

# **CITY OF GRAND TERRACE, CALIFORNIA**

## **ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2012**



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

**City of Grand Terrace  
Annual Financial Report  
For the year ended June 30, 2012**

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of the City of Grand Terrace  
Grand Terrace, California

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### Independent Auditor's Report

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 Grand Terrace, California (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 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 the 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 Grand Terrace as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, there have been recent changes in legislation affecting redevelopment agencies in the State of California which required the dissolution of redevelopment agencies as of February 1, 2012, including the Redevelopment Agency of the City of Grand Terrace.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and budgetary comparison information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Rogers Anderson Malochy & Scott, LLP*

San Bernardino, California  
October 1, 2013

## **Management's Discussion and Analysis**

The following discussion and analysis of the financial performance of the City of Grand Terrace provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. The information presented herein should be considered in conjunction with the City's financial statements identified in the accompanying table of contents.

### **Using the Accompanying Financial Statements**

Included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

### **Overview of the Financial Statements**

The annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
  - Proprietary funds statements offer short and long-term financial information about the activities the government operates like a business.
  - Fiduciary fund statements provide information about the fiduciary relationships - like the agency funds of the City - in which the City acts solely as agent or trustee for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary spreadsheets that provide additional financial and budgetary information.

### **Reporting the City as a Whole**

The accompanying government-wide financial statements include two statements that present financial data for the City as a whole. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. The City's net assets - the difference between assets and liabilities - are one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax or sales tax base and the condition of the City's roads, to assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities are divided into two kinds of activities:

- Governmental activities - Most of the City's basic services such as public safety, streets and roads, economic development and parks maintenance, are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activity - The City charges a fee to customers and budgets expenses so it covers all costs of services accounted for in this fund.

The government-wide financial statements include the Community Redevelopment Agency of the City of Grand Terrace (for the 7 month period prior to dissolution on January 31, 2012) and the Grand Terrace Public Financing Authority (component units), along with the City of Grand Terrace (the primary government). Although legally separate, these component units are important because the City is financially accountable for them.

### **Reporting the City's Most Significant Funds**

The fund financial statements provide detailed information about the City's most significant funds - not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting oversight responsibilities for using certain taxes, grants, or other money. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other current financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.
- Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for the proprietary fund. We do not use internal service funds (the other to facilitate this comparison between governmental funds and governmental activities).

## Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## Government-wide Financial Statements

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2012, net assets for the City of Grand Terrace were \$22,658,822 compared to net assets of \$29,590,203 at June 30, 2011.

A summary of the government-wide Statement of Net Assets at June 30, 2012 and June 30, 2011 are as follows:

Table 1  
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 8,494,845	\$ 42,481,575	\$ 2,429,343	\$ 2,580,411	\$ 10,924,188	\$ 45,061,986
Capital assets, net	11,486,796	11,425,206	5,239,688	5,328,258	16,726,484	16,753,464
Total assets	19,981,641	53,906,781	7,669,031	7,908,669	27,650,672	61,815,450
Other liabilities	3,598,975	4,514,862	518,064	798,172	4,117,039	5,313,034
Long-term liabilities	874,811	26,912,213	-	-	874,811	26,912,213
Total liabilities	4,473,786	31,427,075	518,064	798,172	4,991,850	32,225,247
Invested in capital assets, net of debt	11,458,989	9,441,365	5,239,688	5,328,258	16,698,677	14,769,623
Restricted	4,103,744	37,421,417	-	-	4,103,744	37,421,417
Unrestricted	(54,878)	(24,383,076)	1,911,279	1,782,239	1,856,401	(22,600,837)
Total net assets	\$ 15,507,855	\$ 22,479,706	\$ 7,150,967	\$ 7,110,497	\$ 22,658,822	\$ 29,590,203

\$16,698,677 (73.7%) of the net assets reflects the City's investment in capital assets, less any related debt used to acquire those assets that are still outstanding. Since these assets are used to provide services to the citizens they are not available for future spending. An additional \$4,103,744 represents resources that are subject to external restrictions on how they may be used.

A summary of the government-wide Statement of Activities for the year ended June 30, 2012 and 2011 are as follows:

Table 2  
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues and transfers</b>						
Program revenues:						
Charges for services	\$ 1,407,809	\$ 1,472,183	\$ 1,604,588	\$ 1,486,213	\$ 3,012,397	\$ 2,958,396
Operating contributions and grants	559,490	884,198	-	-	559,490	884,198
Capital contributions and grants	708,163	740,808	-	-	708,163	740,808
General revenues:						
Property tax	3,843,700	7,878,434	-	-	3,843,700	7,878,434
Sales tax	889,422	868,099	-	-	889,422	868,099
Motor vehicle in lieu	6,519	64,147	-	-	6,519	64,147
Other taxes	821,010	580,771	-	-	821,010	580,771
Sale of property	358,374	-			358,374	
Other revenues	538,096	220,438	5,267	10,357	543,363	230,795
Transfers	131,440	107,939	(131,440)	(107,939)	-	-
<b>Total revenues and transfers</b>	<b>9,264,023</b>	<b>12,817,017</b>	<b>1,478,415</b>	<b>1,388,631</b>	<b>10,742,438</b>	<b>14,205,648</b>
<b>Expenses</b>						
General government	1,397,889	1,377,335	-	-	1,397,889	1,377,335
Public safety	1,927,217	2,193,407	-	-	1,927,217	2,193,407
Public works	1,369,119	1,826,365	-	-	1,369,119	1,826,365
Economic development	585,469	3,499,728	-	-	585,469	3,499,728
Cultural and recreation	1,279,189	1,349,274	-	-	1,279,189	1,349,274
Interest on long-term debt	137,523	1,113,023	-	-	137,523	1,113,023
Waste water disposal	-	-	1,437,945	1,397,633	1,437,945	1,397,633
<b>Total expenses</b>	<b>6,696,406</b>	<b>11,359,132</b>	<b>1,437,945</b>	<b>1,397,633</b>	<b>8,134,351</b>	<b>12,756,765</b>
<b>Extraordinary item</b>						
Loss on RDA dissolution	(9,539,468)	-	-	-	(9,539,468)	-
Change in net assets	(6,971,851)	1,457,885	40,470	(9,002)	(6,931,381)	1,448,883
Beginning net assets	22,479,706	21,021,821	7,110,497	7,119,499	29,590,203	28,141,320
<b>Ending net assets</b>	<b>\$ 15,507,855</b>	<b>\$ 22,479,706</b>	<b>\$ 7,150,967</b>	<b>\$ 7,110,497</b>	<b>\$ 22,658,822</b>	<b>\$ 29,590,203</b>

The increase or decrease in net assets can provide an indication as to whether the overall financial position of the City improved or deteriorated during the year. From operations, total net assets for the City decreased by \$6,931,381 during the fiscal year. Taken separately, governmental activities net assets decreased by \$6,971,851 while business-type activities net assets increased by \$40,470. Total expenses of \$8,134,351 were offset by total revenues of \$10,742,438. In the Statement of Activities, expenditures do not include the cost of assets capitalized during the year or payments made on principal of outstanding debt. Depreciation is shown for governmental funds on this table, but the expense is not recorded in each individual fund.



After the deduction of capitalized assets, the next largest component in changes to net assets is the actual increase or decrease in fund balances resulting from operations. For governmental funds there was a net decrease of \$32,939,603. Of this amount, a net decrease of \$35,531,894 is attributable to the Redevelopment Agency, a net increase of \$82,989 to the nonmajor funds, a net increase of \$1,926,007 to the Housing Authority, a net decrease of \$1,636 to the Street Improvement Fund, with the difference being a net increase to the General Fund of \$584,931.

Property taxes decreased by 51 percent primarily due to the dissolution of the former City of Grand Terrace Community Redevelopment Agency. Property taxes distributed to the Successor Agency was reported in the Successor Agency Trust Fund effective February 1, 2012. It is no longer part of the City's tax revenue.

Motor vehicle in lieu revenues decreased by 90 percent due to the State of California's approval of trailer bill (Senate Bill 89), which eliminated the direct allocation of Motor Vehicle License fee revenue to local governments.

Interest on long-term debt expenses decreased by 88 percent primarily due to the transfer of all former City of Grand Terrace Redevelopment Agency obligations to the Successor Agency Trust Fund as of February 1, 2012.

Extraordinary item losses totaling \$9,539,468 is due to the dissolution of the former City of Grand Terrace Community Redevelopment Agency, as of January 31, 2012, as all assets and liabilities reported in governmental activities were transferred to a fiduciary fund to account for activities of the Successor Agency.

### Governmental Activities

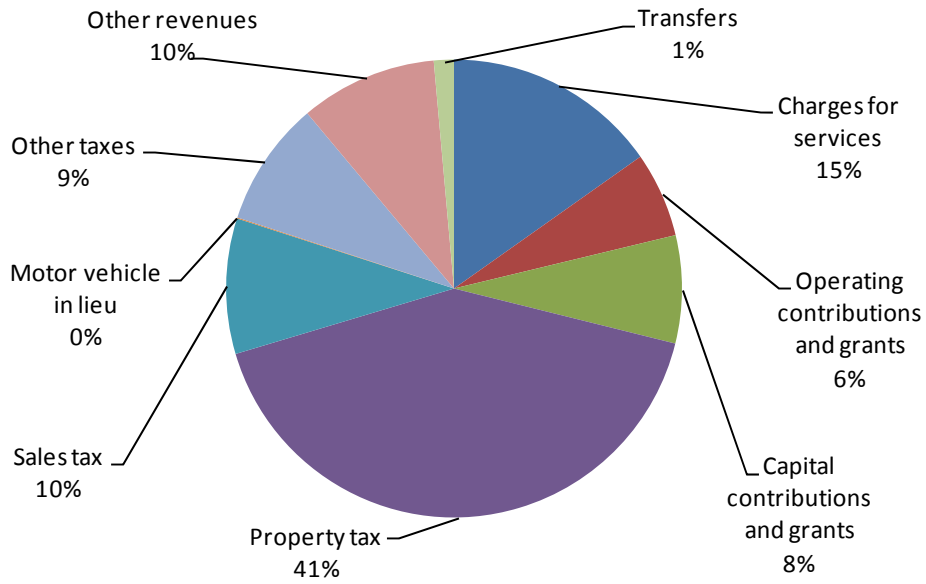
The following table shows the cost of each of the City's major programs and their net cost after subtracting fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City taxpayers by each of the programs.

#### Net Cost of Governmental Activities

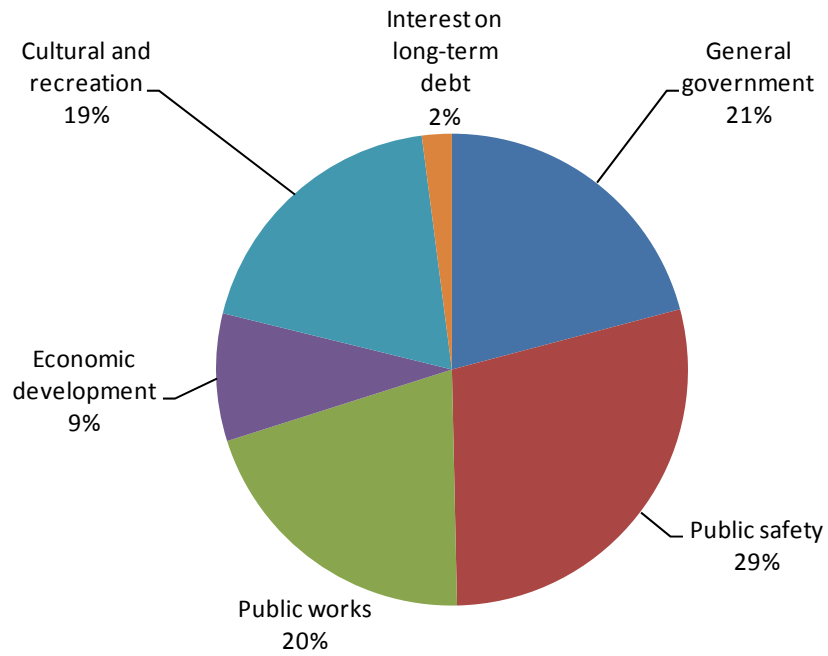
	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 1,397,889	\$ 1,349,950	\$ 1,377,335	\$ 1,288,419
Public safety	1,927,217	1,028,763	2,193,407	1,965,978
Public works	1,369,119	711,801	1,826,365	207,380
Economic development	585,469	414,005	3,499,728	3,273,140
Cultural and recreation	1,279,189	378,902	1,349,274	414,003
Interest on long-term debt	137,523	137,523	1,113,023	1,113,023
<b>Total</b>	<b>\$ 6,696,406</b>	<b>\$ 4,020,944</b>	<b>\$ 11,359,132</b>	<b>\$ 8,261,943</b>

This table shows the cost of all governmental activities this year was \$6,696,406. General tax dollars paid for approximately 83 percent of this cost. Fees, grants and contributions funded the balance of the cost of governmental activities.

**Revenues by Source - Governmental Activities \$9,264,023**



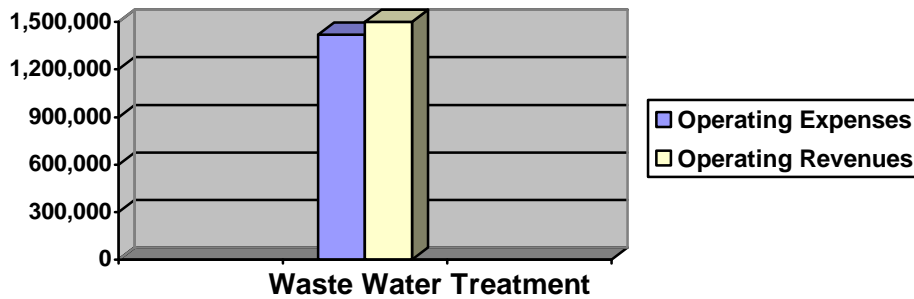
**Expenses by Function - Governmental Activities - \$6,696,406**



**Business-Type Activity**

Total revenues of the City's business-type activities, which consist only of the Waste Water Disposal Fund, were \$1,609,855. Revenues increased by \$113,284 or 7.6 percent in fiscal year 2011 - 2012. Of this amount, operating revenues increased by 8.0 percent and investment earnings decreased by \$5,091. Expenses increased by \$40,312 or 2.9 percent from \$1,397,633 in fiscal year 2010 - 2011 to \$1,437,945 in fiscal year 2011 - 2012. The cost of waste water disposal by the City of Colton amounted to \$1,185,731 or 82.5 percent of total operating expenses.

**Expenses and Program Revenues - Business-type Activities**



**Major Funds**

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

**Major Governmental Funds:**

The **General Fund** is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund increased \$584,931 to \$786,960 from a fund balance of \$202,029 at June 30, 2011. Total fund balance in all Governmental Funds was \$4,871,361.

General Fund Revenues and Expenditures amounted to:

	2011-12	2010 - 11	Increase (Decrease) in Fund Balance
Revenues	\$ 4,586,608	\$ 5,544,275	\$ (957,667)
Expenditures	(4,649,554)	(5,160,094)	510,540
Other Sources (Uses)	647,877	568,843	79,034
Net Change in Fund Balance	584,931	953,024	(368,093)
Beginning Fund Balance, as restated	202,029	(750,995)	953,024
Ending Fund Balance	<u>\$ 786,960</u>	<u>\$ 202,029</u>	<u>\$ 584,931</u>

The significant highlights in activities, revenues and expenditures of the City's General Fund from the prior year are as follows:

- General Fund revenues and transfers in exceeded expenditures and transfers out by \$584,931. Total fund revenue decreased by \$957,667 or 17.3 percent from FY 2010 -11. The decrease was primarily due to the marked decrease in revenues classified as "other" which went down to only \$307,847 in FY 2011 -12 from \$1,225,545 in FY 2010 -11. Total expenditures decreased by \$510,540 from FY 2010 -11 primarily due to budget reductions. Other Sources and (Uses) increased by \$79,034 compared to FY 2010-11. The increase was primarily due to one time revenue recognition.
- Property tax received decreased by only 0.5% percent from \$1,389,542 to \$1,382,935.
- Sales tax and Sales tax-in-lieu increased 11.0 percent from \$868,099 to \$963,438.
- Motor vehicle in-lieu tax decreased by 89.8 percent from \$64,147 to \$6,519 due to the elimination of the direct allocation of the motor vehicle license fee revenue to local governments.
- Charges for services overall remained close to the previous year at \$1,103,323. Building and Planning fees decreased 2.7% to \$149,589 from only \$153,717 in FY 2010 -11. Child Care Center revenues actually decreased 5.0 percent to \$878,700 from \$925,419 in FY 2010 -11.
- Use of money and property category decreased by 49.8 percent to \$40,941.
- General Fund recognized one time revenue of \$358,373 in FY 2011 -12 consisting of:
  - \$116,548 Sale of monopole lease located at Rollins Park
  - \$241,825 Sale of monopole lease locate at Grand Terrace Fire Station No. 23
- General Fund overall operating expenditures decreased a net 9.9 percent over the prior year, due to various budget reductions. The City is continuing many budget reduction measures instituted in previous years such as a 10 percent employee salary furlough, elimination and deferral of some employee benefits, deferral of merit increases, accounting changes and reallocation of some employee salaries to other funds. Total law enforcement expenditures equate to 38.1 percent of the net General Fund operating expenditures. The next largest General Fund cost center is Child Care Center representing 18.0 percent of net General Fund operating expenditures.

Other major governmental funds include the Street Improvement Fund, the Housing Authority Fund, the Grand Terrace Community Redevelopment Agency Low- Mod Fund, the Grand Terrace Community Redevelopment Agency Debt Service Fund, the Community Redevelopment Agency Capital Projects Fund and the Community Redevelopment Agency Project Trust Fund.

The Street Improvement Fund which became a major fund in FY 2011-12 has a net change of negative \$1,636 during the fiscal year.

The fund balance of the Housing Authority Fund increased by \$1,926,007 over FY 2010-11. This fund accounts for the housing assets as a result of the recently dissolved community redevelopment agency of the City.

Grand Terrace Community Redevelopment Agency – project improvement costs in the current fiscal year include the following public benefit projects:

- Construction of a new baseball field at Pico Park to replace one of the fields - \$27,625
- Construction of street and landscaping improvements, Michigan Street, Barton Road, and La Paix - \$158,776

**Long Term Debt** – the Grand Terrace Community Redevelopment Agency made lease payments to Zions Bank in the amount of \$127,423 under an underlying debt assumption related to the refinancing of the 1997 Certificates of Participation and made payments of \$1,788,424 for debt obligations of the 2004 CRA Tax Allocation Bonds. The Agency also made interest payments totaling \$266,153 for the 2011 Series A and Series B Tax Allocation Bonds. Principal payments of long term debt are not shown in the government-wide statements.

**Pass-through payments** – the Grand Terrace Community Redevelopment Agency made contractual and statutory payments to overlapping taxing agencies in the current fiscal year in the amount of \$1,357,122. The total includes a statutory pass-through payment to the City of Grand Terrace in the amount of \$78,107.

### **Nonmajor Funds**

The Nonmajor funds, as listed in the table of contents of this report, include Gas Tax, Measure I, the Capital Improvement Funds, and most of the special revenue funds.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. In these cases, the City has a fiduciary responsibility and is acting as trustee. The Statement of Fiduciary Net Assets, included in the Basic Financial Statements, separately reports all of the City's fiduciary activities. The City's fiduciary activities are reported in separate statements of fiduciary net assets and statement of changes in fiduciary net assets (Successor Agency of the Former RDA only). 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. However, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes

### **Capital Assets**

As of June 30, 2012, the City had invested \$16,726,484 in a broad range of capital assets, including buildings, parks and park improvements, computer and maintenance equipment, vehicles, sewer collection systems, streets, sidewalks and storm drains. We are exempt by provisions of GASB Statement No. 34 from including the valuation of old city infrastructure.

**Capital Assets  
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,177,069	\$ 1,579,379	\$ -	\$ -	\$ 2,177,069	\$ 1,579,379
Buildings	3,680,334	3,835,936	-	-	3,680,334	3,835,936
Improvements	1,930,767	2,128,609	147,493	155,921	2,078,260	2,284,530
Equipment	180,167	210,531	-	-	180,167	210,531
Vehicles	100,540	126,430	-	-	100,540	126,430
Infrastructure	3,120,087	2,720,067	-	-	3,120,087	2,720,067
Sewer mains	-	-	2,775,081	2,819,782	2,775,081	2,819,782
Sewer laterals	-	-	1,391,871	1,412,881	1,391,871	1,412,881
Sewer manholes	-	-	925,243	939,674	925,243	939,674
Construction in progress	297,832	824,254	-	-	297,832	824,254
<b>Total</b>	<b>\$ 11,486,796</b>	<b>\$ 11,425,206</b>	<b>\$ 5,239,688</b>	<b>\$ 5,328,258</b>	<b>\$ 16,726,484</b>	<b>\$ 16,753,464</b>

**Long-Term Debt**

At the end of the current fiscal year, the City had debt outstanding of \$874,811. Of this amount, \$27,807 represents outstanding leases, and \$847,004 other debt comprised of an OPEB obligation and compensated absences payable. \$88,377 of all debt is due and payable within one year. With the dissolution of the City of Grand Terrace Community Redevelopment Agency, its Successor Agency has taken over debt obligations totaling \$ 24,603,026, comprised of \$22,755,000 in bonds payable and \$ 1,848,026 in lease obligations as of February 1, 2012.

**Outstanding Debt  
Governmental Activities**

	2012	2011
2004 Refunding tax allocation bonds CRA	\$ -	\$ 3,650,000
2011 Tax allocation bonds, Series A	-	15,175,000
2011 Tax allocation bonds, Series B	-	5,650,000
OPEB obligation	604,724	444,393
Leases payable	27,807	1,983,841
Compensated absences	242,280	264,959
<b>Total outstanding debt</b>	<b>\$ 874,811</b>	<b>\$ 27,168,193</b>

The City's total debt decreased by \$26,293,382 (97 percent) during the current fiscal year, mainly due the transfer of debt obligations of the Grand Terrace Community Redevelopment Agency to its Successor Agency during the fiscal year. The City adopted GASB Statement No. 45 and recognizes a liability of \$604,724 for retiree health benefits.

Additional information on the City's long-term debt can be found in the notes to the accompanying financial statements.

### **Budget vs. Financial Statement Differences**

Financial reporting is required to be presented in accordance with governmental and generally accepted accounting principles. There is no similar requirement for budgeting for governmental agencies. The majority of items relate to transactions of long-term debt, capital items and other timing items.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office, at the City of Grand Terrace, 22795 Barton Road, Grand Terrace, California 92313, or call 909-824-6621. This report and other information are also available at the official city website at <http://www.cityofgrandterrace.org/>.

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**Government-Wide Financial Statements**

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**City of Grand Terrace  
Statement of Net Assets  
June 30, 2012**

	Governmental Activities	Business-type Activity	Total
<b>ASSETS</b>			
Cash and investments	\$ 6,245,189	\$ 2,353,475	\$ 8,598,664
Interest receivable	1,594	571	2,165
Accrued revenue	25,788	75,297	101,085
Due from other governments	811,800	-	811,800
Prepaid expenses	22,463	-	22,463
Loans receivable	78,845	-	78,845
Notes receivable	669,000	-	669,000
Property held for resale	640,166	-	640,166
Capital assets:			
Land and construction in progress	2,474,901	-	2,474,901
Other capital assets, net of depreciation	9,011,895	5,239,688	14,251,583
 Total assets	 <u>19,981,641</u>	 <u>7,669,031</u>	 <u>27,650,672</u>
<b>LIABILITIES</b>			
Accounts payable	233,866	18,821	252,687
Insurance payable	114,215	-	114,215
Accrued liabilities	26,343	8,183	34,526
Due to other governments	3,219,888	491,060	3,710,948
Refundable deposits	4,663	-	4,663
Noncurrent liabilities:			
Due within one year	88,377	-	88,377
Due in more than one year	786,434	-	786,434
 Total liabilities	 <u>4,473,786</u>	 <u>518,064</u>	 <u>4,991,850</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,458,989	5,239,688	16,698,677
Restricted for:			
Community development	446,648	-	446,648
Low-mod income housing	1,926,007	-	1,926,007
Public works	1,731,089	-	1,731,089
Unrestricted	(54,878)	1,911,279	1,856,401
 Total net assets	 <u>\$ 15,507,855</u>	 <u>\$ 7,150,967</u>	 <u>\$ 22,658,822</u>

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

**City of Grand Terrace  
Statement of Activities  
For the year ended June 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,397,889	\$ 47,939	\$ -	\$ -
Public safety	1,927,217	75,097	152,263	671,094
Public works	1,369,119	213,022	407,227	37,069
Economic development	585,469	171,464	-	-
Cultural and recreation	1,279,189	900,287	-	-
Interest on long-term debt	137,523	-	-	-
Total governmental activities	<u>6,696,406</u>	<u>1,407,809</u>	<u>559,490</u>	<u>708,163</u>
Business-type activity:				
Waste water disposal	<u>1,437,945</u>	<u>1,604,588</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,134,351</u>	<u>\$ 3,012,397</u>	<u>\$ 559,490</u>	<u>\$ 708,163</u>

General revenues:

Property taxes, levied for general purposes  
Property taxes, tax increment, restricted  
Franchise taxes  
Sales taxes  
Motor vehicle in lieu taxes  
Public service taxes  
Use of money and property  
Other  
Sale of property  
Extraordinary item - loss on dissolution of redevelopment agency  
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activity</b>	<b>Total</b>
\$ (1,349,950.00)	\$ -	\$ (1,349,950)
(1,028,763)	-	(1,028,763)
(711,801)	-	(711,801)
(414,005)	-	(414,005)
(378,902)	-	(378,902)
(137,523)	-	(137,523)
<u>(4,020,944)</u>	<u>-</u>	<u>(4,020,944)</u>
<u>-</u>	<u>166,643</u>	<u>166,643</u>
1,378,471	-	1,378,471
2,465,229	-	2,465,229
568,844	-	568,844
889,422	-	889,422
6,519	-	6,519
252,166	-	252,166
15,103	5,267	20,370
522,993	-	522,993
358,374	-	358,374
(9,539,468)	-	(9,539,468)
131,440	(131,440)	-
<u>(2,950,907)</u>	<u>(126,173)</u>	<u>(3,077,080)</u>
(6,971,851)	40,470	(6,931,381)
<u>22,479,706</u>	<u>7,110,497</u>	<u>29,590,203</u>
<u>\$ 15,507,855</u>	<u>\$ 7,150,967</u>	<u>\$ 22,658,822</u>

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

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## **Fund Financial Statements**

**City of Grand Terrace  
Balance Sheet  
Governmental Funds  
June 30, 2012**

	Special Revenue Funds			
	General	Street Improvement	Housing Authority	Redevelopment Agency Low-Mod
<b>ASSETS</b>				
Cash and investments	\$ 3,966,516	\$ 1,296,863	\$ -	\$ -
Interest receivable	1,068	315	-	-
Accrued revenue	16,555	-	-	-
Due from other funds	86,305	-	-	-
Due from other governments	247,451	-	448,636	-
Prepaid expense	22,463	-	-	-
Advances to other funds	-	-	168,205	-
Loans receivable	364	-	78,481	-
Notes receivable	-	-	669,000	-
Property held for resale	-	-	640,166	-
	<u>\$ 4,340,722</u>	<u>\$ 1,297,178</u>	<u>\$ 2,004,488</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 139,594	\$ -	\$ -	\$ -
Accrued liabilities	24,779	-	-	-
Due to other funds	-	-	-	-
Due to other governments	3,219,888	-	-	-
Advances from other funds	168,205	-	-	-
Deferred revenue	1,296	-	78,481	-
Refundable deposits	-	4,663	-	-
	<u>3,553,762</u>	<u>4,663</u>	<u>78,481</u>	<u>-</u>
Fund balances:				
Restricted for:				
Public works	-	1,292,515	-	-
Low-mod income housing	-	-	1,926,007	-
Community development	-	-	-	-
Unassigned	786,960	-	-	-
	<u>786,960</u>	<u>1,292,515</u>	<u>1,926,007</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,340,722</u>	<u>\$ 1,297,178</u>	<u>\$ 2,004,488</u>	<u>\$ -</u>

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



<u>Debt Service Fund</u>	<u>Capital Project Funds</u>		<u>Total</u>	<u>Total</u>
Redevelopment Agency Debt Service	Redevelopment Agency Capital Project	Redevelopment Agency Project Trust	Nonmajor Governmental Funds	Governmental Funds
\$ -	\$ -	\$ -	\$ 981,810	\$ 6,245,189
-	-	-	211	1,594
-	-	-	9,233	25,788
-	-	-	30,437	116,742
-	-	-	115,713	811,800
-	-	-	-	22,463
-	-	-	-	168,205
-	-	-	-	78,845
-	-	-	-	669,000
-	-	-	-	640,166
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,137,404</u>	<u>\$ 8,779,792</u>
\$ -	\$ -	\$ -	\$ 94,272	\$ 233,866
-	-	-	1,564	26,343
-	-	-	116,742	116,742
-	-	-	-	3,219,888
-	-	-	-	168,205
-	-	-	58,947	138,724
-	-	-	-	4,663
<u>-</u>	<u>-</u>	<u>-</u>	<u>271,525</u>	<u>3,908,431</u>
-	-	-	438,574	1,731,089
-	-	-	-	1,926,007
-	-	-	446,648	446,648
-	-	-	(19,343)	767,617
<u>-</u>	<u>-</u>	<u>-</u>	<u>865,879</u>	<u>4,871,361</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,137,404</u>	<u>\$ 8,779,792</u>

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

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**City of Grand Terrace  
Reconciliation of the Balance Sheet of  
Governmental Funds to the Statement of Net Assets  
June 30, 2012**

<b>Fund balances of governmental funds</b>		\$ 4,871,361
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		11,486,796
<p>Some liabilities are not due and payable in the current period and therefore are not reported in funds. Those liabilities consist of:</p>		
Capital leases	\$ (27,807)	
Other payable	(114,215)	
Long-term compensated absences payable	(242,280)	
OPEB obligation	<u>(604,724)</u>	(989,026)
<p>Revenues that are not available in the current period are deferred in the governmental funds, but not in the statement of net assets.</p>		
		<u>138,724</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 15,507,855</u></u>

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

**City of Grand Terrace**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2012**

	Special Revenue Funds			
	General	Street Improvement	Housing Authority	Redevelopment Agency Low-Mod
<b>REVENUES</b>				
Taxes	\$ 2,379,612	\$ -	\$ -	\$ -
Licenses and permits	638,036	-	-	-
Intergovernmental	96,494	-	-	-
Charges for services	1,103,323	-	-	-
Fines and forfeitures	20,355	-	-	-
Use of money and property	40,941	2,928	-	1,077
Developer fees	-	12,448	-	-
Other	307,847	-	-	-
Total revenues	<u>4,586,608</u>	<u>15,376</u>	<u>-</u>	<u>1,077</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,126,440	-	-	-
Public safety	1,770,817	-	-	-
Public works	606,454	-	-	-
Economic development	-	-	-	386,280
Cultural and recreation	1,117,024	-	-	-
Debt service:				
Principal	26,507	-	-	-
Interest and other charges	2,312	-	-	-
Capital outlay:				
Project improvement costs	-	-	-	-
Total expenditures	<u>4,649,554</u>	<u>-</u>	<u>-</u>	<u>386,280</u>
Excess (deficiency) of revenues over expenditures	<u>(62,946)</u>	<u>15,376</u>	<u>-</u>	<u>(385,203)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	358,374	-	-	-
Transfers in	363,587	-	-	91,228
Transfers out	(74,084)	(17,012)	-	(6,026)
Total other financing sources (uses)	<u>647,877</u>	<u>(17,012)</u>	<u>-</u>	<u>85,202</u>
<b>EXTRAORDINARY AND SPECIAL ITEMS</b>				
Gain/loss on dissolution of redevelopment agency	-	-	1,926,007	(2,154,479)
Net change in fund balances	584,931	(1,636)	1,926,007	(2,454,480)
Fund balances - beginning	<u>202,029</u>	<u>1,294,151</u>	<u>-</u>	<u>2,454,480</u>
Fund balances - ending	<u>\$ 786,960</u>	<u>\$ 1,292,515</u>	<u>\$ 1,926,007</u>	<u>\$ -</u>

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

Debt Service Fund	Capital Project Funds		Total	Total
Redevelopment Agency Debt Service	Redevelopment Agency Capital Project	Redevelopment Agency Project Trust	Non-Major Governmental Funds	Governmental Funds
\$ 2,460,763	\$ -	\$ -	\$ -	\$ 4,840,375
-	-	-	-	638,036
-	-	-	1,429,620	1,526,114
-	-	-	-	1,103,323
-	-	-	54,553	74,908
-	26,590	-	1,995	73,531
-	-	-	9,069	21,517
-	3	-	188,554	496,404
<u>2,460,763</u>	<u>26,593</u>	<u>-</u>	<u>1,683,791</u>	<u>8,774,208</u>
22,015	-	-	-	1,148,455
-	-	-	138,240	1,909,057
-	-	-	1,283,493	1,889,947
-	193,763	-	-	580,043
-	-	-	-	1,117,024
1,801,501	-	-	-	1,828,008
388,909	-	-	-	391,221
-	193,183	-	188,504	381,687
<u>2,212,425</u>	<u>386,946</u>	<u>-</u>	<u>1,610,237</u>	<u>9,245,442</u>
<u>248,338</u>	<u>(360,353)</u>	<u>-</u>	<u>73,554</u>	<u>(471,234)</u>
-	-	-	-	358,374
-	1,071,000	-	288,358	1,814,173
(1,276,404)	(30,284)	-	(278,923)	(1,682,733)
<u>(1,276,404)</u>	<u>1,040,716</u>	<u>-</u>	<u>9,435</u>	<u>489,814</u>
<u>(9,540,123)</u>	<u>(21,982,088)</u>	<u>(1,207,500)</u>	<u>-</u>	<u>(32,958,183)</u>
(10,568,189)	(21,301,725)	(1,207,500)	82,989	(32,939,603)
10,568,189	21,301,725	1,207,500	782,890	37,810,964
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 865,879</u>	<u>\$ 4,871,361</u>

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

**City of Grand Terrace  
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**

**Net change in fund balances - total governmental funds** \$ (32,939,603)

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 or are allocated to the appropriate functional expense when the cost is below the capitalization threshold.

This activity is reconciled as follows:

Cost of assets capitalized, less disposals at net book value	\$ 1,137,907	
Depreciation expense	<u>(617,950)</u>	519,957

The issuance of long-term debt 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 an effect on net assets.

Principal payments on long-term debt		1,828,008
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Some 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.

Change in OPEB obligation	\$ (160,331)	
Change in insurance payable	(27,115)	
Change in compensated absences payable	22,679	
Change in accrued interest payable on long-term debt	<u>253,698</u>	88,931

Revenues that are not available in the current period are deferred in the governmental funds, but not in the statement of activities.		112,141
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Extraordinary gain in closing of the former redevelopment agency		<u>23,418,715</u>
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**Change in net assets of governmental activities** \$ (6,971,851)

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

**City of Grand Terrace  
Statement of Net Assets  
Proprietary Fund  
June 30, 2012**

	Business-type Activity
	Waste Water Disposal
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 2,353,475
Interest receivable	571
Accrued revenue	75,297
Total current assets	2,429,343
Noncurrent assets:	
Capital assets:	
Sewer system	7,415,106
Less accumulated depreciation	(2,175,418)
Total noncurrent assets	5,239,688
Total assets	7,669,031
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	18,821
Accrued liabilities	8,183
Due to other governments	491,060
Total liabilities	518,064
<b>NET ASSETS</b>	
Invested in capital assets	5,239,688
Unrestricted	1,911,279
Total net assets	\$ 7,150,967

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

**City of Grand Terrace**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the year ended June 30, 2012**

	Business-type Activity
	Waste Water Disposal
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,600,628
Connection fees	3,960
	1,604,588
<b>OPERATING EXPENSES</b>	
Personnel services	52,363
Employee benefits	26,708
Depreciation	88,570
Contract services	1,211,153
Repairs and maintenance	15,775
Other expenses	43,376
	1,437,945
Total operating expenses	1,437,945
Operating income	166,643
<b>NONOPERATING REVENUES</b>	
Interest income	5,267
	171,910
Income before transfers	171,910
Transfers out	(131,440)
Change in net assets	40,470
Total net assets - beginning	7,110,497
Total net assets - ending	\$ 7,150,967

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



**City of Grand Terrace  
Statement of Cash Flows  
Proprietary Fund  
For the year ended June 30, 2012**

	Business-type Activity
	Waste Water Disposal
<b>Cash Flows From Operating Activities:</b>	
Cash received from customers	\$ 1,752,335
Cash payments to suppliers	(1,550,537)
Cash payments to employees for services	(78,946)
Other operating revenues	3,960
Net cash provided by operating activities	126,812
<b>Cash Flows From Noncapital Financing Activities:</b>	
Transfers to other funds	(131,440)
Net cash used for noncapital financing activities	(131,440)
<b>Cash Flows From Investing Activities:</b>	
Interest income	6,849
Net cash provided by investing activities	6,849
Net increase in cash and cash equivalents	2,221
Cash and cash equivalents - beginning	2,351,254
Cash and cash equivalents - ending	\$ 2,353,475
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 166,643
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	88,570
(Increase) decrease in assets:	
Accrued revenue	151,707
Increase (decrease) in liabilities:	
Accounts payable	(85,833)
Accrued liabilities	125
Due to other governments	(194,400)
Net cash provided by operating activities	\$ 126,812

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

**City of Grand Terrace  
Statement of Fiduciary Net Assets  
June 30, 2012**

	Successor Agency Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and investments	\$ 24,428,247	\$ 344,205
Cash and investments with fiscal agents Receivable:	3,058,099	-
Interest	5,895	-
Due from other governments	3,219,889	-
Amortizable deferred charge asset	384,075	-
Capital assets, net	438,682	-
Land held for resale	4,842,472	-
Total assets	\$ 36,377,359	\$ 344,205
<b>LIABILITIES</b>		
Accounts payable	\$ 368,541	\$ 1,717
Accrued liabilities	479,451	-
Intergovernmental payable - City	488,111	-
Due to other governments	2,208,923	-
Deferred revenue	97	-
Noncurrent liabilities:		
Due within one year	2,582,887	-
Due in more than one year	21,772,324	-
Refundable deposits	-	342,488
Total liabilities	27,900,334	\$ 344,205
<b>NET ASSETS</b>		
Held in trust for the Successor Agency	\$ 8,477,025	

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

**City of Grand Terrace**  
**Statement of Changes in Fiduciary Net Assets**  
**Private Purpose Trust Fund – Successor Agency**  
**For the Period from Inception (February 1, 2012) to June 30, 2012**

	Successor Agency Private Purpose Trust Fund
<b>ADDITIONS</b>	
RPTTF distribution	\$ 2,679,560
Investment earnings	87,674
Other receipts	<u>56,300</u>
Total additions	<u>2,823,534</u>
<b>DEDUCTIONS</b>	
General	424,738
Debt Service payments - interests	2,182,674
Depreciation	31,334
Other payments	<u>1,247,231</u>
Total deductions	<u>3,885,977</u>
<b>EXTRAORDINARY ITEM</b>	
Gain in redevelopment agency dissolution	<u>9,539,468</u>
Change in net assets	8,477,025
Net assets - beginning (at inception)	<u>-</u>
Net assets - end of the year	<u><u>\$ 8,477,025</u></u>

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

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## **Notes to Financial Statements**

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

**I. SIGNIFICANT ACCOUNTING POLICIES**

**Note 1: Organization and Summary of Significant Accounting Policies**

**a. Description of the reporting entity**

The City of Grand Terrace (the "City") was incorporated November 1978 under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety (law enforcement), highways and streets, cultural and recreational activities, public improvements, planning and zoning, building and safety, low and moderate income housing programs, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Grand Terrace (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City of Grand Terrace's elected officials have a continuing full or partial accountability for fiscal matters of the other entities. The financial reporting entity consists of: 1) the City, 2) organizations for which the City is financially accountable, and 3) organizations for which the nature and significance of their relationship with the City are such that exclusions would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component unit balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. The following component units of the City have been included in the financial reporting entity as blended component units.

A description of these component units and the method of incorporating their financial information in the accompanying general purpose financial statements are summarized as follows:

**The Community Redevelopment Agency of the City of Grand Terrace**

The Community Redevelopment Agency of the City of Grand Terrace (the "Agency") was formed, pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law." Its purpose is to carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Grand Terrace. The City Council also acts as the governing body of the Agency. On December 29, 2011, a California Supreme Court ruling directed that all redevelopment agencies be dissolved on February 1, 2012; therefore, the redevelopment agency funds account for activities of the Agency only through January 31, 2012. See note 14 for additional information on the redevelopment agency dissolution.

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

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

**The City of Grand Terrace Public Financing Authority**

The Grand Terrace Public Financing Authority was established on July 16, 1991, pursuant to a Joint Powers Agreement between the City of Grand Terrace and the Community Redevelopment Agency of the City of Grand Terrace. The Authority was created to facilitate financing for public capital improvements benefiting the City and Agency. The City Council also acts as the governing body of the Authority. The Authority's activities are blended with those of the City in these financial statements and are reported as a debt service fund.

There are several other governmental agencies, including the County of San Bernardino, school districts, and others, providing services within the City of Grand Terrace. Those agencies have independently elected governing boards other than the City Council of the City of Grand Terrace and no financial accountability to the City of Grand Terrace. Consequently, financial information for these agencies is not included within this financial report.

***b.        Government-wide and fund financial statements***

The government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables, and receivables. All internal balances in the statement of net assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. 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 and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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, including special assessments, 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 revenue are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary, 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.

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

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

**c. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified-accrual basis of accounting*. Under the modified-accrual basis of accounting, revenues are recognized in these funds when susceptible to accrual (i.e., when they are both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers property taxes collected after year-end as available, if they are collected within 60 days of the end of the current fiscal period. Other revenue susceptible to accrual includes sales tax, state gasoline taxes, investment income, and certain other intergovernmental revenues. Expenditures in the governmental funds are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, as well as compensated absences and claims and judgments, which are recognized when due.

The City 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 *Street Improvement Fund* accounts for the fees used for street maintenance, right-of-way acquisition and street construction. Sources of revenue are traffic fines and forfeitures collected.

The *Housing Authority Fund* accounts for the housing assets transferred from the former redevelopment agency and Low and Moderate housing activities of the City. The fund activities are restricted to the same requirements as the former Low and Moderate Income Housing Fund of the Agency.

The *Community Redevelopment Low Income Fund* is used to account for the financial resources used in supplying the low and moderate income housing throughout the City. The fund was closed on January 31, 2012 as part of the dissolution of the Agency (see Note 14).

The *Community Redevelopment Debt Service Fund* is used for the accumulation of resources to be used for the repayment of Agency debt. The fund was closed on January 31, 2012 as part of the dissolution of the Agency (see Note 14).



**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

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

The *Community Redevelopment Capital Projects Fund* is used to account for the financial resources used in developing the project area as well as administrative expenditures incurred in sustaining Agency activities. The fund was closed on January 31, 2012 as part of the dissolution of the Agency (see Note 14).

The *Community Redevelopment Capital Projects Trust Fund* is used to account for the financial resources used in developing the sustainable economic growth and the implementation of economic development in the City. The fund was closed on January 31, 2012 as part of the dissolution of the Agency (see Note 14).

The City reports the following major proprietary fund:

The *Waste Water Disposal Fund* is used to account for the provision of waste water disposal services to the residences and businesses of the City.

Additionally, the City reports the following fund type:

The *Private Purpose Trust Fund* is used to account for the resources, obligations, and activities of the Successor Agency of the Redevelopment Agency of the City of Grand Terrace as directed by the Oversight Board to settle the affairs of the dissolved agency (see Note 14).

The *Agency Funds* are used to account for the resources held by the City in a fiduciary capacity.

Private-sector standards of accounting and financial reporting issued 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's waste water disposal function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants 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.

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Waste Water Disposal Fund are charges to customers for sales and services. Operating expenses for the same Enterprise Fund include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Other Accounting Policies**

***Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The County of San Bernardino collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in March preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1, the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

***Cash and cash equivalents***

For purpose of the statement of cash flows, the City considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds. Since cash and investments are pooled, the City utilizes the assumption that the cash and investments in the Enterprise Fund are cash and cash equivalents.

***Investments***

The City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

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

***Property held for resale***

Property held for resale is recorded at the lower of cost or net realizable value. Fund balances are reserved in amounts equal to the carrying value of the land held for resale because such assets are not available to finance the City's current operations.

***Compensated absences***

The short-term portion is determined to be the amount due to employees for future absences which is attributable to services already rendered and which is expected to be paid during the next fiscal year. The total amount of liability for compensated absences is segregated between short-term and long-term as indicated above and both portions are reflected in the government-wide statements.

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee cannot accrue more than two times his regular annual entitlement.

Sick leave is payable when an employee is unable to work because of illness. Upon termination, regular employees with 5 years continuous service will be paid 40% for any unused sick leave.

***Capital assets***

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than or equal to \$5,000 (amount not rounded) and an estimated useful life of at least two years. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings	50
Machinery & equipment	5 - 15
Vehicles	6 - 15
Improvements other than buildings	15 - 20
Infrastructure	20 - 30
Sewer lines	90

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

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

***Use of estimates***

The financial statements have been prepared in accordance with generally accepted accounting principles accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

***Long-term obligations***

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 deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

***Fund equity***

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2012. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

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

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The City has not designated any level of authority for assigning fund balance; therefore, the City Council can assign fund balance.

When both restricted and unrestricted resources are available for use when expenditures are incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is the City's policy to consider committed amounts as being restricted first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**a.    *Budgetary data***

The annual budget is adopted by the City Council after the holding of a hearing and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.

The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" (as defined by GASB Code Section 2400.109) covers City expenditures in all governmental funds, except for the Public Financing Authority Debt Service Fund. This entity does not adopt an annual budget as effective budgetary control is achieved through bond indenture and other instrument provisions. Actual expenditures may not exceed budgeted appropriations at the fund level.

Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Encumbrances at year-end lapse, and then are added to the following year's budgeted appropriations. Also, unencumbered appropriations lapse at year-end.

Annual budgets for the General, Special Revenue, and Community Redevelopment Agency Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

Capital projects are budgeted through the Capital Project Funds. Appropriations for capital projects authorized, but not constructed or completed during the year, lapse at year-end, and are then included as a part of appropriations in the following year's annual budget.

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

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

***b. Deficit fund balances***

As of June 30, 2012 the following funds have deficit fund balances:

	Amount
Special Revenue Funds:	
AB 3229 COPS	\$ (433)
Traffic Safety	(13,221)
CDBG	(42,166)
Capital Projects Fund:	
Barton/Colton Bridge	(31,263)
Capital Projects	(36,821)

These deficits will be funded by future revenues or transfers from other funds.

***c. Excess of expenditures over appropriations***

Excess of expenditures over appropriations in individual funds are as follows:

Fund	Expenditures	Appropriations	Excess
General Fund			
Cultural and Recreation	\$ 1,117,024	\$ 1,112,083	\$ (4,941)
Special Revenue Fund:			
Air Quality			
Public works	5,775	(1,600)	(7,375)
Landscape & LGTG Assessment			
Public works	12,528	7,122	(5,406)
Capital Project Fund:			
Capital Project Bond Proceed			
Capital Outlay	188,504	-	(188,504)
Former Redevelopment			
Debt Service Fund	22,015	15,500	(6,515)

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

**III. DETAIL NOTES ON ALL FUNDS**

**Note 2: Cash and Investments**

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

Statement of Net Assets:	
Cash and investments	\$ 8,598,664
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	24,772,452
Cash and investments with fiscal agents	<u>3,058,099</u>
Total cash and investments	<u>\$ 36,429,215</u>

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

Cash on hand	\$ (459)
Deposits with financial institutions	5,942,700
Investments	<u>30,486,974</u>
Total cash and investments	<u>\$ 36,429,215</u>

***Authorized investments***

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in one Issuer
U. S. Treasury Obligations	5 years	None	None
Repurchase Agreements	1 year	None	None
Certificates of Deposit	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Passbook Savings Accounts	N/A	None	None
Securities Issued by Federal Agencies	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Mutual Funds	N/A	20%	10%
Pools and other investment structures	N/A	None	None

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 2: Cash and Investments (continued)**

***Investments authorized by debt agreements***

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
Government Obligations	None	None	None
FHLB's	None	None	None
FHLMC's	None	None	None
Farm Credit Banks	None	None	None
FNMA's	None	None	None
Financing Corp Debt Obligations	None	None	None
Resolution Funding Corp Debt Obligations	None	None	None
Certificates of Deposit	360 days	None	None
Deposits fully insured by FDIC	None	None	None
USAID Guaranteed Notes	None	None	None
Investment Agreements	None	None	None
Bankers Acceptances	360 days	None	None
Municipal Obligations rated Aaa	None	None	None
Commercial Paper rated P-1	270 days	None	None
Repurchase Agreements	None	None	None
Money Market Mutual Funds rated AAAm	N/A	None	None

***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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter 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 to market interest rate fluctuations are presented below.

Investment Type	Amount	12 Months or Less
Money Market Mutual Fund	\$ 1,081,009	\$ 1,081,009
Passbook Savings Account	250,020	250,020
Certificates of Deposit	13,109,572	13,109,572
Local Agency Investment Fund (LAIF)	9,111,826	9,111,826
Local Gov. Invest. Pool (CAMP)	3,876,447	3,876,447
Held by Trustee:		
Money Market Funds	3,058,100	3,058,100
<b>Total</b>	<b>\$ 30,486,974</b>	<b>\$ 30,486,974</b>



**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

**Note 2: Cash and Investments (continued)**

***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. Information about the minimum rating required by the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each type of investment held by the City can be found below.

Investment Type	Amount	Minimum Legal Rating	Actual Rating
Money Market Mutual Fund	\$ 1,081,009	N/A	N/A
Passbook Savings Account	250,020	N/A	N/A
Certificates of Deposit	13,109,572	N/A	N/A
Local Agency Investment Fund (LAIF)	9,111,826	N/A	N/A
Local Gov. Invest. Pool (CAMP)	3,876,447	N/A	N/A
Held by Trustee:			
Money Market Funds	3,058,100	AAAm	AAAm / A+
Total	<u>\$ 30,486,974</u>		

***Concentration of credit risk***

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. During the fiscal year ended June 30, 2012, the City did not hold any investments in any one issuer (other than Mutual Funds and External Investment Pools) that represent 5% or more of total City's investments.

***Custodial credit risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2012, the City had deposits with financial institutions in excess of federal depository insurance limits of \$13,015,592 and \$821,782 held in collateralized accounts for the successor agency and City, respectively.

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

**Note 2: Cash and Investments (continued)**

***Investments in State Investment Pool***

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF has reported to its participating agencies that, as of June 30, 2012, the carrying amount (at amortized cost) of the Pool was \$60,514,457,551 and the estimated fair value of the Pool was \$60,588,263,603. The City's proportionate share of the Pool's market value (as determined by LAIF) as of June 30, 2012, was \$9,111,826. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities

***Local Government Investment Pool***

The City is a voluntary participant in the Local Government Investment Pool, "CAMP" (California Asset Management Program). CAMP is a California Joint Powers Authority, established to provide public agencies with professional investment services, and is directed by a Board of Trustees, which is made up of experienced local government finance directors and treasurers. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p).

The City reports its share in the investment pool at the estimated fair market value. As of June 30, 2012, the City's share of the Pool (as determined by CAMP) is \$3,876,447. Included in the CAMP's investment portfolio are U.S. treasury notes, bonds, bills or certificates of indebtedness or other obligations of the United States, federal agency or U.S. government-sponsored enterprise obligations, participations or other instruments, repurchase agreements, bills of exchange or time drafts, negotiable certificates of deposits, commercial paper of prime quality of the highest ranking or of the highest letter and number rating.

***Pooled cash***

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.

Interest income earned on pooled cash and investments is allocated to the various funds based on the cash balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

**Note 3: Interfund Receivable, Payable and Transfers**

The composition of interfund balances at June 30, 2012 is as follows:

***Due to/from other funds:***

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds (1)	\$ 86,305
Nonmajor Governmental Funds	Nonmajor Governmental Funds	30,437
		<b>\$ 116,742</b>

(1) The above amounts were loaned to provide short-term loans to fund operations of the various funds.

***Advances from/to other funds:***

Receivable Fund	Payable Fund	Amount
Housing Authority Fund	General Fund	\$ 168,205
		<b>\$ 168,205</b>

In April 1980, the CRA entered into a pass-through agreement with the City, which was found to be in noncompliance with State statutes. The misallocated tax increment was being treated as advances payable to the former Community Redevelopment Agency from the General Fund. Since the close of the Redevelopment Agency, the advance receivable was transferred to the Successor Agency and is shown as a due from other government in the Private Purpose Trust Fund in the amount of \$3,219,888. Interest on the advance accrues at an interest rate equal to the Local Agency Investment Fund yield. The advance is to be repaid as funds are available.

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

**Note 3: Interfund Receivable, Payable and Transfers (continued)**

***Interfund transfers:***

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 64,649
	Street Improvement Fund	17,012
	Waste Water Disposal Fund	131,440
	CRA Low-Mod Fund	6,026
	CRA Debt Service Fund	114,176
	CRA Capital Projects Fund	<u>30,284</u>
		(1) <u>363,587</u>
CRA Low-Mod Fund	CRA Debt Service Fund	<u>91,228</u>
		(2) <u>91,228</u>
CRA Capital Projects Fund	CRA Debt Service Fund	<u>1,071,000</u>
		(3) <u>1,071,000</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	214,274
	General Fund	<u>74,084</u>
		(4) <u>288,358</u>
	Total Interfund Transfers	<u>\$ 1,814,173</u>

(1) These transfers were made for cost allocation.

(2) These transfers were made for the cost of goods and services

(3) Transfer was for the funding of Michigan Street Design & ROW Project

(4) These transfers were Franchise Sweep fees to gas tax and other various project fundings

**Note 4: Loans Receivable**

***General Fund***

The City offers an employee loan program under which employees may be loaned, interest free, up to \$2,000 towards the purchase of a computer. The loans are repaid over a period not to exceed twenty-four months through payroll deductions. The balance at June 30, 2012, is \$364.

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 5: Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Transfers	Transfers to Successor Agency at 1/31/2012	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,579,379	\$ 597,690	\$ -	\$ -	\$ 2,177,069
Construction in progress	824,254	490,217	(558,272)	(458,367)	297,832
Total capital assets, not being depreciated	<u>2,403,633</u>	<u>1,087,907</u>	<u>(558,272)</u>	<u>(458,367)</u>	<u>2,474,901</u>
Capital assets, being depreciated:					
Buildings	6,268,981	-	-	-	6,268,981
Machinery & equipment	804,972	-	-	-	804,972
Vehicles	592,707	-	-	-	592,707
Improvements other than buildings	3,937,195	-	-	-	3,937,195
Infrastructure	3,351,692	50,000	558,272	-	3,959,964
Total capital assets, being depreciated	<u>14,955,547</u>	<u>50,000</u>	<u>558,272</u>	<u>-</u>	<u>15,563,819</u>
Less accumulated depreciation for:					
Buildings	(2,433,045)	(155,602)	-	-	(2,588,647)
Machinery & equipment	(594,441)	(30,364)	-	-	(624,805)
Vehicles	(466,277)	(25,890)	-	-	(492,167)
Improvements other than buildings	(1,808,586)	(197,842)	-	-	(2,006,428)
Infrastructure	(631,625)	(208,252)	-	-	(839,877)
Total accumulated depreciation	<u>(5,933,974)</u>	<u>(617,950)</u>	<u>-</u>	<u>-</u>	<u>(6,551,924)</u>
Total capital assets, being depreciated, net	<u>9,021,573</u>	<u>(567,950)</u>	<u>558,272</u>	<u>-</u>	<u>9,011,895</u>
Governmental activities capital assets, net	<u>\$ 11,425,206</u>	<u>\$ 519,957</u>	<u>\$ -</u>	<u>\$ (458,367)</u>	<u>\$ 11,486,796</u>

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 5: Capital Assets (continued)**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type Activities:</b>				
Capital assets, being depreciated:				
Sewer mains	\$ 4,023,129	\$ -	\$ -	\$ 4,023,129
Laterals	1,890,943	-	-	1,890,943
Manholes	1,298,760	-	-	1,298,760
Improvements	202,274	-	-	202,274
Total capital assets, being depreciated	<u>7,415,106</u>	<u>-</u>	<u>-</u>	<u>7,415,106</u>
Less accumulated depreciation for:				
Sewer mains	(1,203,347)	(44,701)	-	(1,248,048)
Laterals	(478,062)	(21,010)	-	(499,072)
Manholes	(359,086)	(14,431)	-	(373,517)
Improvements	(46,353)	(8,428)	-	(54,781)
Total accumulated depreciation	<u>(2,086,848)</u>	<u>(88,570)</u>	<u>-</u>	<u>(2,175,418)</u>
Business-type activity capital assets, net	<u>\$ 5,328,258</u>	<u>\$ (88,570)</u>	<u>\$ -</u>	<u>\$ 5,239,688</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General government	\$ 84,667
Public safety	18,160
Public works	235,392
Economic development	5,426
Culture and recreation	274,305
Total depreciation expense - governmental activities	<u>\$ 617,950</u>

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 6: Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Transferred to Successor Agency 2/1/2012	Ending Balance	Due Within One Year
Governmental Activities:						
Bonds payable:						
2004 Refunding Tax Allocation Bonds	\$ 3,650,000	\$ -	\$ (1,720,000)	\$ (1,930,000)	\$ -	\$ -
2011 Tax Allocation Bonds, Series A	15,175,000	-	-	(15,175,000)	-	-
2011 Tax Allocation Bonds, Series B	5,650,000	-	-	(5,650,000)	-	-
Less: deferred amounts						
on refunding	(106,397)	-	-	106,397	-	-
Discount on bonds issued	(173,484)	-	-	173,484	-	-
Plus: Premium on issue	23,901	-	-	(23,901)	-	-
Total bonds payable	<u>24,219,020</u>	<u>-</u>	<u>(1,720,000)</u>	<u>(22,499,020)</u>	<u>-</u>	<u>-</u>
Capital leases:						
Zions National Bank	1,929,527	-	(81,501)	(1,848,026)	-	-
HVAC Lease	54,314	-	(26,507)	-	27,807	27,807
Total capital leases	<u>1,983,841</u>	<u>-</u>	<u>(108,008)</u>	<u>(1,848,026)</u>	<u>27,807</u>	<u>27,807</u>
OPEB Obligation	444,393	161,998	(1,667)	-	604,724	-
Compensated Absences	264,959	98,245	(120,924)	-	242,280	60,570
Total long-term liabilities	<u>\$ 26,912,213</u>	<u>\$ 260,243</u>	<u>\$ (1,950,599)</u>	<u>\$ (24,347,046)</u>	<u>\$ 874,811</u>	<u>\$ 88,377</u>

Lease Payable

**HVAC Lease**

In 2007, the City entered into a lease to purchase a HVAC system. The amount financed was \$170,000 to be repaid over a seven-year period with interest at 4.84%. Principal and interest payments are made semi-annually commencing on December 1, 2006. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The asset acquired through this capital lease is as follows:

ASSET:	
HVAC System	\$ 170,000
Less: Accumulated depreciation	<u>(56,231)</u>
Total	<u>\$ 113,769</u>

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

**Note 6: Long-Term Liabilities (continued)**

The minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

Year Ending June 30, 2013	Payments
Total minimum lease payments	28,820
Less: Amounts representing interest	(1,013)
Present value of minimum lease payments	\$ 27,807

**Note 7: City Employees Retirement Plan**

***Plan description***

The City contributes to the California Public Employees Retirement System (PERS), a cost sharing 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. Copies of PERS' annual financial report may be obtained from their executive office: 400 "P" Street, Sacramento, California 95814.

***Funding policy***

Participants are required to contribute 8% of their annual covered salary. The City contributes 5% of the 8% required of the employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 20.482% of annual covered payroll. The contribution requirements of Plan members and the City are established and may be amended by PERS.

***Annual pension cost***

For 2012, the City's annual pension cost of \$316,814 for PERS was equal to the City's required contribution. The required contribution was determined as part of the June 30, 2009, actuarial calculation using the entry age normal actuarial cost method.

THREE YEAR TREND INFORMATION FOR PERS			
Fiscal year	Annual pension cost (APC)	Percentage of APC contributed	Net Pension obligation
06/30/10	\$ 319,879	100%	\$ -
06/30/11	\$ 301,174	100%	\$ -
06/30/12	\$ 316,814	100%	\$ -



**City of Grand Terrace  
Notes to Financial Statements  
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**Note 8: Other Post Employment Benefits**

***Plan description***

The City provides a medical plan coverage for retirees. This coverage is available for employees who satisfy the requirements for retirement under the California Public Employees Retirement System (PERS), which is age 50 or older with at least five years of State or public agency service. The healthcare coverage provided by PERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

Medical plan benefits are provided through PERS, as permitted by the Public Employees' Medical and Hospital and Care Act (PEMHCA). As a PEMHCA employer, the City has elected the unequal contribution method, where the contribution will be increased annually over twenty years until it reaches the same employer contribution as active employee medical plan coverage.

***Funding policy***

The contribution requirements of the City are established and may be amended by the City Council. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2011-2012, the City contributed \$1,667 to the plan.

***Annual OPEB cost and NET OPEB obligation***

The City's annual other OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially in accordance with GASB Statement No. 45. The City has not obtained an updated actuarial study of the plan, but is in the process of having one performed in 2013. The calculation is solely based on the 2008 actuarial report. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	June 30, 2012
Annual required contribution	\$ 158,189
Interest on net OPEB obligation	19,998
Adjustment to annual required contribution	(16,189)
Annual OPEB cost (expense)	161,998
Contributions made	(1,667)
Increase in net OPEB obligation	160,331
Net OPEB obligation – beginning of year	444,393
Net OPEB obligation – end of year	\$ 604,724

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

**Note 8: Other Post Employment Benefits (continued)**

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 148,156	0%	\$ 290,156
June 30, 2011	\$ 155,057	1%	\$ 444,393
June 30, 2012	\$ 161,998	1%	\$ 604,724

***Funded status and progress***

The funded status of the plan as of July 1, 2008 (the most recent valuation) was as follows:

Year Ending	Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll [(b-a)/c]
6/30/2010	7/1/2008 *	\$ -	\$ 1,406,000	\$ 1,406,000	0.00%	\$ 2,014,286	69.80%
6/30/2011	7/1/2008 *	\$ -	\$ 1,406,000	\$ 1,406,000	0.00%	\$ 1,911,101	73.57%
6/30/2012	7/1/2008 *	\$ -	\$ 1,406,000	\$ 1,406,000	0.00%	\$ 1,674,924	83.94%

\* The City has not obtained an updated actuarial study. The calculation is solely based on the consideration reported in 2008 actuarial report.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

***Actuarial methods and assumptions***

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

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 8: Other Post Employment Benefits (continued)**

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Method. The actuarial assumptions included a 4.5% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by increments of 1.0% per year to an ultimate rate of 5.0% after the sixth year.

**Note 9: Residential Mortgage Revenue Bonds**

In 1984, the La Verne-Grand Terrace Housing Finance Agency, a joint powers authority duly established by appropriate resolutions of the Redevelopment Agency of the City of La Verne and the Community Redevelopment Agency of the City of Grand Terrace pursuant to Government Code Section 6500, et. seq., issued Residential Mortgage Revenue Bonds totaling \$38,625,000 pursuant to Chapters 1-5 of part 5 of Division 31 of the Health and Safety Code of the State of California. The bonds provide for long-term low interest mortgage loans to qualified home buyers of single family homes in certain residential developments as specified by the indenture. The bonds are payable solely from payments made on and secured by a pledge of the home mortgages and the funds and accounts held for the benefit of the bondholders pursuant to the indenture. The bonds do not represent a lien or charge upon the funds or property of the Agency. Neither the full faith and credit, nor the taxing power, of the Agency is pledged to the payment of the bonds. For these reasons, the bonds are not shown as liabilities in the accompanying financial statements.

The mortgage bond program is administered by a separate administrator apart from the Agency as specified by the indenture. The fiscal agent and trustee duties are also performed by a separate trustee bank apart from the Agency. In June 1992, the joint powers authority sold the home mortgages. The proceeds from the sale of the mortgages plus other assets were irrevocably placed into a trust with an escrow agent to provide for all future debt service on the bonds through the year 2017. At June 30, 2012, approximately \$2,810,000 of the bonds were outstanding.

**Note 10: Risk Management**

The City is a member of the California Joint Powers Insurance Authority (the "Authority"). The following joint venture disclosures are made in compliance with GASB Code Section J50.103:

**a. Description of self-insurance pool pursuant to joint powers agreement**

The City of Grand Terrace is a member of the California Joint Powers Insurance Authority (the "Authority"). The Authority is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverage. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 10: Risk Management (continued)**

**b. Self-insurance programs of the Authority**

General Liability Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$5,000,000 to \$50,000,000 are paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

Workers' Compensation The City of Grand Terrace also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and employer's liability losses from \$5,000,000 to \$10,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California State Association of Counties – Excess Insurance Authority members. Costs from \$2,000,000 to \$300,000,000 are transferred to reinsurance carriers. Costs in excess of \$300,000,000 are pooled among the Members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administrative expenses are paid from the Authority's investment earnings.

**c. Purchased insurance**

Property Insurance The City of Grand Terrace participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of Grand Terrace property is currently insured accordingly to a schedule of covered property submitted by the City of Grand Terrace to the Authority. The City of Grand Terrace property currently has all-risk property insurance protection in the amount of \$12,961,600. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 10: Risk Management (continued)**

**d. Adequacy of protection**

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

**Note 11: Contingencies**

As of June 30, 2012, in the opinion of the City Administration and its legal counsel, there are no outstanding matters, which would have a material effect on the financial position of the City.

**Note 12: Proposition 218**

Proposition 218, which was approved by the voters in November 1996, will regulate the City's ability to impose, increase and extend taxes, assessments and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters.

**Note 13: Financial Condition and Management Plans**

In July 2013 the City Council declared a fiscal emergency in conjunction with adopting the Fiscal Year (FY) 2013-2014 budget, allowing a special municipal election to be held November 5, 2013 for the purpose of considering a 5% utility users' tax. If the tax is approved by the voters, it will generate an estimated \$1.1 million in additional General Fund revenue, which will offset the projected budgetary deficits in upcoming years, and enable the City to continue providing basic services to its residents.

If the tax is not approved by the voters, expenditure reductions have been approved to take effect following the election to reduce FY 2013-2014 expenditures within budgeted revenues, thus preserving General Fund balance. City management will continue to monitor the City's financial condition to ensure that revenues and expenditures are recorded correctly and all reimbursements are filed with funding agencies.

**City of Grand Terrace**  
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**Note 14: Successor Agency Private-Purpose Trust Fund to the Former Redevelopment Agency**

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26, (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. Most of California cities had established a redevelopment agency that was included in the reporting entity of the city as a blended component unit (since the city council, in many cases, also served as the governing board for those agencies). The Bill provided 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 administer assets, pay and adhere to the provisions of enforceable obligations, and to expeditiously settle the affairs of the dissolved redevelopment agency. If the city declines to accept the role of Successor Agency, other local agencies may elect to perform this role. If no local agency accepts the role of Successor Agency, the Governor is empowered by the Bill to establish a local "designated local authority" to perform this role. On January 4, 2012, the City Council met and created the Successor Agency of the former Redevelopment Agency of the City of Grand Terrace in accordance with the Bill as part of the City of Grand Terrace.

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 could 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 tax increment 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.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other private and public bodies that occurred after January 1, 2011. If the body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill. 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 on 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 of Grand Terrace. After the date of dissolution, January 31, 2012, the assets, liabilities, and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City of Grand Terrace. The private-purpose trust fund keeps its activities under the normal accrual method of accounting.

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 to fiduciary funds was reported in the governmental funds as an extraordinary gain (loss) in the governmental fund statements. The receipt of these assets and liabilities was reported in the private-purpose trust fund as an extraordinary gain in the fiduciary funds financial statements.

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

**Note 14: Successor Agency Private-Purpose Trust Fund to the Former Redevelopment Agency (continued)**

As part of the fiscal year 2012-2013 state budget package, on June 27, 2012, the State of California Legislature passed, and the Governor signed, Assembly Bill 1484, the primary purpose of which is to make technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing that act. As a budget "trailer bill," AB 1484 took immediate effect upon signature by the Governor.

In accordance with AB 1484 and in compliance with the California Health & Safety Code, the City of Grand Terrace elected to be Housing Successor to the housing activities and functions of the former Redevelopment Agency of the City of Grand Terrace. Accordingly, all housing assets, as define by the Health and Safety Code Section 34176 (e), were transferred to the City of Grand Terrace in a specially created new fund shown as a major fund in 2012 and named "Housing Authority" in the governmental funds financial statements.

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 (gain) recognized in the governmental funds will not be the same amount as the extraordinary gain (loss) that will be 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-private purpose trust financial statements is reconciled as follows:

Total extraordinary loss reported in the governmental fund statements	\$	32,958,183
Add: Capital assets previously recorded in the government-wide financial statements		458,367
Add: Deferred charge asset previously recorded in the government-wide financial statements		469,964
Less: Long-term debt previously reported in the government-wide financial statemetns, net of deferred amount and discount on issuance		<u>(24,347,046)</u>
Total extraordinary gain reported in the private-purpose trust fund statement	\$	<u><u>9,539,468</u></u>

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

**Note 14: Successor Agency Private-Purpose Trust Fund to the Former Redevelopment Agency (continued)**

Schedule of changes in long-term liabilities for the period from February 1, 2012 to June 30, 2012

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
2004 Refunding Tax Allocation Bonds	\$ 1,930,000	\$ -	\$ -	\$ 1,930,000	\$ 1,930,000
2011 Tax Allocation Bonds, Series A	15,175,000	-	-	15,175,000	260,000
2011 Tax Allocation Bonds, Series B	5,650,000	-	-	5,650,000	220,000
Less: deferred amounts					
on refunding	(106,397)	-	106,397	-	-
Discount on bonds issued	(173,484)	-	9,110	(164,374)	-
Plus: Premium on issue	23,901	-	(23,901)	-	-
Total bonds payable	<u>22,499,020</u>	<u>-</u>	<u>91,606</u>	<u>22,590,626</u>	<u>2,410,000</u>
Capital leases:					
Zions National Bank	1,848,026	-	(83,441)	1,764,585	172,887
Total capital leases	<u>1,848,026</u>	<u>-</u>	<u>(83,441)</u>	<u>1,764,585</u>	<u>172,887</u>
Total long-term liabilities	<u>\$ 24,347,046</u>	<u>\$ -</u>	<u>\$ 8,165</u>	<u>\$ 24,355,211</u>	<u>\$ 2,582,887</u>

a. 2004 Refunding Tax Allocation Bonds

In August of 2004, the former CRA issued the \$13,000,000 Refunding Tax Allocation Bonds, Series 2004. The Bonds were issued to refund the \$3,695,000 outstanding Tax Allocation Bond Series 1993 A, the \$1,290,000 outstanding Zions First National Bank loan, the \$2,780,000 outstanding Tax Allocation Bond Series 1993 B, and to finance certain redevelopment activities of the former CRA. Interest varies from 2.00% to 3.75% and is payable semiannually on March 1 and September 1, commencing March 1, 2005. Principal payments are due annually commencing September 1, 2005 through September 1, 2012.

The former CRA deposited \$8,241,183 of the proceeds in an irrevocable trust and purchased U.S. Government State and Local Government Securities for the purpose of generating resources which will be used to call the bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$851,183. This amount is being netted against the new debt and amortized over the remaining life of the new debt. This advance refunding was undertaken to reduce total debt service payments over 14 years by \$464,691 and resulted in an economic gain of \$631,303. The 2004 Refunding Tax Allocation Bond was transferred to the Successor Agency on February 1, 2012 as a result of the Redevelopment Agency closure.



**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 14: Successor Agency Private-Purpose Trust Fund to the Former Redevelopment Agency (continued)**

Debt service payments to maturity for the 2004 Refunding Tax Allocation Bonds are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 1,930,000	\$ 36,188
Total	\$ 1,930,000	\$ 36,188

b. 2011A Tax Allocation Bonds

In June of 2011, the former CRA issued the \$15,175,000 Community Redevelopment Project Area Tax Allocation Bonds, Issue of 2011A. The Bonds were issued to finance public improvement projects pursuant to the Redevelopment Plan and for other redevelopment activities of the Agency. Interest varies from 2.00% to 6.00% and is payable semiannually on March 1 and September 1, commencing September 1, 2011. Principal payments are due annually commencing September 1, 2012 through September 1, 2033. The Bonds are payable from and secured by a pledge of Tax Increment, less amounts required to make payments under the Pass-Through Agreements, annual debt service of the 2004 Bonds and the Housing Set-Aside amount. The 2011A Tax Allocation Bond was transferred to the Successor Agency on February 1, 2012 as a result of the Redevelopment Agency closure.

Debt service payments to maturity for the 2011A Tax Allocation Bonds are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 260,000	\$ 841,795
2014	280,000	836,595
2015	285,000	828,195
2016	295,000	819,645
2017	310,000	807,845
2018-2022	1,730,000	3,840,525
2023-2027	2,220,000	3,348,600
2028-2032	6,580,000	2,195,100
2033-2034	3,215,000	292,200
Total	\$ 15,175,000	\$ 13,810,500

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

**Note 14: Successor Agency Private-Purpose Trust Fund to the Former Redevelopment Agency (continued)**

c. 2011B Taxable Tax Allocation Bonds

In June of 2011, the former CRA issued the \$5,650,000 Community Redevelopment Project Area Taxable Tax Allocation Bonds, Issue of 2011B. The Bonds were issued for the purpose of acquiring land for resale and development in the Project Area. Interest varies from 7.10% to 7.70% and is payable semiannually on March 1 and September 1, commencing September 1, 2011. Principal payments are due annually commencing September 1, 2012 through September 1, 2026. The Bonds are payable from and secured by a pledge of Tax Increment, less amounts required to make payments under the Pass-Through Agreements, annual debt service of the 2004 Bonds and the Housing Set-Aside Amount. The 2011B Tax Allocation Bond was transferred to the Successor Agency on February 1, 2012 as a result of the Redevelopment Agency closure.

Debt service payments to maturity for the 2011B Taxable Tax Allocation Bonds are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 220,000	\$ 419,090
2014	235,000	403,470
2015	255,000	386,785
2016	270,000	368,680
2017	290,000	349,510
2018-2022	1,800,000	1,406,750
2023-2027	2,580,000	626,010
Total	<u>\$ 5,650,000</u>	<u>\$ 3,960,295</u>

d. Lease Payable

On August 28, 2009, the City entered into a Lease Agreement (Lease) with Zions First National Bank in order to refinance the City of Grand Terrace Refunding Certificates of Participation, Issue of 1997, which was issued to finance city hall and other public improvements. The City used the proceeds of the Lease of \$2,162,000 and funds on hand of \$358,000 to current refund the \$2,520,000 of outstanding 1997 Certificates of Participation. Under the Lease, the City is to lease property to Zions and in return Zions will lease the property back to the City in consideration of the payment by the City of semiannual lease payments commencing March 1, 2010 through September 1, 2020 at 4.76% interest. The lease payable was identified as part of the former redevelopment agency's long-term debt. The lease was transferred to the Successor Agency on February 1, 2012 as a result of the Redevelopment Agency closure.

**City of Grand Terrace  
Notes to Financial Statements  
June 30, 2012**

**Note 14: Successor Agency Private-Purpose Trust Fund to the Former Redevelopment Agency (continued)**

Debt service payments to maturity for the 2009 Zions National Bank lease are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 172,887	\$ 81,961
2014	181,213	73,633
2015	189,943	64,906
2016	199,091	55,756
2017	208,681	46,167
2018-2021	812,770	79,195
Total	<u>\$ 1,764,585</u>	<u>\$ 401,618</u>

On September 1, 2012 the Department of Finance for the State allowed a debt service payment of \$127,424 for the 2009 Zions National Bank lease. However, the Department of Finance later indicated that this loan was not an enforceable obligation of the Agency, and therefore, denied payment for the second debt service payment which was due on March 1, 2013. As of the date of issuance, this payment had still not been made.

**Note 15: Subsequent Events**

Subsequent to October 1, 2013 the following events occurred:

*Declaration of Fiscal Emergency*

In July 2013, the City Council unanimously approved a resolution declaring a fiscal emergency. This action was taken to enable a special municipal election to be held in November 2013 for the purpose of considering a utility users' tax to provide additional General Fund revenues to the City. Without this declaration, a tax measure could not be considered until the next regularly scheduled election in November 2014.

**City of Grand Terrace**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 15: Subsequent Events (continued)**

*Special Municipal Election to Consider Utility Users' Tax*

In April 2013, the City Council was presented with a Five-Year Financial Analysis and Budget Stabilization Plan (Plan), which identified projected ongoing budgetary deficits in the General Fund and the depletion of General Fund reserves during FY 2013-2014 unless action is taken to increase revenues or reduce expenditures. The Plan identified three options for revenue generation: a local add-on sales tax, parcel tax, and utility users' tax. Following review of the Plan, the City Council appointed a community-based Budget Advisory Committee to review the Plan, along with overall City finances, and make recommendations to the City Council regarding budget stabilization.

After holding a series of meetings, the Committee submitted its recommendations to the City Council which included the following elements: (1) unanimously declare a fiscal emergency; (2) place a utility users' tax (UUT) initiative on the November 2013 ballot; and (3) set the UUT rate such that it would generate an additional \$1.5 million in annual General Fund revenue. After receiving the Committee's recommendations, the City Council contracted with an election advisor to conduct a community opinion survey and advise regarding the UUT rate and timing of a special election. The election advisor recommended a 5% UUT rate with the special election to be held November 2013. The City Council approved these recommendations and adopted the necessary resolutions to proceed with a November 2013 special election. At a rate of 5%, the proposed UUT will generate an estimated \$1.1 million in annual General Fund revenue. While falling short of the Budget Advisory Committee's recommended revenue target of \$1.5 million, the estimated \$1.1 million in additional revenue will be adequate to continue providing the current level of municipal services with the existing staffing. The special municipal election will be held November 5, 2013. If the tax measure is not approved by the voters, expenditure reductions have been approved as part of the FY 2013-2014 Adopted Budget which will take effect following the election to reduce expenditures within budgeted revenues, thus preserving the current level of General Fund reserves.

## **Required Supplementary Information**

**Required Supplementary Information**  
**City of Grand Terrace**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the year ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,308,159	\$ 2,400,159	\$ 2,379,612	\$ (20,547)
Licenses and permits	572,410	572,410	638,036	65,626
Intergovernmental	93,175	84,000	96,494	12,494
Charges for services	1,178,700	1,178,700	1,103,323	(75,377)
Fine and forfeitures	12,500	12,500	20,355	7,855
Use of money and property	53,130	53,130	40,941	(12,189)
Other	301,000	301,000	307,847	6,847
	<u>4,519,074</u>	<u>4,601,899</u>	<u>4,586,608</u>	<u>(15,291)</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government	1,290,582	1,336,842	1,126,440	210,402
Public safety	1,902,317	1,808,086	1,770,817	37,269
Public works	729,887	714,887	606,454	108,433
Cultural and recreation	1,131,259	1,112,083	1,117,024	(4,941)
Debt service:				
Principal	-	-	26,507	(26,507)
Interest	-	-	2,312	(2,312)
	<u>5,054,045</u>	<u>4,971,898</u>	<u>4,649,554</u>	<u>322,344</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(534,971)</u>	<u>(369,999)</u>	<u>(62,946)</u>	<u>307,053</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	365,897	358,374	(7,523)
Transfers in	519,497	519,497	363,587	(155,910)
Transfers out	(59,660)	(61,160)	(74,084)	(12,924)
	<u>459,837</u>	<u>824,234</u>	<u>647,877</u>	<u>(176,357)</u>
Total other financing sources (uses)				
Net change in fund balance	(75,134)	454,235	584,931	130,696
Fund balance - beginning of year, as restated	<u>202,029</u>	<u>202,029</u>	<u>202,029</u>	<u>-</u>
Fund balance - end of year	<u>\$ 126,895</u>	<u>\$ 656,264</u>	<u>\$ 786,960</u>	<u>\$ 130,696</u>

**Required Supplementary Information**  
**City of Grand Terrace**  
**Budgetary Comparison Schedule**  
**Street Improvement Fund**  
**For the year ended June 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 2,000	\$ 2,000	\$ 2,928	\$ 928
Developer fees	5,000	5,000	12,448	7,448
Total revenues	7,000	7,000	15,376	\$ 8,376
Excess (deficiency) of revenues over (under) expenditures	7,000	7,000	15,376	8,376
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(202,611)	(307,611)	(17,012)	290,599
Total other financing sources (uses)	(202,611)	(307,611)	(17,012)	290,599
Net change in fund balance	(195,611)	(300,611)	(1,636)	298,975
Fund balance - beginning of year	1,294,151	1,294,151	1,294,151	-
Fund balance - end of year	<u>\$ 1,098,540</u>	<u>\$ 993,540</u>	<u>\$ 1,292,515</u>	<u>\$ 298,975</u>

**Required Supplementary Information  
City of Grand Terrace  
Budgetary Comparison Schedule  
Redevelopment Agency  
Low and Moderate Income Housing Fund  
For the year ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Use of money and property	\$ -	\$ -	\$ 1,077	\$ 1,077
Total revenues	-	-	1,077	1,077
<b>EXPENDITURES</b>				
Economic development	509,822	509,825	386,280	(123,545)
	509,822	509,825	386,280	(123,545)
Excess (deficiency) of revenues over (under) expenditures	(509,822)	(509,825)	(385,203)	(122,468)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	91,228	91,228
Transfers out	(620,563)	(620,563)	(6,026)	614,537
Total other financing sources (uses)	(620,563)	(620,563)	85,202	705,765
<b>EXTRAORDINARY AND SPECIAL ITEMS</b>				
Loss on dissolution of redevelopment agency	-	-	(2,154,479)	(2,154,479)
Net change in fund balance	(1,130,385)	(1,130,388)	(2,454,480)	(1,571,182)
Fund balance - beginning of year	2,454,480	2,454,480	2,454,480	-
Fund balance - end of year	<u>\$ 1,324,095</u>	<u>\$ 1,324,092</u>	<u>\$ -</u>	<u>\$ (1,571,182)</u>



**Nonmajor Governmental Funds  
Combining Statements**

**City of Grand Terrace  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012**

	Special Revenue Funds			
	Storm Drain Improvement	Park Development	AB 3229 COPS Fund	Air Quality Improvement
<b>ASSETS</b>				
Cash and investments	\$ 72,273	\$ 234,861	\$ -	\$ 60,911
Interest receivable	18	56	-	14
Accrued revenue	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	3,749
Total assets	\$ 72,291	\$ 234,917	\$ -	\$ 64,674
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	433	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	433	-
Fund balances:				
Restricted for:				
Public works	-	-	(433)	64,674
Community development	-	234,917	-	-
Unassigned	72,291	-	-	-
Total fund balances (deficit)	72,291	234,917	(433)	64,674
Total liabilities and fund balances	\$ 72,291	\$ 234,917	\$ -	\$ 64,674

Special Revenue Funds

State Gas Tax	Traffic Safety	Facilities Development	Measure I	CDBG	Terrace Pines Landscape and Lighting District	Total Special Revenue Funds
\$ 122,461	\$ 6,450	\$ 181,251	\$ 200,801	\$ -	\$ 4,351	\$ 883,359
29	2	43	49	-	-	211
-	9,233	-	-	-	-	9,233
-	-	30,437	-	-	-	30,437
37,513	3,847	-	26,657	-	-	71,766
<u>\$ 160,003</u>	<u>\$ 19,532</u>	<u>\$ 211,731</u>	<u>\$ 227,507</u>	<u>\$ -</u>	<u>\$ 4,351</u>	<u>\$ 995,006</u>
\$ 14,642	\$ 2,316	\$ -	\$ -	\$ 9,378	\$ 1,322	\$ 27,658
1,564	-	-	-	-	-	1,564
-	30,437	-	-	32,788	-	63,658
-	-	-	-	-	-	-
16,206	32,753	-	-	42,166	1,322	92,880
143,797	-	-	227,507	-	3,029	438,574
-	-	211,731	-	-	-	446,648
-	(13,221)	-	-	(42,166)	-	16,904
143,797	(13,221)	211,731	227,507	(42,166)	3,029	902,126
<u>\$ 160,003</u>	<u>\$ 19,532</u>	<u>\$ 211,731</u>	<u>\$ 227,507</u>	<u>\$ -</u>	<u>\$ 4,351</u>	<u>\$ 995,006</u>

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**City of Grand Terrace  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012**

	Capital Projects Funds			Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Street Improvement	Barton / Colton Bridge	Capital Projects Fund		
<b>ASSETS</b>					
Cash and investments	\$ 31,826	\$ -	\$ -	\$ 66,625	\$ 98,451
Interest receivable	-	-	-	-	211
Accrued revenue	-	-	-	-	9,233
Due from other funds	-	-	-	-	30,437
Due from other governments	-	43,947	-	-	43,947
	<u>-</u>	<u>43,947</u>	<u>-</u>	<u>-</u>	<u>43,947</u>
Total assets	<u>\$ 31,826</u>	<u>\$ 43,947</u>	<u>\$ -</u>	<u>\$ 66,625</u>	<u>142,398</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 66,614	\$ 66,614
Accrued liabilities	-	-	-	-	1,564
Due to other funds	-	31,263	21,821	-	53,084
Deferred revenue	-	43,947	15,000	-	58,947
	<u>-</u>	<u>43,947</u>	<u>15,000</u>	<u>-</u>	<u>58,947</u>
Total liabilities	<u>-</u>	<u>75,210</u>	<u>36,821</u>	<u>66,614</u>	<u>178,645</u>
Fund balances:					
Restricted for:					
Public works	-	-	-	-	438,574
Community development	-	-	-	-	446,648
Unassigned	31,826	(31,263)	(36,821)	11	(36,247)
	<u>31,826</u>	<u>(31,263)</u>	<u>(36,821)</u>	<u>11</u>	<u>(36,247)</u>
Total fund balances (deficit)	<u>31,826</u>	<u>(31,263)</u>	<u>(36,821)</u>	<u>11</u>	<u>865,879</u>
Total liabilities and fund balances	<u>\$ 31,826</u>	<u>\$ 43,947</u>	<u>\$ -</u>	<u>\$ 66,625</u>	<u>\$ 142,398</u>

**City of Grand Terrace**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2012**

	Special Revenue Funds			
	Storm Drain Improvement	Park Development	AB 3229 COPS Fund	Air Quality Improvement
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 100,067	\$ 15,189
Fines and forfeitures	-	-	-	-
Use of money and property	158	535	-	123
Developer fees	5,231	756	-	-
Other	-	50	-	-
Total revenues	<u>5,389</u>	<u>1,341</u>	<u>100,067</u>	<u>15,312</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	100,000	-
Public works	-	-	-	5,775
Capital outlay:				
Project improvement costs	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>5,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,389</u>	<u>1,341</u>	<u>67</u>	<u>9,537</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	(2,716)	(500)	927
Total other financing sources (uses)	<u>-</u>	<u>(2,716)</u>	<u>(500)</u>	<u>927</u>
Net change in fund balances	5,389	(1,375)	(433)	10,464
Fund balances (deficit) - beginning	<u>66,902</u>	<u>236,292</u>	<u>-</u>	<u>54,210</u>
Fund balances (deficit) - ending	<u>\$ 72,291</u>	<u>\$ 234,917</u>	<u>\$ (433)</u>	<u>\$ 64,674</u>

Special Revenue Funds

State Gas Tax	Traffic Safety	Facilities Development	Measure I	CDBG	Terrace Pines Landscape and Lighting District	Total Special Revenue Funds
\$ 358,801	\$ -	\$ -	\$ 257,218	\$ 15,550	\$ 11,701	\$ 758,526
-	54,553	-	-	-	-	54,553
209	(129)	545	480	-	-	1,921
-	-	3,082	-	-	-	9,069
-	-	-	-	-	-	50
<u>359,010</u>	<u>54,424</u>	<u>3,627</u>	<u>257,698</u>	<u>15,550</u>	<u>11,701</u>	<u>824,119</u>
-	38,240	-	-	-	-	138,240
292,624	-	-	-	50,165	12,530	361,094
-	-	-	-	-	-	-
<u>292,624</u>	<u>38,240</u>	<u>-</u>	<u>-</u>	<u>50,165</u>	<u>12,530</u>	<u>499,334</u>
<u>66,386</u>	<u>16,184</u>	<u>3,627</u>	<u>257,698</u>	<u>(34,615)</u>	<u>(829)</u>	<u>324,785</u>
72,664	1,420	-	-	-	-	74,084
(83,864)	(3,312)	-	(188,346)	-	(1,112)	(278,923)
<u>(11,200)</u>	<u>(1,892)</u>	<u>-</u>	<u>(188,346)</u>	<u>-</u>	<u>(1,112)</u>	<u>(204,839)</u>
55,186	14,292	3,627	69,352	(34,615)	(1,941)	119,946
<u>88,611</u>	<u>(27,513)</u>	<u>208,104</u>	<u>158,155</u>	<u>(7,551)</u>	<u>4,970</u>	<u>782,180</u>
<u>\$ 143,797</u>	<u>\$ (13,221)</u>	<u>\$ 211,731</u>	<u>\$ 227,507</u>	<u>\$ (42,166)</u>	<u>\$ 3,029</u>	<u>\$ 902,126</u>

**City of Grand Terrace**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the year ended June 30, 2012**

	Capital Projects Funds				Total Capital Projects Funds	Total Nonmajor Governmental Funds
	Street Improvement	Barton / Colton Bridge	Capital Projects Fund	Capital Projects/Bonds Proceeds		
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ 671,094	\$ -	\$ 671,094	\$ 1,429,620
Fines and forfeitures	-	-	-	-	-	54,553
Use of money and property	-	-	63	11	74	1,995
Developer fees	-	-	-	-	-	9,069
Other	-	-	-	188,504	188,504	188,554
	<u>-</u>	<u>-</u>	<u>671,157</u>	<u>188,515</u>	<u>859,672</u>	<u>1,683,791</u>
Total revenues	-	-	671,157	188,515	859,672	1,683,791
<b>EXPENDITURES</b>						
Current:						
Public safety	-	-	-	-	-	138,240
Public works	210,702	3,719	707,978	-	922,399	1,283,493
Capital outlay:						
Project improvement costs	-	-	-	188,504	188,504	188,504
	<u>210,702</u>	<u>3,719</u>	<u>707,978</u>	<u>188,504</u>	<u>1,110,903</u>	<u>1,610,237</u>
Total expenditures	210,702	3,719	707,978	188,504	1,110,903	1,610,237
Excess (deficiency) of revenues over (under) expenditures	<u>(210,702)</u>	<u>(3,719)</u>	<u>(36,821)</u>	<u>11</u>	<u>(251,231)</u>	<u>73,554</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	210,702	3,572	-	-	214,274	288,358
Transfers out	-	-	-	-	-	(278,923)
	<u>210,702</u>	<u>3,572</u>	<u>-</u>	<u>-</u>	<u>214,274</u>	<u>9,435</u>
Total other financing sources (uses)	210,702	3,572	-	-	214,274	9,435
Net change in fund balances	-	(147)	(36,821)	11	(36,957)	82,989
Fund balances (deficit) - beginning	<u>31,826</u>	<u>(31,116)</u>	<u>-</u>	<u>-</u>	<u>710</u>	<u>782,890</u>
Fund balances (deficit) - ending	<u>\$ 31,826</u>	<u>\$ (31,263)</u>	<u>\$ (36,821)</u>	<u>\$ 11</u>	<u>\$ (36,247)</u>	<u>\$ 865,879</u>