi-annual payments of principal and interest in the amount of \$592 through July 31, 2021. The outstanding balance on this note at June 30, 2012, totaled \$9,372

Note debt service requirements to maturity for the Water Utility are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2013	\$ 462	\$ 131	\$ 593
2014	943	242	1,185
2015	969	216	1,185
2016	996	189	1,185
2017	1,024	161	1,185
2018-2022	4,978	354	5,332
Total	9,372	1,293	10,665
Unamortized note discount	(164)		(164)
Total notes and loans	<u>\$ 9,208</u>	<u>\$1,293</u>	<u>\$10,501</u>

Note Payable – Convention, Sports and Entertainment VenuesWells Fargo Bank lease revenue note

In December 2010, the City executed a lease revenue note with the Wells Fargo Bank, National Association to provide financing for the capital improvements of the Anaheim Convention Center Grand Plaza. Principal amount of the note is \$20,000 and bears a 1.85% interest per annum. The note is payable monthly, commencing in January 2011 and matures in December 2014.

Note debt service requirements to maturity to be paid from the unrestricted revenues of the Convention, Sports and Entertainment Venues Fund are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 5,000	\$ 237	\$ 5,237
2014	5,095	143	5,238
2015	5,185	48	5,233
Total note	<u>\$15,280</u>	<u>\$ 428</u>	<u>\$15,708</u>

ARBITRAGE

The Tax Reform Act of 1986 (Act) substantially revised the treatment to be afforded to earnings on the proceeds of tax-exempt debt, and now requires the City to calculate and remit rebatable arbitrage earnings to the Internal Revenue Service. Certain of the City's debt and interest earned on the proceeds thereof are subject to the requirements of the Act. The City has accrued a liability for estimated rebatable arbitrage earnings and has set aside such earnings as restricted cash. At June 30, 2012, the arbitrage rebate liability for governmental and business-type activities was zero and \$211 respectively.

COMPLIANCE WITH DEBT COVENANTS

There are various limitations and restrictions contained in the City's bond and certificates of participation indentures. The City believes they are in compliance with all significant limitations and restrictions.

CONDUIT FINANCINGS**City**

The City has entered into two conduit financings on behalf of a community care provider facility and one to facilitate the management agreement for the Honda Center (formerly the Arrowhead Pond) of Anaheim. In accordance with applicable agreements, the City has no obligation for debt service payments and therefore, the debt is not reflected in the accompanying basic financial statements. Bonds payable and certificates of participation related to conduit financings outstanding at June 30, 2012, were as follows:

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 6/30/12</u>
1985 West Anaheim Convalescent Home	12/30/85	12/01/15	\$ 3,204	\$ 1,195
1993 Anaheim Memorial Hospital Association	10/15/93	05/15/20	46,690	21,300
2003 Anaheim Arena Financing Project	12/11/03	06/01/23	42,600	33,000
Total			<u>\$92,494</u>	<u>\$55,495</u>

Anaheim Housing Authority

The Anaheim Housing Authority has entered into conduit debt financings on behalf of various developers to assist with the acquisition, construction, equipping, rehabilitation and refinancing of multifamily residential rental projects within the City of Anaheim. In accordance with the bond documents, neither the City nor the Housing Authority has an obligation for debt service payments and therefore, the debt is not reflected in the accompanying basic financial statements. Housing Authority revenue bonds related to conduit financings outstanding at June 30, 2012, were as follows:

	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Outstanding 6/30/12</u>
1985 West Anaheim Royale	12/01/85	12/01/35	\$ 4,664	\$ 1,744
1992 Heritage Village	11/12/92	11/12/33	8,485	5,485
1997 Casa Granada Apartments	05/15/97	05/15/27	3,795	2,995
1997 Port Trinidad Apartments	05/15/97	05/15/27	2,140	1,640
1998 Sage Park Project	11/01/98	11/01/28	5,500	5,500
2000 Cobblestone Apartments	07/20/00	03/15/33	3,980	3,580
2000 Park Vista Apartments	07/24/00	07/01/33	27,180	27,180
2000 Seawinds Apartments	07/20/00	07/15/33	7,000	6,300
2001 Solara Court Apartments	01/01/01	12/01/34	8,200	5,637
2008 Bel Age Manor Apartments	02/01/08	02/01/44	22,350	21,440
2009 Lincoln Anaheim Apartments Phase B	05/15/09	04/15/39	23,217	9,121
Total			<u>\$116,511</u>	<u>\$ 90,622</u>

FIDUCIARY FUNDSSuccessor Agency

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

	<u>Transfer in from the former Redevelopment Agency</u>	<u>Additions/ Proceeds</u>	<u>Reductions/ Payments</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Bonds payable	\$ 208,195		\$ (205)	\$ 207,990	\$ 210
premium/(discount), net	305		237	542	
Notes and loans payable:	7,670		(4)	7,666	429
Due to City of Anaheim	22,980			22,980	761
Pollution remediation liability	1,813	\$ 5,337	(510)	6,640	5,222
	<u>\$ 240,963</u>	<u>\$ 5,337</u>	<u>\$ (482)</u>	<u>\$ 245,818</u>	<u>\$ 6,622</u>

Bonds Payable2007 Tax Allocation Refunding Bonds

The Successor Agency will repay a total of \$344,490, principal and interest, for the outstanding 2007 tax allocation bonds issued in December 2007 from the semi-annual Redevelopment Property Tax Trust Fund (RPTTF) revenue allocations. Proceeds from the bonds provided financing for public improvements related to the merged project areas, for the supply of low-and moderate-income housing within the City, to repay certain Redevelopment Agency loan obligations and to advance refund the 1992, 1997 and 2000 bonds. The bonds bear interest at rates ranging from 4.25% to 6.5% and are payable through February 2031. During the fiscal year ended June 30, 2012, total interest paid was \$10,766.

Debt service requirements to maturity for 2007 Tax Allocation bonds are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013		\$ 10,766	\$ 10,766
2014	\$ 1,860	10,766	12,626
2015	2,205	10,659	12,864
2016	3,280	10,532	13,812
2017	5,565	10,350	15,915
2018-2022	44,185	45,847	90,032
2023-2027	63,195	32,671	95,866
2028-2031	81,390	11,219	92,609
Total	201,680	142,810	344,490
Unamortized bond refunding costs/discount, net	542		542
Total bonds	<u>\$202,222</u>	<u>\$142,810</u>	<u>\$345,032</u>

2010 Recovery Zone Economic Development Bonds

The Successor Agency will repay a total of \$10,974, principal and interest, outstanding Recovery Zone Economics Development Bonds issued in October 2010 from the semi-annual RPTTF revenue allocations. Proceeds from the bonds provided financing for public improvements related to the merged project areas. The bonds bear interest at rates ranging from 1.44% to 6.22% and are payable through February 2031. During the fiscal year ended June 30, 2012, total principal and interest paid were \$205 and \$371 respectively.

Debt service requirements to maturity for 2010 Recovery Zone Development bonds are as follows:

<u>Fiscal Year Ending 6/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 210	\$ 367	\$ 577
2014	215	361	576
2015	225	354	579
2016	230	346	576
2017	240	337	577
2018-2022	1,395	1,496	2,891
2023-2027	1,840	1,049	2,889
2028-2031	1,955	354	2,309
Total bonds	<u>\$6,310</u>	<u>\$4,664</u>	<u>\$10,974</u>

Notes and Loans PayableSavi Ranch Associates note payable

In July 1989, the former Redevelopment Agency executed a note with Savi Ranch Associates, a California general partnership. The amount of the note totaled \$2,707 and bears interest at 9.5% per annum. The note is payable from net property tax increment as defined in the Redevelopment Agency note. If there is insufficient RPTTF revenue to pay for principal and interest at the termination of the River Valley project area plan in November 2031, the note ceases to be an obligation of the Successor Agency. For the fiscal year ended June 30, 2012, total interest paid was \$339.

Contractual obligations

As part of the Redevelopment Agency's economic development program to attract and retain businesses in the City, the former Redevelopment Agency has entered into various contractual obligations to reimburse tenant improvement costs to be paid from property tax increment revenues (thereafter RPTTF). At June 30, 2012, the outstanding balance of these obligations totaled \$160.

In December 1992, the former Redevelopment Agency has entered into an agreement with California State Teachers Retirement System (CALSTRS), to share in the development costs of the Plaza Redevelopment Project. In March 2004, CALSTRS assigned the agreement to the new owners, Pan Pacific Retail Properties, Inc. (PPRP). In October 2006, Kimco Realty Corporation (KRC) acquired PPRP including the assumption of the assigned plaza project agreement. The KRC participation note bears 7% simple interest rate, and has a maximum term of 25 years. The Successor Agency's obligation to repay the note is entirely contingent on the revenues generated by the project. The note will be forgiven at the end of the term whether or not the entire amount has been repaid. At June 30, 2012, the outstanding balance of the participation note was \$4,415.

The former Redevelopment Agency entered into a purchase and sale agreement dated November 24, 2002, with a property owner for the purchase of a future commercial

development site located at 1687 West Lincoln Avenue for \$900. One half of the purchase price or \$450 was paid in cash and the balance of \$450 by a promissory note bearing 6% simple interest per annum. The note is payable over 10 years at \$3 per month with a balloon payment of \$379 on its maturity date of March 1, 2013. The outstanding balance of this note at June 30, 2012 was \$384.

Debt service requirements to maturity for the Successor Agency notes payable and contractual commitments to be paid from future RPTTF revenues are as follows:

Fiscal Year Ending 6/30	Principal	Interest	Total
2013	\$ 429	\$ 800	\$ 1,229
2014	186	662	848
2015	207	661	868
2016	229	660	889
2017	234	656	890
2018-2022	3,674	2,846	6,520
2023-2027	841	1,648	2,489
2028-2032	1,866	483	2,349
Total notes and loans	<u>\$7,666</u>	<u>\$ 8,416</u>	<u>\$16,082</u>

Due to the City of Anaheim

The Successor Agency will repay a total of \$11,500 outstanding long-term obligations, principal and interest from the semi-annual RPTTF revenue allocations for the \$10,000 Cooperation Agreement dated April 1, 2003, between the former Redevelopment Agency and the City, whereby the City assisted the former Agency with the development of the Anaheim Westgate Center (Westgate project) utilizing \$10,000 of funds from the HUD Section 108 loan. As of June 30, 2012, the former Agency has utilized \$9,915 of the loan proceeds to finance land acquisition and certain legal and environmental costs of the Westgate project. This Cooperation Agreement obligation (HUD Section 108 loan) bears interest ranging from 1.74% to 5.97% and is payable semi-annually through August 2023. At June 30, 2012, the outstanding principal due to the City for the Westgate project obligation was \$8,130, principal and interest paid for the current fiscal year were \$866.

The Successor Agency will repay a total of \$9,203 outstanding long-term obligations, principal and interest from the semi-annual RPTTF revenue allocations for the \$7,000 Cooperation Agreement dated June 2010 between the former Redevelopment Agency and the City, whereby the City assisted the former Redevelopment Agency with the rehabilitation of the historic Packing House site utilizing proceeds from the HUD Section 108 loan. This Cooperation Agreement obligation (HUD 108 Section loan) bears interest ranging from 1.68% to 3.98% and is payable over 20 years beginning on February 1, 2011 through August 1, 2030. As of June 2012, the outstanding principal due to the City for the Packing House site project obligation was \$6,674. Principal and interest paid for the current fiscal year were \$551.

The former Redevelopment Agency paid a total of \$19,163 to the State of California Supplemental Education Revenue Augmentation Fund (SERAF) in fiscal years 2010 and 2011. Of this amount, \$8,500 was borrowed from the housing fund. The

Successor Agency will repay this amount from future RPTTF revenue allocations. At June 30, 2012, the outstanding balance is \$8,176.

Westgate Pollution Remediation Obligation

In June 2003, the former Redevelopment Agency acquired property located at 2951 West Lincoln Avenue as a part of a redevelopment project named the Westgate project. Approximately 11 acres of the property were formerly known as the Sparks and Rains Landfills. The County of Orange was the operator of these landfills until 1960. In November 2008, the County paid the Redevelopment Agency \$5,176 in settlement of claims related to the pollution remediation for the Westgate project site prior to the development of a shopping center. The total costs of the pollution remediation work amounted to \$12,420 based on actual contract received for the project. At June 30, 2012, the outstanding pollution remediation obligation for the Westgate project was \$6,640.

Mello-Roos Community Facilities Districts

The City issued special tax bonds to finance construction in various Community Facilities Districts. These bonds were authorized pursuant to the Mello-Roos Community Facilities Act of 1982. The bonds are payable from a special assessment tax and are non-recourse bonds secured by the properties. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision of either of the foregoing is pledged to the payment of the bonds. The bonds are not general or special obligations of the City, nor do they contain any credit enhancements that secondarily pledge existing or future resources of the City, accordingly they are not reflected in the accompanying basic financial statements. The City is acting as agent only for the property owners in collecting the special assessments and forwarding the collections to the fiscal agent. This activity is recorded in an agency fund in the basic financial statements.

At June 30, 2012, the City has the following outstanding Mello-Roos special tax bonds:

In June 1989, the City issued \$26,620 in special tax bonds to finance a portion of the cost of acquisition and construction of facilities in East Anaheim Hills. In April 1995, \$15,389 of the 1989 bonds were advance refunded through the Anaheim Public Financing Authority and in June 2004, \$11,160 of the 1995 bonds were refunded through the Authority. In December 1999, \$7,720 of the 1989 bonds were refunded by the City. At June 30, 2012, the 2004 Anaheim Public Financing Authority bonds outstanding amounted to \$3,890, and the 1999 Mello-Roos bonds outstanding amounted to \$2,240.

In February 2007, the City issued \$9,060 in special tax bonds to finance a portion of the cost of acquisition and construction of facilities in the Platinum Triangle of Anaheim. At June 30, 2012, the 2007 Mello-Roos bonds outstanding amounted to \$8,425.

In August 2010, the City issued \$28,630 in special tax bonds, Series 2010 to finance a portion of the cost of acquisition and construction of facilities in the Platinum Triangle of Anaheim, Community Facility District 08-1 and to fund a reserve fund for the Series 2010 Bonds. At June 30, 2012, the 2010 Mello-Roos bonds outstanding amounted to \$27,125.

NOTE 9 – SEGMENT INFORMATION:

The Sanitation Utility Fund issued revenue bonds to finance sewer system expansion and improvements. The Sanitation Utility Fund accounts for three activities: solid waste collection, wastewater, and street cleaning. However, investors in the revenue bonds rely solely on revenue generated through wastewater activities for repayment. Summary financial information for wastewater activities is presented below:

Assets:	
Cash and cash equivalents	\$ 8,711
Investments	10,295
Other current assets	2,280
Restricted cash and cash equivalents	22,960
Capital assets, net	<u>88,893</u>
Total assets	<u>133,139</u>
Liabilities:	
Current liabilities	759
Current liabilities payable from restricted assets	2,060
Noncurrent liabilities	<u>45,564</u>
Total liabilities	<u>48,383</u>
Net Assets:	
Invested in capital assets, net of related debt	55,932
Restricted for debt services	367
Restricted for capital projects	8,287
Unrestricted	<u>20,170</u>
Total net assets	<u>\$ 84,756</u>

Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets

Waste water fees (pledged against bonds)	\$ 11,717
Depreciation and amortization	(1,666)
Other operating expenses	<u>(4,832)</u>
Total operating income	<u>5,219</u>
Nonoperating income (expenses)	
Interest income	210
Other nonoperating income	1,009
Interest expense	(1,817)
Capital contribution	261
Transfers out	<u>(415)</u>
Total nonoperating expense	<u>(752)</u>
Change in net assets	4,467
Net assets at beginning of year	<u>80,289</u>
Net assets at end of year	<u>\$ 84,756</u>

Condensed Statement of Cash Flows

Net cash provided by (used in):	
Operating activities	\$ 7,087
Noncapital financing activities	(410)
Capital and related financing activities	(9,780)
Investing activities	<u>(146)</u>
Net decrease	(3,249)
Beginning cash and cash equivalents	<u>34,920</u>
Ending cash and cash equivalents	<u>\$ 31,671</u>

Reconciliation of cash and cash equivalents

Cash and cash equivalents	\$ 8,711
Restricted cash and cash equivalents	<u>22,960</u>
Total cash and cash equivalents	<u>\$ 31,671</u>

NOTE 10 – RETIREMENT PLANS:

Retirement System

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California.

Benefit provisions and all other requirements are established by State statute and City ordinance. A copy of PERS' annual financial report may be obtained @www.calpers.ca.gov.

Funding Policy

Participants are required to contribute 8.0% (9.0% for fire and police safety employees) of their annual covered salary. For miscellaneous employees the City pays 7% of the participant contributions and the employee pays 1%. For police safety, the city pays the entire 9% of the participant contributions. For fire safety employees, the entire 9% is paid by the employees. In addition, the City is required to contribute at an actuarially determined rate applied to annual covered payroll; the current rates are 20.389% for miscellaneous employees, 30.623% for police safety employees and 29.228% for fire safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Plan	PERS Contribution Rate				
	City Contribution		Employee Contribution		
	Paid by City	Paid by Employee	Paid by City	Paid by Employee	Total
Miscellaneous	18.120%	2.269%	7.000%	1.000%	28.389%
Miscellaneous Management ¹	20.389%	0.000%	0.000%	8.000%	28.389%
Police Safety	30.623%	0.000%	9.000%	0.000%	39.623%
Fire Safety	29.228%	0.000%	0.000%	9.000%	38.228%

¹new hires since January 10, 2012

Annual Pension Cost

For fiscal year 2012, the City's annual pension cost of \$57,560 for PERS was equal to the City's required and actual contributions. The required contribution was determined as a part of the June 30, 2009 actuarial valuations.

The City's annual pension cost, the percentage of annual pension cost contributed to the plans, and the net pension obligation for the fiscal years ended June 30, 2010, 2011 and 2012 are as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	\$56,000	100%	\$0
6/30/11	51,913	100%	\$0
6/30/12	57,560	100%	\$0

Funded Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. 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 the past expectations and new estimates are made about the future.

The table below displays the funding progress of the three plans and is based upon the most recent actuarial valuation data:

		(A)	(B)	(C)	(D)		(E)	(F)
		Actuarial Value of Assets	Accrued Liability	Unfunded Liability (UL)	Funded Ratios		Annual Covered Payroll	UL as a % of Payroll (C)/(E)
Plan	Actuarial Valuation Date	(AVA)	Liability	(B)-(A)	AVA (A)/(B)	Market Value		
Miscellaneous	06/30/11	\$823,258	\$1,004,444	\$181,186	82.0%	72.6%	\$110,234	164.4%
Police Safety	06/30/11	453,318	548,400	95,082	82.7%	73.7%	44,567	213.3%
Fire Safety	06/30/11	274,471	335,781	61,310	81.7%	72.6%	23,681	258.9%
Total		\$1,551,047	\$1,888,625	\$337,578	82.1%	72.9%	\$178,482	189.1%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, which shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

In the June 30, 2011, actuarial valuations, the entry age actuarial cost method was used. The actuarial assumptions included: (a) 7.50% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period (smoothed market value). The PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization periods were 22 years for the miscellaneous plan and 30 years for safety police and fire plans for years of service unfunded.

Other Post-employment Benefits

In addition to the pension benefits described above, the City provides other post-employment benefits (OPEB) as a single-employer defined benefit healthcare plan. The OPEB provides medical, dental and life insurance benefits to eligible retirees (hired prior to January 1, 1996, Anaheim Police Association employees hired prior to July 6, 2001, and Anaheim Fire Association employees hired prior to November 9, 2001) in accordance with City Personnel Resolutions and various Memoranda of Understanding. Eligible employees hired after the dates above have access to the City's medical and dental plans but do not receive a defined benefit. There are no separately issued financial statements for the OPEB.

Funding Policy

The contribution requirements of plan members and the City are established in accordance with City Personnel Resolutions and various Memoranda of Understanding. The retired plan members receiving benefits make varying contributions toward the cost of these benefits depending on the retiree's Medicare eligibility, year of hire, age and employee group. Retiree contributions for the fiscal year ended June 30, 2012, were 2.2% of total payroll.

In June 2008, the City joined the California Employer's Retiree Benefit Trust program (CERBT) to pre-fund OPEB liabilities. The CERBT is an agent multiple employer plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions that are administered by PERS. A copy of the aggregated CERBT annual financial report may be obtained @www.calpers.ca.gov.

The City contributes an amount not less than the annual required contribution (ARC) of the employer. The ARC is 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC rate for the fiscal year ended June 30, 2012, was 6.26% of total payroll.

Annual OPEB Cost and Net OPEB Asset

The City's annual OPEB cost, amount actually contributed to the plan, and changes in the City's net OPEB asset for the fiscal year ended June 30, 2012, are as follows:

ARC	\$ 9,666
Interest on net OPEB asset	(746)
Adjustment to ARC	610
Annual OPEB cost	<u>\$ 9,530</u>
Contributions made	\$ 9,666
Annual OPEB cost	<u>(9,530)</u>
Change in OPEB asset	136
Net OPEB asset - beginning of year	<u>9,629</u>
Net OPEB asset - end of year	<u>\$ 9,765</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the fiscal year ended June 30, 2012 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	OPEB Asset
6/30/10	\$ 7,108	102.2%	\$9,495
6/30/11	10,132	101.3%	9,629
6/30/12	9,530	101.4%	9,765

Funded Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. 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 the 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, will present multi-year trend information in subsequent years, that will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The table below displays the funding progress of the plan and is based upon the most recent actuarial valuation data:

	(A) Actuarial Value of Assets (AVA)	(B) Accrued Liability	(C) Unfunded Liability (UL) (B)-(A)	(D) Funded Ratios AVA (A)/(B)	(E) Annual Covered Payroll	(F) UL as a % of Payroll (C)/(E)
Actuarial Valuation Date						
06/30/11	\$67,747	\$201,108	\$133,361	33.7%	\$169,331	78.8%

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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the actuarial accrued liability and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumption included a 7.75% investment rate of return, an annual healthcare cost trend rate ranging from 8.00% - 9.50% initially and declining to 5.50% by 2020, and an inflation factor of 3.00%. The OPEB unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a closed 30-year period. The remaining amortization period as of July 1, 2011, is 26 years.

NOTE 11 – JOINT VENTURES AND JOINTLY-OWNED PROPERTIES:

Authority for Orange County - City Hazardous Materials Emergency Response

The City participates in a joint powers authority, the Authority for Orange County-City Hazardous Materials Emergency Response (Hazmat), for the purposes of responding to, assessing the nature of, and stabilizing any emergency created by the release or threatened release of hazardous materials.

The following entities are members of Hazmat: City of Anaheim, Orange County Fire Authority, the City of Santa Ana, and the City of Huntington Beach. Members of the Board of Directors (Hazmat Board) consist of one voting Board member and an alternate appointed by the governing body from the City of Anaheim, Orange County Fire Authority, the City of Santa Ana, and the City of Huntington Beach.

Distribution of fair share contributions to reimburse the provider agencies are as follows: City of Anaheim, 27.3%; Orange County Fire Authority, 27.3%; City of Santa Ana, 27.3%; and City of Huntington Beach, 18.1%.

At the direction of the Hazmat Board, revenues are disbursed to the provider agencies at the end of each preceding quarter. Unaudited financial information for the joint powers authority as of and for the year ended June 30, 2012, was as follows:

Total assets	\$ 64
Total liabilities	43
Members' equity	21
Total revenues	120
Total expenses	113
Revenues over expenses	7

Hazmat does not have any debt outstanding at June 30, 2012.

The City has no significant equity interest in Hazmat, and accordingly neither assets nor liabilities of Hazmat have been recorded in the City's basic financial statements. For a copy of Hazmat's separate financial statements, contact the Finance Director of the City.

Metro Cities Fire Authority

The City participates in a joint powers authority, Metro Cities Fire Authority (Fire Authority), for the purpose of providing a central communication network and record keeping system to support fire suppression, emergency medical assistance, rescue service, and related services provided by the members of the Fire Authority.

The following entities are members of the Fire Authority: City of Anaheim, City of Fountain Valley, City of Fullerton, City of Garden Grove, City of Huntington Beach, City of Newport Beach, and the City of Orange.

Public entities in Orange County may receive services from the Fire Authority by executing an agreement and paying a fair share contribution. Unaudited financial information for the Fire Authority as of and for the year ended June 30, 2012, was as follows:

Total assets	\$2,623
Total liabilities	654
Members' equity	1,969
Total revenues	4,943
Total expenses	4,641
Revenues over expenses	302

The City has no significant equity interest in the Fire Authority, and accordingly neither assets nor liabilities of the Fire Authority have been recorded in the City's basic financial statements. For a copy of the Fire Authority's separate financial statements, contact the Finance Director of the City.

Jointly-owned utility plants

The City's Electric Utility owns a 10.04% ownership interest in the coal-fired San Juan Generating Station, Unit 4 (SJ), located near Waterflow, New Mexico. The other participants in SJ and their respective ownership include: Public Service of New Mexico, 45.48%; City of Farmington, New Mexico, 8.48%; County of Los Alamos, New Mexico, 7.20%; and M-S-R Public Power Agency, 28.80%. There are no separate financial statements for this venture, as each participant's interest in the utility plant is included in their respective financial statements. The City's cumulative share of construction costs included in the utility plant at June 30, 2012, amounted to \$80,139. The City's bonded indebtedness incurred to finance the purchase of the 10.04% ownership interest is also included in the basic financial statements.

The City sold its 3.16% ownership interest of SONGS to SCE on December 29, 2006. Accordingly, the Electric Utility ceased recording all related operating expenses, except marine mitigation costs and spent fuel storage charges, as of December 29, 2006. Based on the SONGS settlement agreement, the Electric Utility is responsible for the City's share of marine mitigation costs up to \$2,300, and SCE is responsible

for costs between \$2,300 and \$7,300. The Electric Utility is responsible for spent fuel storage charges until the federal government takes possession.

As a former participant in SONGS, the Electric Utility is subject to assessment of retrospective insurance premiums in the event of a nuclear incident at SONGS or any other licensed reactor in the U.S.

NOTE 12 – COMMITMENTS AND CONTINGENCIES:

Intermountain Power Agency

The Electric Utility has entered into a power purchase contract with the Intermountain Power Agency (IPA) for delivery of electric power. The share of IPA power is equal to 13.225% of the generation output of IPA's two recently uprated coal-fueled generating units located in Delta, Utah (Unit 1 and 2 net output is 900 mega watts each). *The City is obligated for the following percentage of electrical facilities at IPA:*

<u>Generation</u>	<u>Entitlement</u>	<u>Expiration</u>
Intermountain Power Project	13.2%	2027

The contract constitutes an obligation of the Electric Utility to make payments from revenues and requires payment of certain minimum charges. These minimum charges include debt service requirements on the financial obligations used to construct the plant. These requirements are considered a cost of purchased power.

Southern California Public Power Authority

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency. SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, it is obligated for its proportional share of the cost of the project. The City is obligated for the following percentage of electrical facilities owned by SCPPA:

<u>Transmission</u>	<u>Entitlement</u>	<u>Expiration</u>
Southern Transmission System (STS)	17.6%	2027
Mead-Adelanto Project (MAP)	13.5%	2030
Mead-Phoenix Project (MPP)	24.2%	2030

<u>Generation</u>	<u>Entitlement</u>	<u>Expiration</u>
Hoover Dam Upgrading (Hoover)	42.6%	2018
Magnolia Generating Station (Magnolia)	38.0%	2037
Canyon Power Project (Canyon)	100.0%	2040

Natural Gas Reserve Projects (Natural Gas)

SCPPA Natural Gas Project - Pinedale, Wyoming	35.7%	2033
SCPPA Natural Gas Project - Barnett, Texas	45.5%	2033

Take or pay commitments

As part of the take or pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Payment for these obligations will be made from the operating revenues received during the year that the payment is due. A long-term obligation has not been recorded on the accompanying basic financial statements as these commitments do not represent an obligation of the Electric Utility until the year the power is available to be delivered to the Electric Utility. The following schedule details the amount of debt service that is due and payable by the Electric Utility for each project and the final maturity date.

<u>Fiscal Year</u>	<u>IPA</u>	<u>STS</u>	<u>MAP</u>	<u>MPP</u>	<u>Hoover</u>	<u>Magnolia</u>	<u>Natural Gas</u>	<u>Canyon</u>	<u>Total</u>
<u>Ending 6/30</u>									
2013	\$ 39,138	\$ 12,905	\$ 2,571	\$ 1,630	\$ 834	\$ 6,255	\$ 6,486	\$ 6,385	\$ 76,204
2014	38,913	14,222	3,090	1,925	957	10,732	7,369	12,770	89,978
2015	39,800	14,259	3,117	1,660	958	8,547	7,147	12,769	88,257
2016	33,898	14,310	3,003	1,600	957	8,549	7,091	12,770	82,178
2017	30,532	14,051	2,901	1,555	957	8,550	6,831	19,505	84,882
2018-2022	144,993	71,310	11,625	6,229	956	33,317	25,364	97,511	391,305
2023-2027	10,392	45,904				35,994	16,935	97,510	206,735
2028-2032		6,364				38,521	11,625	97,519	154,029
2033-2037						58,106	1,832	97,512	157,450
2038-2041								78,014	78,014
Total	\$337,666	\$193,325	\$26,307	\$14,599	\$5,619	\$208,571	\$ 90,680	\$532,265	\$1,409,032

In addition to debt service, the City's entitlement requires the payment for fuel costs, operations and maintenance (O&M), administration and general (A&G) and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service, however, prior experience indicates that annual costs are generally consistent from year to year. The fiscal year 2012 expenses for fuel, O&M, A&G and other costs at these projects were as follows:

<u>Fiscal Year</u>	<u>IPA</u>	<u>STS</u>	<u>MAP</u>	<u>MPP</u>	<u>Hoover</u>	<u>Magnolia</u>	<u>Natural Gas</u>	<u>Canyon</u>	<u>Total</u>
2012	\$45,936	\$6,075	\$276	\$227	\$489	\$25,221	\$1,172	\$4,450	\$83,846

Operating Leases

In January 2005, the City entered into a long-term noncancelable ground lease with City of Fullerton, for an approximately 1.56 acre site at the Fullerton Municipal Airport for the operation of the Anaheim Police Department Heliport. The term of the lease is 40 years with two 10-year extensions commencing from January 2005 and ending December 2044. The base rent is adjusted every five years by ten percent (10%). The City constructed a building of approximately 30,000 square feet that includes offices, aircraft maintenance and storage facilities and other infrastructure supporting such facilities on the leased premise. Future minimum lease payments to be made from unrestricted revenues of the General Fund are as follows:

Fiscal Year Ending June 30

2013	\$ 54
2014	54
2015	57
2016	59
2017	59
2018-2022	311
2023-2027	342
2028-2032	376
2033-2037	414
2038-2042	455
2043-2044	<u>239</u>
Total minimum future rentals	<u>\$ 2,420</u>

Successor Agency

In January 2012, upon dissolution of the Redevelopment Agency, the City elected to become the Successor Agency and assumes the following leases:

In April 2001, the former Redevelopment Agency entered into an agreement with Katella Operating Properties II, LLC to sublicense/sublease an 8.9 acre Southern California Edison easement (easement) located between Anaheim Boulevard and Claudina Way. The former Redevelopment Agency gained long term control of the property as part of its overall efforts to redevelop the area for hotel or commercial development. The term of the sublicense/sublease is for 40 years commencing on May 1, 2001 and ending on April 30, 2041. The Agreement was amended on October 15, 2003 to extend the term of the lease to February 28, 2043. In January 2003, the former Redevelopment Agency converted its sublicense to a sublease and is paying \$34 in monthly rent through January 2006. The agreement also provides for the rent to increase by 6% every 3 years. Future minimum lease payments to be made from the Redevelopment Property Tax Trust Fund are as follows:

Fiscal Year Ending June 30

2013	\$ 479
2014	479
2015	492
2016	508
2017	508
2018-2022	2,721
2023-2027	2,987
2028-2032	3,301
2033-2037	3,642
2038-2042	3,999
2043-2044	<u>572</u>
Total	<u>\$19,688</u>

In March 2003, the former Redevelopment Agency sub-leased a portion of the easement to G.D. Heil, Inc., a developer, for a period of 5 years with an option to extend up to 32 years or a total of 37 years. The initial sub-lease is at \$5 per month and increase by 6% every 3 years. The following are the annual future minimum lease revenues under this lease.

Fiscal Year Ending June 30

2013	\$ 71
2014	71
2015	71
2016	76
2017	76
2018-2022	402
2023-2027	441
2028-2032	490
2033-2037	537
2038-2039	<u>114</u>
Total	<u>\$2,349</u>

In January 2003, the former Redevelopment Agency entered into a ground lease agreement with Loan Pham, a property owner, for a period of 55 years, which is payable in advance at \$71 per year, increasing by 10% every 4 years. Future minimum lease payments to be made from the Redevelopment Property Tax Trust Fund are as follows:

Fiscal Year Ending June 30

2013	\$ 86
2014	86
2015	95
2016	95
2017	95
2018-2022	510
2023-2027	583
2028-2032	654
2033-2037	733
2038-2042	821
2043-2047	939
2048-2052	1,053
2053-2057	<u>1,181</u>
Total	<u>\$6,931</u>

The Honda Center

On January 26, 1999, the City entered into a series of lease transactions for the Honda Center. Under these transactions, the City leased the Honda Center to a third party trustee acting for the benefit of an equity investor for a term of approximately 39.2 years. The trustee sublet the facility back to the City for 20 years, which was shorter than the then remaining term of the management agreement between the third-party manager at that time (Manager) and the City in consideration of an advance rental payment for the entire lease term. At the end of the sublease, the City has a purchase option to purchase the trustee's rights under the lease for a fixed amount. The advance rent payments to the City were deposited into a trust fund and invested. The cash scheduled to be available from this trust fund is sufficient to pay the City's rent payments for the term of the sublease and to exercise the City's purchase option at the end of the sublease. The excess of the amount of the advance rent payment made by the trustee to the City over the deposit to the trust funds, after the payment of transaction expenses and payment to the Manager for agreeing to pledge its interest as Manager under the management agreement then in effect and agreeing to undertake certain additional obligations to the transaction, was approximately \$4,000. This amount was recognized by the City as deferred revenue and is being amortized over the sublease term. The City has secured its obligations to the other parties to these lease transactions by a pledge of its respective interest in revenues from the facility, subordinate (with certain exceptions) to any interests of the debt holders of the facility. The City's obligations under these lease transactions are considered to be defeased in substance, and therefore the related liabilities as well as the trust assets have been excluded from the City's financial statements. The City's and AAM's respective rights under the FMA are subject in certain respects to the effect of the 1999 lease transaction.

Effective December 16, 2003, the City and Anaheim Arena Management LLC (AAM) entered into a Facility Management Agreement (FMA) whereby AAM has the exclusive right and license to manage, maintain and operate all aspects of the Honda Center in accordance with the FMA through June 30, 2023, with an option to extend the term for an additional period not to exceed 10 years. Annual distributions to the City, AAM and the County of Orange are required for their respective share of adjusted net revenues, as defined in the FMA. In the event that cash on hand is insufficient to pay operating expenses, debt service, distributions to the City, the County of Orange, or other amounts payable, AAM shall make or cause an affiliate or third-party lending institution to make loans for such purposes, as defined in the FMA. Such funds will be repaid from gross revenues or adjusted net revenues, if any, as defined in and in accordance with disbursement priorities established in the FMA.

At June 30, 2012, the outstanding conduit debt on the Honda Center totaled \$33,000. The debt is non-recourse, payable from revenues generated by the facility. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the debt. The debt is not a general or special obligation of the City, nor does it contain any credit enhancements that secondarily pledge existing or future resources of the City (other than revenues generated by the facility), and accordingly it is not reflected in the accompanying basic financial statements.

Angel Stadium of Anaheim

On May 14, 1996, the City and the California Angels, LP (Team), which was then managed by Disney Sports Enterprises, Inc. (subsequently known as Anaheim Sports, Inc.), entered into an agreement to provide for the operation and refurbishment of the Stadium. Pursuant to the agreement, the Team assumed responsibility for the operation of the Stadium on October 1, 1996. The agreement runs for 33 years (subject to a limited Team option to cancel at 20 years and the Team's right to extend the term).

Under the terms of the agreement, the Team assumed full responsibility for all Stadium operations and maintenance, including capital maintenance. The Team books all Stadium and parking lot events (except for ten annual City events), pays all expenses, and retains all revenue (subject to the City's rights to share in certain net revenues) except that the City credits the Team up to \$500 per year adjusted annually for CPI for a capital reserve, calculated on the basis of property taxes. The City's participation in net revenues includes amounts received by the Team above certain thresholds including paid admissions (\$2.00 per paid admission in excess of 2.6 million admissions per year), net income from nongame events (in excess of \$2,000 per year adjusted annually for CPI), and parking lot net income (25% in excess of \$4,000 per year adjusted annually for CPI). Additionally, as indicated above, the City retained the right to book and retain all revenue from ten parking lot events per year. Major League Baseball consented to the transfer of the Team in fiscal year 2003 to interests controlled by Arte Moreno. No changes in the terms of the agreement with the Team were made in connection with that transfer.

The Agreement also provided that the City had the right to develop approximately 42 acres of the parking lot development site. In 1998 a land sale of \$1,000 for a 1.25 acre site was approved for the construction of a 1,100-seat theatre called "Tinseltown Studios" (now known as "City National Grove of Anaheim"). In November 2002, the City purchased the facility and the land for \$6,700 from its then owner, SMG, a Pennsylvania partnership, an affiliate of Aramark Entertainment, Inc. Concurrent with

the purchase, the City granted to Nederlander-Grove LLC (Nederlander) a license to operate the facility for three years with the right to extend another five years. In May 2009, the management agreement was amended extending the term to December 31, 2015 with the right to extend another five year period. Additionally, under the amended management agreement, effective January 1, 2009, Nederlander no longer receives a management fee of \$150 and the City's share in the annual net profits and losses from operations increased from 50% to 60%. Nederlander is responsible for 100% of losses in excess of \$400, thereby limiting the City's share of net losses to a maximum of \$240 in any given year. The City may elect to terminate the agreement prior to expiration of the term under certain conditions, and pay the unamortized balance of capital assets purchased during the term to Nederlander. Concurrent with the amendment to the management agreement, the parking license fee agreement was amended, wherein the parking license fees from Nederlander were reduced to \$176 and are subject to adjustment annually based on CPI increases. Nederlander paid the City \$184 for the year ended June 30, 2012, for parking and common area maintenance.

Muzeo

In October 2007, the City and the former Redevelopment Agency entered into a property operating agreement with the Muzeo Foundation to operate and provide programming for the Muzeo, the downtown museum. The property operating agreement is for a term of 30 years and provides for a line of credit for the first 3 years from the City to the Muzeo Foundation in an amount not to exceed \$1,000 or 95% of pledges at an annual interest rate of 5%. The property operating agreement was amended on August 1, 2010, to extend the maturity date to June 30, 2015. It also amended the aggregate amount of the line of credit to \$500 during fiscal year 2011 and \$200 during each fiscal year thereafter with amounts being converted to grants upon achieving fund raising thresholds. At June 30, 2012, there was no amount due to the City.

Litigation

A number of claims and suits are pending against the City for alleged damages to persons and/or property and for other alleged liabilities arising out of matters usually incident to the operation of a city such as Anaheim. Although the aggregate amount asserted for such lawsuits and claims is significant, in the opinion of City management, the City has strong defenses against such claims, and thus the ultimate loss, if any, relating to these claims and suits not covered by insurance or reflected in the financial statements, will not materially affect the financial position of the City.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Construction and other significant commitments

At June 30, 2012, the City had the following commitments with respect to unfinished capital projects, disposition and development agreements, reimbursement agreements and cooperation agreements:

<u>Description</u>	<u>Remaining Construction Commitment</u>	<u>Expected Completion Date</u>
Aircraft acquisition	\$ 2,104	2012
Anaheim Boulevard Residential Housing Project	2,300	2014
Anaheim Convention Center Grand Plaza	13,540	2012
Anaheim Fixed-Guideway Transit Corridor Study	724	2012
Anaheim Regional Transportation Intermodal Center Professional Services	5,972	2015
Avon Dakota Neighborhood Revitalization Housing Project	17,427	2015
Colony Park Phase III Home Buyer Assistance	4,775	2014
Colony Park Phase IV Home Buyer Assistance and Remediation Costs	2,000	2016
Gene Autry Way Highway Construction	6,217	2013
Hidden Canyon Pump Station Upgrade	1,536	2013
Linda Vista Reservoir and Pump Station Replacement	5,971	2013
Orangewood, Mountain View Sanitary Sewer System Improvement	1,537	2012
Transformers	752	2013
Underground District No. 53 La Palma Avenue	614	2013
Underground District No. 59 Brookhurst	5,157	2013
Vehicle Acquisitions	1,347	2013
Water Recycling Demonstration Project	2,227	2013
Well #58 at Anaheim Lake - Drilling	1,208	2013
West Anaheim Sanitary Sewer System Improvement	1,230	2013

At June 30, 2012, the Successor Agency had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Completion Date</u>
Historic Citrus Packing House Renovation	\$ 3,648	2013
Packing District Capital Improvement	1,878	2014

NOTE 13 – SUBSEQUENT EVENTS:

On July 10, 2012, the City Council approved an agreement for the purchase and sale of real property located at 1750 South Douglass Road in Anaheim. The parcel is approximately 13.58 acres in size and was purchased from the Orange County Transportation Authority (OCTA). The purchase price for the site is \$32,500, payable over 13 years and bears 2% simple interest per annum in accordance with the Purchase and Sale Agreement. Annual Principal Payments are due on or before July 10th each year commencing 2012. The payment of accrued interest is deferred until equal payments of \$2,065 are due and payable on or before July 10, 2024 and July 10, 2025. Interest begins accrual on the first day of July each year based on the principal. The purchase price shall be paid with Measure M2 Local Fair Share funds. OCTA shall retain payments from Anaheim's "Local Fair Share" funds allocated by OCTA under Measure M2 each year until the final payment is made on July 10, 2025. The City may elect to provide alternative funding from other City funds for transportation related purposes, such as gas tax funds.

On September 19, 2012, the Electric Utility issued 2012-A Revenue Refunding Bonds in total amount of \$92,130 at a premium of \$9,254 to refund the outstanding balance of \$96,210 on the 2002-A Revenue Bond. The true interest cost is 3.38% maturing serially from October 1, 2021 to 2023. Annual debt service requirements, beginning April 1, 2013 range from \$2,084 to \$17,456 at rates ranging from 3.125% to 5.000%. This 2012-A refunding bond will reduce its total debt service payments by \$24,970 at the net present value of \$17,815.

Successor Agency Recognized Payment Schedule

On December 18, 2012, the Successor Agency received a final determination letter from the State of California Finance Department that denied \$8.9 million in enforceable obligations to be paid from tax increment for the period January 1, 2013 through June 30, 2013. The full impact of this decision as it relates to the City and Successor Agency has yet to be determined.



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Required Supplementary Information

(Unaudited)

(In thousands)

Employee Retirement System – Schedule of Funding Progress

June 30, 2011 Actuarial Valuation Date	Value of Assets		Accrued Liability	Unfunded Liability		Funded Ratios		Annual Covered Payroll	UL as a % of Payroll
	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)		AVA	MVA	AVA	MVA		
Miscellaneous	\$ 823,258	\$ 729,226	\$1,004,444	\$181,186	\$275,218	82.0%	72.6%	\$110,234	164.4%
Police Safety	453,318	404,171	548,400	95,082	144,229	82.7%	73.7%	44,567	213.3%
Fire Safety	274,471	243,777	335,781	61,310	92,004	81.7%	72.6%	23,681	258.9%
Total	<u>\$1,551,047</u>	<u>\$1,377,174</u>	<u>\$1,888,625</u>	<u>\$337,578</u>	<u>\$511,451</u>	82.1%	72.9%	<u>\$178,482</u>	189.1%

June 30, 2010 Actuarial Valuation Date	Value of Assets		Accrued Liability	Unfunded Liability		Funded Ratios		Annual Covered Payroll	UL as a % of Payroll
	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)		AVA	MVA	AVA	MVA		
Miscellaneous	\$ 783,241	\$ 611,101	\$ 968,464	\$185,223	\$357,363	80.9%	63.1%	\$116,877	158.5%
Police Safety	432,262	339,467	519,062	86,800	179,595	83.3%	65.4%	45,620	190.3%
Fire Safety	263,280	206,169	317,672	54,392	111,503	82.9%	64.9%	24,746	219.8%
Total	<u>\$1,478,783</u>	<u>\$1,156,737</u>	<u>\$1,805,198</u>	<u>\$326,415</u>	<u>\$648,461</u>	81.9%	64.1%	<u>\$187,243</u>	174.3%

June 30, 2009 Actuarial Valuation Date	Value of Assets		Accrued Liability	Unfunded Liability		Funded Ratios		Annual Covered Payroll	UL as a % of Payroll
	Actuarial Value of Assets (AVA)	Market Value of Assets (MVA)		AVA	MVA	AVA	MVA		
Miscellaneous	\$ 747,033	\$ 542,838	\$ 918,508	\$171,475	\$375,670	81.3%	59.1%	\$120,606	142.2%
Police Safety	411,137	300,336	496,423	85,286	196,087	82.8%	60.5%	46,022	185.3%
Fire Safety	252,862	184,820	308,033	55,171	123,213	82.1%	60.0%	26,098	211.4%
Total	<u>\$1,411,032</u>	<u>\$1,027,994</u>	<u>\$1,722,964</u>	<u>\$311,932</u>	<u>\$694,970</u>	81.9%	59.7%	<u>\$192,726</u>	161.9%

Other Post-employment Benefits – Schedule of Funding Progress

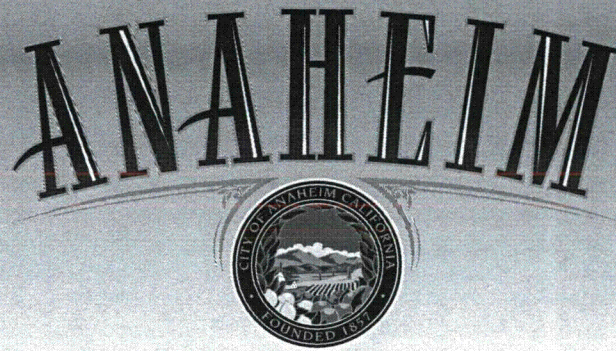
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Accrued Liability	Unfunded Liability- AVA	Funded Ratios- AVA	Annual Covered Payroll	UL as a % of Payroll
June 30, 2011	\$ 67,747	\$ 201,108	\$133,361	33.7%	\$169,331	78.8%
June 30, 2010	63,920	211,914	147,994	30.2%	177,229	83.5%
June 30, 2008	63,097	155,728	92,631	40.5%	165,137	56.1%

See accompanying independent auditors' report.



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NONMAJOR GOVERNMENTAL FUNDS



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS are used to account for revenue derived from specific taxes or other earmarked revenue sources (other than for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

GAS TAX AND ROADS FUND - Established to account for the construction and maintenance of the road network system of the City. Financing is provided primarily by the City's share of Federal, State, and local gasoline taxes. Federal, State, and local regulations require that these gasoline taxes be used to improve and maintain streets, and includes programs intended to improve the air quality of the region.

WORKFORCE DEVELOPMENT FUND - Established to account for the City's involvement in Federal, State, and local programs to create jobs and provide the unemployed citizens in the Anaheim area with job training opportunities.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND - Established to account for financing of the development of viable urban communities through the provision of decent housing, suitable living environments and economic opportunity, principally for persons of low and moderate income. Financing is provided by the Federal Housing and Urban Development (HUD) grants.

COMMUNITY SERVICES FACILITIES - Established to account for the development of new parksites, playgrounds and library facilities. Federal and State grant programs, in conjunction with fees charged to residential and commercial developers, provide financing. Much of this revenue is used to support the capital construction of parks and other recreational facilities throughout the City. Budget fluctuations from year to year are the result of variations in the capital program.

SEWER AND STORM DRAIN CONSTRUCTION FUND - Established to account for the construction of the City's waste water collection and disposal system. Financing is provided by fees charged to residential and commercial developers.

GRANTS FUND - Established to account for various grants requiring segregated fund accounting. Financing is provided by Federal, State, and local agencies.

ANAHEIM RESORT MAINTENANCE DISTRICT FUND - Established to account for the levy and collection of special assessments to pay the cost of annual maintenance and improvements within the district against those parcels that specifically benefit from the enhanced maintenance and improvements.

ANAHEIM TOURISM IMPROVEMENT DISTRICT FUND - Established to account for the collection of a special assessment supporting marketing, promotion and transit project costs in support of the City's tourism and convention industry.

NARCOTIC ASSET FORFEITURE FUND - Established to account for funds received from Federal and State agencies that are derived from monies and property seized by the Police Department in drug related incidents. These funds are used to supplement existing resources of the City's law enforcement activities.

REDEVELOPMENT HOUSING SET-ASIDE FUND - Established for the purpose of increasing and improving the community's supply of low and moderate income housing in accordance with the California Community Redevelopment Law. Financing is provided from property tax increment.

DEBT SERVICE FUNDS are used to account for the accumulation of resources and the payment of principal and interest on general debt of the City and related entities.

GENERAL OBLIGATION BONDS FUND - Established to accumulate resources for the payment of principal and interest on general obligation bonds of the City. Debt service is financed by property tax revenues.

REDEVELOPMENT AGENCY FUND - Established to accumulate resources for payment of principal and interest on Redevelopment Agency tax allocation bonds and notes payable. Debt service is financed by property tax increment.

MUNICIPAL FACILITIES FUND - Established to accumulate resources for payment of the principal and interest on the certificates of participation for the Parking Facility Project, Police Facilities Projects, Arena Land Acquisition, and other various acquisitions and capital improvements.

ANAHEIM RESORT IMPROVEMENTS FUND - Established to accumulate resources for payment of the principal and interest on the lease revenue bonds for the Anaheim Resort improvements.

CAPITAL PROJECTS FUNDS are used to account for resources used for the acquisition and construction of capital assets by the City, except for those financed by proprietary funds.

REDEVELOPMENT PROJECTS FUND - Established to account for the acquisition, relocation, demolition, and sale of property for those portions of Anaheim earmarked as in need of redevelopment related activities. Financing is provided by property tax increment and bond proceeds.

TRANSPORTATION IMPROVEMENT PROJECTS FUND - Established to account for transportation improvement projects in the City, primarily in support of the Anaheim Regional Transportation Intermodal Center (ARTIC), which is a transportation gateway and mixed-use activity center funded by grants from OCTA. Financing is provided by Federal, State and local agencies.

DEVELOPMENT IMPACT PROJECTS FUND - Established to account for infrastructure improvements, primarily in the Platinum Triangle area, which provides development opportunities for high density, mixed use, office, restaurant, and residential projects. Financing is provided primarily by development impact fees.

OTHER CAPITAL IMPROVEMENTS FUND - Established to account for miscellaneous capital projects as determined by the City Council. Currently, financing is provided by fees from developers for infrastructure improvements, HUD108 loans and subsidies from the General Fund.

MELLO-ROOS PROJECTS - Established to account for road, sewer and water improvements in the community facility districts. Financing is provided by the sale of special tax bonds which are secured by and payable from the proceeds of an annual special assessment on the property within the district.

Combining Balance Sheet
Nonmajor Governmental Funds by Fund Type
June 30, 2012 (In thousands)

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 11,396	\$ 255	\$ 12,542	\$ 24,193
Investments	18,229	408	20,062	38,699
Accounts receivable, net	1,370		44	1,414
Accrued interest receivable	113	23	91	227
Notes receivable, net	24,001			24,001
Due from other funds	3,401		7,395	10,796
Due from other governments	28,840	5	11,318	40,163
Prepaid and other assets	4,248		1,857	6,105
Restricted cash and cash equivalents	82	21,190	21,904	43,176
Restricted investments		31,522	85	31,607
Due from the Successor Agency	6,674		8,130	14,804
Total assets	<u>\$ 98,354</u>	<u>\$53,403</u>	<u>\$ 83,428</u>	<u>\$235,185</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 8,565	\$ 5	\$ 4,864	\$ 13,434
Wages payable	186		31	217
Deposits	1,090			1,090
Due to the Successor Agency			1,551	1,551
Due to other funds	4,329		7,395	11,724
Deferred revenues	53,792		19,491	73,283
Total liabilities	<u>67,962</u>	<u>5</u>	<u>33,332</u>	<u>101,299</u>
Fund balances:				
Nonspendable:				
Prepaid and other assets	1			1
Restricted:				
Anaheim Resort maintenance and improvement	7,588			7,588
Capital projects	46		2,856	2,902
Debt service		53,398		53,398
Development impact projects	10,407		50,992	61,399
Grant purposes	4,555			4,555
Homebuyer assistance program	6,037			6,037
Streets, roads and transportation improvement projects	21,864		1,190	23,054
Assigned:				
Debt service			12	12
Capital projects	351		7,037	7,388
Unassigned	(20,457)		(11,991)	(32,448)
Total fund balances	<u>30,392</u>	<u>53,398</u>	<u>50,096</u>	<u>133,886</u>
Total liabilities and fund balances	<u>\$ 98,354</u>	<u>\$53,403</u>	<u>\$ 83,428</u>	<u>\$235,185</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds by Fund Type
Year Ended June 30, 2012 (In thousands)

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Property taxes	\$ 8,603	\$ 20,751		\$ 29,354
Licenses, fees and permits	589		\$ 458	1,047
Intergovernmental revenues	42,608	9	27,208	69,825
Charges for services	16,562			16,562
Use of money and property	1,224	273	1,947	3,444
Other	876		2,914	3,790
Total revenues	<u>70,462</u>	<u>21,033</u>	<u>32,527</u>	<u>124,022</u>
Expenditures:				
Current:				
City Attorney	120			120
Finance		24		24
Police	8,596			8,596
Fire	883			883
Community Development	9,947	3,755	5,195	18,897
Planning	1,680			1,680
Public Works	9,613	1	419	10,033
Community Services	1,686		479	2,165
Convention, Sports and Entertainment	8,826			8,826
Capital outlay	21,747		32,393	54,140
Debt service:				
Principal retirement	727	15,170	397	16,294
Interest charges	567	25,891	469	26,927
Total expenditures	<u>64,392</u>	<u>44,841</u>	<u>39,352</u>	<u>148,585</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,070</u>	<u>(23,808)</u>	<u>(6,825)</u>	<u>(24,563)</u>
Other financing sources (uses):				
Transfers in	944	45,335	23,232	69,511
Transfers out	(28,763)	(7,200)	(23,637)	(59,600)
Total other financing sources (uses)	<u>(27,819)</u>	<u>38,135</u>	<u>(405)</u>	<u>9,911</u>
Extraordinary loss	<u>(13,916)</u>	<u>(24,483)</u>	<u>(28,836)</u>	<u>(67,235)</u>
Net change in fund balances	<u>(35,665)</u>	<u>(10,156)</u>	<u>(36,066)</u>	<u>(81,887)</u>
Fund balances at beginning of year	<u>66,057</u>	<u>63,554</u>	<u>86,162</u>	<u>215,773</u>
Fund balances at end of year	<u>\$ 30,392</u>	<u>\$ 53,398</u>	<u>\$50,096</u>	<u>\$133,886</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012 (In thousands)

	<u>Gas Tax and Roads</u>	<u>Workforce Development</u>	<u>Community Development Block Grant</u>	<u>Community Services Facilities</u>	<u>Sewer and Storm Drain Construction</u>
ASSETS					
Cash and cash equivalents				\$1,698	\$1,570
Investments			\$ 1	2,716	2,512
Accounts receivable, net	\$ 3		1	215	54
Accrued interest receivable				18	1
Notes receivable, net			6,920		
Due from other funds					3,401
Due from other governments	21,453	\$649	908	217	
Prepaid and other assets	3,977			1	
Restricted cash and cash equivalents			81		
Due from the Successor Agency			6,674		
Total assets	<u>\$25,433</u>	<u>\$649</u>	<u>\$14,585</u>	<u>\$4,865</u>	<u>\$7,538</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,959	\$422	\$ 167	\$ 64	\$ 245
Wages payable	50	23	35	3	2
Deposits					1,090
Due to other funds	3,401	185	743		
Deferred revenues	17,798	52	13,594	186	54
Total liabilities	<u>25,208</u>	<u>682</u>	<u>14,539</u>	<u>253</u>	<u>1,391</u>
Fund balances (deficits):					
Nonspendable:					
Prepaid and other assets				1	
Restricted:					
Anaheim Resort maintenance and improvement					
Capital projects			46		
Development impact projects				4,260	6,147
Grant purposes					
Homebuyer assistance program					
Street, roads and transportation improvement projects	17,764				
Assigned:					
Capital projects				351	
Unassigned:	<u>(17,539)</u>	<u>(33)</u>	<u>46</u>	<u>4,612</u>	<u>6,147</u>
Total fund balances (deficit)	<u>225</u>	<u>(33)</u>	<u>46</u>	<u>4,612</u>	<u>6,147</u>
Total liabilities and fund balances (deficit)	<u>\$25,433</u>	<u>\$649</u>	<u>\$14,585</u>	<u>\$4,865</u>	<u>\$7,538</u>

(continued)

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012 (In thousands) (continued)

	<u>Grants</u>	<u>Anaheim Resort Maintenance District</u>	<u>Anaheim Tourism Improvement District</u>	<u>Narcotic Asset Forfeiture</u>	<u>Redevelopment Housing Set-Aside</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 1,805	\$3,055	\$1,638	\$1,630	\$	\$ 11,396
Investments	2,887	4,886	2,619	2,608		18,229
Accounts receivable, net			1,097			1,370
Accrued interest receivable	32	30	13	19		113
Notes receivable, net	17,081					24,001
Due from other funds						3,401
Due from other governments	5,598	15				28,840
Prepaid and other assets				270		4,248
Restricted cash and cash equivalents	1					82
Due from the Successor Agency						6,674
Total assets	<u>\$27,404</u>	<u>\$7,986</u>	<u>\$5,367</u>	<u>\$4,527</u>	<u>\$</u>	<u>\$ 98,354</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,651	\$ 392	\$1,266	\$ 399	\$	\$ 8,565
Wages payable	26	6	1	40		186
Deposits						1,090
Due to other funds						4,329
Deferred revenues	22,108					53,792
Total liabilities	<u>23,785</u>	<u>398</u>	<u>1,267</u>	<u>439</u>	<u></u>	<u>67,962</u>
Fund balances (deficits):						
Nonspendable:						
Prepaid and other assets						1
Restricted:						
Anaheim Resort maintenance and improvement		7,588				7,588
Capital projects						46
Development impact projects						10,407
Grant purposes	467			4,088		4,555
Homebuyer assistance program	6,037					6,037
Street, roads and transportation improvement projects			4,100			21,864
Assigned:						
Capital projects						351
Unassigned	(2,885)					(20,457)
Total fund balances (deficit)	<u>3,619</u>	<u>7,588</u>	<u>4,100</u>	<u>4,088</u>	<u></u>	<u>30,392</u>
Total liabilities and fund balances (deficit)	<u>\$27,404</u>	<u>\$7,986</u>	<u>\$5,367</u>	<u>\$4,527</u>	<u>\$</u>	<u>\$ 98,354</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Special Revenue Funds
Year Ended June 30, 2012 (In thousands)

	<u>Gas Tax and Roads</u>	<u>Workforce Development</u>	<u>Community Development Block Grant</u>	<u>Community Services Facilities</u>	<u>Sewer and Storm Drain Construction</u>
Revenues:					
Property taxes					
Licenses, fees and permits	\$ 38			\$ 353	\$ 178
Intergovernmental revenues	26,497	\$3,628	\$ 4,954	367	
Charges for services	178				
Use of money and property	5		22	168	98
Other	8		194		
Total revenues	<u>26,726</u>	<u>3,628</u>	<u>5,170</u>	<u>888</u>	<u>276</u>
Expenditures:					
Current:					
City Attorney			120		
Police					
Fire					
Community Development		3,658	1,491		
Planning			1,680		
Public Works	5,511				171
Community Services			1,162	496	
Convention, Sports and Entertainment					
Capital outlay	20,427		88	421	102
Debt service:					
Principal retirement			605		
Interest charges			483		
Total expenditures	<u>25,938</u>	<u>3,658</u>	<u>5,629</u>	<u>917</u>	<u>273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>788</u>	<u>(30)</u>	<u>(459)</u>	<u>(29)</u>	<u>3</u>
Other financing sources (uses):					
Transfers in	482		113		73
Transfers out			(6,689)		
Total other financing sources (uses)	<u>482</u>		<u>(6,576)</u>		<u>73</u>
Extraordinary loss					
Net change in fund balances (deficits)	1,270	(30)	(7,035)	(29)	76
Fund balances (deficits) at beginning of year	(1,045)	(3)	7,081	4,641	6,071
Fund balances (deficit) at end of year	<u>\$ 225</u>	<u>\$ (33)</u>	<u>\$ 46</u>	<u>\$4,612</u>	<u>\$6,147</u>

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

Nonmajor Special Revenue Funds

Year Ended June 30, 2012 (In thousands) (continued)

	Grants	Anaheim Resort Maintenance District	Anaheim Tourism Improvement District	Narcotic Asset Forfeiture	Redevelopment Housing Set-Aside	Total
Revenues:						
Property taxes					\$ 8,603	\$ 8,603
Licenses, fees and permits	\$ 20					589
Intergovernmental revenues	4,483			\$2,679		42,608
Charges for services		\$4,497	\$11,887			16,562
Use of money and property	149	101	36	445	200	1,224
Other	183	3			488	876
Total revenues	<u>4,835</u>	<u>4,601</u>	<u>\$11,923</u>	<u>3,124</u>	<u>9,291</u>	<u>70,462</u>
Expenditures:						
Current:						
City Attorney						120
Police	5,457			3,139		8,596
Fire	883					883
Community Development	3,023				1,775	9,947
Planning						1,680
Public Works		3,931				9,613
Community Services	28					1,686
Convention, Sports and Entertainment			8,826			8,826
Capital outlay	461		204	11	33	21,747
Debt service:						
Principal retirement				122		727
Interest charges				84		567
Total expenditures	<u>9,852</u>	<u>3,931</u>	<u>9,030</u>	<u>3,356</u>	<u>1,808</u>	<u>64,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,017)</u>	<u>670</u>	<u>2,893</u>	<u>(232)</u>	<u>7,483</u>	<u>6,070</u>
Other financing sources (uses):						
Transfers in	63	200			13	944
Transfers out	(385)		(119)		(21,570)	(28,763)
Total other financing sources (uses)	<u>(322)</u>	<u>200</u>	<u>(119)</u>		<u>(21,557)</u>	<u>(27,819)</u>
Extraordinary loss					(13,916)	(13,916)
Net change in fund balances (deficits)	(5,339)	870	2,774	(232)	(27,990)	(35,665)
Fund balances (deficits) at beginning of year	8,958	6,718	1,326	4,320	27,990	66,057
Fund balances (deficit) at end of year	<u>\$ 3,619</u>	<u>\$7,588</u>	<u>\$ 4,100</u>	<u>\$4,088</u>	<u>\$</u>	<u>\$30,392</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Budgetary Basis Actual – All Nonmajor Special Revenue Funds
Year Ended June 30, 2012 (In thousands)

	Gas Tax and Roads			Workforce Development		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Property taxes		\$ 38	\$ 38			
Licenses, fees and permits						
Intergovernmental revenues	\$ 70,928	26,497	(44,431)	\$4,973	\$3,628	\$(1,345)
Charges for services	360	178	(182)			
Use of money and property		5	5			
Other	8	8				
Total revenues	<u>71,296</u>	<u>26,726</u>	<u>(44,570)</u>	<u>4,973</u>	<u>3,628</u>	<u>(1,345)</u>
Expenditures:						
Current:						
City Attorney						
Police						
Fire						
Community Development				4,932	3,658	(1,274)
Planning	74	38	(36)			
Public Works	79,359	25,900	(53,459)			
Community Services						
Convention, Sports and Entertainment						
Total expenditures	<u>79,433</u>	<u>25,938</u>	<u>(53,495)</u>	<u>4,932</u>	<u>3,658</u>	<u>(1,274)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,137)</u>	<u>788</u>	<u>8,925</u>	<u>41</u>	<u>(30)</u>	<u>(71)</u>
Other financing sources (uses):						
Transfers in		482	482			
Transfers out						
Total other financing sources (uses)		<u>482</u>	<u>482</u>			
Net change in fund balances (deficits)	<u>(8,137)</u>	<u>1,270</u>	<u>9,407</u>	<u>41</u>	<u>(30)</u>	<u>(71)</u>
Fund balances (deficits) at beginning of year	<u>(1,045)</u>	<u>(1,045)</u>		<u>(3)</u>	<u>(3)</u>	
Fund balances (deficit) at end of year	<u>\$ (9,182)</u>	<u>225</u>	<u>\$ 9,407</u>	<u>\$ 38</u>	<u>(33)</u>	<u>\$ (71)</u>
Adjustments to reconcile to GAAP:						
Reclassification of long-term interfund receivable to transfer out						
Transfer out of housing assets to Anaheim Housing Authority						
Extraordinary loss						
Ending fund balances (deficit) – GAAP basis		<u>\$ 225</u>			<u>\$ (33)</u>	

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Budgetary Basis Actual – All Nonmajor Special Revenue Funds
Year Ended June 30, 2012 (In thousands) (continued)

	Community Development Block Grant			Community Services Facilities		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Property taxes					\$ 353	\$ 353
Licenses, fees and permits					367	(3,860)
Intergovernmental revenues	\$ 8,421	\$ 4,954	\$ (3,467)	\$ 4,227		
Charges for services				393		(393)
Use of money and property	30	22	(8)	91	168	77
Other	187	194	7			
Total revenues	<u>8,638</u>	<u>5,170</u>	<u>(3,468)</u>	<u>4,711</u>	<u>888</u>	<u>(3,823)</u>
Expenditures:						
Current:						
City Attorney	120	120				
Police						
Fire						
Community Development	6,100	2,592	(3,508)			
Planning	1,680	1,680				
Public Works	75	75				
Community Services	1,162	1,162		4,424	917	(3,507)
Convention, Sports and Entertainment						
Total expenditures	<u>9,137</u>	<u>5,629</u>	<u>(3,508)</u>	<u>4,424</u>	<u>917</u>	<u>(3,507)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(499)</u>	<u>(459)</u>	<u>40</u>	<u>287</u>	<u>(29)</u>	<u>(316)</u>
Other financing sources (uses):						
Transfers in	439	113	(326)			
Transfers out		(15)	(15)			
Total other financing sources (uses)	<u>439</u>	<u>98</u>	<u>(341)</u>			
Net change in fund balances (deficits)	<u>(60)</u>	<u>(361)</u>	<u>(301)</u>	<u>287</u>	<u>(29)</u>	<u>(316)</u>
Fund balances (deficits) at beginning of year	<u>7,081</u>	<u>7,081</u>		<u>4,641</u>	<u>4,641</u>	
Fund balances (deficit) at end of year	<u>\$ 7,021</u>	<u>6,720</u>	<u>\$ (301)</u>	<u>\$ 4,928</u>	<u>4,612</u>	<u>\$ (316)</u>
Adjustments to reconcile to GAAP:						
Reclassification of long-term interfund receivable to transfer out		(6,674)				
Transfer out of housing assets to Anaheim Housing Authority						
Extraordinary loss						
Ending fund balances (deficit) – GAAP basis		<u>\$ 46</u>			<u>\$4,612</u>	

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Budgetary Basis Actual – All Nonmajor Special Revenue Funds
Year Ended June 30, 2012 (In thousands) (continued)

	Sewer and Storm Drain Construction			Grants		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Property taxes						
Licenses, fees and permits	\$ 202	\$ 178	\$ (24)	\$ 30	\$ 20	\$ (10)
Intergovernmental revenues				31,040	4,483	(26,557)
Charges for services						
Use of money and property		98	98	91	149	58
Other				23	183	160
Total revenues	<u>202</u>	<u>276</u>	<u>74</u>	<u>31,184</u>	<u>4,835</u>	<u>(26,349)</u>
Expenditures:						
Current:						
City Attorney						
Police				16,111	5,833	(10,278)
Fire				1,560	953	(607)
Community Development				8,164	3,023	(5,141)
Planning						
Public Works	1,049	273	(776)			
Community Services				408	43	(365)
Convention, Sports and Entertainment						
Total expenditures	<u>1,049</u>	<u>273</u>	<u>(776)</u>	<u>26,243</u>	<u>9,852</u>	<u>(16,391)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(847)</u>	<u>3</u>	<u>850</u>	<u>4,941</u>	<u>(5,017)</u>	<u>(9,958)</u>
Other financing sources (uses):						
Transfers in		73	73	72	63	(9)
Transfers out				(274)	(385)	(111)
Total other financing sources (uses)		73	73	(202)	(322)	(120)
Net change in fund balances (deficits)	<u>(847)</u>	<u>76</u>	<u>923</u>	<u>4,739</u>	<u>(5,339)</u>	<u>(10,078)</u>
Fund balances (deficits) at beginning of year	<u>6,071</u>	<u>6,071</u>		<u>8,958</u>	<u>8,958</u>	
Fund balances (deficit) at end of year	<u><u>\$5,224</u></u>	<u><u>6,147</u></u>	<u><u>\$ 923</u></u>	<u><u>\$13,697</u></u>	<u><u>3,619</u></u>	<u><u>\$(10,078)</u></u>
Adjustments to reconcile to GAAP:						
Reclassification of long-term interfund receivable to transfer out						
Transfer out of housing assets to Anaheim Housing Authority						
Extraordinary loss						
Ending fund balances (deficit) – GAAP basis		<u><u>\$6,147</u></u>			<u><u>\$ 3,619</u></u>	

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Budgetary Basis Actual – All Nonmajor Special Revenue Funds
Year Ended June 30, 2012 (In thousands) (continued)

	Anaheim Resort Maintenance District			Anaheim Tourism Improvement District		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Property taxes						
Licenses, fees and permits						
Intergovernmental revenues				\$ 10,169	\$11,887	\$1,718
Charges for services	\$4,487	\$4,497	\$ 10			
Use of money and property	67	101	34		36	36
Other	4	3	(1)			
Total revenues	<u>4,558</u>	<u>4,601</u>	<u>43</u>	<u>10,169</u>	<u>11,923</u>	<u>1,754</u>
Expenditures:						
Current:						
City Attorney						
Police						
Fire						
Community Development						
Planning				83	83	
Public Works	5,077	3,931	(1,146)	414	121	(293)
Community Services						
Convention, Sport and Entertainment				8,826	8,826	
Total expenditures	<u>5,077</u>	<u>3,931</u>	<u>(1,146)</u>	<u>9,323</u>	<u>9,030</u>	<u>(293)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(519)</u>	<u>670</u>	<u>1,189</u>	<u>846</u>	<u>2,893</u>	<u>2,047</u>
Other financing sources (uses):						
Transfers in	200	200				
Transfers out					(119)	(119)
Total other financing sources (uses)	<u>200</u>	<u>200</u>			<u>(119)</u>	<u>(119)</u>
Net change in fund balance (deficits)	<u>(319)</u>	<u>870</u>	<u>1,189</u>	<u>846</u>	<u>2,774</u>	<u>1,928</u>
Fund balances (deficits) at beginning of year	<u>6,718</u>	<u>6,718</u>		<u>1,326</u>	<u>1,326</u>	
Fund balances (deficit) at end of year	<u>\$6,399</u>	<u>7,588</u>	<u>\$ 1,189</u>	<u>\$ 2,172</u>	<u>4,100</u>	<u>\$1,928</u>
Adjustments to reconcile to GAAP:						
Reclassification of long-term interfund receivable to transfer out						
Transfer out of housing assets to Anaheim Housing Authority						
Extraordinary loss						
Ending fund balances (deficit) – GAAP basis		<u>\$7,588</u>			<u>\$ 4,100</u>	

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Budget and Budgetary Basis Actual – All Nonmajor Special Revenue Funds
Year Ended June 30, 2012 (In thousands) (continued)

	Narcotic Asset Forfeiture			Redevelopment Housing Set-Aside		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Property taxes				\$ 8,603	\$ 8,603	
Licenses, fees and permits						
Intergovernmental revenues	\$ 3,201	\$2,679	\$ (522)			
Charges for services						
Use of money and property	429	445	16	2,680	200	\$(2,480)
Other				182	488	306
Total revenues	<u>3,630</u>	<u>3,124</u>	<u>(506)</u>	<u>11,465</u>	<u>9,291</u>	<u>(2,174)</u>
Expenditures:						
Current:						
City Attorney						
Police	4,160	3,356	(804)			
Fire						
Community Development				10,401	1,808	(8,593)
Planning						
Public Works						
Community Services						
Convention, Sports and Entertainment						
Total expenditures	<u>4,160</u>	<u>3,356</u>	<u>(804)</u>	<u>10,401</u>	<u>1,808</u>	<u>(8,593)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(530)</u>	<u>(232)</u>	<u>298</u>	<u>1,064</u>	<u>7,483</u>	<u>6,419</u>
Other financing sources (uses):						
Transfers in				11,200	13	(11,187)
Transfers out				(22)	(2,436)	(2,414)
Total other financing sources (uses)				<u>11,178</u>	<u>(2,423)</u>	<u>(13,601)</u>
Net change in fund balance	(530)	(232)	298	12,242	5,060	(7,182)
Fund balances (deficits) at beginning of year	<u>4,320</u>	<u>4,320</u>		<u>27,990</u>	<u>27,990</u>	
Fund balances (deficit) at end of year	<u>\$ 3,790</u>	<u>\$4,088</u>	<u>\$ 298</u>	<u>\$40,232</u>	<u>33,050</u>	<u>\$(7,182)</u>
Adjustments to reconcile to GAAP:						
Reclassification of long-term interfund receivable to transfer out					(8,176)	
Transfer out of housing assets to Anaheim Housing Authority					(10,958)	
Extraordinary loss					(13,916)	
Ending fund balances (deficit) – GAAP basis		<u>\$4,088</u>			<u>\$</u>	

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2012 (In thousands)

	<u>General Obligation Bonds</u>	<u>Redevelopment Agency</u>	<u>Municipal Facilities</u>	<u>Anaheim Resort Improvements</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$252	\$	\$ 3		\$ 255
Investments	403		5		408
Accrued interest receivable	2		21		23
Due from other governments	5				5
Restricted cash and cash equivalents			495	\$20,695	21,190
Restricted investments			1,875	29,647	31,522
Total assets	<u>\$662</u>	<u>\$</u>	<u>\$2,399</u>	<u>\$50,342</u>	<u>\$53,403</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable			\$ 5		\$ 5
Total liabilities			5		5
Fund balances:					
Restricted for debt service	\$662		\$2,394	\$50,342	53,398
Total fund balances	662		2,394	50,342	53,398
Total liabilities and fund balances	<u>\$662</u>	<u>\$</u>	<u>\$2,399</u>	<u>\$50,342</u>	<u>\$53,403</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2012 (In thousands)

	<u>General Obligation Bonds</u>	<u>Redevelopment Agency</u>	<u>Municipal Facilities</u>	<u>Anaheim Resort Improvements</u>	<u>Total</u>
Revenues:					
Property taxes	\$676	\$ 20,075			\$ 20,751
Intergovernmental revenues	9				9
Use of money and property	6	140	\$ 126	\$ 1	273
Total revenues	<u>691</u>	<u>20,215</u>	<u>126</u>	<u>1</u>	<u>21,033</u>
Expenditures:					
Current:					
Finance				24	24
Community Development		3,755			3,755
Public Works	1				1
Debt service:					
Principal retirement	550	226	1,399	12,995	15,170
Interest charges	145	6,170	940	18,636	25,891
Total expenditures	<u>696</u>	<u>10,151</u>	<u>2,339</u>	<u>31,655</u>	<u>44,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5)</u>	<u>10,064</u>	<u>(2,213)</u>	<u>(31,654)</u>	<u>(23,808)</u>
Other financing sources (uses):					
Transfers in		9,238	2,188	33,909	45,335
Transfers out		(7,200)			(7,200)
Total other financing sources		<u>2,038</u>	<u>2,188</u>	<u>33,909</u>	<u>38,135</u>
Extraordinary loss		<u>(24,483)</u>			<u>(24,483)</u>
Net change in fund balances	(5)	(12,381)	(25)	2,255	(10,156)
Fund balances at beginning of year	<u>667</u>	<u>12,381</u>	<u>2,419</u>	<u>48,087</u>	<u>63,554</u>
Fund balances at end of year	<u>\$662</u>	<u>\$</u>	<u>\$ 2,394</u>	<u>\$ 50,342</u>	<u>\$ 53,398</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – All Debt Service Funds
Year Ended June 30, 2012 (In thousands)

	General Obligation Bonds			Redevelopment Agency		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Property taxes	\$677	\$676	\$ (1)	\$ 36,971	\$ 20,075	\$(16,896)
Intergovernmental revenues	6	9	3			
Use of money and property	8	6	(2)	390	140	(250)
Total revenues	<u>691</u>	<u>691</u>	<u>—</u>	<u>37,361</u>	<u>20,215</u>	<u>(17,146)</u>
Expenditures:						
Finance						
Community Development				17,436	10,151	(7,285)
Public Works	697	696	(1)			
Convention, Sports and Entertainment						
Total expenditures	<u>697</u>	<u>696</u>	<u>(1)</u>	<u>17,436</u>	<u>10,151</u>	<u>(7,285)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6)</u>	<u>(5)</u>	<u>1</u>	<u>19,925</u>	<u>10,064</u>	<u>(9,861)</u>
Other financing sources (uses):						
Transfers in				2,578	1,062	(1,516)
Transfers out	<u>—</u>	<u>—</u>	<u>—</u>	<u>(27,578)</u>	<u>(7,200)</u>	<u>20,378</u>
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>(25,000)</u>	<u>(6,138)</u>	<u>18,862</u>
Net change in fund balances	(6)	(5)	1	(5,075)	3,926	9,001
Fund balances at beginning of year	<u>667</u>	<u>667</u>	<u>—</u>	<u>12,381</u>	<u>12,381</u>	<u>—</u>
Fund balances at end of year	<u>\$661</u>	<u>662</u>	<u>\$ 1</u>	<u>\$ 7,306</u>	<u>16,307</u>	<u>\$ 9,001</u>
Adjustment to reconcile to GAAP:						
Reclassification of long-term interfund payable to transfer in					8,176	
Extraordinary loss					<u>(24,483)</u>	
Ending fund balances - GAAP basis		<u>\$662</u>			<u>\$</u>	

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – All Debt Service Funds
Year Ended June 30, 2012 (In thousands) (continued)

	Municipal Facilities			Anaheim Resort Improvements		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Property taxes						
Intergovernmental revenues						
Use of money and property	\$ 124	\$ 126	\$ 2	\$ 29	\$ 1	\$ (28)
Total revenues	<u>124</u>	<u>126</u>	<u>2</u>	<u>29</u>	<u>1</u>	<u>(28)</u>
Expenditures:						
Finance				31,663	31,655	(8)
Community Development						
Public Works	601	601				
Convention, Sports and Entertainment	1,738	1,738				
Total expenditures	<u>2,339</u>	<u>2,339</u>		<u>31,663</u>	<u>31,655</u>	<u>(8)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,215)</u>	<u>(2,213)</u>	<u>2</u>	<u>(31,634)</u>	<u>(31,654)</u>	<u>(20)</u>
Other financing sources (uses):						
Transfers in	2,188	2,188		29,555	33,909	4,354
Transfers out						
Total other financing sources (uses)	<u>2,188</u>	<u>2,188</u>		<u>29,555</u>	<u>33,909</u>	<u>4,354</u>
Net change in fund balances	(27)	(25)	2	(2,079)	2,255	4,334
Fund balances at beginning of year	<u>2,419</u>	<u>2,419</u>		<u>48,087</u>	<u>48,087</u>	
Fund balances at end of year	<u>\$ 2,392</u>	<u>2,394</u>	<u>\$ 2</u>	<u>\$ 46,008</u>	<u>50,342</u>	<u>\$ 4,334</u>
Adjustment to reconcile to GAAP:						
Reclassification of long-term interfund payable to transfer in						
Extraordinary loss						
Ending fund balances - GAAP basis		<u>\$ 2,394</u>			<u>\$ 50,342</u>	

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2012 (In thousands)

	Redevelopment Projects	Transportation Improvement Projects	Development Impact Projects	Other Capital Improvements	Mello-Roos Projects	Total
ASSETS						
Cash and cash equivalents			\$ 8,009	\$ 1,024	\$ 3,509	\$ 12,542
Investments			12,810	1,638	5,614	20,062
Accounts receivable, net			44			44
Accrued interest receivable			24	41	26	91
Due from other funds			387	7,008		7,395
Due from other governments		\$11,179	139			11,318
Prepaid and other assets		868	989			1,857
Restricted cash and cash equivalents				122	21,782	21,904
Restricted investments				85		85
Due from the Successor Agency				8,130		8,130
Total assets	\$	\$12,047	\$22,402	\$18,048	\$30,931	\$ 83,428
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable		\$ 4,251	\$ 269	\$ 12	\$ 332	\$ 4,864
Wages payable		23	4	1	3	31
Due to the Successor Agency			1,551			1,551
Due to other funds		7,395				7,395
Deferred revenue		11,179	182	8,130		19,491
Total liabilities		22,848	2,006	8,143	335	33,332
Fund balances (deficit):						
Restricted:						
Capital projects				2,856		2,856
Development impact projects			20,396		30,596	50,992
Streets, roads and transportation improvement projects		1,190				1,190
Assigned:						
Debt service				12		12
Capital projects				7,037		7,037
Unassigned		(11,991)				(11,991)
Total fund balances (deficit)		(10,801)	20,396	9,905	30,596	50,096
Total liabilities and fund balances	\$	\$12,047	\$22,402	\$18,048	\$30,931	\$ 83,428

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Capital Projects Funds
Year Ended June 30, 2012 (In thousands)

	<u>Redevelopment Projects</u>	<u>Transportation Improvement Projects</u>	<u>Development Impact Projects</u>	<u>Other Capital Improvements</u>	<u>Mello-Roos Projects</u>	<u>Total</u>
Revenues:						
Licenses, fees and permits			\$ 458			\$ 458
Intergovernmental revenues	\$ 67	\$ 24,970	2,171			27,208
Use of money and property	1,285		275	\$ 224	\$ 163	1,947
Other	184			2,730		2,914
Total revenues	<u>1,536</u>	<u>24,970</u>	<u>2,904</u>	<u>2,954</u>	<u>163</u>	<u>32,527</u>
Expenditures:						
Community Development	5,195					5,195
Public Works		237	105		77	419
Community Services			270	209		479
Capital outlay	6,882	21,271	1,718		2,522	32,393
Debt service:						
Principal retirement				397		397
Interest charges				469		469
Total expenditures	<u>12,077</u>	<u>21,508</u>	<u>2,093</u>	<u>1,075</u>	<u>2,599</u>	<u>39,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,541)</u>	<u>3,462</u>	<u>811</u>	<u>1,879</u>	<u>(2,436)</u>	<u>(6,825)</u>
Other financing sources (uses):						
Transfers in	22,903			329		23,232
Transfers out	(15,018)	(489)		(8,130)		(23,637)
Total other financing sources (uses)	<u>7,885</u>	<u>(489)</u>		<u>(7,801)</u>		<u>(405)</u>
Extraordinary loss	<u>(28,836)</u>					<u>(28,836)</u>
Net change in fund balances (deficit)	(31,492)	2,973	811	(5,922)	(2,436)	(36,066)
Fund balances (deficit) at beginning of year	<u>31,492</u>	<u>(13,774)</u>	<u>19,585</u>	<u>15,827</u>	<u>33,032</u>	<u>86,162</u>
Fund balances (deficit) at end of year	<u>\$</u>	<u>\$(10,801)</u>	<u>\$20,396</u>	<u>\$ 9,905</u>	<u>\$ 30,596</u>	<u>\$ 50,096</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Budget and Budgetary Basis Actual – All Capital Projects Funds
Year Ended June 30, 2012 (In thousands)

	Redevelopment Projects			Transportation Improvement Projects		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Licenses, fees and permits	\$ 67	\$ 67	\$	\$176,009	\$ 24,970	\$(151,039)
Intergovernmental revenues	5,752	1,285	(4,467)			
Use of money and property	190	184	(6)			
Other						
Total revenues	<u>6,009</u>	<u>1,536</u>	<u>(4,473)</u>	<u>176,009</u>	<u>24,970</u>	<u>\$(151,039)</u>
Expenditures:						
Police						
Fire						
Community Development	25,204	12,065	(13,139)			
Planning				55	55	
Public Works				175,637	21,453	(154,184)
Community Services						
Total expenditures	<u>25,204</u>	<u>12,065</u>	<u>(13,139)</u>	<u>175,692</u>	<u>21,508</u>	<u>(154,184)</u>
Deficiency of revenues under expenditures	<u>(19,195)</u>	<u>(10,529)</u>	<u>8,666</u>	<u>317</u>	<u>3,462</u>	<u>3,145</u>
Other financing sources (uses):						
Transfers in	15,592	8,099	(7,493)			
Transfers out	<u>(1,467)</u>	<u>(871)</u>	<u>596</u>		<u>(489)</u>	<u>(489)</u>
Total other financing sources (uses)	<u>14,125</u>	<u>7,228</u>	<u>(6,897)</u>		<u>(489)</u>	<u>(489)</u>
Net change in fund balances	<u>(5,070)</u>	<u>(3,301)</u>	<u>1,769</u>	<u>317</u>	<u>2,973</u>	<u>2,656</u>
Fund balances at beginning of year	<u>31,492</u>	<u>31,492</u>		<u>(13,774)</u>	<u>(13,774)</u>	
Fund balances at end of year	<u>\$ 26,422</u>	<u>28,191</u>	<u>\$ 1,769</u>	<u>\$ (13,457)</u>	<u>(10,801)</u>	<u>\$ 2,656</u>
Adjustments to reconcile to GAAP: '						
Use of transportation credit		(12)				
Reclassification of long-term interfund payable to transfer in		14,804				
Reclassification of long-term interfund receivable to transfer out						
Transfer out of housing assets to Anaheim Housing Authority		(14,147)				
Extraordinary loss		<u>(28,836)</u>				
Ending fund balances – GAAP basis		<u>\$</u>			<u>\$(10,801)</u>	

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Budget and Budgetary Basis Actual – All Capital Projects Funds
Year Ended June 30, 2012 (In thousands) (continued)

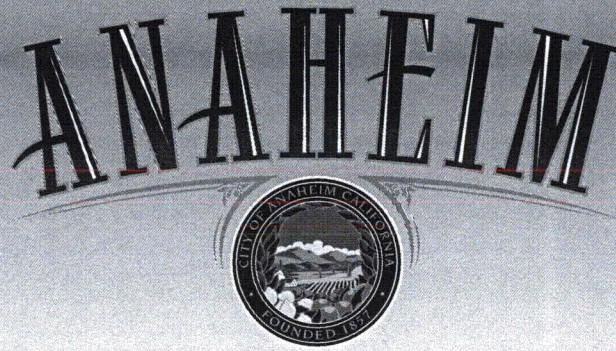
	Development Impact Projects			Other Capital Improvements		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Licenses, fees and permits	\$ 810	\$ 458	\$ (352)			
Intergovernmental revenues	2,000	2,171	171			
Use of money and property	100	275	175		\$ 224	\$ 224
Other				\$ 230	2,730	2,500
Total revenues	<u>2,910</u>	<u>2,904</u>	<u>(6)</u>	<u>230</u>	<u>2,954</u>	<u>2,724</u>
Expenditures:						
Police						
Fire	90		(90)	360		(360)
Community Development				866	866	
Planning						
Public Works	5,973	797	(5,176)			
Community Services	<u>3,511</u>	<u>1,296</u>	<u>(2,215)</u>	<u>394</u>	<u>209</u>	<u>(185)</u>
Total expenditures	<u>9,574</u>	<u>2,093</u>	<u>(7,481)</u>	<u>1,620</u>	<u>1,075</u>	<u>(545)</u>
Deficiency of revenues under expenditures	<u>(6,664)</u>	<u>811</u>	<u>7,475</u>	<u>(1,390)</u>	<u>1,879</u>	<u>3,269</u>
Other financing sources (uses):						
Transfers in				726	329	(397)
Transfers out				<u>(292)</u>		<u>292</u>
Total other financing sources (uses)				<u>434</u>	<u>329</u>	<u>(105)</u>
Net change in fund balances	<u>(6,664)</u>	<u>811</u>	<u>7,475</u>	<u>(956)</u>	<u>2,208</u>	<u>3,164</u>
Fund balances at beginning of year	<u>19,585</u>	<u>19,585</u>		<u>15,827</u>	<u>15,827</u>	
Fund balances at end of year	<u>\$ 12,921</u>	<u>20,396</u>	<u>\$ 7,475</u>	<u>\$ 14,871</u>	<u>18,035</u>	<u>\$ 3,164</u>
Adjustments to reconcile to GAAP:						
Use of transportation credit						
Reclassification of long-term interfund payable to transfer in						
Reclassification of long-term interfund receivable to transfer out					(8,130)	
Transfer out of housing assets to Anaheim Housing Authority						
Extraordinary loss						
Ending fund balances – GAAP basis		<u>\$20,396</u>			<u>\$ 9,905</u>	

(continued)

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Budgetary Basis Actual – All Capital Projects Funds
Year Ended June 30, 2012 (In thousands) (continued)

	Mello-Roos Projects		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Licenses, fees and permits			
Intergovernmental revenues			
Use of money and property	\$ 148	\$ 163	\$ 15
Other			
Total revenues	<u>148</u>	<u>163</u>	<u>15</u>
Expenditures:			
Police			
Fire			
Community Development			
Planning			
Public Works	37,149	2,599	(34,550)
Community Services			
Total expenditures	<u>37,149</u>	<u>2,599</u>	<u>(34,550)</u>
Deficiency of revenues under expenditures	<u>(37,001)</u>	<u>(2,436)</u>	<u>34,565</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)	<u> </u>	<u> </u>	<u> </u>
Net change in fund balances	<u>(37,001)</u>	<u>(2,436)</u>	<u>34,565</u>
Fund balances at beginning of year	<u>33,032</u>	<u>33,032</u>	
Fund balances at end of year	<u><u>\$ (3,969)</u></u>	<u><u>30,596</u></u>	<u><u>\$ 34,565</u></u>
Adjustments to reconcile to GAAP:			
Use of transportation credit			
Reclassification of long-term interfund payable to transfer in			
Reclassification of long-term interfund receivable to transfer out			
Transfer out of housing assets to Anaheim Housing Authority			
Extraordinary loss			
Ending fund balances – GAAP basis		<u><u>\$ 30,596</u></u>	

INTERNAL SERVICE FUNDS



INTERNAL SERVICE
FUNDS

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS are used to account for the financing of centralized services to City departments on a cost-reimbursement basis (including depreciation).

GENERAL BENEFITS AND INSURANCE FUND - Established to account for employee compensated absences, retirement and health benefits, and self-insurance programs.

MOTORIZED EQUIPMENT FUND - Established to account for motorized equipment used by City departments.

INFORMATION AND COMMUNICATION SERVICES FUND - Established to account for data processing and communication services to City departments.

MUNICIPAL FACILITIES MAINTENANCE - Established to account for City building maintenance services and equipment used by City departments.

Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2012 (In thousands)

	General Benefits and Insurance	Motorized Equipment	Information and Communication Services	Municipal Facilities Maintenance	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$25,142	\$ 2,534	\$ 3,442	\$ 2,194	\$ 33,312
Investments	40,216	4,053	5,505	3,509	53,283
Accounts receivable, net	3,580				3,580
Accrued interest receivable	246	28	18	19	311
Note receivable	56				56
Interfund receivable	12				12
Inventories		725			725
Prepaid and other assets	58				58
Total current assets	<u>69,310</u>	<u>7,340</u>	<u>8,965</u>	<u>5,722</u>	<u>91,337</u>
Noncurrent assets:					
Accounts receivable, less current portion	1,985				1,985
Interfund receivable, less current portion	53				53
Net other post-employment benefits (OPEB) asset	9,765				9,765
Capital assets:					
Buildings, structures and improvements		3,230		3,708	6,938
Machinery and Equipment	81	35,987	18,515	2,306	56,889
Less accumulated depreciation	(81)	(28,237)	(12,786)	(4,612)	(45,716)
Capital assets, net		<u>10,980</u>	<u>5,729</u>	<u>1,402</u>	<u>18,111</u>
Total noncurrent assets	<u>11,803</u>	<u>10,980</u>	<u>5,729</u>	<u>1,402</u>	<u>29,914</u>
Total assets	<u>81,113</u>	<u>18,320</u>	<u>14,694</u>	<u>7,124</u>	<u>121,251</u>
LIABILITIES					
Current liabilities:					
Accounts payable	4,342	530	2,594	390	7,856
Wages payable	3,237	42	11	36	3,326
Compensated absences	13,956				13,956
Self-insurance liability	8,123				8,123
Long-term debt			999		999
Unearned revenues	1,499				1,499
Total current liabilities	<u>31,157</u>	<u>572</u>	<u>3,604</u>	<u>426</u>	<u>35,759</u>
Noncurrent liabilities:					
Compensated absences, less current portion	4,148				4,148
Self-insurance liability, less current portion	31,220				31,220
Long-term debt, less current portion			695		695
Total noncurrent liabilities	<u>35,368</u>		<u>695</u>		<u>36,063</u>
Total liabilities	<u>66,525</u>	<u>572</u>	<u>4,299</u>	<u>426</u>	<u>71,822</u>
FUND NET ASSETS					
Invested in capital assets, net of related debt		10,980	4,035	1,402	16,417
Unrestricted	14,588	6,768	6,360	5,296	33,012
Total fund net assets	<u>\$14,588</u>	<u>\$ 17,748</u>	<u>\$ 10,395</u>	<u>\$ 6,698</u>	<u>\$ 49,429</u>

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2012 (In thousands)

	General Benefits and Insurance	Motorized Equipment	Information and Communication Services	Municipal Facilities Maintenance	Total
Operating revenues:					
Charges for services	\$128,298	\$10,135	\$14,342	\$ 8,315	\$161,090
Other	10	6	90	1	107
Total operating revenues	<u>128,308</u>	<u>10,141</u>	<u>14,432</u>	<u>8,316</u>	<u>161,197</u>
Operating expenses:					
Salaries and wages	3,827	3,423	640	2,842	10,732
Maintenance and operations	2,442	5,950	12,513	5,028	25,933
Insurance premiums and claims	11,174				11,174
Compensated absences and other benefits	113,673				113,673
Depreciation		2,214	2,114	212	4,540
Total operating expenses	<u>131,116</u>	<u>11,587</u>	<u>15,267</u>	<u>8,082</u>	<u>166,052</u>
Operating income (loss)	<u>(2,808)</u>	<u>(1,446)</u>	<u>(835)</u>	<u>234</u>	<u>(4,855)</u>
Nonoperating income (expenses):					
Intergovernmental revenues		480			480
Interest income	792	76	79	67	1,014
Interest expense		(3)	(88)		(91)
Gain from disposal of capital assets		192			192
Total nonoperating income	<u>792</u>	<u>745</u>	<u>(9)</u>	<u>67</u>	<u>1,595</u>
Income (loss) before transfers	<u>(2,016)</u>	<u>(701)</u>	<u>(844)</u>	<u>301</u>	<u>(3,260)</u>
Transfers in		900		600	1,500
Change in fund net assets	<u>(2,016)</u>	<u>199</u>	<u>(844)</u>	<u>901</u>	<u>(1,760)</u>
Fund net assets at beginning of year	16,604	17,549	11,239	5,797	51,189
Fund net assets at end of year	<u>\$ 14,588</u>	<u>\$17,748</u>	<u>\$10,395</u>	<u>\$ 6,698</u>	<u>\$ 49,429</u>

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2012 (In thousands)

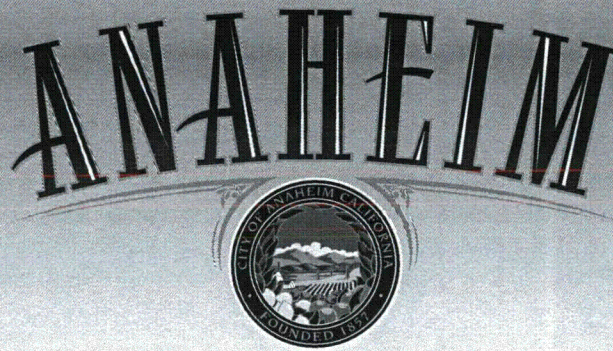
	General Benefits and Insurance	Motorized Equipment	Information and Communication Services	Municipal Facilities Maintenance	Total
Cash flows from operating activities:					
Receipts from interfund services provided	\$ 128,298	\$10,135	\$ 14,342	\$ 8,315	\$ 161,090
Payments to suppliers	(1,023)	(5,962)	(10,807)	(4,470)	(22,262)
Payments for salaries and wages to employees	(3,941)	(3,462)	(645)	(2,878)	(10,926)
Payments for interfund services used	(1,455)	(370)	(792)	(559)	(3,176)
Payments for insurance premiums and claims	(9,059)				(9,059)
Payments for compensated absences and other benefits	(115,356)				(115,356)
Other receipts	108	6	90	1	205
Net cash provided by (used for) operating activities	<u>(2,428)</u>	<u>347</u>	<u>2,188</u>	<u>409</u>	<u>516</u>
Cash flows from noncapital financing activities:					
Receipt of interfund balances	17				17
Transfer in		900		600	1,500
Net cash provided by noncapital financing activities	<u>17</u>	<u>900</u>		<u>600</u>	<u>1,517</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets		308			308
Capital purchases		(2,591)	(100)		(2,691)
Capital grant receipts		480			480
Principal payments on long-term debt		(314)	(1,109)		(1,423)
Interest payments		(7)	(88)		(95)
Net cash used for capital and related financing activities		<u>(2,124)</u>	<u>(1,297)</u>		<u>(3,421)</u>
Cash flows from investing activities:					
Purchase of investment securities	(25,681)	(2,475)	(4,207)	(2,952)	(35,315)
Proceeds from sale and maturity of investment securities	24,621	2,489	3,370	2,153	32,633
Interest received	785	100	77	61	1,023
Net cash provided by (used for) investing activities	<u>(275)</u>	<u>114</u>	<u>(760)</u>	<u>(738)</u>	<u>(1,659)</u>
Increase (decrease) in cash and cash equivalents	(2,686)	(763)	131	271	(3,047)
Cash and cash equivalents at beginning of the year	27,828	3,297	3,311	1,923	36,359
Cash and cash equivalents at end of the year	<u>\$ 25,142</u>	<u>\$ 2,534</u>	<u>\$ 3,442</u>	<u>\$ 2,194</u>	<u>\$ 33,312</u>

(continued)

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2012 (In thousands) (continued)

	<u>General Benefits and Insurance</u>	<u>Motorized Equipment</u>	<u>Information and Communication Services</u>	<u>Municipal Facilities Maintenance</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (2,808)	\$ (1,446)	\$ (835)	\$ 234	\$ (4,855)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation		2,214	2,114	212	4,540
Changes in assets and liabilities:					
Accounts receivable	(3,199)				(3,199)
Inventories		25			25
Note receivable	13				13
Accounts payable	949	(407)	914	(1)	1,455
Wages payable	(144)	(39)	(5)	(36)	(224)
Unearned revenues	175				175
Compensated absences	(1,216)				(1,216)
Self-insurance liability	3,938				3,938
Other post retirement employment benefits (OPEB) assets	(136)				(136)
Total adjustments	380	1,793	3,023	175	5,371
Net cash provided (used for) by operating activities	<u>\$ (2,428)</u>	<u>\$ 347</u>	<u>\$ 2,188</u>	<u>\$ 409</u>	<u>\$ 516</u>
Schedule of noncash financing and investing activities:					
Capital assets financed through capital leases			\$ 462		\$ 462
Increase (decrease) in fair value of investments	\$ 44	\$ (15)	15	\$ 8	52

FIDUCIARY FUNDS



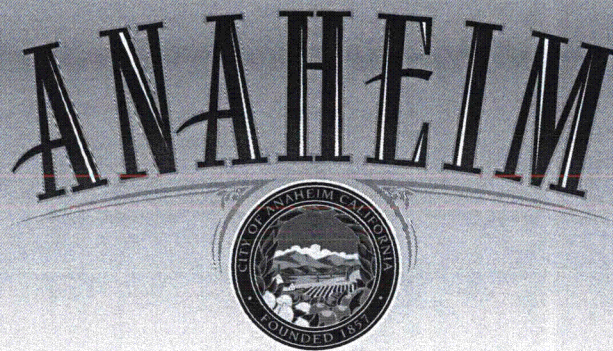
Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund – Mello-Roos
Year Ended June 30, 2012 (In thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS				
Restricted cash and cash equivalents	\$5,782	\$ 5,148	\$ (5,845)	\$5,085
Restricted investments	3,386		(130)	3,256
Due from other governments	56	4,918	(4,926)	48
Total assets	<u>\$9,224</u>	<u>\$10,066</u>	<u>\$(10,901)</u>	<u>\$8,389</u>
 LIABILITIES				
Due to bond holders	<u>\$9,224</u>	<u>\$ 5,011</u>	<u>\$ (5,846)</u>	<u>\$8,389</u>



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STATISTICAL SECTION



STATISTICAL SECTION

The Statistical Section is included to provide detailed data on the physical, economic, social and political characteristics of the reporting government. It is intended to provide the user with a broader and more complete understanding of the government and its financial affairs than is possible from the basic financial statements and supplementary information included in the Financial Section.

STATISTICAL INFORMATION

(Unaudited)

The Statistical Section is included to provide financial statement users with additional historical perspective, context, and detail for them to use in evaluating the information contained within the financial statements, notes to the financial statements, and required supplementary information with the goal of providing the user a better understanding of the City's economic condition.

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Financial trends

These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Net Assets by Component
Last Ten Fiscal Years (In thousands)
 (Accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities										
Invested in capital assets, net of related debt	\$ 832,730	\$ 834,337	\$ 795,579	\$ 753,409	\$ 733,305	\$ 667,414	\$ 668,628	\$ 613,300	\$ 584,875	\$ 522,073
Restricted	190,868	182,011	150,750	154,306	87,566	69,949	99,443	87,505	111,344	112,168
Unrestricted	16,760	(124,422)	(121,283)	(92,773)	(70,621)	(33,187)	(61,368)	(56,074)	(66,860)	(14,286)
Total Governmental Activities	<u>1,040,358</u>	<u>891,926</u>	<u>825,046</u>	<u>814,942</u>	<u>750,250</u>	<u>704,176</u>	<u>706,703</u>	<u>644,731</u>	<u>629,359</u>	<u>619,955</u>
Business-type Activities										
Invested in capital assets, net of related debt	786,430	786,175	762,236	754,157	752,632	707,119	660,769	697,647	673,244	666,361
Restricted	61,235	54,626	49,325	45,493	47,406	38,572	36,008	28,855	26,187	33,188
Unrestricted	112,159	115,445	130,812	145,269	165,196	203,967	215,685	229,051	242,888	232,569
Total Business-type Activities	<u>959,824</u>	<u>956,246</u>	<u>942,373</u>	<u>944,919</u>	<u>965,234</u>	<u>949,658</u>	<u>912,462</u>	<u>955,553</u>	<u>942,319</u>	<u>932,118</u>
Total Government										
Invested in capital assets, net of related debt	1,619,160	1,620,512	1,557,815	1,507,566	1,485,937	1,374,533	1,329,397	1,310,947	1,258,119	1,188,434
Restricted	252,103	236,637	200,075	199,799	134,972	108,521	135,451	116,360	137,531	145,356
Unrestricted	128,919	(8,977)	9,529	52,496	94,575	170,780	154,317	172,977	176,028	218,283
Total Government	<u>\$2,000,182</u>	<u>\$1,848,172</u>	<u>\$1,767,419</u>	<u>\$1,759,861</u>	<u>\$1,715,484</u>	<u>\$1,653,834</u>	<u>\$1,619,165</u>	<u>\$1,600,284</u>	<u>\$1,571,678</u>	<u>\$1,552,073</u>

Source: Finance Department, City of Anaheim

Changes in Net Assets

Last Ten Fiscal Years (In thousands)

(Accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 1,872	\$ 1,872	\$ 1,708	\$ 1,890	\$ 2,088	\$ 1,238	\$ 1,385	\$ 1,442	\$ 1,413	\$ 1,651
Police	10,122	10,435	10,127	10,089	10,235	9,715	10,477	9,840	7,460	8,369
Fire	9,431	9,518	9,369	9,122	9,850	9,070	8,942	7,909	6,879	6,475
Community Development	7,281	8,143	7,306	5,459	6,212	6,713	6,122	4,667	9,972	6,843
Planning	5,327	6,263	6,453	7,724	9,084	10,778	9,031	6,994	3,739	3,869
Public Works	11,401	9,837	7,619	7,421	8,619	8,234	11,196	6,544	5,501	6,339
Community Services	3,386	4,024	4,561	4,833	4,855	4,043	18,421	4,985	4,490	3,936
Convention, Sports and Entertainment	9,142	4,356	202	200	218	200	200	200	200	200
Total charges for services	57,962	54,448	47,345	46,738	51,161	49,991	65,774	42,581	39,654	37,682
Operating grants and contributions	108,620	124,358	121,731	110,200	100,393	98,699	88,076	78,846	82,727	76,419
Capital grants and contributions	44,184	70,080	31,828	66,347	30,361	42,997	28,804	20,906	11,704	12,809
Governmental activities program revenues	210,766	248,886	200,904	223,285	181,915	191,687	182,654	142,333	134,085	126,910
Business-type activities:										
Charges for services										
Electric Utility	397,931	381,496	377,387	365,526	351,160	310,074	322,845	284,740	295,723	272,024
Water Utility	57,748	55,598	56,368	50,807	49,125	49,600	46,926	43,427	44,395	41,801
Sanitation Utility	56,630	56,359	56,023	55,424	54,017	53,215	49,397	46,480	48,085	43,045
Golf Courses	4,802	4,711	5,168	5,634	5,947	6,022	5,736	5,394	5,546	5,401
Convention, Sports and Entertainment	29,389	27,981	30,797	26,987	31,197	32,308	27,357	27,412	28,146	22,509
Total charges for services	546,500	526,145	525,743	504,378	491,446	451,219	452,261	407,453	421,895	384,780
Operating grants and contributions	1,101	746	1,990	965	1,194	1,160	2,556	2,473	1,471	1,560
Capital grants and contributions	8,954	12,667	5,622	6,620	12,332	4,808	5,749	11,513	7,468	5,389
Business-type activities program revenues	556,555	539,558	533,355	511,963	504,972	457,187	460,566	421,439	430,834	391,729
Total government program revenues	767,321	788,444	734,259	735,248	686,887	648,874	643,220	563,772	564,919	518,639
Expenses										
Governmental activities:										
General government	11,617	10,911	10,917	12,144	12,610	10,951	7,394	8,943	7,582	9,793
Police	117,840	119,504	125,121	121,162	122,883	115,714	98,484	91,713	77,541	78,313
Fire	58,027	56,393	58,229	57,768	56,434	50,727	50,957	46,596	37,610	36,928
Community Development	95,683	105,937	117,621	109,523	105,651	93,089	87,814	83,183	86,542	89,212
Planning	15,648	15,627	16,822	17,057	17,199	16,107	14,493	13,206	12,628	11,118
Public Works	41,228	44,109	39,017	47,226	43,680	44,473	42,029	39,463	41,672	37,443
Community Services	28,282	30,958	35,372	37,704	39,033	36,827	31,712	28,314	27,050	27,397
Public Utilities	2,315	2,218	1,952	1,515	2,128	1,800	1,704	1,557	1,566	1,811
Convention, Sports and Entertainment	13,584	13,633	9,931	10,069	10,781	10,539	8,652	7,703	7,536	7,211
Interest on long-term debt	42,910	48,014	47,694	47,859	45,509	50,053	46,430	47,105	48,503	47,405
Governmental Activities Expenses	427,134	447,304	462,676	462,027	455,908	430,280	389,669	367,783	348,230	346,631

(continued)

Changes in Net Assets

Last Ten Fiscal Years (In thousands)

(Accrual basis of accounting) (continued)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Business-type activities:										
Electric Utility	386,698	371,689	375,491	358,882	353,502	338,514	365,277	274,622	280,878	264,583
Water Utility	58,369	56,249	55,514	48,976	49,248	51,672	47,225	41,313	42,949	37,065
Sanitation	55,957	49,864	50,540	52,721	49,712	48,946	47,163	45,467	41,431	40,249
Golf Courses	4,114	4,256	4,436	4,495	4,810	4,365	4,433	4,062	4,278	3,699
Convention, Sports and Entertainment Venues	45,484	44,707	46,143	45,643	47,795	46,743	47,965	47,351	43,406	43,197
Business-type activities expense	550,622	526,765	532,124	510,717	505,067	490,240	512,063	412,815	412,942	388,793
Total government expenses	977,756	974,069	994,800	972,744	960,975	920,520	901,732	780,598	761,172	735,424
Net (Expense)/Revenue										
Governmental activities	(216,368)	(198,418)	(261,772)	(238,742)	(273,993)	(238,593)	(207,015)	(225,450)	(214,145)	(219,721)
Business-type activities	5,933	12,793	1,231	1,246	(95)	(33,053)	(51,497)	8,624	17,892	2,936
Total government, net (expense) revenue	(210,435)	(185,625)	(260,541)	(237,496)	(274,088)	(271,646)	(258,512)	(216,826)	(196,253)	(216,785)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes	\$ 58,896	\$ 59,053	\$ 59,689	\$ 60,806	\$ 59,592	\$ 57,937	\$ 49,415	\$ 43,636	\$ 25,589	\$ 26,047
Property tax increments	28,678	47,040	47,731	47,115	45,719	40,710	37,341	34,984	31,650	27,762
Sales tax and use tax	59,654	54,711	51,214	56,035	62,510	64,878	66,972	60,803	55,716	52,426
Transient occupancy taxes	90,376	82,605	77,139	80,055	87,183	83,914	75,979	67,141	63,268	56,199
Motor vehicle license fees		1,783	1,026	1,180	1,532	1,866	2,595	2,113	21,143	19,360
Other taxes	7,272	7,288	7,288	8,041	9,529	10,337	10,817	10,175	9,561	8,935
Unrestricted investment earnings	3,598	3,667	7,012	8,667	15,337	17,597	12,346	8,071	3,991	12,678
Other	873	614	1,175	394	2,670	1,701	5,078	1,499	1,097	361
Gain from disposal of capital assets										2,491
Transfers	12,571	8,537	19,602	41,141	15,573	(42,874)	8,444	12,400	11,534	3,996
Extraordinary gain	102,882									
Governmental activities	364,800	265,298	271,876	303,434	299,645	236,066	268,987	240,822	223,549	210,255
Business-type activities:										
Unrestricted investment earnings	10,216	9,617	15,825	19,580	31,244	27,375	16,850	16,592	6,120	13,658
Other								418	1,723	51
Transfers	(12,571)	(8,537)	(19,602)	(41,141)	(15,573)	42,874	(8,444)	(12,400)	(11,534)	(3,996)
Business-type activities	(2,355)	1,080	(3,777)	(21,561)	15,671	70,249	8,406	4,610	(3,691)	9,713
Total government	362,445	266,378	268,099	281,873	315,316	306,315	277,393	245,432	219,858	219,968
Change in Net Assets										
Governmental activities	148,432	66,880	10,104	64,692	25,652	(2,527)	61,972	15,372	9,404	(9,466)
Business-type activities	3,578	13,873	(2,546)	(20,315)	15,576	37,196	(43,091)	13,234	14,201	12,649
Total government change in net assets	\$ 152,010	\$ 80,753	\$ 7,558	\$ 44,377	\$ 41,228	\$ 34,669	\$ 18,881	\$ 28,606	\$ 23,605	\$ 3,183

Note: Certain reclassifications have been made to prior fiscal years' data to confirm to the fiscal year 2011 presentation.

Source: Finance Department, City of Anaheim

Governmental Activities Tax Revenues By Source

Last Ten Fiscal Years (In thousands)

(Accrual basis of accounting)

Amounts							
Fiscal Year	Property Taxes	Property Tax Increments	Sales and Use Taxes	Transient Occupancy Taxes	Motor Vehicle License Fees ¹	Other Taxes	Total
2012	\$58,896	\$ 28,678 ²	\$59,654	\$90,376	\$ ³	\$ 7,272	\$244,876
2011	59,053	47,040	54,711	82,605	1,783	7,288	252,480
2010	59,689	47,731	51,214	77,139	1,026	7,288	244,087
2009	60,806	47,115	56,035	80,055	1,180	8,041	253,232
2008	59,592	45,719	62,510	87,183	1,532	9,529	266,065
2007	57,937	40,710	64,878	83,914	1,866	10,337	259,642
2006	49,415	37,341	66,972	75,979	2,595	10,817	243,119
2005	43,636	34,984	60,803	67,141	2,113	10,175	218,852
2004	25,589	31,650	55,716	63,268	21,143	9,561	206,927
2003	26,047	27,762	52,426	56,199	19,360	8,935	190,729

¹ The decrease in motor vehicle license fees starting from fiscal year 2005 is due to the shifting of revenue from motor vehicle license fees category to the property tax category. This was part of the State of California 2004 Budget Act.

² The decrease in property tax increments from fiscal year 2012 was due to the dissolution of Redevelopment Agency on February 1, 2012.

³ Motor Vehicle License Fees allocation was eliminated per the fiscal year 2012 State Budget.

Note: Certain reclassifications have been made to prior fiscal years' data to conform to the fiscal year 2011 presentation.

Source: Finance Department, City of Anaheim

Fund Balances of Governmental Funds

Last Ten Fiscal Years (In thousands)

(Modified accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Nonspendable	\$ 3,082	\$ 3,626								
Restricted	982	582								
Assigned	320	141								
Unassigned	22,636	22,139								
Reserved			\$ 4,092	\$ 4,530	\$ 5,001	\$ 8,525	\$ 9,701	\$ 9,892	\$ 10,225	\$ 6,873
Unreserved - designated									293	4,872
Unreserved - undesignated			29,490	47,729	37,347	47,409	44,978	39,179	34,458	31,268
Total General Fund	27,020	26,488	33,582	52,259	42,348	55,934	54,679	49,071	44,976	43,013
Housing Authority Fund										
Nonspendable		42								
Restricted	29,935	7,778								
Assigned	11,237	9,922								
Unassigned										
Reserved			1,373	1,830	830	162				158
Unreserved - undesignated			11,603	5,669	6,474	7,935	3,932	5,682	5,525	4,894
Total Housing Authority Fund	41,172	17,742	12,976	7,499	7,304	8,097	3,932	5,682	5,525	5,052
Nonmajor Governmental Funds										
Nonspendable	1	631								
Restricted	158,933	241,674								
Assigned	7,400	7,761								
Unassigned	(32,448)	(34,293)								
Reserved			130,313	142,760	138,402	120,885	110,289	76,568	91,787	87,547
Unreserved - designated, reported in:										
Special revenue funds			7,349	7,211	6,809	2,415	9,102	14,974	7,993	
Debt service funds			156	4,433	1,656	2,276	1,137	1,457		
Capital projects funds			31,899	41,544	32,809	38,430	45,495	36,497	24,538	36,501
Unreserved - undesignated, reported in:										
Special revenue funds			14,350	5,342	4,199	4,183	14,902	25,955	27,016	29,688
Capital projects funds			(3,376)	(7,037)	(15,551)	(25,687)	(22,787)	(4,735)		
Total nonmajor governmental funds	133,886	215,773	180,691	194,253	168,324	142,502	158,138	150,716	151,334	153,736
Total governmental funds ¹	\$202,078	\$260,003	\$227,249	\$254,011	\$217,976	\$206,533	\$216,749	\$205,469	\$201,835	\$201,801

¹ The City implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) for the fiscal year ended June 30, 2011.

Fund balance classifications prior to the implementation of GASB 54 are not available

Source: Finance Department, City of Anaheim

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years (In thousands)

(Modified accrual basis of accounting)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Property taxes	\$ 58,896	\$ 59,053	\$ 59,689	\$ 60,806	\$ 59,592	\$ 57,937	\$ 49,415	\$ 43,636	\$ 25,589	\$ 26,047
Property tax increments	28,678	47,040	47,731	47,115	45,719	40,710	37,341	34,984	31,650	27,762
Sales and use taxes	58,589	55,034	48,210	56,493	64,296	65,695	64,993	59,000	54,559	53,241
Transient occupancy taxes	90,376	82,605	77,139	80,055	87,183	83,914	75,979	67,141	63,268	56,199
Other taxes	6,401	6,486	6,303	6,451	6,753	7,531	7,862	7,542	7,095	6,570
Licenses, fees and permits	17,067	18,772	21,580	21,062	24,705	37,991	40,625	18,749	15,578	15,731
Intergovernmental revenues	143,348	150,394	141,418	158,729	135,072	112,593	104,705	102,423	109,523	108,798
Charges for services	29,672	24,408	18,351	17,874	17,730	16,799	16,216	15,459	18,565	17,911
Fines, forfeits and penalties	3,515	3,304	3,255	3,409	3,767	3,689	3,464	3,454	2,812	2,673
Use of money and property	7,657	10,159	10,236	9,293	16,923	18,208	13,203	9,144	8,408	12,354
Other	6,617	43,645	4,009	10,137	3,755	7,601	18,164	6,143	3,490	3,436
Total revenues	450,816	500,900	437,921	471,424	465,495	452,668	431,967	367,675	340,537	330,722
Expenditures										
General government	16,502	16,055	15,822	16,953	16,325	15,354	13,667	12,276	11,370	12,823
Police	112,656	114,678	115,379	112,057	115,195	109,467	94,602	86,529	74,356	74,518
Fire	55,886	55,802	55,713	55,966	54,685	48,201	48,383	44,182	36,277	35,684
Community Development	95,352	110,138	126,590	112,406	104,991	94,789	89,098	83,384	87,778	91,984
Planning	14,408	14,560	15,173	15,489	15,949	14,762	13,907	12,313	11,904	10,285
Public Works	22,861	27,087	19,957	29,321	25,810	26,820	24,646	22,248	25,224	21,425
Community Services	24,618	27,813	31,311	33,572	35,203	32,788	28,753	25,724	25,203	25,938
Public Utilities	2,313	2,220	1,939	1,507	2,120	1,791	1,704	1,557	1,566	1,811
Convention, Sports and Entertainment	9,725	9,917	6,369	6,699	7,390	7,399	6,131	5,140	5,353	4,677
Capital outlay	55,505	70,918	62,422	52,229	60,906	76,161	77,738	41,301	32,195	40,881
Debt service:										
Principal	16,294	12,219	12,777	16,085	27,472	18,065	19,032	10,134	9,391	8,020
Interest charges	26,927	33,032	33,509	34,830	28,324	41,187	39,037	38,681	38,630	38,330
Debt issuance costs		227		70	5,182	4,017				
Total expenditures	453,047	494,666	496,961	487,184	499,552	490,801	456,698	383,469	359,247	366,376
Revenues over (under) expenditures	(2,231)	6,234	(59,040)	(15,760)	(34,057)	(38,133)	(24,731)	(15,794)	(18,710)	(35,654)
Other Financing Sources (Uses)										
Transfers in	131,093	99,571	83,498	121,987	299,410	101,249	95,535	99,166	73,939	67,407
Transfers out	(119,552)	(86,621)	(59,970)	(76,304)	(288,985)	(91,028)	(84,325)	(88,277)	(62,970)	(63,759)
Issuance of refunding bonds				5,084	201,680	253,134				
Payments to refunded bond escrow agent				(5,683)	(171,222)	(255,325)				
Premium on long-term debt				94	4,641					
Discount on long-term debt					(199)					
Issuance of long-term debt		13,570	8,000	2,769	175	18,238	22,583	7,289	7,775	4,450
Issuance of refunding bonds										
Proceeds from the sale of capital assets							20			5,754
Capital leases						1,649	2,198			
Claims settlement proceeds			750	3,848						
Special items								1,250		
Extraordinary loss	(67,235)									
Total other financing sources	(55,694)	26,520	32,278	51,795	45,500	27,917	36,011	19,428	18,744	13,852
Net change in fund balances	\$ (57,925)	\$ 32,754	\$ (26,762)	\$ 36,035	\$ 11,443	\$ (10,216)	\$ 11,280	\$ 3,634	\$ 34	\$ (21,802)
Debt service as a percentage of non-capital expenditures	10.87%	10.68%	10.65%	11.71%	12.72%	14.29%	15.32%	14.27%	14.68%	14.24%

Source: Finance Department, City of Anaheim

General Government Tax Revenues By Source

Last Ten Fiscal Years (In thousands)

(Modified accrual basis of accounting)

Amounts in Dollars											
Fiscal Year	Property Taxes			Property Tax Increments			Property Taxes in-lieu of VLF ¹	Sales and Use Taxes	Transient Occupancy Taxes	Other Taxes	Total
	Secured Property Taxes	Unsecured Property Taxes	Supplemental Property Taxes	Secured Property Taxes	Unsecured Property Taxes	Supplemental Property Taxes					
2012	\$31,770	\$ 1,289	\$ 207	\$21,576 ²	\$ 6,884 ²	\$ 218 ²	\$25,630	\$58,589	\$90,376	\$6,401	\$242,940
2011	31,848	1,300	373	36,824	8,859	1,357	25,532	55,034	82,605	6,486	250,218
2010	32,267	1,341	385	38,809	8,221	701	25,696	48,210	77,139	6,303	239,072
2009	32,496	1,351	712	37,710	7,986	1,419	26,247	56,493	80,055	6,451	250,920
2008	31,073	1,343	1,326	34,772	9,105	1,842	25,850	64,296	87,183	6,753	263,543
2007	29,919	1,384	1,551	29,090	8,591	3,029	25,083	65,695	83,914	7,531	255,787
2006	26,537	1,171	1,887	27,067	7,954	2,320	19,820	64,993	75,979	7,862	235,590
2005	24,820	1,173	1,824	25,380	7,802	1,802	15,819	59,000	67,141	7,542	212,303
2004	23,399	1,136	1,054	23,124	7,455	1,071		54,559	63,268	7,095	182,161
2003	23,775	1,245	1,027	20,914	6,113	735		53,241	56,199	6,570	169,819

¹ Collection of property taxes in-lieu of VLF starting in fiscal year 2005 is due to the shifting of revenue from motor vehicle license fees category to the property tax category. This was part of the State of California 2004 Budget Act.

² Decrease in property tax increments revenues in fiscal year 2012 was due to dissolution of the Redevelopment Agency on February 1, 2012. Property tax increments were received up to January 31, 2012.

Note: Certain reclassifications have been made to prior fiscal years' data to conform to the fiscal year 2011 presentation.

Source: Finance Department, City of Anaheim

Assessed Value of Taxable Property

Last Ten Fiscal Years (In thousands)

(Modified accrual basis of accounting)

	Fiscal Year				
	2012	2011	2010	2009	2008
City of Anaheim					
Secured property	\$28,808,849	\$28,600,152	\$28,775,989	\$29,329,062	\$28,473,221
Unsecured property	1,232,825	1,278,062	1,283,263	1,226,209	1,198,812
Total City of Anaheim	30,041,674	29,878,214	30,059,252	30,555,271	29,672,033
Anaheim Redevelopment Agency					
Secured property	3,977,843	3,751,227	3,762,168	3,644,931	3,360,645
Unsecured property	656,505	743,403	762,903	789,618	818,255
Total Anaheim Redevelopment Agency	4,634,348	4,494,630	4,525,071	4,434,549	4,178,900
Total Taxable Assessed Value	\$34,676,022	\$34,372,844	\$34,584,323	\$34,989,820	\$33,850,933
Total Direct Tax Rate	0.11075%	0.11075%	0.11031%	0.11024%	0.11041%

	Fiscal Year				
	2007	2006	2005	2004	2003
City of Anaheim					
Secured property	\$26,507,229	\$24,081,039	\$22,288,504	\$20,826,232	\$20,145,764
Unsecured property	2,442,959	1,117,310	1,162,358	1,287,967	2,641,697
Total City of Anaheim	28,950,188	25,198,349	23,450,862	22,114,199	22,787,461
Anaheim Redevelopment Agency					
Secured property	2,838,528	2,574,542	2,332,303	2,177,936	2,057,045
Unsecured property	813,249	734,299	748,144	731,733	564,089
Total Anaheim Redevelopment Agency	3,651,777	3,308,841	3,080,447	2,909,669	2,621,134
Total Taxable Assessed Value	\$32,601,965	\$28,507,190	\$26,531,309	\$25,023,868	\$25,408,595
Total Direct Tax Rate	0.11041%	0.11083%	0.11117%	0.11161%	0.11103%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Auditor-Controller, California Municipal Statistics, Inc, County of Orange, HdL Coren & Cone

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years (Rate per \$100 assessed value)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
City Direct Rate ⁽¹⁾										
City Basic Rate ⁽²⁾	0.10851	0.10851	0.10816	0.10816	0.10816	0.10816	0.10816	0.10816	0.10816	0.10816
Anaheim General Obligation Bond Fund	0.00224	0.00224	0.00215	0.00208	0.00225	0.00225	0.00267	0.00301	0.00345	0.00287
	0.11075	0.11075	0.11031	0.11024	0.11041	0.11041	0.11083	0.11117	0.11161	0.11103
Overlapping Rates:										
Anaheim Elementary General Fund	0.29873	0.29873	0.29778	0.29778	0.29778	0.29778	0.29778	0.29778	0.29778	0.29778
Anaheim High General Fund	0.19043	0.19043	0.18982	0.18982	0.18982	0.18982	0.18982	0.18982	0.18982	0.18982
Educational Revenue Augmentation Fund	0.15592	0.15592	0.15543	0.15543	0.15543	0.15543	0.15543	0.15543	0.15543	0.15543
North Orange Co. Community College General Fund	0.07755	0.07755	0.07730	0.07730	0.07730	0.07730	0.07730	0.07730	0.07730	0.07730
Orange County Cemetery District	0.00057	0.00057	0.00057	0.00057	0.00057	0.00057	0.00057	0.00057	0.00057	0.00057
Orange County Department Of Education	0.01579	0.01579	0.01574	0.01574	0.01574	0.01574	0.01574	0.01574	0.01574	0.01574
Orange County Flood Control District General	0.02197	0.02197	0.02190	0.02190	0.02190	0.02190	0.02190	0.02190	0.02190	0.02190
Orange County General Fund	0.06849	0.06849	0.06827	0.06827	0.06827	0.06827	0.06827	0.06827	0.06827	0.06827
Orange County Harbors Beaches & Parks CSA	0.01698	0.01698	0.01693	0.01693	0.01693	0.01693	0.01693	0.01693	0.01693	0.01693
Orange County Sanitation District #2 Operating	0.03227	0.03227	0.03469	0.03469	0.03469	0.03469	0.03469	0.03469	0.03469	0.03469
Orange County Transportation Authority	0.00312	0.00312	0.00311	0.00311	0.00311	0.00311	0.00311	0.00311	0.00311	0.00311
Orange County Vector Control	0.00124	0.00124	0.00124	0.00124	0.00124	0.00124	0.00124	0.00124	0.00124	0.00124
Orange County Water District	0.00831	0.00831	0.00893	0.00893	0.00893	0.00893	0.00893	0.00893	0.00893	0.00893
Orange County Water District Water Reserve	0.00012	0.00012	0.00013	0.00013	0.00013	0.00013	0.00013	0.00013	0.00013	0.00013
Anaheim Elementary School Districts	0.05371	0.03363	0.03193	0.02248	0.03544	0.02240	0.02811	0.02641	0.02495	0.02846
Anaheim High School Districts	0.02678	0.02745	0.02617	0.02363	0.02516	0.02355	0.02444	0.02770	0.02370	0.02567
North Orange County Community College	0.01742	0.01758	0.01662	0.01493	0.01502	0.01444	0.00520	0.00580	0.00610	0.00670
Water District Rate	0.00370	0.00370	0.00430	0.00430	0.00450	0.00470	0.01666	0.01441	0.01597	0.01573
Total Direct and Overlapping Rates	1.10385	1.08460	1.08117	1.06742	1.08237	1.06734	1.07708	1.07733	1.07417	1.07943

⁽¹⁾ Excludes rates associated with Mello-Roos Districts.

⁽²⁾ In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides. In 1986, the State Constitution was amended to allow rates over the 1% base rate for voter approved general obligation debt. Valuations of real property are frozen at the value of the property in 1975, with an allowable adjustment up to 2% per year for inflation. However, property is assessed to its current value when a change of ownership occurs. New construction, including tenant improvements, is assessed at its current value.

Source: Auditor-Controller, Orange County

Principal Property Tax Payers

Current Year and Nine Years Ago (In thousands)

Tax Payer	Fiscal Year					
	2012			2003		
	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value
Walt Disney World Company	1	12.6%	\$4,115,943	1	13.56%	\$3,011,080
Makar Anaheim LLC	2	0.40%	130,668			
Kilroy Realty LP	3	0.39%	126,821			
Lennar Platinum Triangle	4	0.38%	124,932			
Irvine Company LLC	5	0.34%	112,872			
PPC Anaheim Apartments	6	0.28%	90,667			
Angeli LLC	7	0.26%	85,104	5	0.32%	71,001
Worldmark Club	8	0.25%	82,020			
Avalon Anaheim Stadium	9	0.25%	81,627			
La Palma/Miller Owner LLC	10	0.23%	74,877			
Boeing North America				2	0.61%	135,401
Allstate Life Insurance Company				3	0.54%	120,300
Reef America REIT II				4	0.47%	104,316
Joan MTR Schlund				6	0.32%	70,488
Atrium Plaza LLC				7	0.29%	64,971
Fairfield Resorts, Inc.				8	0.25%	56,048
OTR				9	0.23%	51,849
PC and RS Chao Family LTD				10	0.22%	49,455
Total		<u>15.33%</u>	<u>\$5,025,531</u>		<u>16.82%</u>	<u>\$3,734,909</u>

Source: Finance Department, City of Anaheim, California Municipal Statistics, Inc.

Property Tax Levies and Collections

Last Ten Fiscal Years (In thousands)

Fiscal Year	Total Taxes Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Total Tax Increments Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount ¹	Percentage of Levy		Amount	Percentage of Levy		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$33,598	\$32,560	96.91%	\$ 241	\$32,801	97.63%	\$49,004	\$28,327 ²	57.81%		\$28,327	57.81%
2011	33,512	32,517	97.03%	558	33,075	98.70%	49,294	45,906	93.13%	\$ 282	46,188	93.70%
2010	33,627	32,490	96.62%	796	33,286	98.99%	49,119	46,584	94.84%	524	47,108	95.91%
2009	34,579	33,068	95.63%	1,231	34,299	99.19%	48,432	46,057	95.10%	622	46,679	96.38%
2008	34,283	32,798	95.67%	1,237	34,035	99.28%	46,785	44,793	95.74%	552	45,345	96.92%
2007	33,897	32,324	95.36%	789	33,113	97.69%	42,472	39,807	93.73%	549	40,356	95.02%
2006	30,123	29,187	96.89%	446	29,633	98.37%	38,278	36,692	95.86%	669	37,361	97.60%
2005	28,106	27,452	97.67%	341	27,793	98.89%	35,284	33,819	95.85%	321	34,140	96.76%
2004	25,780	25,118	97.43%	302	25,420	98.60%	32,794	31,026	94.61%	738	31,764	96.86%
2003	26,221	25,569	97.51%	383	25,952	98.97%	29,730	27,189	91.45%	248	27,437	92.29%

¹ Excludes property taxes in-lieu of vehicle license fees.

² Decrease in property tax collection is due to the dissolution of the Redevelopment Agency on February 1, 2012. Property tax increments were received up to January 31, 2012.

Note: Certain reclassifications have been made to prior fiscal years' data to conform to the fiscal year 2012 presentation.

Source: Auditor-Controller, County of Orange

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (In thousands, except per capita amount)

	Fiscal Year				
	2012	2011	2010	2009	2008
Governmental Activities					
Bonds	\$ 613,854	\$ 821,587	\$ 810,504	\$ 805,068	\$ 793,343
Certificates of participation	11,085	12,070	12,990	13,840	23,333
Notes and loans	25,546	34,566	29,094	24,621	27,538
Capital leases	1,694	2,341	2,605	1,235	2,353
Total governmental activities	652,179	870,564	855,193	844,764	846,567
Business-Type Activities					
Bonds	882,155	908,683	805,925	829,707	689,791
Certificates of participation	38,000	38,000	38,000	38,000	88,185
Notes and loans	24,488	30,519	11,379	12,299	13,189
Capital leases					
Total business-type activities	944,643	977,202	855,304	880,006	791,165
Total Government	\$1,596,822	\$1,847,766	\$1,710,497	\$1,724,770	\$1,637,732
Percentage of Personal Income	20.45%	24.57%	23.32%	23.96%	21.93%
Per Capita	\$ 4,645	\$ 5,418	\$ 5,088	\$ 5,193	\$ 4,953
	Fiscal Year				
	2007	2006	2005	2004	2003
Governmental Activities					
Bonds	\$ 740,107	\$ 740,959	\$ 739,775	\$ 737,538	\$ 734,079
Certificates of participation	26,788	30,066	33,174	36,107	38,941
Notes and loans	57,614	43,342	28,669	22,747	17,152
Capital leases	2,484	2,220	1,523	2,001	269
Total governmental activities	826,993	816,587	803,141	798,393	790,441
Business-Type Activities					
Bonds	706,126	513,874	528,130	543,780	429,957
Certificates of participation	96,475	125,087	132,952	140,355	144,564
Notes and loans	14,081	14,976	15,842	16,678	17,485
Capital leases	267	275	180	349	509
Total business-type activities	816,949	654,212	677,104	701,162	592,515
Total Government	\$1,643,942	\$1,470,799	\$1,480,245	\$1,499,555	\$1,382,956
Percentage of Personal Income	22.17%	20.01%	21.48%	21.60%	20.11%
Per Capita	\$ 4,985	\$ 4,465	\$ 4,466	\$ 4,507	\$ 4,174

Note: Per capita amounts are estimates.

Sources: California State Department of Finance and
Finance Department, City of Anaheim
US Census Yearly American Community Survey

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years (In thousands, except per capita amount)

	Fiscal Year				
	2012	2011	2010	2009	2008
Bonds					
General Obligation	\$ 3,185	\$ 3,735	\$ 4,255	\$ 4,750	\$ 5,220
Lease Revenue	610,669	609,683	605,252	600,064	588,692
Tax Allocation		208,169	200,997	200,254	199,431
	613,854	821,587	810,504	805,068	793,343
Less amounts available in debt service fund	53,398	67,363	69,043	63,560	57,995
Total net obligation bonds outstanding	<u>\$560,456</u>	<u>\$754,224</u>	<u>\$741,461</u>	<u>\$741,508</u>	<u>\$735,348</u>
Percentage of Assessed Value of Property	1.62%	2.19%	2.14%	2.12%	2.17%
Per capita	\$ 1,630	\$ 2,212	\$ 2,205	\$ 2,233	\$ 2,224

	Fiscal Year				
	2007	2006	2005	2004	2003
Bonds					
General Obligation	\$ 5,700	\$ 6,170	\$ 6,625	\$ 7,060	\$ 7,460
Lease Revenue	582,272	575,125	569,016	562,118	554,361
Tax Allocation	152,135	159,664	164,134	168,360	172,258
	740,107	740,959	739,775	737,538	734,079
Less amounts available in debt service fund	39,075	39,232	30,812	44,132	41,461
Total net obligation bonds outstanding	<u>\$701,032</u>	<u>\$701,727</u>	<u>\$708,963</u>	<u>\$693,406</u>	<u>\$692,618</u>
Percentage of Assessed Value of Property	2.15%	2.46%	2.67%	2.77%	2.73%
Per capita	\$ 2,126	\$ 2,130	\$ 2,139	\$ 2,084	\$ 2,090

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

Source: Finance Department, City of Anaheim

Direct and Overlapping Governmental Activities Debt

As of June 30, 2012 (In thousands)

2011-12 Assessed Valuation	\$34,676,022
Redevelopment Incremental Valuation	4,634,348
Adjusted Assessed Valuation	<u>\$30,041,674</u>

DIRECT TAX AND ASSESSMENT DEBT:

City of Anaheim

Outstanding
\$ 3,185

DIRECT GENERAL FUND DEBT:

City of Anaheim General Fund Obligations

563,032

TOTAL GROSS DIRECT DEBT

566,217

Less: City of Anaheim Public Financing Authority (100% self-supporting)

551,947

TOTAL NET DIRECT DEBT

14,270

OVERLAPPING TAX AND ASSESSMENT DEBT:

Metropolitan Water District	
North Orange Joint Community College District	
Rancho Santiago Community College District	
Anaheim Union High School District	
Fullerton Joint Union High School District	
Garden Grove Unified School District	
Placentia - Yorba Linda Unified School District	
Anaheim School District	
Magnolia School District	
Other School Districts	
City of Anaheim Community Facilities Districts	
Orange Unified School District Community Facilities Districts	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	

**Total Debt
6/30/12****% Applicable(1)****City's Share
of Debt
6/30/12**

\$ 196,545	1.662%	\$ 3,267
206,464	28.504	58,850
302,556	15.381	46,536
110,074	72.119	79,384
55,153	0.306	169
128,500	0.828	1,064
268,181	11.040	29,607
157,100	99.821	156,818
14,618	79.959	11,689
83,690	Various	12,560
41,835	100.000	41,835
10,025	9.786-100.000	4,224
<u>1,574,741</u>		<u>446,003</u>

OVERLAPPING GENERAL FUND DEBT:

Orange County General Fund Obligations	
Orange County Pension Obligations	
Orange County Board of Education Certificates of Participation	
Yorba Linda County Water District Certificates of Participation	
North Orange County Regional Occupation Program Certificates of Participation	
Orange Unified School District Certificates of Participation	
Orange Unified School District Benefit Obligations	
Placentia-Yorba Linda Unified School District Certificates of Participation	
Anaheim Union High School District Certificates of Participation	
Fullerton Joint Union High School District Certificates of Participation	
Centralia School District Certificates of Participation	
Fullerton School District Certificates of Participation	

233,751	7.973%	18,637
214,405	7.973	17,095
16,000	7.973	1,276
8,965	0.868	78
11,130	29.402	3,272
48,555	30.332	14,728
89,865	30.332	27,258
108,411	11.040	11,969
37,465	72.119	27,019
22,255	0.306	68
500	11.862	59
6,770	.201	14

TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT

798,072

121,473

TOTAL GROSS OVERLAPPING DEBT

567,476

TOTAL NET OVERLAPPING DEBT

567,476

GROSS COMBINED TOTAL DEBT

1,133,693 (2)

NET COMBINED TOTAL DEBT

\$ 581,746

(continued)

Direct and Overlapping Governmental Activities Debt

As of June 30, 2012 (In thousands)

(continued)

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

(2) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

Ratios to 2010-12 Assessed Valuation:

Direct Debt (\$3,185)	0.01%
Total Direct and Overlapping Tax and Assessment Debt	1.30%

Ratios to Adjusted Assessed Valuation:

Gross Combined Direct Debt (\$566,217)	1.88%
Net Combined Direct Debt (\$14,270)	0.05%
Gross Combined Total Debt	3.77%
Net Combined Total Debt	1.94%

State School Building Aid Repayable as of 6/30/12: \$0

Source: California Municipal Statistics, Inc.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Legal Debt Margin

Last Ten Fiscal Years (In thousands)

	Fiscal Year				
	2012	2011	2010	2009	2008
Debt limit	\$ 4,321,327	\$ 4,290,023	\$ 4,316,398	\$ 4,399,359	\$ 4,270,983
Total net debt applicable to limit	(3,185)	(3,735)	(4,255)	(4,750)	(5,220)
Legal debt margin	<u>\$ 4,318,142</u>	<u>\$ 4,286,288</u>	<u>\$ 4,312,143</u>	<u>\$ 4,394,609</u>	<u>\$ 4,265,763</u>
Total net debt applicable to the limit as a percentage of debt limit	0.07%	0.09%	0.10%	0.11%	0.12%
<u>Legal Debt Margin</u>					
Assessed value	\$28,808,849	\$28,600,152	\$28,775,989	\$29,329,062	\$28,473,221
Debt limit (15% of total assessed value)	4,321,327	4,290,023	4,316,398	4,399,359	4,270,983
	Fiscal Year				
	2007	2006	2005	2004	2003
Debt limit	\$ 3,976,084	\$ 3,612,156	\$ 3,343,276	\$ 3,123,935	\$ 3,418,119
Total net debt applicable to limit	(5,700)	(6,170)	(6,625)	(7,060)	(7,460)
Legal debt margin	<u>\$ 3,970,384</u>	<u>\$ 3,605,986</u>	<u>\$ 3,336,651</u>	<u>\$ 3,116,875</u>	<u>\$ 3,410,659</u>
Total net debt applicable to the limit as a percentage of debt limit	0.14%	0.17%	0.20%	0.23%	0.22%
<u>Legal Debt Margin</u>					
Assessed value	\$26,507,227	\$24,081,039	\$22,288,504	\$20,826,232	\$22,787,461
Debt limit (15% of total assessed value)	3,976,084	3,612,156	3,343,276	3,123,935	3,418,119

Note:

Under State Finance Law, the City's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Finance Department, City of Anaheim

Pledged-Revenue Coverage

Last Ten Fiscal Years (In thousands)

Redevelopment - Tax Allocation Revenue Bonds²

Fiscal Year	Tax Increment Revenue	Less Operating Expenses ¹	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2011	\$45,940	\$ 8,848	\$37,092	\$ 55	\$10,862	\$10,917	3.3976
2010	46,652	21,409	25,243		10,766	10,766	2.3447
2009	46,101	5,300	40,801		10,766	10,766	3.7898
2008	45,719	4,722	40,997	6,000	6,275	12,275	3.3399
2007	40,710	2,729	37,981	3,983	13,417	17,400	2.1828
2006	37,341	5,196	32,145	2,977	11,727	14,704	2.1861
2005	34,984	5,361	29,623	3,014	11,700	14,714	2.0133
2004	31,650	3,321	28,329	4,620	9,996	14,616	1.9382
2003	27,762	2,628	25,134	4,370	10,251	14,621	1.7190

¹ Operating expenses consist of SERAF contributions and pass through agreements.

² The Redevelopment Agency dissolved on February 1, 2012.

Electric Utility Revenue Bonds

Fiscal Year	Electric Revenue	Less Operating Expenses ¹	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2012	\$407,787	\$314,231	\$93,556	\$18,175	\$34,104	\$52,279	1.7896
2011	391,218	309,274	81,944	17,825	30,825	48,650	1.6844
2010	390,364	309,112	81,252	15,995	31,788	47,783	1.7004
2009	378,916	300,269	78,647	15,370	28,798	44,168	1.7806
2008	373,842	299,534	74,308	14,690	29,450	44,140	1.6835
2007	330,421	265,340	65,081	13,765	24,424	38,189	1.7042
2006	336,091	268,274	67,817	13,145	25,132	38,277	1.7717
2005	297,443	218,562	78,881	15,875	24,780	40,655	1.9403
2004	295,988	232,050	63,938	14,840	20,102	34,942	1.8298
2003	280,471	216,841	63,630	14,716	19,179	33,895	1.8773

¹ Operating expenses excludes amortization and depreciation.

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

Source: Finance Department, City of Anaheim

(continued)

Pledged-Revenue Coverage

Last Ten Fiscal Years (In thousands)

(continued)

Water Utility Revenue Bonds

Fiscal Year	Water Revenue	Less Operating Expenses ⁴	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2012	\$59,330	\$44,615	\$14,715	\$ 915	\$4,292	\$5,207	2.8260
2011	56,935	45,293	11,642	880	3,275	4,155	2.8019
2010	57,787	45,231	12,556	1,490	2,544	4,034	3.1125
2009	53,039	40,123	12,916	1,435	1,967	3,402	3.7966
2008	51,052	41,190	9,862	1,375	325	1,700	5.8012
2007	51,595	43,203	8,392	1,325	379	1,704	4.9249
2006	47,904	39,110	8,794	1,870	450	2,320	3.7905
2005	44,484	33,312	11,172	1,340	485	1,825	6.1216
2004	44,659	35,602	9,057	1,625	819	2,444	3.7058
2003	43,669	29,775	13,894	1,540	906	2,446	5.6803

⁴ Operating expenses excludes amortization and depreciation.

Sanitation Revenue Bonds

Fiscal Year	Wastewater Revenue ⁵	Less Operating Expenses ⁶	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2012	\$11,933	\$4,832	\$7,101	\$835	\$2,161	\$2,996	2.3702
2011	11,813	4,030	7,783	805	2,193	2,998	2.5961
2010	11,773	5,452	6,321	775	2,224	2,999	2.1077
2009	10,913	5,176	5,737		2,224	2,224	2.5796
2008	10,299	5,167	5,132		1,532	1,532	3.3499
2007	10,113	6,734	3,379				

⁵ Amounts based on the notes to the basic financial statement, segment reporting.⁶ Operating expenses excludes amortization and depreciation.

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

Source: Finance Department, City of Anaheim

Demographic and Economic Statistics Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population⁽¹⁾</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age⁽¹⁾</u>	<u>Education Level in Years of Schooling</u>	<u>School Enrollment</u>	<u>Orange County Unemployment Rate</u>
2012	343,793	\$7,807,701	\$22,710 ⁽²⁾	32.4	12.2	67,760	7.90%
2011	341,034	7,519,459	22,049	32.4	12.2	67,884	9.20%
2010	336,208	7,333,705	21,813	32.4	12.2	68,331	9.50%
2009	332,120	7,198,701	21,675	32.4	12.2	68,890	9.30%
2008	330,659	7,467,272	22,583	32.4	12.2	68,663	5.30%
2007	329,780	7,416,752	22,490	32.4	12.2	69,296	3.90%
2006	329,373	7,351,605	22,320	32.4	12.2	70,793	3.70%
2005	331,458	6,892,338	20,794	32.4	12.2	71,314	3.90%
2004	332,727	6,943,347	20,868	32.4	12.2	71,637	3.60%
2003	331,350	6,878,163	20,758	32.4	12.2	71,488	4.00%

⁽¹⁾ Population and Median Age were updated to reflect Census 2010 counts.

⁽²⁾ Per capita income for FY 2012 is estimated. Data not readily available.

Sources: California State Department of Finance
 Anaheim City Superintendent of Schools
 State of California, Employment Development Department
 State Department of Commerce and Labor
 State Department of Education
 US Census Yearly American Community Survey

Principal Employers Current Year and Eight Years Ago

Employer	Fiscal Year					
	2012			2004		
	Rank	Employees	Percentage of Total City Employment	Rank	Employees	Percentage of Total City Employment
Walt Disney Resort	1	22,200	13.8%	1	21,750	24.0%
Kaiser Permanente Hospital	2	5,400	3.4%	4	1,500	1.7%
Kaiser Permanente Anaheim Medical Center	3	3,700	2.3%			
Northgate Gonzalez Supermarkets	4	1,900	1.2%			
AHMC Anaheim Regional Medical Center	5	1,200	0.7%			
AT & T Inc	6	1,000	0.6%			
Hilton Anaheim	7	967	0.6%	7	900	1.0%
L-3 Communications	8	950	0.5%			
Time Warner	9	800	0.5%			
West Anaheim Medical Center	10	796	0.8%	10	700	0.8%
Boeing North America				2	3,500	3.9%
Opal Concepts Inc				3	2,000	2.2%
Alstyle Apparel				5	1,500	1.7%
Anaheim Memorial Medical Center				6	1,185	1.3%
Long Beach Mortgage				8	800	0.9%
Specialty Restaurant Corp.				9	700	0.8%
Total						
		38,913	24.1%		34,535	38.3%

Note: Statistics prior for Fiscal Year 2004 is not readily available.

Source: Inside Prospects Database



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Full-time Equivalent City Government Employees by Function/Program Last Ten Fiscal Years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Function/Program										
City Council	7	7	7	7	7	7	7	7	7	7
City Administration	21	21	24	24	24	22	19	18	17	18
City Attorney	30	30	35	35	35	35	32	32	32	33
City Clerk	6	6	7	7	7	7	7	7	7	6
Human Resources	36	36	40	40	40	40	38	37	37	38
Finance	34	35	40	41	42	42	42	42	44	44
City Treasurer	12	12	12	12	12	12	12	12	12	12
Police	530	554	610	610	604	591	582	570	568	593
Fire	275	277	289	289	290	290	288	285	285	288
Community Development	102	105	106	109	108	114	120	119	112	111
Planning	73	75	93	94	97	96	95	96	96	97
Public Works	235	252	252	252	252	249	247	245	245	245
Community Services	115	123	180	183	184	183	183	179	188	192
Public Utilities	355	377	377	377	367	354	337	335	331	330
Convention, Sports and Entertainment	91	91	91	91	88	88	86	86	86	86
Total	<u>1,922</u>	<u>2,001</u>	<u>2,163</u>	<u>2,171</u>	<u>2,157</u>	<u>2,130</u>	<u>2,095</u>	<u>2,070</u>	<u>2,067</u>	<u>2,100</u>

Source: City of Anaheim

Operating Indicators by Function Last Nine Fiscal Years

Function/Program	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police Department									
Number of calls for service	189,751	195,587	185,934	191,037	196,241	203,832	173,669	173,669	174,906
Number of 911 calls received	179,313	165,698	140,529	129,998	125,174	134,938	103,586	92,710	89,723
Number of Part I Crimes per 100,000 population	3,057	2,886	2,857	2,764	2,899	3,042	3,042	3,250	3,598
Number of Arrest	11,494	13,345	17,650	15,951	16,212	14,135			
Number of Field Reports processed by Records Bureau	33,050	35,807	35,256	37,999	40,232	43,000	54,401	62,842	64,382
Number of traffic collisions	4,044	4,046	4,027	4,251	4,626	4,461	4,837	5,055	4,808
Number of Hours of Volunteer service	25,309	20,335	18,038	16,201	16,820	15,654			
Fire Department									
Fire responses	923	983	1,275	1,016	1,082	649	687	519	590
False alarm responses	1,390	1,487	1,467	1,503	1,398	719	678	581	579
Mutual aid responses	2,744	2,707	2,560	2,532	2,662	2,296	2,271	2,530	2,441
Medical responses	23,061	22,202	24,045	21,553	21,301	16,326	16,679	13,783	14,130
Hazardous condition responses (spills, leaks, bomb removal, power line down, etc.)	201	199	207	224	203	263	322	138	134
Public Works									
Centerline miles of arterial highway pavement improved	8.7	5.8	9.0	8.1	9.1	8.7	3.5	2.9	5.6
Square feet of deteriorated pavement replaced	2,977,482	4,274,463	820,000	780,500	890,500	890,500	920,500	910,250	887,156
Square feet of deteriorated pavement slurry sealed	4,208,194	4,167,569	1,975,000	2,532,000	3,483,000	3,483,000	3,522,000	4,175,500	2,704,599
Number of traffic intersections maintained	318	319	318	318	316	316	308	15	298
Number of traffic control hubs maintained	18	18	18	17	16	16	15	1	15
Square feet of deteriorated sidewalk replaced	74,780	62,940	60,000	50,500	50,200	50,200	46,500	48,850	56,725
Linear feet of damaged curb/gutter replaced	27,661	24,755	11,500	12,500	11,500	11,500	11,500	1,350	2,230
Square feet of medians/parkways maintained	5,511,065	5,460,655	5,400,000	5,350,000	5,350,000	5,350,000	5,212,600	5,209,500	5,132,700
Square feet of landscape maintained in the Anaheim Resort	1,430,486	1,430,486	1,430,486	1,419,286	1,419,286	1,419,286	1,419,286	1,419,286	1,419,286
Square feet of hardscape maintained in the Anaheim Resort	858,828	1,001,743	858,828	858,828	858,828	858,828	858,828	858,828	858,828
Number of vehicles maintained	1,152	1,162	1,331	1,331	1,351	1,283	1,273	1,273	1,283
Number of vehicles per mechanic	50	47	50	55	59	48	50	50	54
Square feet of interior space maintained	2,176,265	2,176,265	2,176,265	2,176,265	2,176,265	1,941,287	1,882,400	1,882,400	1,903,000
Square feet of exterior space maintained	39,138,187	39,138,187	39,138,187	39,138,187	39,138,187	35,298,000	35,238,900	35,238,900	35,283,600
Number of facility square feet (interior) per worker	120,904	114,540	103,631	103,631	103,631	77,651	75,296	75,500	75,500
Number of construction projects	100	136	130	130	132	167	158	130	192
Number of permit inspections	404	355	800	800	802	1,623	1,567	1,659	1,717
Parks									
Number of park acres maintained per full-time equivalent employee	75	75	12.00	12.00	10.52	10.52	10.52	10.39	10.39
Number of sports fields prepared	66	66	66	66	66	66	66	66	69
Cost per acre of parks maintained.	\$8,031	\$8,333	\$9,651	\$9,950	\$10,699	\$10,288	\$9,960	\$8,791	\$9,144
Cost per sports field maintained.	\$4,133	\$4,261	\$5,134	\$5,134	\$4,937	\$4,747	\$4,596	\$4,828	\$4,377

(continued)

Operating Indicators by Function Last Nine Fiscal Years

(continued)

Function/Program	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Golf Courses									
Cost per acre of golf course maintained	\$9,010	\$9,569	\$11,327	\$10,674	\$10,617	\$10,305	\$9,625	\$9,242	\$8,921
Number of rounds played	120,675	116,287	124,404	137,948	153,661	157,649	160,614	156,991	168,168
Number of acres maintained	200	200	200	200	200	200	200	200	200
City Libraries									
Computer assistance	99,550	115,475	150,318	156,716	95,068	37,725			
Total circulation - books	1,635,627	1,700,104	1,655,922	1,489,849	1,648,398	1,536,044	1,363,327	1,422,072	1,689,744
Reference questions answered	91,434	95,436	102,557	98,026	80,564	87,318	67,663	93,964	151,379
Information assistance	143,908	164,698	247,221	255,644	184,301	294,940	318,089	375,944	450,052
Patrons (patron visits)	1,321,309	1,403,995	1,572,138	1,752,838	1,615,640	1,373,002	1,176,441	1,147,079	1,267,487
Library cardholders	157,278	156,444	149,501	138,826	147,638	161,278	139,611	114,700	100,690
Programs offered	3,235	3,927	3,991	4,777	4,410	3,293	2,740	3,559	3,572
Program attendance	101,696	124,401	146,357	158,669	152,532	129,661	84,631	79,912	99,330
Public internet sessions	220,931	279,564	328,901	369,463	323,645	257,089	227,005	206,569	201,739
Community Services Programs									
Number of youth program participants	129,215	110,013	134,611	146,381	455,725	362,839	362,839	354,505	346,171
Number of youth program participants in recreation classes	9,213	10,231	10,125	16,332	16,006	13,675	15,200	14,886	14,886
Number of adult program sports teams	845	908	885	875	840	756	812	820	639
Number of park ranger contacts	275,014	232,132	187,000	208,176	161,038	140,000	139,773	88,935	132,633
Public Utilities Department									
Electric Utility:									
Number of meters	115,113	114,662	113,434	112,548	111,784	111,319	110,729	110,635	110,592
Megawatt-hours - sales	2,966,119	2,976,014	3,344,188	3,208,123	2,979,396	3,233,508	3,223,728	3,090,382	3,282,236
Megawatt-hours - purchased power	2,707,466	2,737,174	3,085,358	2,836,962	2,978,800	2,708,318	2,606,275	2,459,836	2,603,955
Megawatt-hours - owned generation	430,323	431,027	410,784	435,835	301,021	696,563	929,787	936,471	974,395
Water Utility:									
Number of meters	63,283	62,717	62,532	62,456	62,445	62,372	62,045	62,205	61,704
Millions of gallons sold	19,672	19,526	20,492	22,238	23,154	24,075	22,887	22,550	23,881
Millions of gallons purchased from Metropolitan Water District	7,023	7,398	8,054	6,614	4,978	8,049	10,188	9,144	8,169
Millions of gallons pumped from water system wells	14,100	13,399	14,669	17,034	18,961	16,844	13,580	14,244	16,784
Anaheim Convention Center									
Number of events serviced	222	200	232	310	339	347	337	310	262
Number of attendees	1,059,000	935,000	944,000	917,000	1,008,000	1,098,000	1,002,000	1,202,000	992,000
Percentage of occupancy	62.0%	56.0%	68.0%	56.0%	61.0%	70.0%	58.0%	66.0%	71.0%

Source: Various City Departments

Capital Assets Statistics by Function Last Nine Fiscal Years

Function/Program	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police Department									
Police Facilities	10	10	10	10	9	8	6	4	4
Motorized Equipment	242	242	250	266	255	251	248		
Police Helicopters	3	3	4	4	3	3	3	3	3
Shooting Range	1	1	1	1	1	1	1	1	
Communication/Radio Tower	1	1	1	1	1	1	1	1	1
Fixed Wing	1								
Fire Department									
Fire stations	11	11	11	11	11	11	10	10	10
Training center	1	1	1	1	1	1	1	1	1
Fire trucks, engines, and other vehicles	74	69	74	74	79	79	72	72	71
Public Works									
Streets (center lane miles)	578	578	588.2	633.2	633.2	633.2	633.2	588.2	588.2
Traffic signals	318	318	306	318	314	312	312	309	308
Sewers (miles)	573.63	570.44	569.6	568.3	565.7	561.5	560	560	560
Storm Drains (miles)	151.24	151.24	151.24	148	148	148	148	148	148
Parks									
Community parks	11	11	11	11	11	11	11	11	11
Mini parks	7	7	7	7	6	6	6	6	6
Neighborhood parks	21	21	21	21	20	20	20	21	21
Special use parks	6	6	6	6	6	6	6	6	6
City Libraries									
Branch libraries	7	7	7	7	7	6	5	4	5
Book mobiles	1	1	2	2	2	2	2	1	1

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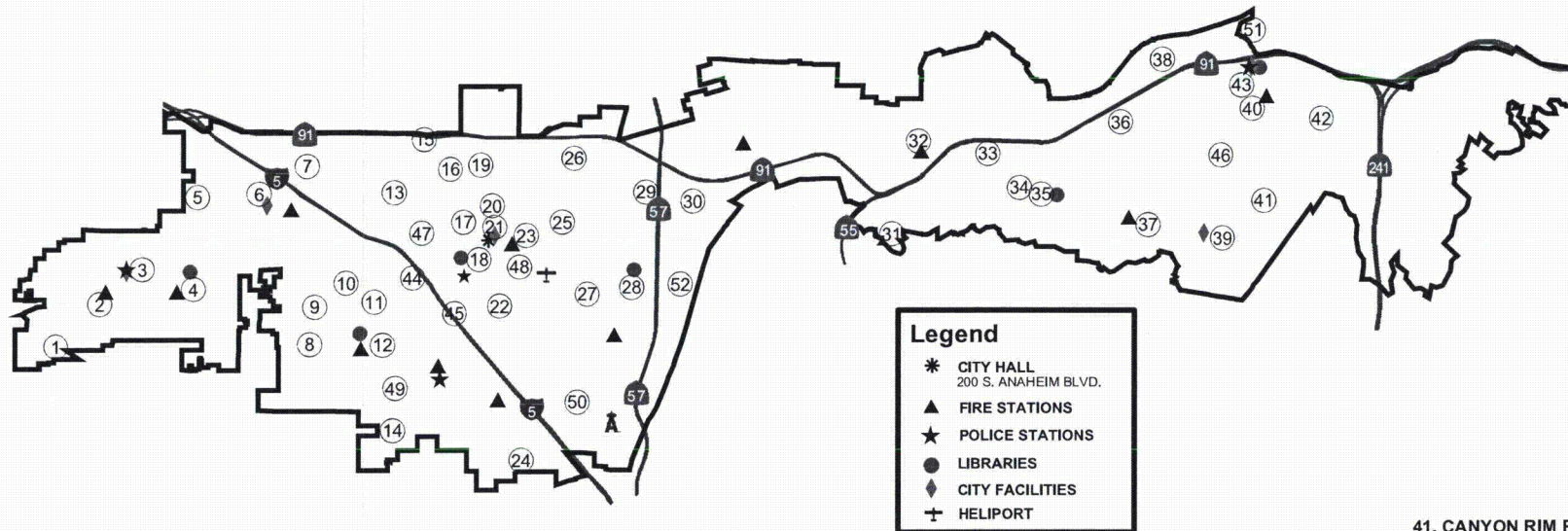
Capital Assets Statistics by Function Last Nine Fiscal Years

(continued)

Function/Program	Fiscal Year								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Utilities Department									
Electric Utility:									
Transmission, 69kV, circuit miles	86	90	80	80	80	77	69	70	70
Distribution, 12 kV and lower, circuit miles									
Overhead	428	440	446	446	453	458	468	800	791
Underground	656	658	617	625	615	582	564	620	612
Water Utility:									
Active Wells	18	18	18	18	21	19	21	23	26
Reservoirs	14	14	13	13	13	13	13	13	13
Water Mains (miles)	753	752	753	750	750	747	746	747	749
Fire Hydrants	7,812	7,802	7,805	7,751	7,749	7,730	7,720	7,848	7,818
Anaheim Convention Center									
Square footage available	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000	1,130,000
Number of exhibit halls	5	5	5	5	5	5	5	5	5

Source: Various City Departments

CITY OF ANAHEIM



PARKS

- | | | | | |
|---|--|--|---|---|
| 1. HANSEN PARK
1300 S. Knott St. | 11. WILLOW PARK
1625 W. Crone Ave. | 21. COLONY SQUARE
210 E. Lincoln Ave. | 31. OLIVE HILLS PARK
4200 Nohl Ranch Rd. | 41. CANYON RIM PARK
7305 E. Canyon Rim Rd. |
| 2. REID PARK
3100 W. Orange Ave. | 12. PALM LANE PARK
1595 Palais Rd. | 22. WALNUT GROVE PARK
905 S. Anaheim Blvd. | 32. RIVERDALE PARK
4545 E. Riverdale Ave. | 42. RONALD REAGAN PARK
945 S. Weir Canyon Rd. |
| 3. SCHWEITZER PARK
238 S. Bel Air St. | 13. SAGE PARK
1313 Lido Pl. | 23. CITRUS PARK
104 S. Atchison St. | 33. PERALTA CANYON PARK
115 N. Pinney Dr. | 43. ROOSEVELT PARK
8160 E. Bauer Rd. |
| 4. MAXWELL PARK
2660 W. Orange Ave. | 14. STODDARD PARK
901 S. Ninth St. | 24. PONDEROSA PARK
2100 S. Haster St. | 34. PELANCONI PARK
222 S. Avenida Margarita | 44. ROSS PARK
1280 W. Santa Ana St. |
| 5. PETER MARSHALL PARK
801 N. Magnolia Ave. | 15. MANZANITA PARK
1260 Riviera St. | 25. LINCOLN PARK
1440 E. Lincoln Ave. | 35. IMPERIAL PARK
450 S. Imperial Hwy. | 45. COTTONWOOD PARK
853 W. Cottonwood Cir. |
| 6. BROOKHURST COMMUNITY PARK
2271 W. Cresent Ave. | 16. LA PALMA PARK & STADIUM
1151 La Palma Park Way | 26. EDISON PARK
1145 Baxter St. | 36. EUCALYPTUS PARK
100 N. Quintana Dr. | 46. DEER CANYON PARK
Mohler & Santa Ana Rd. |
| 7. JOHN MARSHALL PARK
2066 Falmouth Ave. | 17. PEARSON PARK
400 N. Harbor Blvd. | 27. BOYSEN PARK
951 State College Blvd. | 37. OAK PARK
6400 E. Nohl Ranch Rd. | 47. FOUNDERS PARK
400 N. West St. |
| 8. MODJESKA PARK
1331 S. Nutwood St. | 18. LITTLE PEOPLES PARK
220 W. Elm St. | 28. JUAREZ PARK
841 S. Sunkist St. | 38. YORBA REGIONAL PARK
7600 E. La Palma Ave. | 48. COLONY PARK
501 E. Water St. |
| 9. CLARA BARTON PARK
1926 Clearbrook Ln. | 19. JULIANNA PARK
309 E. Juliana St. | 29. PIONEER PARK
2565 E. Underhill Ave. | 39. OAK CANYON NATURE CENTER
6700 Walnut Canyon Rd. | 49. ENERGY FIELD
1625 S. Ninth St. |
| 10. CHAPARRAL PARK
1770 E. Broadway | 20. GEORGE WASHINGTON PARK
250 E. Cypress St. | 30. RIO VISTA PARK
201 N. Parkvista St. | 40. SYCAMORE PARK
8268 Monte Vista Rd. | 50. MAGNOLIA PARK
1515 Wright Cir. |
| | | | | 51. WETLANDS
8300 E. La Palma Ave. |
| | | | | 52. ANAHEIM COVES
962 S. Rio Vista St. |