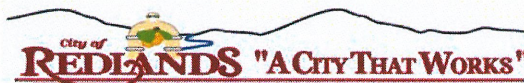


City of
REDLANDS
California

**Comprehensive Annual
Financial Report**

For Year Ended June 30, 2012

Tina T. Kundig
Finance Director /
City Treasurer



N. Enrique Martinez
City Manager



Comprehensive Annual Financial Report
For The Year Ended June 30, 2012

Redlands' City Council Members

Pete Aguilar, Mayor
Paul Foster, Mayor Pro Tempore
Jerry Bean, Council Member
Bob Gardner, Council Member
Jon Harrison, Council Member

N. Enrique Martinez, City Manager
Tina T. Kundig, Finance Director/City Treasurer

Cover Photographs Courtesy of Carl Baker & City Archives

CITY OF REDLANDS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR FISCAL YEAR ENDED JUNE 30, 2012

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City of Redlands



December 21, 2012

To the Members of the City Council and Citizens of the City of Redlands:

It is the policy of the City of Redlands to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Redlands (“the City”) for the Fiscal Year ended June 30, 2012.

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

The City’s financial statements have been audited by Lance, Soll & Lunghard, LLP, an independent firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the Fiscal Year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City’s financial statements for the Fiscal Year ended June 30, 2012, were fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

“Preserving the Past, Protecting the Future”

P.O. BOX 3005



REDLANDS, CA 92373



GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Redlands, incorporated in 1888, is located 63 miles east of Los Angeles, 110 miles north of San Diego, and 500 miles southeast of San Francisco. It lies within the San Bernardino Valley in the southwestern portion of San Bernardino County, covering an area of 36 square miles, within the heart of the Inland Empire. It serves a population of 69,231 residents.

The City was incorporated under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. It is a municipal corporation governed by a five-member city council in which all policy-making and legislative authority is vested. The City Council is responsible, among other things for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is the chief administrative officer of the City and as such is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing department heads. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with elections occurring every two years. The mayor is elected by a majority vote of the Council.

The City provides a full range of services, including police and fire protection, animal control, emergency medical aid, building safety regulation and inspection, street lighting, landscaping, sewer and water utilities, solid waste collection and disposal, land use planning and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement, and a full range of recreational and cultural programs for citizen participation, as well as being the home of the historic A. K. Smiley Public Library.

The annual budget serves as the foundation for the City's financial planning and control. Prior to the beginning of the Fiscal Year, the City Manager submits a budget for the upcoming year to the City Council. Public hearings are held before final approval of the budget. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City maintains budgetary controls to ensure compliance with provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds and internal service funds are included in the annual budget. The level of control (level at which expenditures may not exceed budget) is the fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end; however encumbrances are re-appropriated each year by separate action of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and the major special revenue fund, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and the major special revenue fund, this comparison is presented in the supplementary section of the accompanying financial statements.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. City of Redlands' economy is based largely in the service and trade sectors (health care, retail trade, government, and education) and light manufacturing. The region has a varied manufacturing and industrial base that has added to the relative stability of the unemployment rate over the years. However, in the last few years during the downturn in the economy, the unemployment rate rose to 10.5% but was lower in 2011 at 9.7%. The October 2012 preliminary rate for calendar year 2012 is 8.2%. Since 2002, the annual unemployment rate for the City has ranged from a low of 3.4% to the high of 10.5%.

The City has significant land still available for industrial/commercial/office use with only a portion of these areas utilized. Major industries with headquarters or divisions located within the City's boundaries or in close proximity include computer hardware and software manufacturers, electrical controls, furniture manufacturing, and automobile component manufacturers, and several financial and insurance institutions. Major employers in the City or within the vicinity include the Redlands Unified School District, the United States Postal Service, Esri (Environmental Systems Research Institute), Redlands Community Hospital, Verizon/GTE, the University of Redlands, the City of Redlands, and Loma Linda University Medical Center, the Jerry L. Pettis Veterans Hospital, and the VA Loma Linda Healthcare System. Several large warehouse distribution centers have been developed over the past few years in the City or within its vicinity, including Bechton-Dickenson, Stater Bros. and Salton, with each having provided additional job opportunities to the community.

The City's property tax base had showed steady growth since Fiscal Year 2000-2001, increasing from \$3.2 billion in Fiscal Year 2000-2001 to \$7.7 billion in Fiscal Year 2008-2009. However, for the 2009-2010 tax roll, the City of Redlands experienced a net taxable value decrease of 1.9% and for the 2010-2011 tax roll, a decrease of 2.5%. Again, in Fiscal Year 2011-2012, the City experienced a 1.9% decrease. The assessed value for the City decreased by \$186 million from Fiscal Year 2009-2010 to 2010-2011 and by another \$138 million from Fiscal Year 2010-2011 to 2011-2012. The change attributed to the Assessor granted -0.753% inflation adjustment was \$47.9 million, which was more than offset by reductions caused by properties with declining values.

The largest assessed value increase was on a parcel owned by Weiss Family LP at 560 Nevada Street. The formerly vacant site has been developed adding \$4.3 million in improvement values. A residential site at 385 Sunset Drive added a home for an addition of \$2.3 million. The LA Fitness owned by Parker 2004 Family Trust posted an increase of \$1.8 million.

There have been numerous properties, both commercial and industrial, that as a result of the appeal process have been granted relief due to a reduction in the values enrolled in the prior tax year. In total, industrial uses declined a total of \$120 million.

The housing market remained weak during the first half of 2011, when home buying decreased as a result of the many uncertainties in the economy. New home construction is at the lowest level in a decade and sales of homes greater than \$500,000 remain slow due to loan restrictions. The median sale price of a single family home in Redlands from January through September 2011 was \$218,000, a \$1,000 or 0.5% decrease from 2010, and the lowest since 2006. Median prices began to decline after a high of \$396,000 in 2007.

Development activity occurring in Fiscal Year 2011-2012 has stabilized from previous years of continual declines.

Approximately 110,243 square feet of office buildings was permitted in Fiscal Year 2009-2010 for administrative, professional, and medical uses. In Fiscal Year 2010-2011 there was no activity in this sector. However this year, approximately 80,059 square feet of activity occurred.

During Fiscal Year 2010-2011, no warehouse activity occurred. This year, the City processed 704,000 square feet of warehouse/industrial facilities.

In Fiscal Year 2009-2010, retail development activity was reduced to less than 5,000 square feet of new retail buildings permitted. No retail activity occurred in Fiscal Year 2010-2011. This year, the City permitted approximately 46,490 square feet of retail related permits. The City also approved the Redlands Crossing Project, a 256,614 square foot commercial shopping center.

Prior to the downturn in the economy, the City averaged approximately 212 dwelling units per year from 1997 to 2008. Residential growth experienced a reduction of approximately 64% from the previous year, down from 49 dwelling units to only 18 dwelling units.

Overall, projects that have received entitlements, but are not permitted, consist of approximately 1,005 residential dwelling units, approximately 552,062 square feet of commercial buildings, approximately 137,736 square feet of office buildings, and approximately 249,453 square feet of industrial buildings. Development of these is dependent on how quickly the economy recovers.

The Municipal Utilities and Engineering Department (MUED) embarked on a number of transportation projects during Fiscal Year 2011-2012. These projects and contract amounts include the following: Resurfacing Program 2010, \$443,766; and 2011 Resurfacing Project Phase II, \$252,068. In addition to the street resurfacing projects, MUED was also involved in projects related to constructing and renovating sidewalk and ADA ramps. These projects include Safe Routes to Schools Cycle 5, \$361,323; ADA Compliance Project, \$74,383; and pavement patch repair for water projects, \$313,554.

MUED Park Projects during Fiscal Year 2011-2012 included the design of the Orange Blossom Trail for \$30,719; and the renovation of Ed Hales Park, \$528,718. In addition, the department completed the Community Center Renovation project, \$129,355.

MUED has also embarked on a number of utility related projects during Fiscal Year 2011-2012. Water related projects include the following: Hinckley Treatment Plant Improvements, \$900,277; Church Street Well Rehabilitation, \$26,891; Airport No. 2 Well Rehabilitation, \$130,378; New York Street Rehabilitation project, \$55,950; Smiley Booster Electrical replacement project, \$61,452; Texas Street Reservoir rehabilitation project, \$279,049; Fifth Avenue Pipeline Replacement project, \$197,277.

As of February 1, 2012, the City of Redlands Redevelopment Agency – and all redevelopment agencies in California – were dissolved under AB1X 26 (and subsequently AB1484), and the City of Redlands, as “Successor Agency,” assumed responsibilities for winding down the operations of the Redevelopment Agency. As such, the Successor Agency for the former Redevelopment Agency for the City of Redlands is in the process of paying off existing debts and obligations including the disposal of all assets and properties of the former Redevelopment Agency. The City of Redlands elected not to assume the responsibility for administering the former Redevelopment Agency’s housing functions.

To date, the Successor Agency has complied with all requirements of AB1X 26/AB and 1484 by submitting its Enforceable Obligation Payment Schedule (EOPS), Recognized Obligation Payment Schedule (ROPS), and other required documents. During the upcoming fiscal year, the Successor Agency will be transferring ownership of properties designated for a governmental purpose to the City and drafting a Long-Range Property Management Plan for the disposal of those properties not specified for a governmental purpose.

Long-term financial outlook/planning. In recent years the City has faced financial challenges as a result of the State Budget crisis, increases in PERS rates, increases in employee contracts, and employee retirements, and is continuing to face impacts associated with the greatest downturn in our economy that has been seen in many years. For many years during this decade, despite growth in property taxes, sales taxes, and development, the City’s General Fund expenditures and uses exceeded its revenues and sources, thereby causing a decline in the General Fund’s Unreserved Fund Balance. As a result, the City began to focus on financial policy decisions to balance the budget, establish minimum reserve levels, as well as to review service levels, enhance revenue opportunities, evaluate reorganizations and develop capital improvement plans. These actions helped the City’s General Fund achieve net increases in its fund balance in Fiscal Year 2006-2007, by \$1.4 million, and again in Fiscal Year 2007-2008, by \$1.9 million. These actions over the two years proved invaluable to the City as the downturn in the economy hit in Fiscal Year 2008-2009. In the fall of Fiscal Year 2008-2009, the City Council, the City Manager and the executive staff examined the potential impacts to the City of the downturn in the economy, particularly as a result of the significant decline in sales tax revenue and a slowdown in development activity. Departmental budgets were reduced wherever possible and an early retirement incentive program was established, along with a furlough program for all employees that began during the second half of Fiscal Year 2008-2009. As a result of the team effort on the part of all City staff to reduce expenditures, and as a result of improvement in certain revenue categories that resulted in an additional \$870,000 in revenues over adjusted budget, the fund balance of the City’s General Fund increased by \$3.7 million during that year. Despite the positive outcome to Fiscal Year 2008-2009, the City continued to face challenges in Fiscal Year 2009-2010 as a result of the poor economic climate and continued declines in sales taxes and development revenues. Adding to the decline during Fiscal Year 2009-2010 in these revenue categories, the City realized declines in property taxes, franchise fees, and in other taxes. Although revenues declined, the City ended Fiscal Year 2009-2010 with a General Fund Unreserved Fund Balance of \$5,802,815, which exceeded projections by \$1.25 million, as a result of the City tightening its belt and reducing expenditures, as well as realizing higher revenues in a number of categories. Additionally, City employees continued the furlough program during Fiscal Year 2009-2010.

The City continued its efforts to reduce expenditures during Fiscal Year 2010-2011 by continuing the furlough program and leaving vacancies in place, primarily in the Police department, and ended that year with \$6.8 million in unassigned fund balance, excluding \$1,958,230 million of designated receipts, reported in the financial statements with the General Fund in accordance with the requirements of GASB 54, but held in a separate general ledger fund. During Fiscal Year 2011-2012, furloughs once again continued, and nineteen positions and other personnel changes were made to achieve savings of more than \$480,000. Expenditures in the General Fund were under budget by \$600,514 and revenues exceeded budget by \$649,843. Ending Fund Balance in the General Fund at June 30, 2012 was \$23,227,205, including \$1,941,051 of designated receipts, and increased from prior year by \$1,824,727. A further review of the General Fund is included within the Management Discussion and Analysis which follows.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Redlands for its comprehensive annual financial reports for the Fiscal Years ended June 30, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance department. Special recognition is due to the Assistant Finance Director, Tom Steele, Revenue Manager, Karin Grance, Senior Accountant, Jacquelyn Guest, and Accountant, Denise Camarillo for their extraordinary effort in overseeing the compilation of the accounting data and interfacing with our auditors, to the accounting firm of Lance, Soll & Lunghard, LLP and to Tricia Swope, Senior Administrative Assistant, and Janice McConnell, Executive Assistant.

Respectfully submitted,



Tina T. Kundig
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redlands
California

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

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



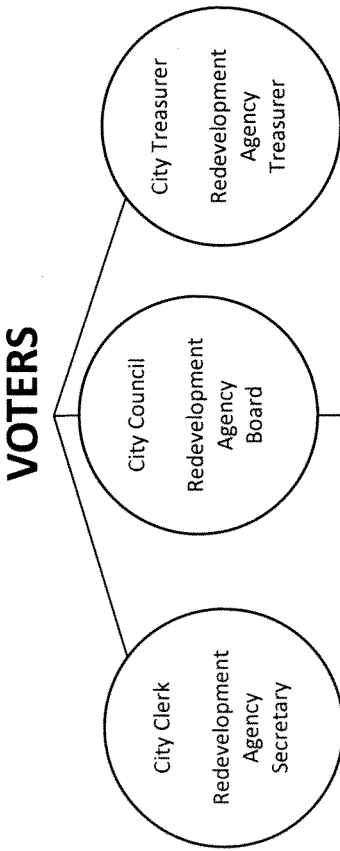
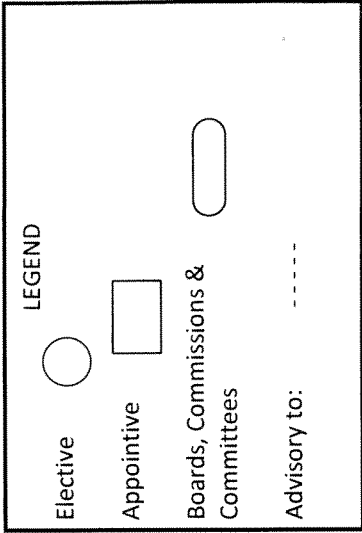
Christopher P. Mowell

President

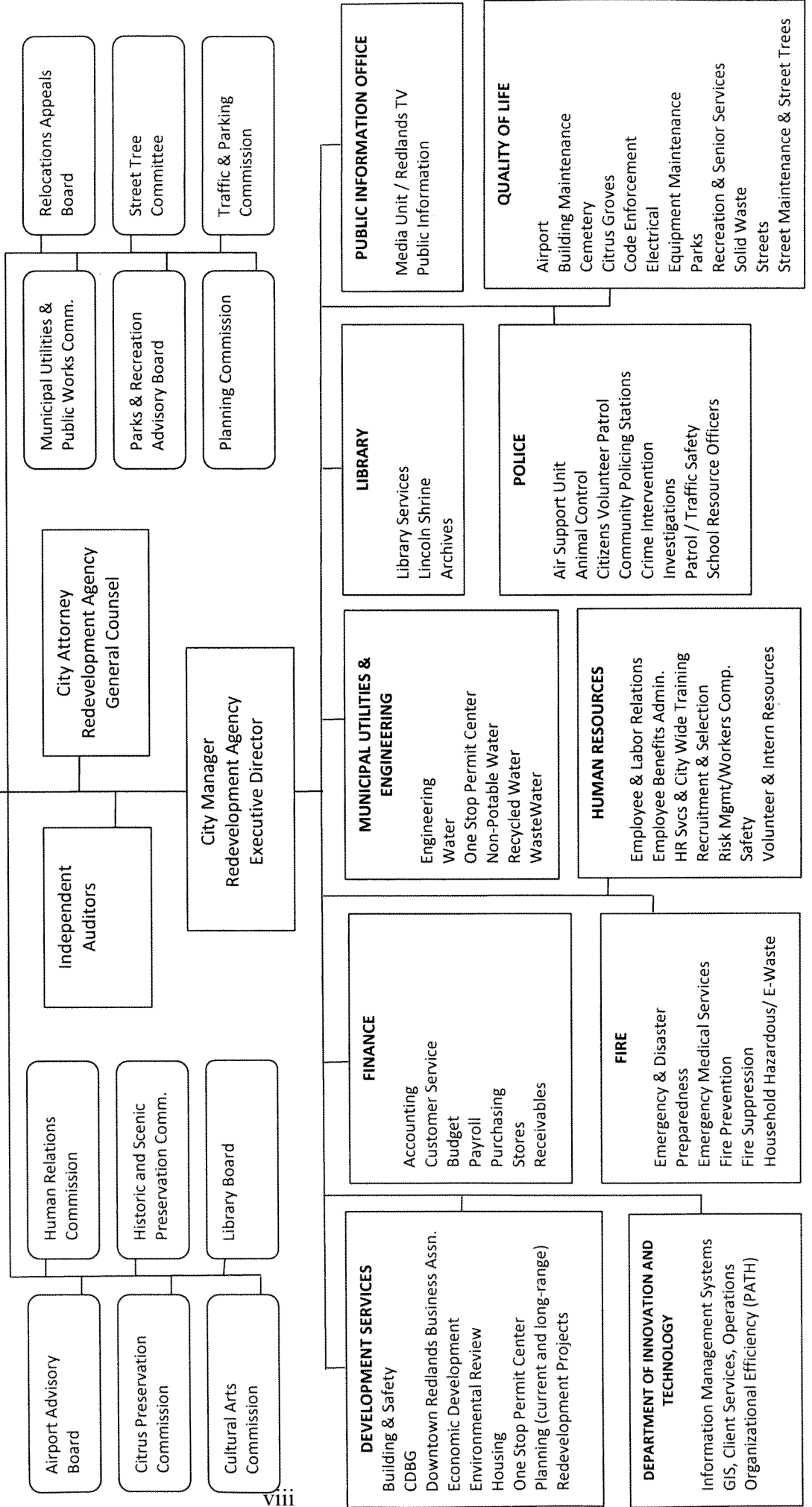
Jeffrey R. Emer

Executive Director

VOTERS



CITY OF REDLANDS, CA
 ORGANIZATIONAL CHART
 Approved By *N. Enrique Martinez*
 N. Enrique Martinez, City Manager
 Effective July, 2011



CITY OF REDLANDS
PRINCIPAL OFFICERS

CITY COUNCIL (Elected)	Peter R. Aguilar, Mayor Paul Foster, Mayor Pro Tem Jerry Bean, Councilmember Bob Gardner, Councilmember Jon P. Harrison, Councilmember
CITY MANAGER	N. Enrique Martinez
CITY CLERK (Elected)	A. Samuel Irwin
CITY ATTORNEY	Daniel J. McHugh
CHIEF INFORMATION OFFICER	David Hexem
DEVELOPMENT SERVICES DIRECTOR	Oscar W. Orci
FINANCE DIRECTOR / CITY TREASURER	Tina T. Kundig
FIRE CHIEF	Jeff L. Frazier
HUMAN RESOURCES DIRECTOR	Deborah K. Scott-Leistra
LIBRARY DIRECTOR	Larry E. Burgess
MUNICIPAL UTILITIES & ENGINEERING DIRECTOR	Fred Mousavipour
POLICE CHIEF	Mark Garcia
QUALITY OF LIFE DIRECTOR	Alfredo Cardenas

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CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

INDEPENDENT AUDITORS' REPORT

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

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

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

We would like to draw the reader's attention to Note 18 – "Successor Agency Trust for Assets of the Former Redevelopment Agency". The note provides information on the dissolution of the Redevelopment Agency and the newly formed Successor Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting



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

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 an opinion on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lance, Solt & Lughard, LLP

Brea, California
December 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Redlands provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual CAFR consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also 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. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

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 non-major governmental funds and internal service 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 fund* statements offer *short-* and *long-term* financial information about the activities the government operates like businesses, such as the water system.
 - *Fiduciary fund* statements provide information about 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 *supplementary information* that provides additional financial and budgetary information.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the City’s Government-wide and Fund Financial Statements

	Fund Statements			
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City’s fiduciary funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. 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. You can think of the City's net assets – the difference between assets and liabilities – as 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 base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City services into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of the services accounted for in these funds.

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 administrative 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 an accounting method called *modified accrual* accounting, 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. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in a reconciliation on the page following the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – 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 funds (a component of proprietary funds) are 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 proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and 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. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. 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.

A summary of the government-wide *statement of net assets* follows:

CITY OF REDLANDS Statement of Net Assets June 30, 2012

Table 1

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other Assets	\$ 48,556,904	\$ 80,712,376	\$ 81,115,207	\$ 70,918,019	\$ 129,672,111	\$ 151,630,395
Capital Assets	593,399,886	599,002,722	157,947,591	158,568,855	751,347,477	757,571,577
Total Assets	641,956,790	679,715,098	239,062,798	229,486,874	881,019,588	909,201,972
Long-term Debt Outstanding	54,491,847	87,961,587	37,009,003	37,635,432	91,500,850	125,597,019
Other Liabilities	4,914,780	6,807,386	4,039,621	3,374,022	8,954,401	10,181,408
Total Liabilities	59,406,627	94,768,973	41,048,624	41,009,454	100,455,251	135,778,427
Net Assets:						
Invested in Capital Assets, Net of Debt	592,254,886	568,588,535	132,535,317	130,856,115	724,790,203	699,444,650
Restricted	19,135,526	24,855,791	4,259,155	4,212,895	23,394,681	29,068,686
Unrestricted	(28,840,249)	(8,498,201)	61,219,702	53,408,410	32,379,453	44,910,209
Total Net Assets	\$ 582,550,163	\$ 584,946,125	\$ 198,014,174	\$ 188,477,420	\$ 780,564,337	\$ 773,423,545

The increase in net assets can provide an indication that the overall financial position of the City improved during the year, by a total of \$31,528,522 as indicated in the Changes in Net Assets Table 2 that follows. Table 1 shows that net assets of the government-wide activities increased by .93%, from \$773,423,545 in 2011 to \$780,564,337 in 2012. Governmental Activities net assets decreased by .41%, from \$584,946,125 at June 30, 2011 to \$582,550,163 at June 2012. The City's net assets of business-type activities increased by 5.1% from \$188,477,420 in 2011 to \$198,014,174 in 2012.

The decrease in net assets of the Governmental Activities of \$2.4 million was the result of many factors occurring during 2012. One significant change resulted from a restatement of net assets to remove a pension asset previously reported when the City funded its PERS actuarially determined liability at transition to a cost-sharing plan. The restatement is necessary due to GASB No. 68 which changed the reporting requirements for pension plans so that the City reports the actuarially determined liability as pension-related debt. Of the total decrease in Current and Other Assets of \$32,155,472, \$24,469,029 is due to removal of the pension asset (Note 9). Most of the remaining \$7.7 million decrease in Current and Other Assets has to do with the reporting change that was required when the State eliminated Redevelopment Agencies, effective January 31, 2012. The activity of the Redevelopment Agency for the seven months ending January 31, 2012 is reported as a governmental fund. Thereafter the assets, liabilities and activities of the dissolved agency are reported in a fiduciary fund, Private-Purpose Trust Fund – Successor Agency of the Former RDA (Note 18). Transfers to the fiduciary fund include

\$2.8 million in cash and investments, \$3.6 million in Cash and Investments with Fiscal Agent and \$641,370 in receivables and deferred charges. Capital Assets were impacted by the changes to RDA such that of the \$5.6 million decrease from prior year, \$2.8 was as a result of RDA transfers to the fiduciary fund, with \$2.7 million for land and \$100,000 for right-of-way. The remaining \$2.8 million decrease in capital assets was the result of net additions to infrastructure of only \$57,368, offset by \$3.8 million in accumulated depreciation; an \$815,029 addition to buildings and improvements that included \$524,000 of improvements to Ed Hales Park, \$261,000 of improvements to the Community Center and \$30,000 in improvements to Police Safety Hall, the Dispatch Center and Civic Center offices, offset by accumulated depreciation of \$458,954; a net deletion of \$54,543 in machinery and equipment, offset by \$528,505 in accumulated depreciation; and an increase of \$1,187,573 in construction in progress, with \$746,587 in the Local Transportation and \$342,712 in the Measure I fund for various street and traffic signal projects, \$70,404 in CDBG for Safe Routes to Schools – Cycle 6, and \$27,870 in the Storm Drain Fund for various storm drain projects. An additional decrease of \$14,416 occurred for a correction to prior period accumulated depreciation for buildings and improvements and machinery, equipment and vehicles. Although machinery, equipment and vehicles had a net decrease, some notable additions included an aerial ladder truck for the Fire Department, \$853,000, police vehicles, \$103,000, as well as police camera and video surveillance equipment, \$166,000. Deletions included several larger vehicles, including a 1988 Beck Fire Engine, \$400,000, and street sweepers, \$343,000, four passenger vans, \$170,000, and various other sales of City vehicles.

Long-term Debt decreased by \$33,469,740, with \$30,150,000 of tax allocation bond debt transferred from the dissolved RDA to the fiduciary fund. The remaining decrease of \$3.3 million includes bond payments of \$2,060,000 on RDA tax allocation bonds incurred prior to the date of dissolution, \$3.2 million in principal payments on other bonds of the governmental activities, payments on equipment capital leases and the I-Bank Sports Park lease of \$290,047 and \$46,097, respectively, and increases of \$2,058,183 for the OPEB obligation and net increases in compensated absences and claims payable of \$62,442 and \$185,000, respectively.

Other liabilities decreased by \$1,892,606, primarily due to decreases in accounts payable. Notable reductions in accounts payable from prior year were found in Measure I, at \$408,734, in Local Transportation, at \$788,120, in General Capital Improvement, at \$196,409, and in CDBG at \$271,967.

Despite the decrease in capital assets noted above, Investment in Capital Assets – Net of Debt increased by \$23,666,351. This increase occurred because related debt that would reduce capital assets in the current year included only the General Obligation Bonds. In the prior year, the RDA tax allocation bonds reduced capital assets, however as noted, these bonds were removed from the governmental activities during fiscal year 2011-2012. Restricted Net Assets decreased by \$5.7 million from prior year, with \$5 million of the decrease in the restricted for debt service category, and the direct result of the change in reporting for the former RDA. Unrestricted Net Assets decreased by \$20,320,490, which included the decrease of \$24,469,029 for the restatement of net assets for the prepaid pension asset.

Net assets for Business Activities increased by \$9.5 million. Current and Other Assets increased by \$10.2 million primarily due to an increase in cash and investments of \$10.6 million that included increases of \$6.4 million in Water, \$2.3 million in Disposal, \$2 million in Sewer, and \$284,000 in Non-Potable Water; and decreases of \$67,000 in Cemetery, \$50,000 in Airport and \$211,000 in Groves. Capital Assets decreased by \$621,264. Additions to Capital Assets included \$300,000 in water stock purchases; \$2,187,268 in construction in progress, with the majority in Water, including \$973,514 for various pipeline, water main, and well replacement projects, \$894,789 for the Hinckley Upgrade Project, and \$313,555 for various citywide paving projects, and \$5,410 in Sewer for the Solar Project design; \$962,349 in buildings and improvements, which included \$625,563 in improvements at the Landfill, \$328,477 in architecture and engineering costs for the Airport, and \$8,309 in Sewer for improvements at the Nevada Street Water Reclamation Facility; and net additions/deletions for machinery, equipment and vehicles of \$218,228. Accumulated depreciation of \$4,289,109 offset these additions resulting in the overall net decrease.

Long-term Debt Outstanding for Business Type Activities decreased by \$626,429. Decreases in long-term debt included debt service payments on the 1999A Water and Wastewater Refunding bonds of \$2,725,000, capital lease payments of \$59,385 for a caterpillar tractor, and payments of \$635,244 on various notes held with the State of California Department of Water Resources. Offsetting these decreases were increases of \$1,202,027 for the OPEB obligation, \$394,283 for Landfill Closure and the addition of a new note in the amount of \$1,119,163 with the Clean Water State Revolving Fund Control Board for construction of the Hinckley water treatment plant upgrade.

Other liabilities increased by \$665,599, with increases of approximately \$709,000 in accounts payable and \$100,000 in accrued payroll, offset by approximate decreases of \$49,000 and \$95,000 for accrued interest and deposits payable, respectively.

Although capital assets decreased, as noted above, Investment in Capital Assets – Net of Debt increased by \$1,679,202 because the related debt that reduces capital assets decreased from \$27,712,740 in the prior year to \$25,412,274 in the current year. Restricted net assets, restricted for debt service, increased by \$46,260. Unrestricted net assets increased by \$7,811,292 as a result of the changes already discussed.

A summary of the government-wide statement of activities follows:

CITY OF REDLANDS
Change in Net Assets – Year Ended June 30, 2012

Table 2

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for Services	\$ 11,428,223	\$ 11,510,466	\$ 40,628,750	\$ 38,244,076	\$ 52,056,973	\$ 49,754,542
Operating Grants & Contributions	6,160,827	5,883,602	1,301	871,940	6,162,128	6,755,542
Capital Grants & Contributions	1,146,004	8,488,204	1,821,907	552,272	2,967,911	9,040,476
General Revenues:						
Property Taxes	26,741,406	30,098,303	37,808	68,098	26,779,214	30,166,401
Sales Taxes	12,903,249	12,090,894	-	-	12,903,249	12,090,894
Franchises	2,826,459	3,227,606	-	-	2,826,459	3,227,606
Other Taxes	1,198,772	1,065,671	-	-	1,198,772	1,065,671
Use of Money and Property	665,553	647,310	757,749	610,787	1,423,302	1,258,097
Other	273,246	642,842	914,887	922,642	1,188,133	1,565,484
Gain on Sale of Capital Asset	-	-	34,949	516,500	34,949	516,500
Intergovernmental	165,876	480,868	-	-	165,876	480,868
Total Revenues	63,509,615	74,135,766	44,197,351	41,786,315	107,706,966	115,922,081
Program Expenses:						
General Government	9,468,848	11,803,705	-	-	9,468,848	11,803,705
Public Safety	39,036,010	38,587,942	-	-	39,036,010	38,587,942
Culture and Recreation	2,810,345	3,349,080	-	-	2,810,345	3,349,080
Highways and Streets	8,465,455	9,380,254	-	-	8,465,455	9,380,254
Library	1,820,554	1,964,269	-	-	1,820,554	1,964,269
Interest on Long-term Debt	2,120,151	3,456,262	-	-	2,120,151	3,456,262
Water	-	-	15,328,398	16,211,193	15,328,398	16,211,193
Disposal	-	-	8,925,740	9,217,359	8,925,740	9,217,359
Sewer	-	-	7,643,531	7,882,670	7,643,531	7,882,670
Groves	-	-	941,578	656,608	941,578	656,608
Non-Potable Water	-	-	203,890	142,541	203,890	142,541
Cemetery	-	-	522,711	503,445	522,711	503,445
Aviation	-	-	335,501	287,854	335,501	287,854
Total Expenses	63,721,363	68,541,512	33,901,349	34,901,670	97,622,712	103,443,182
Increase in Net Assets before						
Extraordinary Gain and Transfers	(211,748)	5,594,254	10,296,002	6,884,645	10,084,254	12,478,899
Extraordinary Gain on dissolution of						
redevelopment agency	21,444,268	-	-	-	21,444,268	-
Transfers	856,972	573,115	(856,972)	(573,115)	-	-
Increase (decrease) Net Assets	22,089,492	6,167,369	9,439,030	6,311,530	31,528,522	12,478,899
Beginning Net Assets	584,946,125	578,046,159	188,477,420	181,688,192	773,423,545	759,734,351
Restatement of Net Assets	(24,485,454)	732,597	97,724	477,698	(24,387,730)	1,210,295
Ending Net Assets	\$ 582,550,163	\$ 584,946,125	\$ 198,014,174	\$ 188,477,420	\$ 780,564,337	\$ 773,423,545

Governmental Activities

Revenues for the City's governmental activities decreased 14.3% from \$74,135,766 in 2011 to \$63,509,615 in 2012. Total governmental activity expenses decreased by 7.1% from \$68,541,512 in 2011 to \$63,721,363 in 2012. The cost of all *government-wide* activities decreased by 5.6% from \$103,443,182 in 2011 to \$97,622,712 in 2012. As shown in the Statement of Activities on pages 22 and 23, the amount that taxpayers financed for these activities through City taxes was \$44,986,309 while other costs were paid by those who directly benefited from the programs, in the amount of \$11,428,223, by other governments and organizations that subsidized certain programs with operating grants and contributions, in the amount of \$6,160,827, or capital grants and contributions in the amount of \$1,146,004. Overall, the City's governmental program revenues were \$18,735,054, including intergovernmental aid, fees for services, and contributions from developers.

The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

Charges for services decreased by \$82,243 or .71% in 2012 with the most notable decrease in Public Safety, \$316,508, primarily due to a reduction of \$118,268 in drug confiscation monies, as well as a reduction in Other Grants - Police Air Support of \$155,792. Culture and Recreation had a decrease of \$73,008, resulting from decreased revenues from Recreation contract classes of approximately \$38,000, Library/Lincoln Shrine Support of \$31,000, and Senior Services programs of \$2,000. These decreases were offset by increases in General Government of \$92,812 where the largest increase noted was in Business Licenses, up approximately \$172,000 in the General Fund, but reduced by \$61,272 in the former Downtown Redlands Business Association Fund; and in Highways and Streets of \$213,831, where increases were noted in grading/paving permits of approximately \$29,000, street permits and tree permits, together, of \$78,000, NPDES permits of \$74,000, street trench cut fees of \$24,000 and specific plan of \$11,000. Library increased by \$630 due to an increase in fines.

Operating Grants and Contributions increased by \$277,225, or 4.7% from prior year. The largest increase was in General Government, \$568,207 as a result of increases of \$499,260 in grant revenue associated with the Fire Department's purchase of an aerial ladder truck, increases of \$114,568 in the Disaster Recovery Fund relating to FEMA grants, and \$137,827 in a Neighborhood Initiative Grant for the Community Center Rehabilitation Project. These increases were offset by decreases of \$43,696 in donations, \$24,602 in Public Library Grant monies not received in Fiscal Year 2011-2012, and conversion entries in the prior and current years to adjust deferred revenues. Public Safety operating grants and contributions increased by \$303,303 as a result of increases in State Grant revenues of \$6,426 for Household Hazardous Waste and \$26,525 relating to various police grants, including COPLINK Homeland Security through the Police Chiefs Association, 2011 ABC Grant and 2011-2012 OTS Sobriety Checkpoint Grant and a decrease of \$15,113 in State Supplemental Law Enforcement grant monies. Federal grants for the Police Department decreased by \$3,858. The remaining increase in Public Safety resulted from prior year and current year conversion entries to adjust deferred revenues. A decrease of \$594,285 in Highways and Streets partially offset the increases in General Government and Public Safety. This decrease was as a result of reduced grant monies received in the current year, including a reduction of \$365,000 in CDBG reimbursements, a reduction of \$287,000 in capital improvement grants because the City had received \$295,813 from the Core Block Park Once Grant in prior year, but only \$9,165 in grant monies in the current year for DOE: Energy Efficiency Facility Upgrades. Monies from the State decreased because \$18,000 was received in prior year for Safe Routes to Schools – Cycle 6 and \$116,150 of Measure I monies was received for the Street Resurfacing 2010 Project, however these amounts were not received in the current year. A net increase of approximately \$215,000 in Gas Tax monies helped to partially mitigate the decline in other Highway and Streets revenues. Additional changes resulted from conversion entries made in the prior and current years to adjust deferred revenues.

Capital Grants and Contributions decreased by \$7,342,200 or 86.5%. The majority of the decrease, \$7,444,887 in Highways and Streets, was due to the value of right-of-way contributions received from developers in the prior year exceeding contributions in the current year. General Government decreased \$50,000 as a result of right-of-way contributions related to the Redevelopment Agency, received in prior year, but not in the current year. These decreases were partially offset by the increase in Culture and Recreation of \$152,687 resulting from increased development impact fees into the Open Space and Park Development Funds.

Property Taxes decreased by \$3,356,897 or 11.2%, over prior year due, in part, to a decline in the assessed value of residential, commercial, and industrial properties. The City had a net taxable value decrease of 1.9% and assessed value decrease of \$138 million, compared to a net taxable decrease of 2.5% and assessed value decrease of \$186 million in the prior year. The change attributed to the assessor granted -0.753% Proposition 13 inflation adjustment was \$47.9 million, which was more than offset by reductions caused by properties with declining values. However, the primary reason for the decline was due to the elimination of the Redevelopment Agency which resulted in property tax receipts of \$3,928,752 recorded in the current year compared to \$7,679,467 in prior year, a net decrease of \$3,750,715.

Sales Taxes increased by \$812,355, or 6.7%. The City's sales tax receipts increased during the fiscal year primarily due to higher fuel prices and rebounding car sales.

Franchise Fees decreased by \$401,147 or 12.4%. The decrease in Franchise Fees is primarily attributed to a reduction in fees from the Gas Company of \$456,047. The reduced fees are due to reduced gas usage throughout the City, even though natural gas prices were higher for 2011 than the previous calendar year, the period on which these fees are based. One of the major gas users in town, a local power plant, had reduced plant capacity for 2011, as less power was needed from the plant due to renewable energy and high hydro from heavy rains and early run-off from the snowpack. Franchise fees from Time Warner and SCE declined by approximately \$13,866 and \$1,808, respectively, while Verizon's fees increased by \$70,574.

Other taxes, which include Possessory Interest, Transient Occupancy Tax and Mining Tax, increased by \$133,101 or 12.5%. Possessory interest decreased by \$5,901 or 3% from prior year. After a reduction of approximately \$38,000 last year, Mining Taxes increased in the current year by \$84,713 or 71%, an indication that the mining industry is recovering from the effects of the sluggish economy that had negatively impacted it in recent years. Transient Occupancy Tax, up in the prior year by approximately \$13,000, had another increase this year of \$54,289 or 7%, indicating that more visitors came to Redlands, potentially due to the fact that the City is the home of the University of Redlands, as well as the headquarters for ESRI, a software development and services company that is a leader in providing Geographic Information Systems (GIS) software and geodatabase management applications.

Use of Money and Property increased by \$18,243 or 2.8%. Increases in the General Fund included \$63,948 in investment income, \$59,106 in sale of surplus property, including approximately \$80,000 received from city vehicles sold at auction, and \$7,772 in rental income from rental of City park and recreation facilities. Other governmental funds realized net increases in investment income of approximately \$29,000, and an increase of \$39,481 was noted as a result of the conversion entry to include Internal Service Fund activity. These increases, approximately \$199,000, were offset by a reduction of \$181,000 due to a change in reporting resulting from state legislation eliminating Redevelopment Agencies.

Other Revenues decreased by \$369,596 or 5.7%. The major reason for the decrease was due to prior year receipt into the General Fund of approximately \$340,000 in unclaimed funds.

Intergovernmental revenues decreased by \$314,992 or 65.5%, primarily due to the decrease of approximately \$364,000 in Motor Vehicle License Fees, due in part to the fact that in prior year the City received an excess payment of approximately \$187,000. Mandated Cost Reimbursements and AB 2766 Air Quality Subvention funds increased over prior year.

General Government expenses decreased by \$2,334,857 or 19.8%. The largest decrease in expenditures, approximately \$765,000 was in the Disaster Recovery Fund where more than \$800,000 was expended in the prior year as a result of the December 2010 Winter Storms disaster, compared to only \$54,000 expended in Fiscal Year 2011-2012. Additionally, a major reason for the change in this category from year to year is due to the GASB 34 conversion entries. In the current year entries included increases for depreciation, \$131,158, compensated absences, \$3,584, OPEB obligation, \$150,548, reclassifications and eliminations, \$524,481 and a reduction of \$1,240,544 for Internal Service Funds.

Public Safety expenses increased by \$448,068 or 1.16%. Police department expenditures, including Grant Funds, decreased by \$103,035, with a decrease of \$200,305 in the General Fund partially offset by increased spending of \$97,270 in the Grant Funds. Fire department expenditures in the General Fund increased by \$480,687, with a \$212,000 increase in pension costs and \$167,000 in increased overtime. Expenditures in the Emergency Services Fund (paramedic) increased by \$307,436. Overtime accounted for \$257,000 of that increase, with \$253,000 for constant staffing overtime. Expenditures in the Household Hazardous Waste increased by \$20,870. The net decrease in GASB 34 adjustments effecting this category was \$257,890, with entries in the current year that include depreciation, \$1,437,947, compensated absences, \$16,556, OPEB obligation, \$1,161,841, and an adjustment for internal service funds, \$917,124.

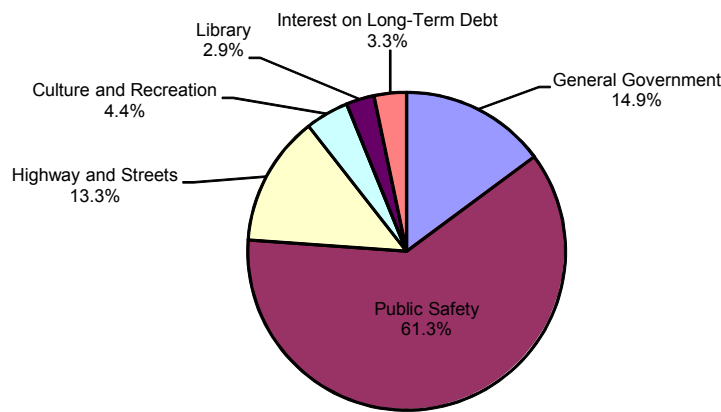
Culture and Recreation expenses decreased by \$538,735 or 16.1%. A net decrease of \$286,363 occurred in the General Fund with decreases of \$284,131 and \$29,274 in Recreation and Senior Services, respectively, offset by a small increase of \$27,042 in Parks. Expenses in the Park Development Fund decreased by \$307,703 due to \$330,000 having been expended in prior year for the Terrace Park Project. A smaller decrease in the Open Space Fund, \$67,573, was due to EPA Grant expenses in the prior year that included a payment to Loma Linda for a required cash match for the San Timoteo Creek Habitat Enhancement Project. There was a net increase of \$122,904 in GASB 34 conversion entries, with entries for the current year that include depreciation, \$571,581, compensated absences, \$22, OPEB obligation, \$104,729 and an adjustment for internal service funds, \$122,861.

Highway and Streets decreased by \$914,799 or 9.8% with an overall decrease in fund activity of \$347,035. Major decreases included approximately \$304,000 in the General Fund - Quality of Life Administration, with almost all of that due to reduced salaries and benefits. Expenditures in the General Capital Improvement Fund decreased by approximately \$250,000 as a result of reduced spending in the current year for the Core Block Park Once Project compared to prior year expenditures incurred for that project. These decreases were partially offset by an increase of \$199,000 in special contractual services for tree trimming which were increased as a result of a new program called "Made in the Shade" through which residents can pay to have their street trees trimmed. A net change of \$567,764 in GASB 34 conversion entries from prior year further reduced this category. Conversion entries in the current year include \$4,053,350 in depreciation, \$1,950 for compensated absences, an OPEB adjustment of \$288,005, an adjustment of \$74,091 for internal service funds, and reclassification and elimination entries that reduced expenditures by \$202,627.

Library expenses decreased by \$143,715 or 7.3%, with a decrease of \$91,753 in salaries and benefits and \$38,971 in services and supplies that occurred as a direct result of the City's budget constraints and its overall effort to reduce spending. A net change of \$12,991 further decreased Library expenses. Conversion entries in the current year include \$98,184 for OPEB.

Interest on Long-Term Debt decreased by \$1,336,111 or 38.7%. Actual interest payments on outstanding debt decreased by \$1,065,413, however the majority of this decrease, \$917,331, occurred due to the elimination of the Redevelopment Agency (RDA) as of January 31, 2012, and the resulting change in reporting. Only \$858,584 in RDA interest expense is included in the governmental funds for the current year, whereas \$1,775,915 was included in governmental funds in the prior year. Interest expense of \$1,421,891 has been included in the Private Purpose Trust Fund – Successor Agency of the Former RDA for the year ended June 30, 2012. The rest of the decrease in Interest on Long-Term Debt is due to a net change in conversion entries from prior year that reduced interest by an additional \$313,814. Conversion entries in the current year include \$25,882 in long-term debt transactions and a reduction of \$644,893 to adjust interest payable.

Expenses by Functions Governmental Activity



Business-Type Activities

Revenues of the City’s Business-Type Activities (See Table 2) increased by 5.8%, or \$2,411,036, from \$41,786,315 in 2011 to \$44,197,351 in 2012 and expenses decreased by 2.9%, or \$1,000,321, from \$34,901,670 in 2011 to \$33,901,349 in 2012.

Charges for Services in all of the Business-Type Activities increased by \$2,384,674 or 6.2%.

The following reflects the changes in Charges for Services for each of the business-type funds:

Charges for Services in the Water Fund increased by \$1,653,674 or 8.9%, primarily as a result of a rate increase of 6% in January, 2012 that followed a prior rate increase of 5.5% in January 2011.

Charges for Services in the Disposal Fund increased by \$65,263 or .65%, primarily due to a rate increase of 10% on January 1, 2011.

Charges for Services in the Sewer Fund increased by \$474,050 or 5.8%, primarily due to a rate increase of 5% in January, 2012 that followed a previous rate increase of 5% in January, 2011.

Charges for services in the Groves Fund increased by \$346,242 or 80.1% due to a larger harvest and favorable market conditions that affected the price of the whole fruit versus the price of juiced fruit.

Charges for services in the Non-Potable Water Fund decreased \$95,758 or 16.8%.

Charges for Services in the Cemetery Fund decreased by \$49,503 or 13.7%. The charges for services have declined as the market demand has moved more toward cremation than for traditional burial services.

Charges for Services in the Aviation Fund decreased by \$9,294 or 44.2%. This decrease is due to a reduced number of tie-down customer billings during the fiscal year.

Operating Grants and Contributions decreased by \$870,639 or 99.9%. The prior fiscal year included a \$194,000 contribution in the Disposal Fund toward a renewable energy project at the landfill in addition to the receipt of a federal grant for the construction of a solar power project at the treatment facility.

Capital Grants and Contributions increased by \$1,269,635 or 229.9%. This increase occurred because of developer impact fee activity over the prior year. Impact fees in the Water Fund increased by \$502,220, in the Sewer Fund by \$338,555, and in the Disposal Fund by \$199,720. Aviation Capital Grants and Contributions increased as a result of FAA grant activity totaling \$302,318 more than in prior year.

Property taxes decreased by \$30,290 or 44.5% in the Aviation Fund. Unsecured property taxes for aircraft in the current year were \$37,808 compared to \$68,098 in the prior year.

Use of Money and Property increased by \$146,962 or 24.1%. The difference is due to increased earnings on investments held in the City's portfolio resulting from the more stabilized economic conditions experienced during the fiscal year.

Other Revenues decreased by \$7,755 or .84%.

Gain on Sale of Property decreased by \$481,551 or 93.2%. The prior year included the sale of Water Stock.

Operating expenses of the City's Business Activities, taken from the Statement of Revenues, Expenses, and Changes in Fund Net Assets, decreased for Water by \$748,373 or 4.8%, with Disposal increasing by \$47,298 or .54% and Sewer decreasing by \$227,843 or 3.1%. The decrease in the Water Fund was due to decreased costs for plant operations and Personnel Services. The decrease in the Sewer Fund was due to reductions in repair and maintenance costs.

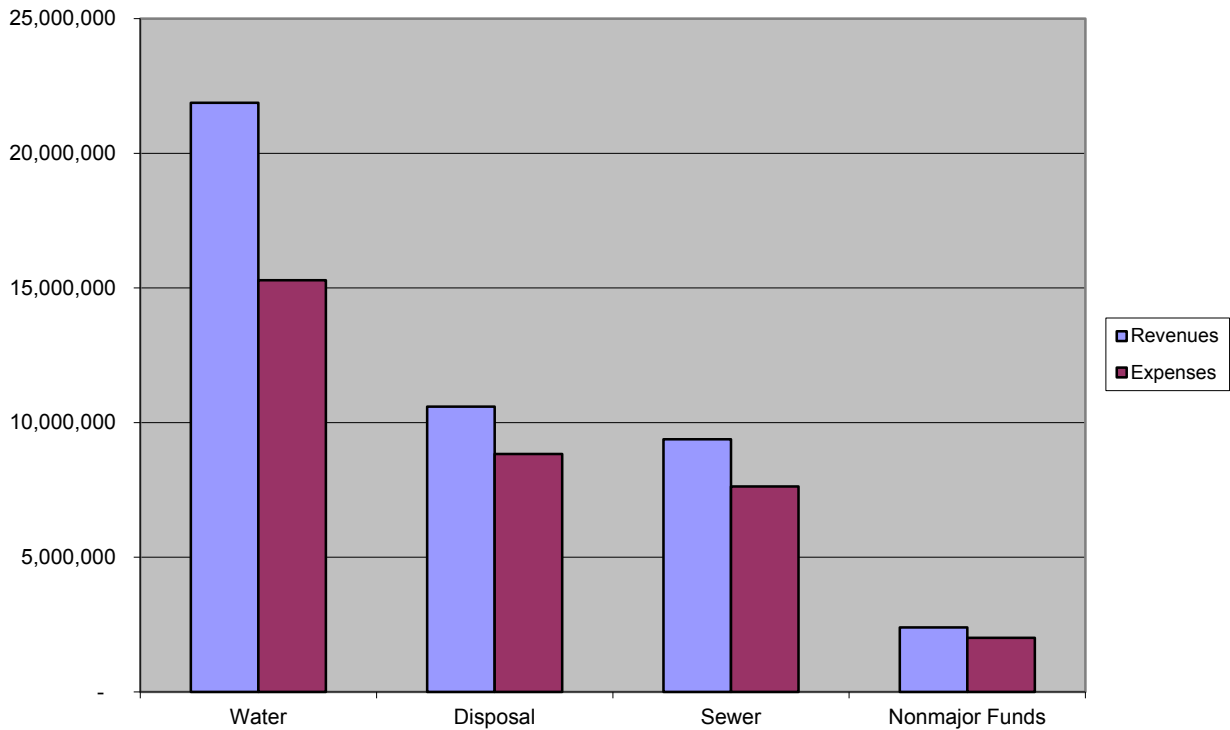
In the Aviation Fund, operating expenses increased by \$44,864 or 15.2%, due to an increase in Personnel Services and Administration and General costs.

Cemetery operating expenses increased by \$19,057 or 3.9%, with the difference in Administration and General costs making up 75% of the increase.

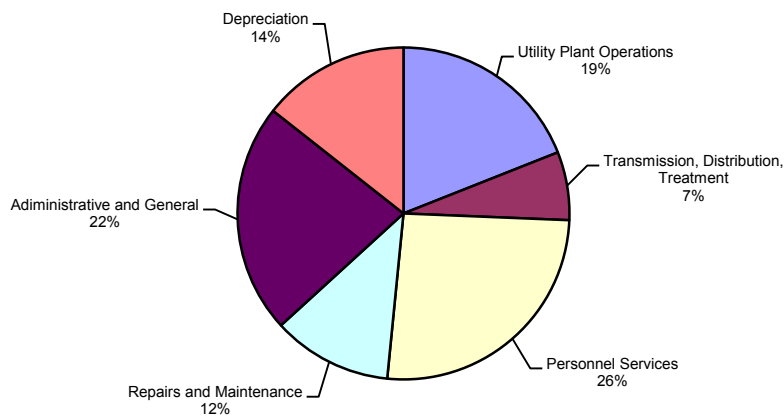
Operating expenses of the Groves Fund increased by \$283,046 or 43.1%. This increase was due to \$9,647 in Personnel Services charges and \$273,399 in farming and packing charges over prior year.

Operating expenses of the Non-Potable Water Fund increased \$61,349 or 43%. This increase was due largely to an additional \$58,092 in salary and benefit charges to operate and maintain the system.

Expenses and Program Revenues - Business-type Activities



Operating Expenses - 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 chief operating fund of the City. At the end of June 2012, the total fund balance reported for the general fund was \$23,227,205, an increase of \$1,824,727, or 8.5%, from the prior year fund balance of \$21,402,478, as restated. As a measure of the general fund's liquidity, it can be useful to compare the total fund balance to total fund expenditures, which show that fund balance is 50.1% of general fund expenditures, however only \$9,773,767 of the \$23.2 million fund balance is unassigned. The unassigned fund balance of \$9.8 million, together with the \$6.9 million fund balance committed to stabilization arrangement (contingencies), is the only portion of fund balance readily available for spending and represents 35.9% of general fund expenditures. With the changes in reporting fund equity required by GASB 54, included in the unassigned balance is \$1,941,051 in designated receipts, which is held in a separate fund and was previously reported as a special revenue fund. When these receipts are excluded, \$7,832,716 is unassigned, resulting in an available general fund balance of 31.7% of expenditures. Total general fund expenditures this year were \$329,952 greater than prior year and total general fund revenues this year were \$546,024 greater than prior year.

Significant changes in the revenues of the City's General Fund from the prior year are as follows:

- Sales Taxes increased by a net of \$812,355 from prior year due to increased sales and use tax receipts offset by a State adjustment in the compensation amount; Public Safety Sales Tax (Prop. 172) increased by \$50,302;
- Property Taxes decreased by \$156,716 (includes amount previously shown in Motor Vehicle In-Lieu Revenue) largely due to reduced secured and unsecured property valuations;
- Franchise Fees decreased \$401,147 primarily due to a reduction in the gas franchise fee payment;
- "Other" Taxes increased a net of \$133,101, with an increase of \$54,289 in Transient Occupancy Taxes, \$84,713 in Mining Taxes and a decrease in Possessory Interest of \$5,901.
- Licenses and Permits reflect an increase of \$338,415, mostly due to a \$172,906 increase in business license revenue, but also increases in building permits, plan checks and NPDES permit fees;
- Intergovernmental Revenues increased a net of \$151,847. This increase was due to receipt of \$636,000 in federal funds for the purchase of the new fire engine. This payment offset reductions in state grant reimbursements and elimination of Vehicle License Fee payments;
- Charges for Services reflect an overall decrease of \$125,421 from prior year. This includes charges to other City funds which decreased by \$32,698 due to an updated cost allocation study that was completed during the fiscal year. The last study was completed in 2006 and was adjusted annually based on the Consumer Price Index. It is recommended that a cost allocation study be performed every three to five years in order to capture changes that occur in the organization. While there are variations over and under in each revenue account, some of the other more significant differences include reductions in donation contributions, \$74,735, Attorney Services collections, \$71,681, Contract Classes, \$38,520, Weed Abatement, \$35,509, and Rental Inspections, \$26,506. There were increases in Mutual Aid Reimbursements, \$60,211, Environmental Impact Fees, \$47,045, and Street Cut fees, \$24,166.

- Use of Money and Property increased \$130,828,
- Miscellaneous Revenue decreased by \$337,239 which is the result of a one time reclassification of deposit receipts in the prior fiscal year.

The **Public Facilities Development** fund accounts for the collection and related expenditure of development impact fees designated for constructing new and upgrading existing public facilities. This fund holds Advances Payable to other funds totaling \$6,816,036. The funds and amounts owed include the General Fund in the amount of \$6,304,122, the Open Space Fund and Park and Open Space Development Fund, \$130,488 each, the Storm Drain Construction Fund, \$100,375, and the Water Fund, \$150,563. This is an increase from last year of \$660,982 due to a need for new advances to the Police, Fire, Library and General Government funds. The decrease in fund balance/net assets results primarily from the transfer to the General Fund of \$175,097 for Fire equipment lease payments, continued work on Safety Hall and the continued lack of development activity sufficient to cover debt service obligations.

The **Redevelopment Agency Debt Service** fund previously was reported as a major fund, and was used to account for the receipt of tax increment and retirement of the 1987 Tax Allocation Refunding Bonds, the 1994 Subordinated Tax Allocation Refunding Bonds, the 1994 Refunding Parking Lease Revenue Bonds, the 1998A Tax Allocation Refunding Bonds, the 2003A Series Tax Allocation Bonds and the 2007A Series Tax Allocation Bonds. Principal and interest payments on outstanding tax allocation bonds totaled \$3,548,163 for fiscal year 2011-2012. The fund also recorded the required pass-through payments to other agencies and transfers to the Low and Moderate Income Housing fund and Redevelopment Projects fund as required. This year the State of California dissolved Redevelopment Agencies with the passage of Assembly Bill 1X26 effective January 31, 2012. The City became the Successor Agency beginning February 1, 2012. Additional information can be found in Note 18 of the Notes to the Basic Financial Statements.

Major Enterprise Funds. The **Water Fund** has total net assets of \$109,381,256 at the end of the fiscal year; \$31,436,003 is unrestricted. The **Disposal Fund** has total net assets of \$23,014,931 at the end of the fiscal year; \$15,711,443 is unrestricted. The **Sewer Fund** has total net assets of \$44,912,506 at the end of the fiscal year; \$14,011,780 is unrestricted. These funds account for the respective utility services provided by the City. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGET

Differences between the original 2011-2012 budget and the final amended 2011-2012 budget of the General Fund can be briefly summarized as follows:

- Total Revenues - \$296,360 increase in the budget.
- General Government - \$429,950 increase in the budget
- Public Safety - \$306,571 increase in the budget.
- Culture and Recreation - \$113,688 decrease in the budget.
- Highways and Streets - \$209,203 decrease in the budget.
- Library -\$69,633 decrease in the budget.
- Capital Outlay - \$94,603 increase in the budget.
- Debt Service – no change in the budget.

Major deviations between the final budget of the General Fund and its actual operating results were as follows:

	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
Total Revenues	\$ 49,136,830	\$ 49,786,673	\$ 649,843
General Government	8,936,873	8,487,504	449,369
Public Safety	29,738,766	29,613,614	125,152
Highways and Streets	3,371,411	3,339,267	32,144
Culture and Recreation	1,989,613	1,976,100	13,513
Library	1,756,109	1,722,370	33,739
Capital Outlay	973,603	886,130	87,473
Debt Service	295,798	295,798	-
Total Expenditures	\$ 47,062,173	\$ 46,320,783	\$ 741,390

Actual revenues were over the amended budget estimates due to greater than expected receipts in all categories except Licenses and Permits. The largest increase was in the Taxes category at \$381,169. The Miscellaneous category ended over budget at \$158,929 and Use of Money and Property by \$101,332. Together these account for \$641,430 of the total amount over budget. These overages are the result of the conservative approach taken to estimate revenues and provide stabilization in economic conditions.

General Government expenditures ended the year under budget by 5.0%. The greatest decrease was \$171,010 in Human Resources, primarily in Retiree Health Insurance expenditures. Additional savings were achieved in Finance (and Revenue), \$257,625, Building Maintenance, \$39,669, City Attorney, \$15,426. These were offset by overages in Development Services, \$23,108, and Council, \$19,950.

As a whole, Public Safety expenditures were under budget. The Police Department savings of \$163,136 were offset by the Fire Department's overage of \$37,984. Together, the net savings achieved by these two departments have allowed a 0.4% reduction in this function.

Highways and Streets expenditures this fiscal year, ended over budget by \$32,144. This increase was largely due to overages in Contractual Services and Repair and Maintenance Supplies in the Quality of Life Trees and Streets Divisions offset by salary and benefit savings in the Engineering Department. Together, expenditures resulted in a net increase over budget of 1.0%.

Overall, Culture and Recreation was under budget as a result of savings in the services and salaries and benefits categories of Recreation and Senior Services in the Community Services Division. These savings were offset by slight increases the salaries and benefits, services and supplies of the Parks Division. Together they came in under budget with a net reduction at the end of the year of \$13,513 or 0.7%.

Library expenditures were under budget by 1.9% or \$33,739 at year-end. There were savings in salaries and benefits but the decrease was largely due to savings insurance premiums for the collection.

Actual capital expenditures were under budget by \$87,473, or 9.0% at year-end. This is due to the budgeting of donations received for the purchase of equipment for the new fire engine which had not yet been spent by year end. These balances will be carried into the new fiscal year.

There were no variations from the budget in the Debt Service principal and interest payments.

The overall favorable variance of \$741,390, or 1.6%, was achieved with the careful review and monitoring of expenditures in all categories, by all departments. In addition, the City implemented a furlough program for all employees that remained in effect for all employees through the end of the fiscal year. This cost savings measure was in addition to the early retirement incentives offered in 2008-2009 and layoffs in 2009-2010 and 2010-2011. With the economic conditions existing over the last few years, budget monitoring has become more critical than ever before, requiring the cooperative efforts of management and staff at every level.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's equity investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounted to \$751,347,477 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, infrastructure, water stock, rights of way and construction in progress.

Major capital asset events during the current fiscal year include the following:

The City recognized a net change in construction in progress totaling \$3,374,841. Of this amount, street construction totaled \$1,187,573 and includes various resurfacing and sidewalk improvements. The net increase in Water construction in progress totaled \$2,181,858 for well and reservoir rehabilitation and pipeline replacement projects. There was a net increase of \$1,777,378 for buildings and improvement. These include improvements to Ed Hales Park, \$523,889 and the Community Center, \$261,185. Also included are current year Landfill expansion costs, totaling \$625,563, and \$328,477 in Airport pavement rehabilitation costs. Other activity included the purchase of water stock, \$300,000, and restatement of accumulated depreciation beginning balances.

Overall, the City's net capital assets decreased by \$6,224,100 for the fiscal year ended June 30, 2012, or .82% over prior year. This decrease is due in part to current year depreciation exceeding additions by \$3,546,665. Further, as a result of the dissolution of the redevelopment agency, net capital assets of the former redevelopment agency, totaling \$2,835,282, were transferred to the Successor Agency.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease) Percent of Change
	2012	2011	2012	2011	2012	2011	
Land	\$ 26,996,026	\$ 29,729,444	\$ 30,935,275	\$ 30,935,275	\$ 57,931,301	\$ 60,664,719	-4.51%
Buildings & Improvements	20,570,554	19,755,525	81,520,075	80,557,726	102,090,629	100,313,251	1.77%
Machinery/Equip./Vehicles	19,822,580	19,890,541	14,442,900	14,224,672	34,265,480	34,115,213	0.44%
Infrastructure	183,691,351	183,633,983	130,333,289	130,333,289	314,024,640	313,967,272	0.02%
Water Stock	408,125	408,125	8,981,460	8,681,460	9,389,585	9,089,585	3.30%
Rights of Way	431,692,774	431,792,774	-	-	431,692,774	431,792,774	-0.02%
Construction in Progress	11,690,028	10,502,455	24,228,006	22,040,738	35,918,034	32,543,193	10.37%
Accum. Depreciation	(101,471,552)	(96,710,125)	(132,493,414)	(128,204,305)	(233,964,966)	(224,914,430)	4.02%
Total	\$ 593,399,886	\$ 599,002,722	\$ 157,947,591	\$ 158,568,855	\$ 751,347,477	\$ 757,571,577	-0.82%

Internal Service Fund capital assets, in the net amount of \$170,486 are included in Governmental Activities.

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB No. 34.

Additional information on the City's Capital Assets can be found in Note 5 of the Notes to the Basic Financial Statements.

Long-Term Liabilities

Major Long-Term liability events during the current fiscal year include the following:

- The City began drawing on an approved \$13,663,033 State Revolving Fund Loan with the State Department of Public Health for water treatment plant upgrades; \$1,119,163 was disbursed through June 30, 2012.
- As a result of the dissolution of the redevelopment agency, \$30,150,000 in Tax Allocation Bond indebtedness was transferred to the Successor Agency.
- The current year change in the net OPEB obligation reported as required by GASB 45 totals \$3,260,210.
- The City experienced an increase of \$140,169 in compensated absences.
- There was an increase to the claims payable liability in the amount of \$185,000.
- Amortized bond issue costs totaled \$48,004.
- Paid \$9,055,772 scheduled principal and \$4,395,771 interest on existing debt.

Long-Term Liabilities for governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease) Percent of Change
	2012	2011	2012	2011	2012	2011	
Capital Lease Payable	\$ 780,074	\$ 1,070,121	\$ 176,383	\$ 235,768	\$ 956,457	\$ 1,305,889	-26.76%
General Obligation Bonds	1,145,000	1,680,000	-	-	1,145,000	1,680,000	-31.85%
Taxable Pension Bonds	22,667,969	23,789,186	-	-	22,667,969	23,789,186	-4.71%
Tax Allocation Bonds	-	32,210,000	-	-	-	32,210,000	-100.00%
Certificates of Participation	8,160,000	9,685,000	-	-	8,160,000	9,685,000	-15.75%
Add: Issuance Premium	288,026	336,030	-	-	288,026	336,030	-14.29%
Revenue Bonds	-	-	15,065,000	17,790,000	15,065,000	17,790,000	-15.32%
Notes Payable	-	-	10,170,891	9,686,972	10,170,891	9,686,972	5.00%
Lease Payable	1,768,167	1,814,264	-	-	1,768,167	1,814,264	-2.54%
Claims Payable	3,242,000	3,057,000	-	-	3,242,000	3,057,000	6.05%
Compensated Absences	7,163,083	7,100,641	1,012,031	934,304	8,175,114	8,034,945	1.74%
Net OPEB Obligation	9,277,528	7,219,345	4,296,294	3,094,267	13,573,822	10,313,612	31.61%
Landfill Closure Liability	-	-	6,288,404	5,894,121	6,288,404	5,894,121	6.69%
Total	\$ 54,491,847	\$ 87,961,587	\$ 37,009,003	\$ 37,635,432	\$ 91,500,850	\$ 125,597,019	-27.15%

Additional information on the City's long-term liabilities can be found in Notes 6, 7, 11 and 14 of the Notes to the Basic Financial Statements.

CITY OF REDLANDS

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 41,626,979	\$ 66,465,718	\$ 108,092,697
Cash and investments with fiscal agent	1,740,911	6,242,033	7,982,944
Receivables:			
Accounts	852,836	6,629,153	7,481,989
Taxes	3,473,611	-	3,473,611
Interest	67	193	260
Internal balances	(1,453,841)	1,453,841	-
Due from other governments	1,970,901	45,476	2,016,377
Inventories	285,004	-	285,004
Deferred charges	60,436	278,793	339,229
Capital assets not being depreciated	470,786,953	64,144,741	534,931,694
Capital assets, net of depreciation	122,612,933	93,802,850	216,415,783
	641,956,790	239,062,798	881,019,588
Total Assets			
Liabilities:			
Accounts payable	1,492,653	1,934,010	3,426,663
Accrued payroll	2,442,019	586,480	3,028,499
Accrued interest	714,959	314,612	1,029,571
Unearned revenue	148,152	-	148,152
Deposits payable	116,997	1,204,519	1,321,516
Noncurrent liabilities:			
Due within one year	8,868,524	4,495,550	13,364,074
Due in more than one year	45,623,323	32,513,453	78,136,776
	59,406,627	41,048,624	100,455,251
Total Liabilities			
Net Assets:			
Invested in capital assets, net of related debt	592,254,886	132,535,317	724,790,203
Restricted for:			
Public safety	1,305,470	-	1,305,470
Highway and streets	2,730,381	-	2,730,381
Capital projects	9,295,074	-	9,295,074
Debt service	3,517,773	4,259,155	7,776,928
Endowment - nonexpendable	1,897,841	-	1,897,841
CFD Assessment	388,987	-	388,987
Unrestricted	(28,840,249)	61,219,702	32,379,453
	\$ 582,550,163	\$ 198,014,174	\$ 780,564,337
Total Net Assets			

CITY OF REDLANDS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 9,468,848	\$ 8,654,843	\$ 1,222,227	\$ -
Public safety	39,036,010	1,394,932	1,621,371	-
Culture and recreation	2,810,345	220,020	-	311,726
Highway and streets	8,465,455	1,123,342	3,317,229	834,278
Library	1,820,554	35,086	-	-
Interest on long-term debt	2,120,151	-	-	-
Total Governmental Activities	63,721,363	11,428,223	6,160,827	1,146,004
Business-Type Activities:				
Water	15,328,398	20,319,999	-	726,868
Disposal	8,925,740	10,079,232	-	220,140
Sewer	7,643,531	8,653,651	1,235	567,277
Groves	941,578	778,378	66	-
Non-Potable Water	203,890	474,349	-	-
Cemetery	522,711	311,420	-	-
Aviation	335,501	11,721	-	307,622
Total Business-Type Activities	33,901,349	40,628,750	1,301	1,821,907
Total Primary Government	\$ 97,622,712	\$ 52,056,973	\$ 6,162,128	\$ 2,967,911

General Revenues:

Taxes:

Property taxes, levied for general purpose

Sales taxes

Franchise taxes

Other taxes

Use of money and property

Other

Gain on sale of capital asset

Intergovernmental (unrestricted)

**Extraordinary gain/(loss) on dissolution
of redevelopment agency (Note 18)**

Transfers

**Total General Revenues,
Extraordinary Items and Transfers**

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

Net (Expenses) Revenues and Changes in Net Assets Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 408,222	\$ -	\$ 408,222
(36,019,707)	-	(36,019,707)
(2,278,599)	-	(2,278,599)
(3,190,606)	-	(3,190,606)
(1,785,468)	-	(1,785,468)
(2,120,151)	-	(2,120,151)
(44,986,309)	-	(44,986,309)
-	5,718,469	5,718,469
-	1,373,632	1,373,632
-	1,578,632	1,578,632
-	(163,134)	(163,134)
-	270,459	270,459
-	(211,291)	(211,291)
-	(16,158)	(16,158)
-	8,550,609	8,550,609
(44,986,309)	8,550,609	(36,435,700)
26,741,406	37,808	26,779,214
12,903,249	-	12,903,249
2,826,459	-	2,826,459
1,198,772	-	1,198,772
665,553	757,749	1,423,302
273,246	914,887	1,188,133
-	34,949	34,949
165,876	-	165,876
21,444,268	-	21,444,268
856,972	(856,972)	-
67,075,801	888,421	67,964,222
22,089,492	9,439,030	31,528,522
584,946,125	188,477,420	773,423,545
(24,485,454)	97,724	(24,387,730)
\$ 582,550,163	\$ 198,014,174	\$ 780,564,337

CITY OF REDLANDS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Public Facilities Development</u>	<u>Other Governmental Funds</u>	
Assets:				
Cash and investments	\$ 14,078,947	\$ 504	\$ 23,253,709	\$ 37,333,160
Cash and investments with fiscal agents	-	-	1,740,911	1,740,911
Receivables:				
Accounts	754,681	-	43,614	798,295
Taxes	3,246,599	-	227,012	3,473,611
Interest	-	-	67	67
Due from other governments	84,680	-	1,886,221	1,970,901
Due from other funds	1,311,999	-	-	1,311,999
Advances to other funds	6,504,872	-	361,351	6,866,223
Inventories	93,255	-	-	93,255
Total Assets	\$ 26,075,033	\$ 504	\$ 27,512,885	\$ 53,588,422
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 811,804	\$ 18,787	\$ 198,797	\$ 1,029,388
Accrued payroll	2,017,858	504	277,863	2,296,225
Deferred revenues	-	-	1,347,915	1,347,915
Unearned revenues	16,657	-	131,495	148,152
Deposits payable	1,509	-	115,488	116,997
Due to other funds	-	-	1,311,999	1,311,999
Advances from other funds	-	6,816,036	-	6,816,036
Total Liabilities	2,847,828	6,835,327	3,383,557	13,066,712
Fund Balances:				
Nonspendable:				
Inventory	93,255	-	-	93,255
Advances to other funds	6,504,872	-	361,351	6,866,223
Restricted for:				
Public safety	-	-	1,305,470	1,305,470
Highway and streets	-	-	2,630,006	2,630,006
Capital projects	-	-	9,295,074	9,295,074
Debt service	-	-	3,517,773	3,517,773
Endowment	-	-	1,897,841	1,897,841
CFD assessment	-	-	388,987	388,987
Committed to:				
Stabilization arrangement	6,855,311	-	-	6,855,311
Development projects	-	-	5,418,733	5,418,733
Downtown Redlands Business Association	-	-	172,483	172,483
Parking authority	-	-	18,145	18,145
Unassigned	9,773,767	(6,834,823)	(876,535)	2,062,409
Total Fund Balances	23,227,205	(6,834,823)	24,129,328	40,521,710
Total Liabilities and Fund Balances	\$ 26,075,033	\$ 504	\$ 27,512,885	\$ 53,588,422

CITY OF REDLANDS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Fund balances of governmental funds		\$ 40,521,710
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		593,229,400
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the statement of net assets.		60,436
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Capital leases payable	\$ (780,074)	
Taxable pension funding bonds	(22,667,969)	
General obligation bonds	(1,145,000)	
Certificates of participation payable	(8,160,000)	
Unamortized bond premiums/discounts	(288,026)	
I-Bank Sports Park lease	(1,768,167)	
Compensated absences	<u>(6,753,076)</u>	
		(41,562,312)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net assets any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.		(7,937,660)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.		(714,959)
Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		1,347,915
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.		<u>(2,394,367)</u>
Net assets of governmental activities		<u>\$ 582,550,163</u>

CITY OF REDLANDS

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds			Total Governmental Funds
	General	Public Facilities Development	Other Governmental Funds	
Revenues:				
Taxes	\$ 37,753,739	\$ -	\$ 5,916,147	\$ 43,669,886
Licenses and permits	4,252,266	621,024	755,570	5,628,860
Intergovernmental	715,036	-	5,232,344	5,947,380
Charges for services	6,548,834	-	385,843	6,934,677
Use of money and property	314,993	-	311,079	626,072
Miscellaneous	201,805	-	431,138	632,943
Total Revenues	49,786,673	621,024	13,032,121	63,439,818
Expenditures:				
Current:				
General government	8,487,504	-	1,301,478	9,788,982
Public safety	29,613,614	-	5,888,928	35,502,542
Culture and recreation	1,976,100	-	145,791	2,121,891
Highway and streets	3,339,267	115,119	796,300	4,250,686
Library	1,722,370	-	-	1,722,370
Capital outlay	886,130	20,187	2,269,953	3,176,270
Debt service:				
Principal retirement	256,711	-	5,379,433	5,636,144
Interest and fiscal charges	39,087	3,042	2,675,475	2,717,604
Pass-through agreement payments	-	-	524,481	524,481
Total Expenditures	46,320,783	138,348	18,981,839	65,440,970
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,465,890	482,676	(5,949,718)	(2,001,152)
Other Financing Sources (Uses):				
Transfers in	3,265,756	-	10,300,905	13,566,661
Transfers out	(4,906,919)	(1,131,544)	(4,951,982)	(10,990,445)
Total Other Financing Sources (Uses)	(1,641,163)	(1,131,544)	5,348,923	2,576,216
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	(5,453,452)	(5,453,452)
Net Change in Fund Balances	1,824,727	(648,868)	(6,054,247)	(4,878,388)
Fund Balances, Beginning of Year, as previously reported	21,419,135	(6,185,955)	30,197,759	45,430,939
Restatements	(16,657)	-	(14,184)	(30,841)
Fund Balances, Beginning of Year, as restated	21,402,478	(6,185,955)	30,183,575	45,400,098
Fund Balances, End of Year	\$ 23,227,205	\$ (6,834,823)	\$ 24,129,328	\$ 40,521,710

CITY OF REDLANDS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds \$ (4,878,388)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 3,378,898	
Gain/(loss) on sale of capital assets	34,075	
Depreciation expense	<u>(6,228,112)</u>	(2,815,139)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments on tax allocation bonds	2,038,439	
Principal repayments on capital leases	290,047	
Principal repayments on general obligation bonds	535,000	
Principal repayments on certificates of participation	1,525,000	
Principal repayment of I-Bank Sports Park lease	46,097	
Amortization of bond premiums/discounts	(48,004)	
Principal repayments on taxable pension obligation bonds	1,180,000	
Accrued interest on taxable pension obligation bonds	<u>58,783</u>	5,625,362

Debt issuance costs are expenditures in governmental funds, but these costs are capitalized on the statement of net assets. (36,658)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 644,893

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (22,112)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (1,803,307)

Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 30,316

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. (1,553,195)

Extraordinary gains and losses relating to capital assets and long term liabilities transferred to the Successor Agency are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Capital assets	(2,835,282)	
Long-term liabilities	30,150,000	
Unamortized bond issuance costs	<u>(416,998)</u>	<u>26,897,720</u>

Change in net assets of governmental activities \$ 22,089,492

CITY OF REDLANDS

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 21,402,478	\$ 21,402,478	\$ 21,402,478	\$ -
Resources (Inflows):				
Taxes	37,134,619	37,372,570	37,753,739	381,169
Licenses and permits	3,892,310	4,262,989	4,252,266	(10,723)
Intergovernmental	959,602	711,435	715,036	3,601
Charges for services	6,578,079	6,533,299	6,548,834	15,535
Use of money and property	253,860	213,661	314,993	101,332
Miscellaneous	22,000	42,876	201,805	158,929
Transfers in	-	3,457,317	3,265,756	(191,561)
Amounts Available for Appropriation	70,242,948	73,996,625	74,454,907	458,282
Charges to Appropriation (Outflow):				
General government				
City council	202,702	233,717	253,667	(19,950)
City clerk	156,327	156,434	153,839	2,595
City manager	485,760	656,934	650,832	6,102
Finance	1,761,665	2,048,831	1,791,206	257,625
City attorney	429,237	453,886	438,460	15,426
Human resources	2,812,855	2,888,020	2,717,010	171,010
Building maintenance	1,247,317	1,136,914	1,097,245	39,669
Development services	1,270,184	1,362,137	1,385,245	(23,108)
Public safety				
Police	19,414,356	19,713,645	19,550,509	163,136
Fire	10,017,839	10,025,121	10,063,105	(37,984)
Culture and recreation				
Community services	776,325	674,151	620,733	53,418
Parks	1,326,976	1,315,462	1,355,367	(39,905)
Highway and streets	3,162,208	3,371,411	3,339,267	32,144
Library	1,825,742	1,756,109	1,722,370	33,739
Capital outlay	879,000	973,603	886,130	87,473
Debt service:				
Principal retirement	256,711	256,711	256,711	-
Interest and fiscal charges	39,087	39,087	39,087	-
Transfers out	-	4,878,250	4,906,919	(28,669)
Total Charges to Appropriations	46,064,291	51,940,423	51,227,702	712,721
Budgetary Fund Balance, June 30	\$ 24,178,657	\$ 22,056,202	\$ 23,227,205	\$ 1,171,003

CITY OF REDLANDS

**BUDGETARY COMPARISON STATEMENT
PUBLIC FACILITIES DEVELOPMENT
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (6,185,955)	\$ (6,185,955)	\$ (6,185,955)	\$ -
Resources (Inflows):				
Licenses and permits	175,000	221,000	621,024	400,024
Miscellaneous	-	5,925	-	(5,925)
Amounts Available for Appropriation	<u>(6,010,955)</u>	<u>(5,959,030)</u>	<u>(5,564,931)</u>	<u>394,099</u>
Charges to Appropriation (Outflow):				
Highway and streets	-	47,211	115,119	(67,908)
Capital outlay	-	137,289	20,187	117,102
Debt service:				
Interest and fiscal charges	-	-	3,042	(3,042)
Transfers out	1,131,819	1,131,819	1,131,544	275
Total Charges to Appropriations	<u>1,131,819</u>	<u>1,316,319</u>	<u>1,269,892</u>	<u>46,427</u>
Budgetary Fund Balance, June 30	<u>\$ (7,142,774)</u>	<u>\$ (7,275,349)</u>	<u>\$ (6,834,823)</u>	<u>\$ 440,526</u>

CITY OF REDLANDS

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>
Assets:			
Current:			
Cash and investments	\$ 29,587,475	\$ 21,510,633	\$ 13,475,141
Receivables:			
Accounts	3,666,262	1,497,636	1,290,395
Accrued interest	113	-	80
Due from other governments	-	-	-
Due from other funds	60,934	-	-
Inventories	-	-	-
Total Current Assets	33,314,784	23,008,269	14,765,616
Noncurrent:			
Advances to other funds	1,366,149	1,266,302	-
Capital assets - net of accumulated depreciation	88,976,209	7,479,871	40,846,506
Cash and investment with fiscal agent	3,691,890	-	2,550,143
Unamortized bond issuance costs	140,359	-	138,434
Total Noncurrent Assets	94,174,607	8,746,173	43,535,083
Total Assets	\$ 127,489,391	\$ 31,754,442	\$ 58,300,699
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 1,064,138	\$ 668,879	\$ 160,614
Accrued payroll	253,053	155,848	152,106
Interest payable	130,274	-	184,338
Deposits payable	527,649	6,164	-
Due to other funds	-	-	-
Landfill closure	-	420,658	-
Accrued compensated absences	258,097	128,787	112,495
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	2,127,111	61,958	1,379,807
Total Current Liabilities	4,360,322	1,442,294	1,989,360
Noncurrent:			
Advances from other funds	-	-	-
Accrued compensated absences	258,097	128,787	112,494
Accrued claims and judgments	-	-	-
Bonds, notes, and capital leases	11,519,490	114,425	10,209,483
Net OPEB obligation	1,970,226	1,186,259	1,076,856
Landfill closure	-	5,867,746	-
Total Noncurrent Liabilities	13,747,813	7,297,217	11,398,833
Total Liabilities	18,108,135	8,739,511	13,388,193
Net Assets:			
Invested in capital assets, net of related debt	75,329,608	7,303,488	29,257,216
Restricted for debt service	2,615,645	-	1,643,510
Unrestricted	31,436,003	15,711,443	14,011,780
Total Net Assets	109,381,256	23,014,931	44,912,506
Total Liabilities and Net Assets	\$ 127,489,391	\$ 31,754,442	\$ 58,300,699

Adjustment to reflect the consolidation of internal
 service fund activities related to enterprise funds
Net Assets per Statement of Net Assets

CITY OF REDLANDS

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Assets:			
Current:			
Cash and investments	\$ 1,892,469	\$ 66,465,718	\$ 4,293,819
Receivables:			
Accounts	174,860	6,629,153	54,541
Accrued interest	-	193	-
Due from other governments	45,476	45,476	-
Due from other funds	-	60,934	-
Inventories	-	-	191,749
Total Current Assets	2,112,805	73,201,474	4,540,109
Noncurrent:			
Advances to other funds	-	2,632,451	-
Capital assets - net of accumulated depreciation	20,645,005	157,947,591	170,486
Cash and investment with fiscal agent	-	6,242,033	-
Unamortized bond issuance costs	-	278,793	-
Total Noncurrent Assets	20,645,005	167,100,868	170,486
Total Assets	\$ 22,757,810	\$ 240,302,342	\$ 4,710,595
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 40,379	\$ 1,934,010	\$ 463,265
Accrued payroll	25,473	586,480	145,794
Interest payable	-	314,612	-
Deposits payable	670,706	1,204,519	-
Due to other funds	60,934	60,934	-
Landfill closure	-	420,658	-
Accrued compensated absences	6,637	506,016	205,005
Accrued claims and judgments	-	-	1,621,000
Bonds, notes, and capital leases	-	3,568,876	-
Total Current Liabilities	804,129	8,596,105	2,435,064
Noncurrent:			
Advances from other funds	2,682,638	2,682,638	-
Accrued compensated absences	6,637	506,015	205,002
Accrued claims and judgments	-	-	1,621,000
Bonds, notes, and capital leases	-	21,843,398	-
Net OPEB obligation	62,953	4,296,294	1,339,868
Landfill closure	-	5,867,746	-
Total Noncurrent Liabilities	2,752,228	35,196,091	3,165,870
Total Liabilities	3,556,357	43,792,196	5,600,934
Net Assets:			
Invested in capital assets, net of related debt	20,645,005	132,535,317	170,486
Restricted for debt service	-	4,259,155	-
Unrestricted	(1,443,552)	59,715,674	(1,060,825)
Total Net Assets	19,201,453	196,510,146	(890,339)
Total Liabilities and Net Assets	\$ 22,757,810	240,302,342	\$ 4,710,595
		1,504,028	
		\$ 198,014,174	

CITY OF REDLANDS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>
Operating Revenues:			
Sales and service charges	\$ 20,319,999	\$ 10,071,032	\$ 8,653,651
Miscellaneous	343,961	4,349	13,681
Impact fees	726,868	220,140	567,277
Total Operating Revenues	21,390,828	10,295,521	9,234,609
Operating Expenses:			
Administration and general	2,733,451	2,194,671	1,058,956
Utility plant operations	3,687,445	-	2,429,596
Transmission, distribution & treatment	2,155,576	-	-
Personnel services	3,343,181	2,847,013	1,805,690
Repairs and maintenance	425,401	2,932,758	399,667
Premiums paid out	-	-	-
Depreciation expense	2,354,315	851,366	1,375,807
Total Operating Expenses	14,699,369	8,825,808	7,069,716
Operating Income (Loss)	6,691,459	1,469,713	2,164,893
Nonoperating Revenues (Expenses):			
Intergovernmental	-	-	1,235
Interest revenue	337,548	242,939	142,780
Interest expense	(514,256)	(8,792)	(488,961)
Miscellaneous income	120,852	6,800	-
Miscellaneous expense	(7,435)	-	(6,925)
Property taxes	-	-	-
Grants	-	37,681	-
Amortization of bond issuance costs	(62,382)	-	(61,526)
Gain (loss) on disposal of capital assets	27,417	6,582	950
Total Nonoperating Revenues (Expenses)	(98,256)	285,210	(412,447)
Income (Loss) Before Transfers	6,593,203	1,754,923	1,752,446
Transfers in	-	-	-
Transfers out	(189,952)	(652,710)	(14,310)
Changes in Net Assets	6,403,251	1,102,213	1,738,136
Net Assets:			
Beginning of Year, as previously reported	102,909,220	21,883,779	43,174,370
Restatements	68,785	28,939	-
Beginning of Fiscal Year, as restated	102,978,005	21,912,718	43,174,370
End of Fiscal Year	\$ 109,381,256	\$ 23,014,931	\$ 44,912,506

Changes in Net Assets

Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds

Changes in Net Assets of Business-Type Activities per Statement of Activities

CITY OF REDLANDS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Operating Revenues:			
Sales and service charges	\$ 1,564,147	\$ 40,608,829	\$ 9,845,915
Miscellaneous	364,999	726,990	471,222
Impact fees	-	1,514,285	-
Total Operating Revenues	1,929,146	42,850,104	10,317,137
Operating Expenses:			
Administration and general	1,310,812	7,297,890	4,741,133
Utility plant operations	75,530	6,192,571	-
Transmission, distribution & treatment	10,702	2,166,278	-
Personnel services	452,347	8,448,231	3,012,757
Repairs and maintenance	40,099	3,797,925	2,219,856
Premiums paid out	-	-	387,782
Depreciation expense	106,840	4,688,328	21,140
Total Operating Expenses	1,996,330	32,591,223	10,382,668
Operating Income (Loss)	(67,184)	10,258,881	(65,531)
Nonoperating Revenues (Expenses):			
Intergovernmental	66	1,301	-
Interest revenue	29,308	752,575	39,481
Interest expense	(10,508)	(1,022,517)	-
Miscellaneous income	90,417	218,069	-
Miscellaneous expense	-	(14,360)	-
Property taxes	37,808	37,808	-
Grants	307,622	345,303	-
Amortization of bond issuance costs	-	(123,908)	-
Gain (loss) on disposal of capital assets	-	34,949	-
Total Nonoperating Revenues (Expenses)	454,713	229,220	39,481
Income (Loss) Before Transfers	387,529	10,488,101	(26,050)
Transfers in	-	-	857,000
Transfers out	-	(856,972)	(2,576,244)
Changes in Net Assets	387,529	9,631,129	(1,745,294)
Net Assets:			
Beginning of Year, as previously reported	18,813,924	186,781,293	843,413
Restatements	-	97,724	11,542
Beginning of Fiscal Year, as restated	18,813,924	186,879,017	854,955
End of Fiscal Year	\$ 19,201,453	196,510,146	\$ (890,339)
		9,631,129	
		(192,099)	
		\$ 9,439,030	

CITY OF REDLANDS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 21,457,809	\$ 10,342,107	\$ 9,152,351
Cash paid to suppliers for goods and services	(5,896,307)	(2,370,458)	(3,067,937)
Cash payments for claims	-	-	-
Cash paid to employees for services	(5,382,212)	(4,368,641)	(2,489,523)
Net Cash Provided (Used) by Operating Activities	<u>10,179,290</u>	<u>3,603,008</u>	<u>3,594,891</u>
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	(189,952)	(652,710)	(14,310)
Cash transfers in	-	-	-
Cash received from other activities	120,852	6,800	-
Payments to other funds	(60,934)	-	-
Cash received from other funds	-	-	-
Advance from other funds	-	-	-
Advance to other funds	(123)	119,802	-
Intergovernmental	-	19,060	174,718
Grants received	-	37,681	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(130,157)</u>	<u>(469,367)</u>	<u>160,408</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(2,508,409)	(1,118,735)	(13,719)
Principal paid on long term debt	(2,036,896)	(59,385)	(1,323,348)
Interest paid on capital debt	(549,916)	(8,792)	(516,515)
Proceeds of loan issued	1,119,163	-	-
Advance from other funds	-	-	-
Advance to other funds	-	-	-
Proceeds from sales of capital assets	27,417	6,582	950
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,948,641)</u>	<u>(1,180,330)</u>	<u>(1,852,632)</u>
Cash Flows from Investing Activities:			
Interest received	337,554	242,939	142,802
Net Cash Provided (Used) by Investing Activities	<u>337,554</u>	<u>242,939</u>	<u>142,802</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,438,046	2,196,250	2,045,469
Cash and Cash Equivalents at Beginning of Year	26,841,319	19,314,383	13,979,815
Cash and Cash Equivalents at End of Year	<u>\$ 33,279,365</u>	<u>\$ 21,510,633</u>	<u>\$ 16,025,284</u>

CITY OF REDLANDS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Disposal</u>	<u>Sewer</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 6,691,459	\$ 1,469,713	\$ 2,164,893
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	2,354,315	851,366	1,375,807
(Increase) decrease in accounts receivable	148,924	46,586	(82,258)
(Increase) decrease in inventory	-	-	-
Increase (decrease) in accounts payable	372,115	562,300	(238,674)
Increase (decrease) in accrued payroll	44,791	25,707	19,643
Increase (decrease) in deposits payable	(81,943)	-	-
Increase (decrease) in deferred revenue	-	-	-
Increase (decrease) in net OPEB obligation	550,641	306,403	326,100
Increase (decrease) in claims and judgments	-	-	-
Increase (decrease) in compensated absences	98,988	(53,350)	29,380
Increase (decrease) in landfill closure liability	-	394,283	-
Total Adjustments	3,487,831	2,133,295	1,429,998
Net Cash Provided (Used) by Operating Activities	\$ 10,179,290	\$ 3,603,008	\$ 3,594,891
Non-Cash Investing, Capital, and Financing Activities:			
Gain/(loss) on disposition of capital assets	\$ 27,417	\$ 6,582	\$ -
Amortization of deferred debt issuance costs	62,382	-	-

CITY OF REDLANDS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 1,853,065	\$ 42,805,332	\$ 10,325,001
Cash paid to suppliers for goods and services	(578,440)	(11,913,142)	(6,782,745)
Cash payments for claims	-	-	(202,782)
Cash paid to employees for services	(1,278,945)	(13,519,321)	(2,982,155)
Net Cash Provided (Used) by Operating Activities	(4,320)	17,372,869	357,319
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	(856,972)	(2,576,244)
Cash transfers in	-	-	857,000
Cash received from other activities	90,417	218,069	-
Payments to other funds	-	(60,934)	-
Cash received from other funds	60,934	60,934	-
Advance from other funds	(119,492)	(119,492)	-
Advance to other funds	-	119,679	-
Intergovernmental	(7,065)	186,713	-
Grants received	307,622	345,303	-
Net Cash Provided (Used) by Non-Capital Financing Activities	332,416	(106,700)	(1,719,244)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(328,477)	(3,969,340)	(54,309)
Principal paid on long term debt	-	(3,419,629)	-
Interest paid on capital debt	(10,508)	(1,085,731)	-
Proceeds of loan issued	-	1,119,163	-
Advance from other funds	-	-	-
Advance to other funds	-	-	-
Proceeds from sales of capital assets	-	34,949	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(338,985)	(7,320,588)	(54,309)
Cash Flows from Investing Activities:			
Interest received	29,308	752,603	39,481
Net Cash Provided (Used) by Investing Activities	29,308	752,603	39,481
Net Increase (Decrease) in Cash and Cash Equivalents	18,419	10,698,184	(1,376,753)
Cash and Cash Equivalents at Beginning of Year	1,874,050	62,009,567	5,670,572
Cash and Cash Equivalents at End of Year	\$ 1,892,469	\$ 72,707,751	\$ 4,293,819

CITY OF REDLANDS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (67,184)	\$ 10,258,881	\$ (65,531)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	106,840	4,688,328	21,140
(Increase) decrease in accounts receivable	(76,081)	37,171	7,729
(Increase) decrease in inventory	-	-	(13,351)
Increase (decrease) in accounts payable	13,092	708,833	(63,146)
Increase (decrease) in accrued payroll	10,275	100,416	(9,728)
Increase (decrease) in deposits payable	(12,854)	(94,797)	-
Increase (decrease) in deferred revenue	-	-	254,876
Increase (decrease) in net OPEB obligation	18,883	1,202,027	-
Increase (decrease) in claims and judgments	-	-	185,000
Increase (decrease) in compensated absences	2,709	77,727	40,330
Increase (decrease) in landfill closure liability	-	394,283	-
Total Adjustments	62,864	7,113,988	422,850
Net Cash Provided (Used) by Operating Activities	\$ (4,320)	\$ 17,372,869	\$ 357,319
Non-Cash Investing, Capital, and Financing Activities:			
Gain/(loss) on disposition of capital assets	\$ -	\$ 33,999	\$ -
Amortization of deferred debt issuance costs	-	62,382	-

CITY OF REDLANDS

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Agency Funds	Private- Purpose Trust Fund Successor Agency of the Former RDA
Assets:		
Cash and investments	\$ 2,432,104	\$ 2,838,129
Cash and investments with fiscal agents	2,636,601	3,601,651
Receivables:		
Note	-	181,118
Accrued interest	294,603	59,931
Deferred charges	-	400,321
Capital assets:		
Capital assets, not being depreciated	-	2,833,418
Total Assets	\$ 5,363,308	9,914,568
Liabilities:		
Accounts payable	\$ 13,444	2,874,192
Accrued payroll	-	15,923
Accrued interest	-	600,662
Deposits payable	5,349,864	97,484
Long-term liabilities:		
Due in one year	-	2,160,000
Due in more than one year	-	27,990,000
Total Liabilities	\$ 5,363,308	33,738,261
Net Assets:		
Held in trust for other purposes		(23,823,693)
Total Net Assets		\$ (23,823,693)

CITY OF REDLANDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
Additions:	
Taxes	\$ 1,958,561
Interest and change in fair value of investments	147,735
Miscellaneous	<u>23,052</u>
Total Additions	<u>2,129,348</u>
Deductions:	
Administrative expenses	84,530
Contractual services	399,219
Interest expense	1,421,891
Depreciation expense	1,864
Reimbursement of prior taxes to County	<u>2,601,269</u>
Total Deductions	<u>4,508,773</u>
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	(21,444,268)
Changes in Net Assets	(23,823,693)
Net Assets - Beginning of the Year	<u>-</u>
Net Assets - End of the Year	<u>\$ (23,823,693)</u>

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Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

The City of Redlands ("City") is a municipal corporation governed by a five-member city council with the mayor elected by the council itself. The City was incorporated in 1888 under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City. Each blended component unit has a June 30 year-end.

Blended Component Units

The Redevelopment Agency of the City of Redlands ("Agency") was established on April 6, 1971 by the City. The primary purpose of the Agency is to undertake a program for the redevelopment, replanning and redesign of blighted areas with stagnant, improperly utilized and unproductive land. The Agency's director is appointed by the City Council and the City has full responsibility for the financial matters of the Agency. The Agency has substantively the same governing body as the primary government. The Agency is presented as a governmental fund type. The Agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 18 for more information on the dissolution.

The Redlands Public Improvement Corporation ("Corporation") was organized in June 1985 pursuant to the Nonprofit Public Benefit Corporation Law of the State of California, solely for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public. The corporation was formed at the request of the City and the directors receive no compensation. The corporation is presented as a governmental fund type.

The Redlands Financing Authority ("Authority") was established May 1, 1999 pursuant to the Joint Exercise of Powers Laws of the State of California. The Authority was created by the Agency and the City for the primary purpose of assisting the financing of capital improvements, working capital, liability and other insurance needs, or projects whenever there are significant public benefits.

Separate financial statements for the blended component units are not prepared.

b. Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including the blended component units), as well as discretely presented financial statements. The City has no discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when the revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

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

Fund Financial Statements

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

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the

Note 1: Summary of Significant Accounting Policies (Continued)

aggregate for governmental and enterprise funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in-lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Revenue recognition is subject to the *measurability* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated* and *voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables is deferred until they become current receivables. Non-current portions of other long-term receivables are offset by nonspendable fund balance accounts.

Note 1: Summary of Significant Accounting Policies (Continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets, the proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary and Fiduciary Funds

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, proprietary and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary and fiduciary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary and fiduciary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

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 of the City's internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as noncapital revenues and expenses.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as expenditure.

Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses. Private-purpose trust funds account for the assets and liabilities of other agencies and report additions such as taxes and deductions such as administrative and contract services.

Note 1: Summary of Significant Accounting Policies (Continued)

c. Fund Classification

The City utilizes the following broad categories of funds:

Major Funds

Major funds are those funds which are either material or of particular importance.

Major Governmental Funds — Governmental funds are generally used to account for tax-supported activities. The following governmental funds met the criteria of a major fund:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all activities, except those required to be accounted for in another fund.

Public Facilities Development

The Public Facilities Development Fund is used to account for the collection and related expenditure of development impact fees used for constructing new and upgrading existing public facilities.

Major Proprietary Funds — Proprietary funds are used to report an activity for which a fee is charged to external users to recover the cost of operation.

Water Fund

The Water Fund is an enterprise fund used to account for water utility services provided by the City.

Disposal Fund

The Disposal Fund is an enterprise fund used to account for refuse disposal utility services provided by the City.

Sewer Fund

The Sewer Fund is an enterprise fund used to account for waste water utility services provided by the City.

Additionally the government reports the following fund types:

Internal Service Funds

The Internal Service Funds are used to account for the City's self-insured general liability and workers' compensation, the cost of maintaining and replacing the City's rolling stock fleet, and information technology services. City departments are the primary users of these services and are charged a fee on a cost reimbursement basis.

Note 1: Summary of Significant Accounting Policies (Continued)

Agency Funds

Agency funds are used to account for the City's Special Deposits and Community Facilities District Trust in a trustee capacity. The funds are custodial in nature, and do not involve measurement of results of operations.

Private-Purpose Trust Funds

The private purpose trust fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

d. Investments

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material.

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

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balances.

e. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the City. Cash equivalents have an original maturity date of three months or less from the date of purchase. For purposes of the statement of cash flows, the entire balance of cash and investments for the proprietary funds is considered cash and cash equivalents.

f. Capital Assets

Capital assets, which include land, rights of way, structures, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Capital assets purchased or constructed in excess of \$5,000 are capitalized if it has an expected useful life of three years or more. The cost of normal maintenance and repairs that do not add to the value of the asset's lives are not capitalized.

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. For debt-financed capital assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets acquired through

Note 1: Summary of Significant Accounting Policies (Continued)

lease obligations are valued at the present value of future lease payments at the date acquired. Contributed capital assets are valued at their estimated fair market value at the date of contribution.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

Structures	25-40 years
Equipment	3-10 years
Infrastructure	20-75 years

g. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds.

h. Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Note 1: Summary of Significant Accounting Policies (Continued)

Stabilization Arrangement

As described in Chapter 3.06 of the Municipal Code, the City has established a stabilization arrangement committing a minimum of 12% of the sum of the General Fund's operating expenses and operating transfers out. The balance at June 30, 2012 is \$6,855,311 and is included in committed fund balance. These funds may be used only when the City is faced with an unforeseen or uncontrollable event which includes but is not limited to:

1. Local revenue shortfalls due to a major business closure or relocation
2. Legislative or judicial mandates to provide new or expanded services or programs that, in total, cost the City \$200,000 or more
3. Natural and civil disasters such as earthquakes, fires, floods, riots and health epidemics

i. Inventory of Supplies

Inventory is valued at cost, using the first-in, first-out method, which approximates market value. Supplies are recorded as expenditures when they are used rather than when purchased.

j. Compensated Absences

A total of 10 to 25 days of vacation and 12 days of sick leave per year may be accumulated by each employee. The City accrues a liability for compensated absences which meets the following criteria:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered
2. The obligation relates to rights that vest or accumulate
3. Payment of the compensation is probable
4. The amount can be reasonably estimated

In accordance with GASB Statement No. 16, a liability is recorded in the governmental funds only if it has matured for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City.

k. Cash and Investments with Fiscal Agent

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds, Certificates of Participation and lease obligations. The California Government Code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates or leases, may be invested in

Note 1: Summary of Significant Accounting Policies (Continued)

accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions and indentures are generally more restrictive than the City's general investment policy.

I. Property Taxes

With the passage of Proposition 13 in 1978 (Article XIII A, California State Constitution), property taxes are limited to one percent of market value, plus additional taxes for repayment of existing or subsequent voter-approved indebtedness. Under Article XIII A, the market value of taxable property is subject to a maximum annual increase of two percent. Market value may be appraised at significantly more than two percent depending on other factors such as improvements, sale or change of ownership. The City receives a portion of the one percent general tax levy which is shared by several other local governments including the county, the school district and the redevelopment agency. The City's share is based on a formula prescribed in Section 26912(b) of the Government Code. The county apportions property taxes to the City on a scheduled basis which generally adheres to the actual tax collection periods. The tax lien date is January 1 of each year and covers the ensuing fiscal year's tax returns. The tax levy date is from July 1 to June 30 of each year. The first installment becomes due on November 1 with penalties and interest accruing after December 10. The second installment is due no later than April 10.

m. Bond Discounts and Issuance Costs

Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bond using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

n. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Stewardship, Compliance and Accountability

The annual budget adopted by the City Council provides for the general operations of the City. It includes proposed expenditures and the means of financing them. Budget appropriations lapse at the end of the year. The City Council approves total budgeted appropriations and amendments to appropriations throughout the year. The City Manager can approve budget appropriation transfers between departments within a fund; however any revisions that alter the total expenditures of a fund must be approved by City Council. The departments of the General Fund are considered to be departments for purposes of this requirement. Each fund other than the General Fund is considered to be departments. Actual expenditures may not legally exceed budgeted appropriations at the department level. The budgetary information shown for revenues and expenditures represents the original adopted budget adjusted for any changes made by the City Council.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 2: Stewardship, Compliance and Accountability (Continued)

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

Annual budgets are adopted for all governmental funds types of a basis substantially consistent with generally accepted accounting principles (GAAP).

Note 3: 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	\$ 108,092,697
Cash and investments held by fiscal agent	7,982,944
Fiduciary Funds:	
Cash and investments	5,270,233
Cash and investments held by fiscal agent	<u>6,238,252</u>
Total cash and investments	<u>\$ 127,584,126</u>

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

Cash on hand	\$ 5,000
Deposits with financial institutions	(1,447,080)
Investments	<u>129,026,206</u>
Total cash and investments	<u>\$ 127,584,126</u>

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

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

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 3: Cash and Investments (Continued)

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local Agency Bonds	No	5 years	None	None
US. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	15%	15%
Negotiable Certificates of Deposit	Yes	5 years	30%	30%
Repurchase Agreements	Yes	7 days	None	None
Reverse Repurchase Agreements	No	92 days	None	None
Medium-Term Notes	Yes	5 years	15%	15%
Mutual Funds	Yes	N/A	10%	10%
Money Market Mutual Funds	Yes	N/A	10%	10%
Mortgage Pass-Through Securities	No	5 years	None	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by fiscal agent 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 fiscal agent. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	15%	15%
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	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 term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 3: Cash and Investments (Continued)

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

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Federal agency securities	\$ 52,814,632	\$ -	\$ 2,002,100	\$ 50,812,532
U.S. treasury notes	2,021,020	-	2,021,020	-
Corporate bonds	16,228,380	-	6,117,220	10,111,160
Mutual funds	780,193	780,193	-	-
LAIF	42,960,784	42,960,784	-	-
Held by fiscal agent:				
U.S. treasury notes	1,419,901	1,419,901	-	-
Federal agency securities	915,168	915,168	-	-
Money market funds	9,696,574	9,696,574	-	-
Investment contracts	2,189,554	2,189,554	-	-
Total	\$ 129,026,206	\$ 57,962,174	\$ 10,140,340	\$ 60,923,692

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End	
				AAA/Aa	Not Rated
Federal agency securities	\$ 52,814,632	N/A	\$ -	\$ 52,814,632	\$ -
U.S. treasury notes	2,021,020	N/A	2,021,020	-	-
Corporate bonds	16,228,380	A	-	16,228,380	-
Mutual funds	780,193	A	-	780,193	-
LAIF	42,960,784	N/A	-	-	42,960,784
Held by bond trustee:					
U.S. treasury notes	1,419,901	N/A	1,419,901	-	-
Federal agency securities	915,168	N/A	-	915,168	-
Money market funds	9,696,574	A	-	9,696,574	-
Investment contracts	2,189,554	N/A	-	-	2,189,554
Total	\$ 129,026,206		\$ 3,440,921	\$ 80,434,947	\$ 45,150,338

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 3: Cash and Investments (Continued)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. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal agency securities	\$ 14,728,504
Federal Home Loan Bank	Federal agency securities	7,998,595
Federal Home Loan Mortgage Corporation	Federal agency securities	14,037,093
Federal National Mortgage Association	Federal agency securities	16,050,440

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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the City.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 and will remain effective until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporary covered by this provision.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 3: Cash and Investments (Continued)

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

Note 4: Interfund Receivables, Payables and Transfers

a. Due To/From Other Funds:

As of June 30, 2012, the City had the following due to/from other funds:

Funds	Due To Other Funds		Total
	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	
Due From Other Funds:			
General Fund	\$ 1,311,999	\$ -	\$ 1,311,999
Water Fund	-	60,934	60,934
Total	<u>\$ 1,311,999</u>	<u>\$ 60,934</u>	<u>\$ 1,372,933</u>

The interfund balances were made to cover negative cash balances and other temporary loans at June 30, 2012.

b. Advances To/From Other Funds:

As of June 30, 2012, advances to/from other funds were as follows:

Funds	Public Facilities Development	Nonmajor Proprietary Funds	Total
Advances to other funds:			
General Fund	\$ 6,304,122	\$ 200,750	\$ 6,504,872
Nonmajor governmental funds	361,351	-	361,351
Water Fund	150,563	1,215,586	1,366,149
Solid Waste Fund	-	1,266,302	1,266,302
Total	<u>\$ 6,816,036</u>	<u>\$ 2,682,638</u>	<u>\$ 9,498,674</u>

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 4: Interfund Receivables, Payables and Transfers (Continued)

The General Fund has advanced \$6,304,122 to the Public Facilities Development Fund to provide funding for capital expenditures and debt service coverage on the COP's issued for capital facilities. The payable will be refunded through future development impact fee collections. Additional advances were made to the Public Facilities Fund to assist in debt service payments on the COP's. These advances were made from the Open Space Fund, the Park Development Fund, the Storm Drain Construction Fund, and the Water Fund for \$511,914.

The Water Fund and Solid Waste Fund advanced the Cemetery and Aviation Funds \$2,481,888 to provide funding for capital expenditures.

c. Transfers In/Out:

Transfers in and out for the year ended June 30, 2012, were as follows:

Funds	Transfers Out							Total
	General Fund	Public Facilities Development	Nonmajor Governmental Funds	Water	Solid Waste	Sewer	Internal Service	
Transfers In:								
General Fund	\$ -	\$ 175,097	\$ 2,233,687	\$ 189,952	\$ 652,710	\$ 14,310	\$ -	\$ 3,265,756
Nonmajor Governmental Funds	4,049,919	956,447	2,718,295	-	-	-	2,576,244	10,300,905
Internal Service	857,000	-	-	-	-	-	-	857,000
Total	\$ 4,906,919	\$ 1,131,544	\$ 4,951,982	\$ 189,952	\$ 652,710	\$ 14,310	\$ 2,576,244	\$ 14,423,661

Interfund transfers were used for operations, deficit repayment, debt payment and general administration charges.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 5: Capital Assets

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

	Beginning Balance	Adjustments*	Transfer to Successor RDA**	Additions	Deletions	Ending Balance
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 29,729,444	\$ -	\$ (2,733,418)	\$ -	\$ -	\$ 26,996,026
Water rights	408,125	-	-	-	-	408,125
Rights of way	431,792,774	-	(100,000)	-	-	431,692,774
Construction in progress	10,502,455	-	-	1,187,573	-	11,690,028
Total capital assets not being depreciated	472,432,798	-	(2,833,418)	1,187,573	-	470,786,953
Capital assets being depreciated:						
Infrastructure	183,633,983	-	-	198,877	141,509	183,691,351
Buildings and improvements	19,755,525	-	-	815,029	-	20,570,554
Machinery, equipment and vehicles	19,890,541	-	(13,418)	1,231,727	1,286,270	19,822,580
Total capital assets being depreciated	223,280,049	-	(13,418)	2,245,633	1,427,779	224,084,485
Less accumulated depreciation for:						
Infrastructure	71,715,798	-	-	4,049,753	249,814	75,515,737
Buildings and improvements	8,551,171	(1,374)	-	458,954	-	9,008,751
Machinery, equipment and vehicles	16,443,155	(13,042)	(11,554)	1,740,545	1,212,040	16,947,064
Total accumulated depreciated	96,710,124	(14,416)	(11,554)	6,249,252	1,461,854	101,471,552
Total capital assets being depreciated, net	126,569,925	14,416	(1,864)	(4,003,619)	(34,075)	122,612,933
Governmental activities:						
Capital assets, net	\$ 599,002,723	\$ 14,416	\$ (2,835,282)	\$ (2,816,046)	\$ (34,075)	\$ 593,399,886

* Adjustment was to correct prior period accumulated depreciation.

** As a result of the dissolution of the redevelopment agency, capital assets of the former redevelopment agency was transferred to the Successor Agency. See Note 18 for disclosure assets.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 5: Capital Assets (Continued)

	Beginning Balance	Adjustments*	Additions	Deletions	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 30,935,275	\$ -	\$ -	\$ -	\$ 30,935,275
Water rights	8,681,460	-	300,000	-	8,981,460
Construction in progress	22,040,738	-	2,187,268	-	24,228,006
Total capital assets not being depreciated	61,657,473	-	2,487,268	-	64,144,741
Capital assets being depreciated:					
Infrastructure	130,333,289	-	-	-	130,333,289
Buildings and improvements	80,557,726	-	962,349	-	81,520,075
Machinery, equipment and vehicles	14,224,672	-	519,723	301,495	14,442,900
Total capital assets being depreciated	225,115,687	-	1,482,072	301,495	226,296,264
Less accumulated depreciation for:					
Infrastructure	59,575,213	-	2,369,323	-	61,944,536
Buildings and improvements	57,157,001	1,416	1,264,203	-	58,422,620
Machinery, equipment and vehicles	11,472,091	(99,140)	1,054,802	301,495	12,126,258
Total accumulated depreciation	128,204,305	(97,724)	4,688,328	301,495	132,493,414
Total capital assets being depreciated, net	96,911,382	97,724	(3,206,256)	-	93,802,850
Business-type activities:					
Capital assets, net	\$ 158,568,855	\$ 97,724	\$ (718,988)	\$ -	\$ 157,947,591

* Adjustments were made to properly state the accumulated depreciation.

Depreciation expense was charged to the following functions in the Statement of Activities:

	Governmental Activities	Business-Type Activities
General government	\$ 131,158	\$ -
Public safety	1,437,947	-
Highway and streets	4,087,426	-
Culture and recreation	571,581	-
Water	-	2,354,315
Disposal	-	851,366
Sewer	-	1,375,807
Nonmajor proprietary funds	-	106,840
Internal service	21,140	-
Total	\$ 6,249,252	\$ 4,688,328

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 6: Long-Term Liabilities

Governmental Activities:

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

	Balance June 30, 2011	Additions	Retirements	Transfer to Successor Agency*	Balance June 30, 2012	Amount Due Within One Year
Compensated absences	\$ 7,100,641	\$ 3,509,638	\$ 3,447,196	\$ -	\$ 7,163,083	\$ 3,475,675
Claims payable	3,057,000	1,569,500	1,384,500	-	3,242,000	1,621,000
OPEB Obligation	7,219,345	2,058,183	-	-	9,277,528	-
2003 General Obligation Bonds	1,680,000	-	535,000	-	1,145,000	560,000
2007 Series Taxable Pension Funding Bonds	24,830,000	-	1,180,000	-	23,650,000	1,330,000
Less: (accreted interest)	(1,040,814)	-	(58,783)	-	(982,031)	-
Certificate of Participation:						
2003 Lease Revenue Refunding	9,685,000	-	1,525,000	-	8,160,000	1,600,000
Add: unamortized premium	336,030	-	48,004	-	288,026	-
Tax Allocation Bonds						
1998 Refunding Series A	19,595,000	-	1,255,000	(18,340,000)	-	-
2003 Series A	8,635,000	-	565,000	(8,070,000)	-	-
2007 Refunding Series A	3,980,000	-	240,000	(3,740,000)	-	-
Capital leases payable	1,070,121	-	290,047	-	780,074	234,300
I-Bank Sports Park Lease	1,814,264	-	46,097	-	1,768,167	47,549
Total governmental activities long-term liabilities	<u>\$ 87,961,587</u>	<u>\$ 7,137,321</u>	<u>\$ 10,457,061</u>	<u>\$ (30,150,000)</u>	<u>\$ 54,491,847</u>	<u>\$ 8,868,524</u>

* As a result of the dissolution of the redevelopment agency, indebtedness of the former redevelopment agency was transferred to the Successor Agency. See Note 18 for disclosure indebtedness.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$410,007 of compensated absences for internal service funds is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

Capital Leases Payable

The City has entered into several lease agreements for various equipment. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The assets acquired under capital leases are machinery, equipment and vehicles. The total cost was \$2,912,332. The outstanding balance at June 30, 2012, is \$780,074.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 6: Long-Term Liabilities (Continued)

The following schedule summarizes the debt to maturity payments for capital leases:

<u>Year ending June 30</u>	<u>Amount</u>
2013	\$ 269,020
2014	164,019
2015	164,019
2016	153,435
2017	<u>121,687</u>
Total minimum lease payments	872,180
Less: Amount representing interest	<u>(92,106)</u>
Total minimum lease payments	<u>\$ 780,074</u>

2003 General Obligation Refunding Bonds

At June 30, 2003, the City had \$5,140,000 in outstanding principal relating to the 1994 Refunding General Obligation Bonds. On October 29, 2003, the City issued \$5,380,000 of 2003 General Obligation Refunding Bonds for the purposes of refunding the 1994 General Obligation Refunding Bonds and paying the costs of issuance of the Bonds. The original bonds were used for the purpose of refinancing the acquisition and improvement of real property within the City for use as public parks and open space. As a result, the 1994 refunded bonds were considered to be defeased and the liability had been removed from the governmental activities column of the statement of net assets. The advance refunding was undertaken to reduce total debt service payments over the next ten years by \$338,898 and resulted in an economic gain of \$286,142. The final maturity date is February 1, 2014. Interest rates vary from 2% to 5% with annual principal payments varying from \$440,000 to \$585,000 in the final year. The amount outstanding at June 30, 2012, is \$1,145,000.

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30	<u>2003 General Obligation Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 560,000	\$ 51,650
2014	<u>585,000</u>	<u>29,250</u>
Totals	<u>\$ 1,145,000</u>	<u>\$ 80,900</u>

2007 Taxable Pension Funding Bonds

On August 1, 2007, the City issued \$25,862,392 of 2007 Taxable Pension Funding Bonds to refund the City's obligation to PERS, reimburse the City for its payment of a portion of its fiscal year ended 2008 unfunded liability and pay the costs of issuance of the bonds. Interest is payable February 1 and August 1 of each year commencing on February 1, 2008. Interest rate is 5.233% with annual principal payments plus accreted value commencing February 1, 2008. The amount outstanding at June 30, 2012 is \$23,650,000.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 6: Long-Term Liabilities (Continued)

The annual requirements to amortize pension funding bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30	2007 Taxable Pension Funding Bonds	
	Principal	Interest
2013	\$ 1,330,000	\$ 1,251,409
2014	1,500,000	1,176,264
2015	1,670,000	1,091,514
2016	1,860,000	997,159
2017	2,060,000	892,069
2018-2022	8,840,000	2,740,160
2023-2027	2,450,000	1,122,560
2028-2032	1,480,000	938,813
2032-2037	2,460,000	463,897
	23,650,000	
Less unaccreted discount	(982,031)	
Totals	\$ 22,667,969	\$ 10,673,845

Certificates of Participation

2003 Lease Revenue Refunding Certificates of Participation

On May 28, 2003, the Redlands Financing Authority issued \$16,620,000 of Lease Revenue Refunding Certificates of Participation. The certificates were issued to retire \$18,145,000 outstanding Certificates of Participation dated in 1993. They represented the interests of the owners thereof in lease payments to be made by the City to the Redlands Financing Authority for the use and occupancy of certain public capital facilities refinanced with the proceeds of the prior certificates and the real property upon which they are situated.

The Certificates mature on September 1 of each year, beginning September 1, 2006 through September 1, 2017, in amounts ranging from \$595,000 to \$1,785,000. The interest will be calculated from September 1, 2003 at the rates per annum set forth in the bond documents and will represent the sum of the portions of the lease payments coming due during the six months preceding each interest payment date. The interest rates will range from 2.2% to 5%.

The outstanding balance at June 30, 2012, was \$8,160,000 with an unamortized premium of \$288,026.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 6: Long-Term Liabilities (Continued)

The following schedule summarizes the annual debt service requirements to maturity for the Certificate of Participation:

Year Ending June 30	2003 Lease Revenue Refunding COP	
	Principal	Interest
2013	\$ 1,600,000	\$ 306,319
2014	1,675,000	240,147
2015	1,730,000	185,863
2016	1,785,000	113,125
2017	775,000	49,125
2018-2022	595,000	14,875
Totals	\$ 8,160,000	\$ 909,454

I-Bank Sports Park Lease Payable

On December 1, 2006 the City entered into this agreement for the purpose of obtaining additional funds to complete the Sports Park project. The City has agreed to pay the amount over thirty years commencing on the date of the lease, which carries an annual interest rate of 3.15% with principal and interest payments due every six months starting August 1, 2007 and payable in full on August 1, 2036. At June 30, 2012, the outstanding balance of the I-Bank Sports Park lease payable balance was \$1,768,167.

The annual retirements to amortize lease payable outstanding as of June 30, 2012, are as follows:

Year ending June 30	Amount
2013	\$ 102,497
2014	102,474
2015	102,450
2016	102,425
2017	102,399
2018-2022	511,577
2023-2027	510,795
2028-2032	509,883
2033-2037	508,818
Total minimum lease payments	2,553,318
Less: Amount representing interest	(785,151)
Total minimum lease payments	<u>\$ 1,768,167</u>

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 6: Long-Term Liabilities (Continued)

Business-Type Activities:

The following is a summary of changes in business-type long-term liabilities, including landfill closure liability, for the year ended June 30, 2012:

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012	Amount Due Within One Year
Compensated absences	\$ 934,304	\$ 683,671	\$ 605,944	\$ 1,012,031	\$ 506,016
Capital lease payable	235,768	-	59,385	176,383	61,958
OPEB obligation (Note 11)	3,094,267	1,202,027	-	4,296,294	-
Landfill closure (Note 14)	5,894,121	394,283	-	6,288,404	420,658
Revenue Bonds:					
1999 Water refunding	9,145,000	-	1,660,000	7,485,000	1,740,000
1999 Wastewater refunding	8,645,000	-	1,065,000	7,580,000	1,115,000
Total revenue bonds	<u>17,790,000</u>	<u>-</u>	<u>2,725,000</u>	<u>15,065,000</u>	<u>2,855,000</u>
Notes payable:					
Agricultural drainage water management loan program	454,961	-	107,779	347,182	111,659
California recycled water project	4,267,638	-	258,348	4,009,290	264,807
Safe drinking water project	4,964,373	-	269,117	4,695,256	275,452
Hinckley water treatment plant upgrade	-	1,119,163	-	1,119,163	-
Total notes payable	<u>9,686,972</u>	<u>1,119,163</u>	<u>635,244</u>	<u>10,170,891</u>	<u>651,918</u>
Total business-type activities long- term liabilities	<u>\$ 37,635,432</u>	<u>\$ 3,399,144</u>	<u>\$ 4,025,573</u>	<u>\$ 37,009,003</u>	<u>\$ 4,495,550</u>

Capital Lease Payable

The City has entered into a lease agreement for a caterpillar track-type tractor. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The asset acquired under capital lease is rolling stock. The total cost was \$414,376. At June 30, 2012, the outstanding balance is \$176,383.

The following schedule summarizes the debt to maturity payments for the capital lease:

Year ending June 30	Amount
2013	\$ 68,176
2014	115,796
Total minimum lease payments	183,972
Less: Amount representing interest	<u>(7,589)</u>
Total minimum lease payments	<u>\$ 176,383</u>

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 6: Long-Term Liabilities (Continued)

Revenue Bonds Payable

1999 Water Refunding Revenue Bonds

The \$23,345,000 of Water Refunding Revenue Bonds, issue of 1999, consists of serial bonds with varying interest rates from 3.7% to 5%. Interest is payable semiannually on March 1 and September 1. Serial bonds mature annually on September 1, 1999 through September 1, 2015. The revenues of the Water Fund are pledged as security toward the payment of this debt. The net proceeds were used to refinance the prior water projects. The amount outstanding at June 30, 2012, was \$7,485,000.

The annual requirements to amortize bonds payable subsequent to June 30, 2012, are as follows:

Year Ending June 30	1999A Water Revenue Refunding Bonds	
	Principal	Interest
2013	\$ 1,740,000	\$ 329,663
2014	1,820,000	241,750
2015	1,915,000	148,375
2016	2,010,000	50,250
Totals	<u>\$ 7,485,000</u>	<u>\$ 770,038</u>

1999A Wastewater Refunding Revenue Bonds

The \$17,770,000 of Wastewater Refunding Revenue Bonds, issue of 1999, Series A, consists of serial bonds with varying interest rates from 3.7% to 4.875%. Interest is payable semiannually on March 1 and September 1. Serial bonds mature semiannually on September 1, 1999 through September 1, 2017. The revenues of the Water Fund are pledged as security toward the payment of this debt. The net proceeds were used to refinance the prior wastewater projects. The amount outstanding at June 30, 2012, was \$7,580,000.

The annual requirements to amortize bonds payable subsequent to June 30, 2012, are as follows:

Year Ending June 30	1999A Wastewater Revenue Refunding Bonds	
	Principal	Interest
2013	\$ 1,115,000	\$ 350,428
2014	1,170,000	294,000
2015	1,230,000	234,000
2016	1,290,000	171,000
2017	1,355,000	104,875
2018-2022	1,420,000	35,500
Totals	<u>\$ 7,580,000</u>	<u>\$ 1,189,803</u>

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 6: Long-Term Liabilities (Continued)

Pledged Revenues

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

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses)	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Water revenues	\$ 6,532,904	\$ 2,071,500	32%
Wastewater revenues	1,710,877	1,467,900	86%

Notes Payable

On June 30, 2009, the City entered into a note payable agreement for \$659,414 from the Water Resources Control Board through the Agricultural Drainage Water Management Loan Program for the Texas Street Wellhead Treatment Project. The note carries an annual interest rate of 3.6% with principal and interest payments due annually. The amount outstanding at June 30, 2012 was \$347,182.

On September 2, 2003, the City entered into a loan agreement with the California Water Resources Control Board in the amount of \$7,918,234 to assist in financing the construction of advanced wastewater treatment facilities at the existing wastewater treatment plant. The note carries an annual interest rate of 2.5% with principal and interest payments due annually starting November 30, 2005. The amount outstanding at June 30, 2012, was \$4,009,290.

On January 30, 2004, the City has a loan made by the State of California, Department of Water Resources in the amount of \$1,664,876 to assist in financing construction of a project which will enable the City to meet safe drinking water standards. As of June 30, 2006, the loan had been increased to \$6,100,844. The note carries an annual interest rate of 2.34% with principal and interest payments due every six months starting January 1, 2006. At June 30, 2012, the City has \$4,695,256 in outstanding principal.

On June 21, 2011, the City entered into an agreement with the Clean Water State Revolving Fund Control Board for construction of the Hinckley water treatment plant upgrade. The City may borrow up to \$13,663,033 or the eligible costs of the project, whichever is less. At June 30, 2012, the State Water Resources Control Board had disbursed \$1,119,163. The loan has an interest rate of 2.5017% with maturities through 2031. The outstanding balance at June 30, 2012 is \$1,119,163. As of June 30, 2012 the future debt service requirements have not been determined.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 6: Long-Term Liabilities (Continued)

The annual requirements for the notes payable outstanding as of June 30, 2012, are as follows:

Year Ending June 30	Total Notes Payable	
	Principal	Interest
2013	\$ 651,918	\$ 220,998
2014	669,041	203,875
2015	686,627	186,288
2016	580,531	168,227
2017	594,612	154,146
2018-2022	3,196,535	547,252
2023-2027	3,791,627	149,385
Totals	<u>\$ 10,170,891</u>	<u>\$ 1,630,171</u>

Note 7: Claims Payable

On June 30, 2012 and throughout 2011-2012, the City was self-insured for the first \$500,000 per occurrence for commercial general liability and automobile liability. The City purchased excess liability insurance to provide additional coverage of \$10,000,000 per occurrence with a \$10,000,000 aggregate. The City also purchased airport liability insurance including comprehensive general liability, contractual liability, personal injury, bodily injury and property damage in a single limit liability amount of \$10,000,000 for each occurrence. For workers' compensation and employer's liability, the City was self-insured for \$1,000,000 per occurrence with excess coverage of \$25,000,000 for worker's compensation per occurrence with a \$25,000,000 aggregate, and \$1,000,000 for employer's liability per occurrence.

At June 30, 2012, \$835,000 and \$2,407,000 have been accrued for general liability and workers' compensation claims, respectively. All funds of the City participate in the worker's compensation program and make payments to the Workers' Compensation Internal Service Fund based on estimates of the amounts needed to pay prior and current year claims. The Liability Insurance Internal Service Fund receives an annual operating transfer from the General Fund to cover operating costs including payment of claims. The liability for unpaid claims for general liability and workers' compensation is discounted to reflect anticipated future investment earnings, assuming a five percent interest rate. Settled claims have not exceeded the commercial coverage in the past three years.

The accruals indicated above represent estimates of amounts to be paid for reported claims, and incurred but not reported claims based upon past experience, modified for current trends and information. While the ultimate amounts of losses incurred through June 30, 2012, are dependent on future developments, based upon information provided from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual is adequate to cover such losses.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 7: Claims Payable (Continued)

Reconciliation of the changes in the City's aggregate liabilities for the year ended June 30, 2012, is as follows:

2011-2012	Beginning of Year	Claims and Changes in Estimates	Claim Payments	End of Year
Liability claims	\$ 787,000	\$ 238,642	\$ 190,642	\$ 835,000
Workers' compensation	2,270,000	1,330,858	1,193,858	2,407,000
	<u>\$ 3,057,000</u>	<u>\$ 1,569,500</u>	<u>\$ 1,384,500</u>	<u>\$ 3,242,000</u>

2010-2011	Beginning of Year	Claims and Changes in Estimates	Claim Payments	End of Year
Liability claims	\$ 742,000	\$ 234,515	\$ 189,515	\$ 787,000
Workers' compensation	2,139,000	1,638,033	1,507,033	2,270,000
	<u>\$ 2,881,000</u>	<u>\$ 1,872,548</u>	<u>\$ 1,696,548</u>	<u>\$ 3,057,000</u>

Note 8: Fund/Net Asset Deficits and Expenditures in Excess of Appropriations

At June 30, 2012, the following governmental funds have fund deficits:

	Deficit Amount
Special Revenue Funds:	
Public Facilities Development	\$ 6,834,823
Community Development Block Grant	11,977
Neighborhood Initiative Program	8,990
Police Grants	123,579
Disaster Recovery	731,989
Enterprise Fund:	
Cemetery	611,162
Internal Service Fund:	
Information Technology	242,441
Workers' Compensation Self-Insurance	1,429,315
Equipment Maintenance	197,242

Expenditures for the year ended June 30, 2012, exceeded the appropriations of the following funds/departments:

	Budget	Actual	Variance
General Fund:			
City council	\$ 233,717	\$ 253,667	\$ (19,950)
Development services	1,362,137	1,385,245	(23,108)
Fire	10,025,121	10,063,105	(37,984)
Parks	1,315,462	1,355,367	(39,905)
Special revenue:			
Public Facilities Development			
Highway and streets	47,211	115,119	(67,908)

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 9: Fund Balance and Net Asset Restatements

Restatement of Net Assets and Fund Balances:

Fund balance in the following funds have been restated for:

Governmental Funds:	
General Fund	
To properly account for prior year revenue	\$ (16,657)
Other Governmental Funds	
To properly account for prior year revenue	(14,184)
Total governmental fund balance restatements	<u>\$ (30,841)</u>
Proprietary Funds:	
Water Fund	
Correction of prior period accumulated depreciation on capital assets	\$ 68,785
Disposal Fund	
Correction of prior period accumulated depreciation on capital assets	28,939
Total propriety fund balance restatements	<u>\$ 97,724</u>
Internal Service Funds:	
Equipment Maintenance	
Correction of prior period accumulated depreciation on capital assets	\$ 11,542
Total internal service fund balance restatements	<u>\$ 11,542</u>

Net assets have been restated in the government-wide statements for:

Government-wide Net Assets:	
Governmental fund balance restatements (above)	\$ (30,841)
Internal service fund balance restatements (above)	11,542
To remove the pension asset*	(24,469,029)
Correction of prior period accumulated depreciation on capital assets	2,874
Total Government-wide Net Asset restatements	<u>(24,485,454)</u>
Business-type Activities:	
Proprietary fund balance restatements (above)	97,724
Total restatements	<u>\$ (24,387,730)</u>

*The City properly reported a pension asset for the funding of its PERS actuarially determined liability at transition to a cost-sharing plan in prior years. Due to GASB Statement No. 68 which amended GASB Statement No. 27, the reporting requirements for pension plans have changed and now the City reports the actuarially determined liability as pension-related debt as defined by GASB Statement No. 68 which required the restatement of net assets by \$24,469,029 to remove the pension asset.

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 10: Defined Benefit Pension Plan

Plan Description

The City contributes to the California Public Employee's Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan for miscellaneous employees and a cost-sharing multiple-employer public employee defined benefit pension plan for safety employees. PERS provides retirement, disability benefits, 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. Copies of PERS' annual financial report may be obtained from its executive office at 400 P Street, Sacramento, California, 95814.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2012, is 12.428%, 26.019% and 26.335% of annual covered payroll for the miscellaneous plan, police safety plan and fire safety plan, respectively. The contribution requirements of plan members and the City are established and may be amended by City Council in conjunction with applicable labor contracts. The City's contributions to the plan for the year ending June 30, 2012, was \$5,931,022 and was equal to the required contributions for the year.

Annual Pension Cost and Net Pension Asset

California Public Employees' Retirement System (CALPERS) valuation report dated June 30, 2003 established a side fund to account for the differences between the funded status of the pool and funded status of the City's plan. The side fund will be credited with the actuarial investment return assumption of 7.75% and subject to amortization on an annual basis. To reduce retirement costs and benefit from lower interest rates, on August 1, 2007, the City issued \$25,862,392 of 2007 Taxable Pension Funding Bonds to fund the City's unfunded accrued actuarial liability ("UAAL") for retirement benefits to its employees. The proceeds from the bond issue of \$25,292,190 were remitted directly into the pension trust fund.

The City's annual pension cost for fiscal year ending June 30, 2012, was as follows:

Fiscal year	Three Year Trend Information			
	Annual Pension Cost (Employer Contribution)			Net Pension Obligation
Miscellaneous	Safety Police and Fire	Percentage of APC Contributed		
6/30/2010	\$ 1,658,235	\$ 2,995,161	100%	\$ -
6/30/2011	1,631,036	2,996,968	100%	-
6/30/2012	1,960,455	3,970,567	100%	-

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 10: Defined Benefit Pension Plan (Continued)

Funded Status and Funding Progress

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 City 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 below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress for PERS
 Miscellaneous Plan
 (Most Recent Information Available)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Covered Payroll
6/30/2008	\$ 99,370,303	\$ 95,482,489	\$ 3,887,814	96.1%	\$ 19,234,253	20.2%
6/30/2009	109,648,759	99,562,333	10,086,426	90.8%	18,327,951	55.0%
6/30/2010	115,327,889	103,033,839	12,294,050	89.3%	19,201,831	64.0%

A summary of principal assumptions and methods used to determine the schedule of funding progress is shown below.

	<u>Miscellaneous</u>
Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	21 Years as of the Valuation Date, Closed basis
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 11: Other Post-Employment Benefits Plan

In addition to the pension benefits described in Note 10, the City provides post-retirement health care benefits, in accordance with applicable Memoranda of Understanding and the California Government Code, to all employees who retire from the City.

Plan Description

The City administers a defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City pays up to the entire cost of health benefits for eligible retirees and their spouses until age 65 subject to the City's vesting schedule. After age 65, the City contributes a flat monthly rate of \$397 for those employees who retire under the PERS retirement system and subscribe to the PERS Health Insurance System, in accordance with the Government Code. This is a perpetual benefit which is available to all PERS retirees including eligible dependents of deceased retirees. Annual increases in the monthly rate are limited to \$20 and based upon the annual increase in PERS family premiums. In addition, the City also contributed the entire monthly premium for health insurance for all employees who retire with the City and have a minimum of 15 years of continuous service with the City, or 20 years depending on the particular bargaining units.

City's Funding Policy

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2011-12, the City contributed \$2,812,433 to the plan. Upon retirement, City's employees who are not eligible for fully paid medical benefits based on service may elect to convert the value of their sick leave for payment of the balance of the premiums which are not paid by the City.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period 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 for these benefits:

Annual required contribution	\$ 6,067,848
Interest on net OPEB obligation	279,119
Adjustment to annual required contribution	<u>(274,324)</u>
Annual OPEB cost (expense)	6,072,643
Contributions made	<u>(2,812,433)</u>
Increase/(decrease) in Net OPEB obligation	3,260,210
Net OPEB obligation - beginning of year	<u>10,313,612</u>
Net OPEB obligation - end of year	<u><u>\$ 13,573,822</u></u>

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 11: Other Post-Employment Benefits Plan (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 and the two preceding years were as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution (Net of Adjustments)</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 5,538,000	\$ 818,778	14.8%	\$ 6,891,421
6/30/2011	6,072,643	2,650,452	43.6%	10,313,612
6/30/2012	6,072,643	2,812,433	46.3%	13,573,822

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c)</u>
6/30/2009	\$ -	\$ 68,964,000	\$ 68,964,000	0%	\$ 29,983,000	230.01%
6/30/2011	-	81,728,065	81,728,065	0%	29,340,000	278.56%

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

Actuarial Methods and Assumptions

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 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% initially, reduced by decrements of 1% per year for the first three years then decrements of .5% to an ultimate rate of 5% after the seventh year. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed the City's payroll will increase 3.5% per year.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 12: Contingencies

The City is presently involved in other matters of litigation that have arisen in the normal course of the City's business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to have a material adverse financial impact on the City.

In 1998, the voters of California approved Proposition No. 11 which amended Article XIII, Section 29 of the California Constitution to allow cities and counties to enter into contracts to apportion sales and use tax revenue, by ordinance or resolution, and upon approval by a two-thirds vote of the legislative bodies of the parties to the contract. The City has provided in its contract with the County of San Bernardino that the benefit of receiving the sales and use tax revenue generated by businesses located in the unincorporated area of the Donut Hole, in exchange for the City's provision of municipal services, will terminate on December 31, 2003, unless an extension of the term of the contract beyond December 31, 2003, is consented to by a majority vote of the qualified voters of the City. The term has been extended beyond December 31, 2003, under the Ordinance No. 2550. The County of San Bernardino and the City apportion the sales and use tax revenue generated by businesses located in the Donut Hole generally on the basis of ninety percent (90%) of such sales and use tax revenue being provided to the City and ten percent (10%) of such sales and use tax revenue being provided to the County.

Note 13: Construction Commitments

The following material construction commitments existed at June 30, 2012:

Project Name	Contract Amount	Expenditures to date as of June 30, 2012	Remaining Commitments
Hinckley Water Treatment Upgrade	\$ 8,469,000	\$ 636,120	\$ 7,832,880
Landfill Expansion	2,368,109	416,330	1,951,779
SCADA System Upgrades	812,955	295,500	517,455
Landfill Expansion	492,778	209,234	283,544
Edison Surface Upgrade	193,850	110,627	83,223
Redlands, Alabama, Colton Improvements	754,850	672,675	82,175
Iowa Bridge Repair	54,530	-	54,530
Park Once Transit Center	59,906	11,276	48,630
Pedestrian Ramps and Sidewalks	271,272	242,624	28,648

Note 14: Solid Waste Landfill

State and federal laws and regulations require the City to provide financial assurance for closure and postclosure costs of the California Street Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for fifteen years after closure. Although closure and postclosure activities will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6,288,404 reported as landfill closure and postclosure liability at June 30, 2012, represents the cumulative amount reported to date based on the use of 52.01 percent of the total estimated capacity of the landfill including final

Note 14: Solid Waste Landfill (Continued)

covering. The City will recognize the remaining estimated costs of closure and postclosure care of \$800,000 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform closure and postclosure activities in 2012 dollars. The City expects to close the landfill in the year 2042. Actual costs may differ due to inflation, changes in technology or changes in regulations.

The City is required by state and federal laws and regulations to maintain adequate funds to provide financial assurance for closure and postclosure costs through one of a combination of alternative mechanisms. For closure costs, the City has established an enterprise fund mechanism with a separate fund, the California Street Landfill Closure fund. For postclosure costs, the City has entered into a Pledge of Revenue Agreement with the California Integrated Waste Management Board. The City is in compliance with these requirements. At June 30, 2012, \$6,054,645 is held for landfill closure. The City expects that future inflation costs will be paid from future annual operating revenues in the enterprise fund. Postclosure costs are agreed to be covered by revenue from solid waste customer billings which is deposited directly into the Disposal enterprise fund.

Note 15: Debt Without Government Commitment

The special assessment bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying basic financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit, nor taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders.

In September 2001, the City issued for and on behalf of the Community Facilities District No. 2001-1 (Northwest Development Project) \$9,255,000 aggregate principal amount of 2001 Special Tax Bonds to finance the acquisition of certain public improvements with appurtenant work and incidental expenses within the District. The Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from proceeds of annual special tax to be levied on the property within the District. Bonds maturing in the years 2002 to 2015 are serial bonds payable in annual installments of \$170,000 to \$355,000 while bonds maturing in the year 2022 in the amount of \$3,175,000 and bonds maturing in the year 2026 in the amount of \$2,535,000 are term bonds. The interest rates on the bonds range from 3.75% to 6.45%. The outstanding balance at June 30, 2012, was \$7,010,000.

In February 2004, the City issued for and on behalf of the Community Facilities District No. 2003-1 (Redlands Business Center) \$9,545,000 aggregate principal amount of 2004 Special Tax Bonds to finance the acquisition and construction of certain street improvements, sewers, storm drains, water distribution facilities, and other public improvements within the District. The Bonds were issued pursuant to the Mello-Roos Community Facilities Act of 1982 and are payable from proceeds of annual special tax to be levied on the property within the District. Bonds maturing in the years 2006 to 2021 are serial bonds payable in annual installments of \$20,000 to \$270,000, while bonds maturing in the year 2027 in the amount of \$2,255,000 and bonds maturing in the year 2033 in the amount of \$5,280,000 are term bonds. The interest rates on the bonds range from 2.5% to 5.9%. The outstanding balance at June 30, 2012, was \$9,215,000.

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 16: Operating Lease

The City has entered into an operating lease with Xerox Corporation for copier equipment, services and supplies in December 2009. The term calls for a five-year lease with a minimum monthly payment of \$5,875. The minimum future payments as of June 30, 2012, are as follows:

Year ending June 30	Amount
2013	\$ 70,494
2014	70,494
2015	35,729
Total	<u>\$ 176,717</u>

Note 17: Subsequent Events

Issuance of Water and Wastewater Bonds

On October 2, 2012, the City issued \$8,135,000 in Water and Wastewater Revenue Refunding Bonds. The bonds were issued to provide funds to refund on a current basis the outstanding Water and Wastewater Bonds, Series 1999A.

Advance between City and Successor Agency

On July 11, 2012, and on July 26, 2012, the City entered into loans with the Successor Agency of the former redevelopment agency in the amount of \$65,607 and \$3,157,400, respectively. The former loan was used toward the payment of the demand for payment from the County of San Bernardino Auditor-Controller. The latter loan was used to meet enforceable obligations of the Successor Agency from July 2012 through December 2012, including principal and interest on tax allocation bonds which were due on August 1, 2012.

Note 18: Successor Agency Trust for Assets of the Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Redlands that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On November 1, 2011 the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 18: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

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

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 public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the 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 as of February 1, 2012.

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

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

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

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

Total extraordinary loss reported in the governmental funds - increase to net assets of the Successory Agency Trust Fund	\$ (5,453,452)
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	(2,835,282)
Long-term debt and unamortized bond issuance costs reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>29,733,002</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ 21,444,268</u>

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 18: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

a. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 2,838,129
Cash and investments with fiscal agent	3,601,651
	<u>\$ 6,439,780</u>

b. Notes Receivable

A note in the amount of \$40,000 is receivable in monthly installments of \$182 beginning in July 2010, including interest payments at 0.9% due from inception. The note is secured by the deed of trust and assignment of rents and is guaranteed by the debtor. The full amount will be due in June 2030. An additional note of \$150,000 is receivable in monthly installments of \$658 beginning in October 2011, including an interest at 0.51% due from inception with annual adjustments to reflect the LAIF rate up to a maximum percentage of 3.17%. The note is secured by the deed of trust. The full amount will be due in October 2031. As of June 30, 2012, the notes receivable balance is \$181,118.

c. Capital Assets

An analysis of capital assets as of June 30, 2012, follows:

	Beginning Balance	Transfer from Former RDA	Additions	Deletions	Ending Balance
Fiduciary Activities:					
Capital assets, not being depreciated:					
Land	\$ -	\$ 2,733,418	\$ -	\$ -	\$ 2,733,418
Right-of-Way	-	100,000	-	-	100,000
Total Capital Assets, Not Being Depreciated	-	2,833,418	-	-	2,833,418
Capital assets, being depreciated:					
Machinery and equipment	-	13,418	-	-	13,418
Total Capital Assets, Being Depreciated	-	13,418	-	-	13,418
Less accumulated depreciation:					
Machinery and equipment	-	11,554	1,864	-	13,418
Total Accumulated Depreciation	-	11,554	1,864	-	13,418
Total Capital Assets, Being Depreciated, Net	-	1,864	(1,864)	-	-
Governmental Activities Capital Assets, Net	\$ -	\$ 2,835,282	\$ (1,864)	\$ -	\$ 2,833,418

CITY OF REDLANDS

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2012

Note 18: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

d. Long-term Debt

The following debt was transferred from the Redevelopment Agency to the Successor Agency as of February 1, 2012 as a result of the dissolution.

	Balance July 1, 2011	Transfer from Former RDA	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Fiduciary Activities						
Successor Agency of the Former RDA						
Tax Allocation Bonds						
1998 Refunding Series A	\$ -	\$ 18,340,000	\$ -	\$ -	\$ 18,340,000	\$ 1,310,000
2003 Series A	-	8,070,000	-	-	8,070,000	595,000
2007 Refunding Series A	-	3,740,000	-	-	3,740,000	255,000
Total	\$ -	\$ 30,150,000	\$ -	\$ -	\$ 30,150,000	\$ 2,160,000

A description of the individual issues of bonds of the Successor Agency of the Former Redevelopment Agency outstanding as of June 30, 2012, follows:

1998A Tax Allocation Refunding Bonds

In December of 1998, the Agency issued \$31,805,000 in 1998 Tax Allocation Refunding Bonds, Series A with interest rates of 3.7% to 5%. This was a current refunding of the following: \$6,145,000 of outstanding 1994 Refunding Parking Lease Revenue Bonds with a variable interest rate; \$19,710,000 of outstanding 1994 Subordinated Tax Allocation Refunding Bonds with a variable interest rate; and \$3,680,000 of outstanding 1987 Tax Allocation Refunding Bonds with interest rates of 4.5% to 7%. The net proceeds of \$30,488,750 (after payment of \$1,316,250 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities, those securities were deposited in an irrevocable trust with an escrow agent to refund the noted bonds. As a result, these refunded bonds are considered defeased. The reserve requirement was \$2,189,513 and the reserve as of June 30, 2012, was \$2,189,513. On February 1, 2012 this debt was transferred to the Successor Agency which took over responsibility of winding down the operations of the former Agency upon dissolution. At June 30, 2012, the outstanding principal was \$18,340,000.

The annual debt service requirements as of June 30, 2012, are as follows:

Year Ending June 30	1998A Tax Allocation Bonds	
	Principal	Interest
2013	\$ 1,310,000	\$ 847,278
2014	1,370,000	785,980
2015	1,435,000	720,000
2016	1,500,000	649,725
2017	1,575,000	576,100
2018-2022	9,065,000	1,646,806
2023-2027	2,085,000	52,125
Totals	\$ 18,340,000	\$ 5,278,014

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 18: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

2003A Tax Allocation Bonds

In November of 2003, the Agency issued \$17,300,000 in 2003 Tax Allocation Bonds, Series A with interest rates of 2% to 4.25%. The proceeds of the bond were used to provide funds for redevelopment activities in the Project Area, fund a deposit to a debt service reserve account, and to pay for costs incurred in connection with the issuance, sale, and delivery of the Series 2003A Bonds, including the premium for a municipal bond insurance policy. Interest on the Series 2003A Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and payable on February 1 and August 1 of each year, commencing February 1, 2004, until maturity or earlier redemption thereof. In August of 2007 a portion of the bond was defeased in an amount equal to \$4,300,000 through unspent proceeds of the bond. The reserve requirement was \$940,479 and the reserve as of June 30, 2012, was \$940,479. On February 1, 2012 this debt was transferred to the Successor Agency which took over responsibility of winding down the operations of the former Agency upon dissolution. At June 30, 2012, the outstanding principal was \$8,070,000.

The annual debt service requirements as of June 30, 2012, are as follows:

Year Ending June 30	2003A Tax Allocation Bonds	
	Principal	Interest
2013	\$ 595,000	\$ 334,716
2014	620,000	310,156
2015	640,000	285,284
2016	670,000	258,781
2017	695,000	230,513
2018-2022	3,955,000	663,331
2023-2027	895,000	20,269
Totals	<u>\$ 8,070,000</u>	<u>\$ 2,103,050</u>

2007A Tax Allocation Bonds

In August of 2007, the Agency issued \$4,640,000 in 2007 Tax Allocation Bonds, Series A with interest rates of 5.818%. The proceeds of the bond were used to provide funds for certain low and moderate income housing purposes within the Project Area, fund a deposit to a debt service reserve account, and pay costs incurred in connection with the issuance, sale, and delivery of the Series 2007A bonds, including the premium for a bond insurance policy.

Interest on the Series 2007A Bond will be calculated on the basis of a 360-day year of twelve

30-day months and payable on February 1 and August 1 of each year, commencing February 1, 2008, until maturity in 2022 or earlier redemption thereof. The reserve requirement was \$464,000 and the reserve as of June 30, 2012, was \$471,618. On February 1, 2012 this debt was transferred to the Successor Agency which took over responsibility of winding down the operations of the former Agency upon dissolution. At June 30, 2012, the outstanding principal was \$3,740,000.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2012

Note 18: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

The annual debt service requirements as of June 30, 2012, are as follows:

Year Ended June 30	2007A Tax Allocation Bonds	
	Principal	Interest
2013	\$ 255,000	\$ 210,175
2014	265,000	195,048
2015	280,000	179,194
2016	300,000	162,322
2017	315,000	144,432
2018-2022	1,880,000	414,823
2023-2027	445,000	12,945
Totals	<u>\$ 3,740,000</u>	<u>\$ 1,318,939</u>

e. Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$38,850,003 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$5,362,832 and the debt service obligation on the bonds was \$3,548,163.

f. Insurance

The Successor Agency is covered under the City's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 7.

g. Subsequent EventsAssembly Bill 1484 Due Diligence Review

Assembly Bill 1484 established a requirement for the successor agency to remit to the County auditor-controller three payments as determined by the auditor-controller which consist of a payment to be made in July 2012 for taxing entities' share of December 2011 property tax distribution to redevelopment agency/successor agency, a payment to be made in November 2012 related to Low-Moderate Income Housing Fund Due Diligence Review for unencumbered cash, and a payment to be made in April 2013 related to the other Redevelopment Funds Due Diligence Review for unencumbered cash. As of the date of the report the payment in July 2012 was made in the amount of \$2,601,269. In addition, the Low-Moderate Income Housing Due Diligence Review and Other Redevelopment Funds Due Diligence Review resulted in an amount due of \$0 which has not been confirmed by the Department of Finance.

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds			
	Emergency Service	Household Hazardous Waste	State Gas Tax	Measure I Sales Tax
Assets:				
Cash and investments	\$ 197,075	\$ 215,523	\$ 167,642	\$ 7,069,233
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	8,847	-	-
Taxes	14,518	-	200,840	-
Interest	-	-	-	-
Due from other governments	-	-	-	-
Advances to other funds	-	-	-	-
Total Assets	\$ 211,593	\$ 224,370	\$ 368,482	\$ 7,069,233
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 15,710	\$ 120	\$ -	\$ 7,625
Accrued payroll	187,301	4,241	-	11,251
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	203,011	4,361	-	18,876
Fund Balances:				
Nonspendable:				
Advances to other funds	-	-	-	-
Restricted for:				
Public safety	8,582	220,009	-	-
Highway and streets	-	-	368,482	-
Capital projects	-	-	-	7,050,357
Debt service	-	-	-	-
Endowment	-	-	-	-
CFD assessment	-	-	-	-
Committed to:				
Development projects	-	-	-	-
Downtown Redlands Business Association	-	-	-	-
Parking authority	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	8,582	220,009	368,482	7,050,357
Total Liabilities and Fund Balances	\$ 211,593	\$ 224,370	\$ 368,482	\$ 7,069,233

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	<u>Special Revenue Funds</u>			
	<u>Local Transportation</u>	<u>Air Quality Improvement</u>	<u>Traffic Safety</u>	<u>Open Space</u>
Assets:				
Cash and investments	\$ 2,080,445	\$ 559,431	\$ -	\$ 2,116,029
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	21,437	7,152	-
Taxes	-	-	-	-
Interest	-	-	-	-
Due from other governments	828,577	-	-	-
Advances to other funds	-	-	-	130,488
Total Assets	<u>\$ 2,909,022</u>	<u>\$ 580,868</u>	<u>\$ 7,152</u>	<u>\$ 2,246,517</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 45,499	\$ -	\$ -	\$ -
Accrued payroll	14,857	-	-	-
Deferred revenues	827,597	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>887,953</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Advances to other funds	-	-	-	130,488
Restricted for:				
Public safety	-	580,868	7,152	-
Highway and streets	-	-	-	-
Capital projects	2,021,069	-	-	-
Debt service	-	-	-	-
Endowment	-	-	-	-
CFD assessment	-	-	-	-
Committed to:				
Development projects	-	-	-	2,116,029
Downtown Redlands Business Association	-	-	-	-
Parking authority	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>2,021,069</u>	<u>580,868</u>	<u>7,152</u>	<u>2,246,517</u>
Total Liabilities and Fund Balances	<u>\$ 2,909,022</u>	<u>\$ 580,868</u>	<u>\$ 7,152</u>	<u>\$ 2,246,517</u>

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Special Revenue Funds</u>			
	<u>Downtown Redlands Business Area</u>	<u>Parking Authority</u>	<u>General Capital Improvement</u>	<u>Community Development Block Grant</u>
Assets:				
Cash and investments	\$ 190,862	\$ 42,934	\$ 98,093	\$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	3,013	703	-	-
Taxes	-	-	-	-
Interest	-	-	-	-
Due from other governments	-	-	37,894	44,457
Advances to other funds	-	-	-	-
Total Assets	<u>\$ 193,875</u>	<u>\$ 43,637</u>	<u>\$ 135,987</u>	<u>\$ 44,457</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 14,091	\$ 1,387	\$ 36,884	\$ 13,450
Accrued payroll	7,301	-	260	-
Deferred revenues	-	-	37,894	20,884
Unearned revenues	-	-	33,048	-
Deposits payable	-	24,105	-	-
Due to other funds	-	-	-	22,100
Total Liabilities	<u>21,392</u>	<u>25,492</u>	<u>108,086</u>	<u>56,434</u>
Fund Balances:				
Nonspendable:				
Advances to other funds	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Highway and streets	-	-	-	-
Capital projects	-	-	27,901	-
Debt service	-	-	-	-
Endowment	-	-	-	-
CFD assessment	-	-	-	-
Committed to:				
Development projects	-	-	-	-
Downtown Redlands Business Association	172,483	-	-	-
Parking authority	-	18,145	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,977)</u>
Total Fund Balances	<u>172,483</u>	<u>18,145</u>	<u>27,901</u>	<u>(11,977)</u>
Total Liabilities and Fund Balances	<u>\$ 193,875</u>	<u>\$ 43,637</u>	<u>\$ 135,987</u>	<u>\$ 44,457</u>

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	<u>Special Revenue Funds</u>			
	<u>Neighborhood Initiative Program</u>	<u>Asset Forfeiture</u>	<u>Police Grants</u>	<u>Supplemental Law Enforcement</u>
Assets:				
Cash and investments	\$ -	\$ 435,148	\$ -	\$ 159,787
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Interest	-	-	-	-
Due from other governments	8,990	-	884,376	449
Advances to other funds	-	-	-	-
Total Assets	<u>\$ 8,990</u>	<u>\$ 435,148</u>	<u>\$ 884,376</u>	<u>\$ 160,236</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 10,892	\$ 30,912	\$ 3,317
Accrued payroll	-	-	22,934	3,627
Deferred revenues	8,990	-	371,072	-
Unearned revenues	-	-	9,758	88,689
Deposits payable	-	-	-	-
Due to other funds	8,990	-	573,279	-
Total Liabilities	<u>17,980</u>	<u>10,892</u>	<u>1,007,955</u>	<u>95,633</u>
Fund Balances:				
Nonspendable:				
Advances to other funds	-	-	-	-
Restricted for:				
Public safety	-	424,256	-	64,603
Highway and streets	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Endowment	-	-	-	-
CFD assessment	-	-	-	-
Committed to:				
Development projects	-	-	-	-
Downtown Redlands Business Association	-	-	-	-
Parking authority	-	-	-	-
Unassigned	<u>(8,990)</u>	<u>-</u>	<u>(123,579)</u>	<u>-</u>
Total Fund Balances	<u>(8,990)</u>	<u>424,256</u>	<u>(123,579)</u>	<u>64,603</u>
Total Liabilities and Fund Balances	<u>\$ 8,990</u>	<u>\$ 435,148</u>	<u>\$ 884,376</u>	<u>\$ 160,236</u>

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Special Revenue Funds</u>			
	<u>Park and Open Space</u>	<u>Arterial Street Construction</u>	<u>Traffic Signals</u>	<u>Freeway Interchanges</u>
Assets:				
Cash and investments	\$ 1,120,544	\$ 1,208,374	\$ 612,595	\$ 388,085
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Interest	-	-	-	-
Due from other governments	-	-	-	-
Advances to other funds	130,488	-	-	-
Total Assets	<u>\$ 1,251,032</u>	<u>\$ 1,208,374</u>	<u>\$ 612,595</u>	<u>\$ 388,085</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 8,194	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	18,700	-
Due to other funds	-	-	-	-
Total Liabilities	<u>8,194</u>	<u>-</u>	<u>18,700</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Advances to other funds	130,488	-	-	-
Restricted for:				
Public safety	-	-	-	-
Highway and streets	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Endowment	-	-	-	-
CFD assessment	-	-	-	-
Committed to:				
Development projects	1,112,350	1,208,374	593,895	388,085
Downtown Redlands Business Association	-	-	-	-
Parking authority	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>1,242,838</u>	<u>1,208,374</u>	<u>593,895</u>	<u>388,085</u>
Total Liabilities and Fund Balances	<u>\$ 1,251,032</u>	<u>\$ 1,208,374</u>	<u>\$ 612,595</u>	<u>\$ 388,085</u>

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Street Lighting District #1	CFD 2004-1 Assessment	Landscape Maintenance District	Disaster Recovery
Assets:				
Cash and investments	\$ 1,001	\$ 467,465	\$ 2,872	\$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	242	889	68	-
Taxes	-	-	-	-
Interest	-	-	-	-
Due from other governments	-	-	-	81,478
Advances to other funds	-	-	-	-
Total Assets	\$ 1,243	\$ 468,354	\$ 2,940	\$ 81,478
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 522	\$ 5,649	\$ 2,333	\$ 1,750
Accrued payroll	486	1,035	548	22,609
Deferred revenues	-	-	-	81,478
Unearned revenues	-	-	-	-
Deposits payable	-	72,683	-	-
Due to other funds	-	-	-	707,630
Total Liabilities	1,008	79,367	2,881	813,467
Fund Balances:				
Nonspendable:				
Advances to other funds	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Highway and streets	235	-	59	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Endowment	-	-	-	-
CFD assessment	-	388,987	-	-
Committed to:				
Development projects	-	-	-	-
Downtown Redlands Business Association	-	-	-	-
Parking authority	-	-	-	-
Unassigned	-	-	-	(731,989)
Total Fund Balances	235	388,987	59	(731,989)
Total Liabilities and Fund Balances	\$ 1,243	\$ 468,354	\$ 2,940	\$ 81,478

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds		Capital Projects Funds	
	Redevelopment Agency	Storm Drain	General Obligation Bonds - Series 1988A	Redevelopment Agency
Assets:				
Cash and investments	\$ -	\$ 2,263,105	\$ 195,747	\$ -
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Interest	-	-	-	-
Due from other governments	-	-	-	-
Advances to other funds	-	100,375	-	-
Total Assets	\$ -	\$ 2,363,480	\$ 195,747	\$ -
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 462	\$ -	\$ -
Accrued payroll	-	1,413	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	1,875	-	-
Fund Balances:				
Nonspendable:				
Advances to other funds	-	100,375	-	-
Restricted for:				
Public safety	-	-	-	-
Highway and streets	-	2,261,230	-	-
Capital projects	-	-	195,747	-
Debt service	-	-	-	-
Endowment	-	-	-	-
CFD assessment	-	-	-	-
Committed to:				
Development projects	-	-	-	-
Downtown Redlands Business Association	-	-	-	-
Parking authority	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	2,361,605	195,747	-
Total Liabilities and Fund Balances	\$ -	\$ 2,363,480	\$ 195,747	\$ -

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	Debt Service Funds			Permanent Funds
	General Debt Service	Redlands Public		Cemetery Endowment
		Improvement Corporation	Redevelopment Agency	
Assets:				
Cash and investments	\$ 1,765,141	\$ -	\$ -	\$ 1,896,578
Cash and investments with fiscal agents	1,740,911	-	-	-
Receivables:				
Accounts	-	-	-	1,263
Taxes	11,654	-	-	-
Interest	67	-	-	-
Due from other governments	-	-	-	-
Advances to other funds	-	-	-	-
Total Assets	\$ 3,517,773	\$ -	\$ -	\$ 1,897,841
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances:				
Nonspendable:				
Advances to other funds	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Highway and streets	-	-	-	-
Capital projects	-	-	-	-
Debt service	3,517,773	-	-	-
Endowment	-	-	-	1,897,841
CFD assessment	-	-	-	-
Committed to:				
Development projects	-	-	-	-
Downtown Redlands Business Association	-	-	-	-
Parking authority	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	3,517,773	-	-	1,897,841
Total Liabilities and Fund Balances	\$ 3,517,773	\$ -	\$ -	\$ 1,897,841

CITY OF REDLANDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Total Governmental Funds
Assets:	
Cash and investments	\$ 23,253,709
Cash and investments with fiscal agents	1,740,911
Receivables:	
Accounts	43,614
Taxes	227,012
Interest	67
Due from other governments	1,886,221
Advances to other funds	361,351
	<hr/>
Total Assets	\$ 27,512,885
	<hr/>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 198,797
Accrued payroll	277,863
Deferred revenues	1,347,915
Unearned revenues	131,495
Deposits payable	115,488
Due to other funds	1,311,999
	<hr/>
Total Liabilities	3,383,557
	<hr/>
Fund Balances:	
Nonspendable:	
Advances to other funds	361,351
Restricted for:	
Public safety	1,305,470
Highway and streets	2,630,006
Capital projects	9,295,074
Debt service	3,517,773
Endowment	1,897,841
CFD assessment	388,987
Committed to:	
Development projects	5,418,733
Downtown Redlands Business Association	172,483
Parking authority	18,145
Unassigned	(876,535)
	<hr/>
Total Fund Balances	24,129,328
	<hr/>
Total Liabilities and Fund Balances	\$ 27,512,885
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CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds			
	Emergency Service	Household Hazardous Waste	State Gas Tax	Measure I Sales Tax
Revenues:				
Taxes	\$ 1,084,976	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	14,523	1,997,521	930,476
Charges for services	158	113,645	-	-
Use of money and property	-	-	-	77,219
Miscellaneous	-	11,250	-	-
Total Revenues	1,085,134	139,418	1,997,521	1,007,695
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	4,098,599	125,312	-	-
Culture and recreation	-	-	-	-
Highway and streets	-	-	-	231,644
Capital outlay	-	-	-	342,712
Debt service:				
Principal retirement	33,336	-	-	-
Interest and fiscal charges	8,998	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	4,140,933	125,312	-	574,356
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,055,799)	14,106	1,997,521	433,339
Other Financing Sources (Uses):				
Transfers in	3,064,381	-	-	-
Transfers out	-	-	(1,629,039)	-
Total Other Financing Sources (Uses)	3,064,381	-	(1,629,039)	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	-	-
Net Change in Fund Balances	8,582	14,106	368,482	433,339
Fund Balances, Beginning of Year	-	205,903	-	6,617,018
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	-	205,903	-	6,617,018
Fund Balances, End of Year	\$ 8,582	\$ 220,009	\$ 368,482	\$ 7,050,357

CITY OF REDLANDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

	<u>Special Revenue Funds</u>			
	<u>Local Transportation</u>	<u>Air Quality Improvement</u>	<u>Traffic Safety</u>	<u>Open Space</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	222,293	79,037
Intergovernmental	14,549	86,840	-	-
Charges for services	-	-	-	-
Use of money and property	20,796	5,926	-	23,420
Miscellaneous	538	-	316	1,382
Total Revenues	35,883	92,766	222,609	103,839
Expenditures:				
Current:				
General government	-	15,046	687	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	1,581
Highway and streets	381,275	-	-	-
Capital outlay	746,587	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	1,127,862	15,046	687	1,581
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,091,979)	77,720	221,922	102,258
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(116,217)	-	(229,485)	-
Total Other Financing Sources (Uses)	(116,217)	-	(229,485)	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	-	-
Net Change in Fund Balances	(1,208,196)	77,720	(7,563)	102,258
Fund Balances, Beginning of Year	3,229,265	503,148	14,715	2,144,259
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	3,229,265	503,148	14,715	2,144,259
Fund Balances, End of Year	\$ 2,021,069	\$ 580,868	\$ 7,152	\$ 2,246,517

CITY OF REDLANDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			
	Downtown Redlands Business Area	Parking Authority	General Capital Improvement	Community Development Block Grant
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	8,297	-	-	-
Intergovernmental	-	-	9,165	430,131
Charges for services	272,040	-	-	-
Use of money and property	2,120	6,640	-	-
Miscellaneous	12,452	-	-	-
Total Revenues	294,909	6,640	9,165	430,131
Expenditures:				
Current:				
General government	333,247	14,758	-	74,796
Public safety	-	-	-	-
Culture and recreation	-	-	-	110,739
Highway and streets	-	-	96,152	-
Capital outlay	-	-	-	194,502
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	333,247	14,758	96,152	380,037
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,338)	(8,118)	(86,987)	50,094
Other Financing Sources (Uses):				
Transfers in	-	-	566,217	3,480
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	566,217	3,480
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	-	-
Net Change in Fund Balances	(38,338)	(8,118)	479,230	53,574
Fund Balances, Beginning of Year	210,821	26,263	(451,329)	(65,551)
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	210,821	26,263	(451,329)	(65,551)
Fund Balances, End of Year	\$ 172,483	\$ 18,145	\$ 27,901	\$ (11,977)

CITY OF REDLANDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

	<u>Special Revenue Funds</u>			
	<u>Neighborhood Initiative Program</u>	<u>Asset Forfeiture</u>	<u>Police Grants</u>	<u>Supplemental Law Enforcement</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	137,827	-	1,374,394	87,633
Charges for services	-	-	-	-
Use of money and property	-	-	-	1,449
Miscellaneous	-	308,865	37,526	-
Total Revenues	137,827	308,865	1,411,920	89,082
Expenditures:				
Current:				
General government	5,062	-	-	-
Public safety	-	195,764	1,381,600	87,653
Culture and recreation	-	-	-	-
Highway and streets	-	-	-	-
Capital outlay	137,087	86,922	204,366	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	142,149	282,686	1,585,966	87,653
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,322)	26,179	(174,046)	1,429
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	-	-
Net Change in Fund Balances	(4,322)	26,179	(174,046)	1,429
Fund Balances, Beginning of Year	(4,668)	398,077	64,651	63,174
Restatements	-	-	(14,184)	-
Fund Balances, Beginning of Year, as Restated	(4,668)	398,077	50,467	63,174
Fund Balances, End of Year	\$ (8,990)	\$ 424,256	\$ (123,579)	\$ 64,603

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds			
	Park and Open Space	Arterial Street Construction	Traffic Signals	Freeway Interchanges
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	232,689	120,317	21,827	65,481
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	12,163	12,779	6,551	3,905
Miscellaneous	-	-	-	-
Total Revenues	244,852	133,096	28,378	69,386
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	33,471	-	-	-
Highway and streets	-	2,406	437	1,310
Capital outlay	523,889	-	-	-
Debt service:				
Principal retirement	46,097	-	-	-
Interest and fiscal charges	56,423	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	659,880	2,406	437	1,310
Excess (Deficiency) of Revenues Over (Under) Expenditures	(415,028)	130,690	27,941	68,076
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(450,821)	-	-	-
Total Other Financing Sources (Uses)	(450,821)	-	-	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	-	-
Net Change in Fund Balances	(865,849)	130,690	27,941	68,076
Fund Balances, Beginning of Year	2,108,687	1,077,684	565,954	320,009
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	2,108,687	1,077,684	565,954	320,009
Fund Balances, End of Year	\$ 1,242,838	\$ 1,208,374	\$ 593,895	\$ 388,085

CITY OF REDLANDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Street Lighting District #1	CFD 2004-1 Assessment	Landscape Maintenance District	Disaster Recovery
Revenues:				
Taxes	\$ 25,514	\$ 120,458	\$ 28,582	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	149,285
Charges for services	-	-	-	-
Use of money and property	-	5,872	-	-
Miscellaneous	-	-	-	-
Total Revenues	25,514	126,330	28,582	149,285
Expenditures:				
Current:				
General government	-	72,061	39,652	54,009
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Highway and streets	5,727	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	5,727	72,061	39,652	54,009
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,787	54,269	(11,070)	95,276
Other Financing Sources (Uses):				
Transfers in	-	-	11,129	15,304
Transfers out	(19,552)	(109,000)	-	-
Total Other Financing Sources (Uses)	(19,552)	(109,000)	11,129	15,304
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	-	-
Net Change in Fund Balances	235	(54,731)	59	110,580
Fund Balances, Beginning of Year	-	443,718	-	(842,569)
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	-	443,718	-	(842,569)
Fund Balances, End of Year	\$ 235	\$ 388,987	\$ 59	\$ (731,989)

CITY OF REDLANDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds		
	Redevelopment Agency	Storm Drain	General Obligation Bonds - Series 1988A	Redevelopment Agency
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	5,629	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	(293)	25,157	2,130	9,831
Miscellaneous	-	385	-	-
Total Revenues	(293)	31,171	2,130	9,831
Expenditures:				
Current:				
General government	211,087	-	-	473,887
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Highway and streets	-	77,349	-	-
Capital outlay	-	27,871	-	6,017
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	211,087	105,220	-	479,904
Excess (Deficiency) of Revenues Over (Under) Expenditures	(211,380)	(74,049)	2,130	(470,073)
Other Financing Sources (Uses):				
Transfers in	787,720	-	-	623,252
Transfers out	(789,607)	-	-	(197,289)
Total Other Financing Sources (Uses)	(1,887)	-	-	425,963
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	(210,766)	-	-	(108,298)
Net Change in Fund Balances	(424,033)	(74,049)	2,130	(152,408)
Fund Balances, Beginning of Year	424,033	2,435,654	193,617	152,408
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	424,033	2,435,654	193,617	152,408
Fund Balances, End of Year	\$ -	\$ 2,361,605	\$ 195,747	\$ -

CITY OF REDLANDS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

	Debt Service Funds			Permanent Funds
	General Debt Service	Redlands Public Improvement Corporation	Redevelopment Agency	Cemetery Endowment
Revenues:				
Taxes	\$ 727,865	\$ -	\$ 3,928,752	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	19,695	-	75,719	-
Miscellaneous	-	-	-	58,424
Total Revenues	747,560	-	4,004,471	58,424
Expenditures:				
Current:				
General government	-	-	7,186	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Highway and streets	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	1,715,000	1,525,000	2,060,000	-
Interest and fiscal charges	1,363,576	387,894	858,584	-
Pass-through agreement payments	-	-	524,481	-
Total Expenditures	3,078,576	1,912,894	3,450,251	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,331,016)	(1,912,894)	554,220	58,424
Other Financing Sources (Uses):				
Transfers in	2,576,244	1,912,894	740,284	-
Transfers out	-	-	(1,410,972)	-
Total Other Financing Sources (Uses)	2,576,244	1,912,894	(670,688)	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	-	-	(5,134,388)	-
Net Change in Fund Balances	245,228	-	(5,250,856)	58,424
Fund Balances, Beginning of Year	3,272,545	-	5,250,856	1,839,417
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	3,272,545	-	5,250,856	1,839,417
Fund Balances, End of Year	\$ 3,517,773	\$ -	\$ -	\$ 1,897,841

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Total Governmental Funds
Revenues:	
Taxes	\$ 5,916,147
Licenses and permits	755,570
Intergovernmental	5,232,344
Charges for services	385,843
Use of money and property	311,079
Miscellaneous	431,138
	<hr/>
Total Revenues	13,032,121
	<hr/>
Expenditures:	
Current:	
General government	1,301,478
Public safety	5,888,928
Culture and recreation	145,791
Highway and streets	796,300
Capital outlay	2,269,953
Debt service:	
Principal retirement	5,379,433
Interest and fiscal charges	2,675,475
Pass-through agreement payments	524,481
	<hr/>
Total Expenditures	18,981,839
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,949,718)
	<hr/>
Other Financing Sources (Uses):	
Transfers in	10,300,905
Transfers out	(4,951,982)
	<hr/>
Total Other Financing Sources (Uses)	5,348,923
	<hr/>
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 18)	(5,453,452)
	<hr/>
Net Change in Fund Balances	(6,054,247)
	<hr/>
Fund Balances, Beginning of Year	30,197,759
Restatements	(14,184)
	<hr/>
Fund Balances, Beginning of Year, as Restated	30,183,575
	<hr/>
Fund Balances, End of Year	\$ 24,129,328
	<hr/> <hr/>

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
EMERGENCY SERVICE
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes	1,065,000	1,100,000	1,084,976	(15,024)
Charges for services	1,000	160	158	(2)
Transfers in	-	3,064,528	3,064,381	(147)
Amounts Available for Appropriation	1,066,000	4,164,688	4,149,515	(15,173)
Charges to Appropriation (Outflow):				
Public safety	3,957,571	4,122,354	4,098,599	23,755
Capital outlay	46,044	-	-	-
Debt service:				
Principal retirement	-	33,336	33,336	-
Interest and fiscal charges	-	8,998	8,998	-
Total Charges to Appropriations	4,003,615	4,164,688	4,140,933	23,755
Budgetary Fund Balance, June 30	\$ (2,937,615)	\$ -	\$ 8,582	\$ 8,582

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
HOUSEHOLD HAZARDOUS WASTE
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 205,903	\$ 205,903	\$ 205,903	\$ -
Resources (Inflows):				
Intergovernmental	5,000	9,265	14,523	5,258
Charges for services	105,000	99,215	113,645	14,430
Miscellaneous	-	11,250	11,250	-
Amounts Available for Appropriation	315,903	325,633	345,321	19,688
Charges to Appropriation (Outflow):				
Public safety	146,897	120,977	125,312	(4,335)
Total Charges to Appropriations	146,897	120,977	125,312	(4,335)
Budgetary Fund Balance, June 30	\$ 169,006	\$ 204,656	\$ 220,009	\$ 15,353

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	1,927,849	1,855,786	1,997,521	141,735
Amounts Available for Appropriation	1,927,849	1,855,786	1,997,521	141,735
Charges to Appropriation (Outflow):				
Transfers out	-	1,855,786	1,629,039	226,747
Total Charges to Appropriations	-	1,855,786	1,629,039	226,747
Budgetary Fund Balance, June 30	\$ 1,927,849	\$ -	\$ 368,482	\$ 368,482

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
MEASURE I SALES TAX
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 6,617,018	\$ 6,617,018	\$ 6,617,018	\$ -
Resources (Inflows):				
Intergovernmental	818,000	875,000	930,476	55,476
Use of money and property	80,000	15,000	77,219	62,219
Amounts Available for Appropriation	7,515,018	7,507,018	7,624,713	117,695
Charges to Appropriation (Outflow):				
Highway and streets	223,576	247,983	231,644	16,339
Capital outlay	443,804	2,126,041	342,712	1,783,329
Total Charges to Appropriations	667,380	2,374,024	574,356	1,799,668
Budgetary Fund Balance, June 30	\$ 6,847,638	\$ 5,132,994	\$ 7,050,357	\$ 1,917,363

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
LOCAL TRANSPORTATION
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 3,229,265	\$ 3,229,265	\$ 3,229,265	\$ -
Resources (Inflows):				
Intergovernmental	-	3,269,381	14,549	(3,254,832)
Use of money and property	85,000	30,000	20,796	(9,204)
Miscellaneous	-	-	538	538
Amounts Available for Appropriation	3,314,265	6,528,646	3,265,148	(3,263,498)
Charges to Appropriation (Outflow):				
Highway and streets	220,007	423,135	381,275	41,860
Capital outlay	2,015,300	1,065,567	746,587	318,980
Transfers out	-	30,946	116,217	(85,271)
Total Charges to Appropriations	2,235,307	1,519,648	1,244,079	275,569
Budgetary Fund Balance, June 30	\$ 1,078,958	\$ 5,008,998	\$ 2,021,069	\$ (2,987,929)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY IMPROVEMENT
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 503,148	\$ 503,148	\$ 503,148	\$ -
Resources (Inflows):				
Intergovernmental	81,000	81,000	86,840	5,840
Use of money and property	4,500	4,500	5,926	1,426
Amounts Available for Appropriation	588,648	588,648	595,914	7,266
Charges to Appropriation (Outflow):				
General government	-	44,969	15,046	29,923
Capital outlay	-	90,000	-	90,000
Total Charges to Appropriations	-	134,969	15,046	119,923
Budgetary Fund Balance, June 30	\$ 588,648	\$ 453,679	\$ 580,868	\$ 127,189

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 14,715	\$ 14,715	\$ 14,715	\$ -
Resources (Inflows):				
Licenses and permits	222,000	221,500	222,293	793
Miscellaneous	200	300	316	16
Amounts Available for Appropriation	236,915	236,515	237,324	809
Charges to Appropriation (Outflow):				
General government	500	750	687	63
Transfers out	-	221,050	229,485	(8,435)
Total Charges to Appropriations	500	221,800	230,172	(8,372)
Budgetary Fund Balance, June 30	\$ 236,415	\$ 14,715	\$ 7,152	\$ (7,563)

CITY OF REDLANDS

BUDGETARY COMPARISON SCHEDULE
 OPEN SPACE
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,144,259	\$ 2,144,259	\$ 2,144,259	\$ -
Resources (Inflows):				
Licenses and permits	25,000	30,000	79,037	49,037
Use of money and property	30,000	20,000	23,420	3,420
Miscellaneous	-	1,382	1,382	-
Amounts Available for Appropriation	2,199,259	2,195,641	2,248,098	52,457
Charges to Appropriation (Outflow):				
Culture and recreation	6,000	6,000	1,581	4,419
Total Charges to Appropriations	6,000	6,000	1,581	4,419
Budgetary Fund Balance, June 30	\$ 2,193,259	\$ 2,189,641	\$ 2,246,517	\$ 56,876

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
DOWNTOWN REDLANDS BUSINESS AREA
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 210,821	\$ 210,821	\$ 210,821	\$ -
Resources (Inflows):				
Licenses and permits	52,000	7,250	8,297	1,047
Charges for services	240,000	263,550	272,040	8,490
Use of money and property	1,000	1,000	2,120	1,120
Miscellaneous	17,000	18,869	12,452	(6,417)
Amounts Available for Appropriation	520,821	501,490	505,730	4,240
Charges to Appropriation (Outflow):				
General government	477,514	352,209	333,247	18,962
Total Charges to Appropriations	477,514	352,209	333,247	18,962
Budgetary Fund Balance, June 30	\$ 43,307	\$ 149,281	\$ 172,483	\$ 23,202

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
PARKING AUTHORITY
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 26,263	\$ 26,263	\$ 26,263	\$ -
Resources (Inflows):				
Use of money and property	7,500	6,860	6,640	(220)
Amounts Available for Appropriation	33,763	33,123	32,903	(220)
Charges to Appropriation (Outflow):				
General government	10,897	15,181	14,758	423
Total Charges to Appropriations	10,897	15,181	14,758	423
Budgetary Fund Balance, June 30	\$ 22,866	\$ 17,942	\$ 18,145	\$ 203

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (451,329)	\$ (451,329)	\$ (451,329)	\$ -
Resources (Inflows):				
Intergovernmental	-	1,648,870	9,165	(1,639,705)
Miscellaneous	-	10,000	-	(10,000)
Transfers in	-	30,946	566,217	535,271
Amounts Available for Appropriation	(451,329)	1,238,487	124,053	(1,114,434)
Charges to Appropriation (Outflow):				
Highway and streets	-	72,514	96,152	(23,638)
Capital outlay	-	1,615,973	-	1,615,973
Total Charges to Appropriations	-	1,688,487	96,152	1,592,335
Budgetary Fund Balance, June 30	\$ (451,329)	\$ (450,000)	\$ 27,901	\$ 477,901

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (65,551)	\$ (65,551)	\$ (65,551)	\$ -
Resources (Inflows):				
Intergovernmental	512,082	555,417	430,131	(125,286)
Transfers in	-	-	3,480	3,480
Amounts Available for Appropriation	446,531	489,866	368,060	(121,806)
Charges to Appropriation (Outflow):				
General government	75,041	75,041	74,796	245
Culture and recreation	120,564	120,564	110,739	9,825
Capital outlay	316,437	294,261	194,502	99,759
Total Charges to Appropriations	512,042	489,866	380,037	109,829
Budgetary Fund Balance, June 30	\$ (65,511)	\$ -	\$ (11,977)	\$ (11,977)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
NEIGHBORHOOD INITIATIVE PROGRAM
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (4,668)	\$ (4,668)	\$ (4,668)	\$ -
Resources (Inflows):				
Intergovernmental	-	150,000	137,827	(12,173)
Amounts Available for Appropriation	(4,668)	145,332	133,159	(12,173)
Charges to Appropriation (Outflow):				
General government	-	5,003	5,062	(59)
Capital outlay	-	140,467	137,087	3,380
Total Charges to Appropriations	-	145,470	142,149	3,321
Budgetary Fund Balance, June 30	\$ (4,668)	\$ (138)	\$ (8,990)	\$ (8,852)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 398,077	\$ 398,077	\$ 398,077	\$ -
Resources (Inflows):				
Miscellaneous	175,000	127,600	308,865	181,265
Amounts Available for Appropriation	573,077	525,677	706,942	181,265
Charges to Appropriation (Outflow):				
Public safety	149,200	204,215	195,764	8,451
Capital outlay	25,800	76,144	86,922	(10,778)
Total Charges to Appropriations	175,000	280,359	282,686	(2,327)
Budgetary Fund Balance, June 30	\$ 398,077	\$ 245,318	\$ 424,256	\$ 178,938

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
POLICE GRANTS
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, as restated	\$ 50,467	\$ 50,467	\$ 50,467	\$ -
Resources (Inflows):				
Intergovernmental	-	4,672,931	1,374,394	(3,298,537)
Miscellaneous	-	37,199	37,526	327
Amounts Available for Appropriation	50,467	4,760,597	1,462,387	(3,298,210)
Charges to Appropriation (Outflow):				
Public safety	-	4,662,488	1,381,600	3,280,888
Capital outlay	-	112,295	204,366	(92,071)
Total Charges to Appropriations	-	4,774,783	1,585,966	3,188,817
Budgetary Fund Balance, June 30	\$ 50,467	\$ (14,186)	\$ (123,579)	\$ (109,393)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 63,174	\$ 63,174	\$ 63,174	\$ -
Resources (Inflows):				
Intergovernmental	100,000	150,000	87,633	(62,367)
Use of money and property	831	500	1,449	949
Amounts Available for Appropriation	164,005	213,674	152,256	(61,418)
Charges to Appropriation (Outflow):				
Public safety	100,000	101,462	87,653	13,809
Total Charges to Appropriations	100,000	101,462	87,653	13,809
Budgetary Fund Balance, June 30	\$ 64,005	\$ 112,212	\$ 64,603	\$ (47,609)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
PARK AND OPEN SPACE
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 2,108,687	\$ 2,108,687	\$ 2,108,687	\$ -
Resources (Inflows):				
Licenses and permits	75,000	80,000	232,689	152,689
Use of money and property	35,000	20,000	12,163	(7,837)
Amounts Available for Appropriation	2,218,687	2,208,687	2,353,539	144,852
Charges to Appropriation (Outflow):				
Culture and recreation	7,433	28,031	33,471	(5,440)
Capital outlay	-	521,904	523,889	(1,985)
Debt service:				
Principal retirement	46,097	46,097	46,097	-
Interest and fiscal charges	56,423	56,423	56,423	-
Transfers out	-	-	450,821	(450,821)
Total Charges to Appropriations	109,953	652,455	1,110,701	(458,246)
Budgetary Fund Balance, June 30	\$ 2,108,734	\$ 1,556,232	\$ 1,242,838	\$ (313,394)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
ARTERIAL STREET CONSTRUCTION
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,077,684	\$ 1,077,684	\$ 1,077,684	\$ -
Resources (Inflows):				
Licenses and permits	60,000	85,000	120,317	35,317
Use of money and property	15,000	12,000	12,779	779
Amounts Available for Appropriation	1,152,684	1,174,684	1,210,780	36,096
Charges to Appropriation (Outflow):				
Highway and streets	1,500	1,500	2,406	(906)
Total Charges to Appropriations	1,500	1,500	2,406	(906)
Budgetary Fund Balance, June 30	\$ 1,151,184	\$ 1,173,184	\$ 1,208,374	\$ 35,190

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SIGNALS
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 565,954	\$ 565,954	\$ 565,954	\$ -
Resources (Inflows):				
Licenses and permits	15,300	16,000	21,827	5,827
Use of money and property	7,500	6,000	6,551	551
Amounts Available for Appropriation	588,754	587,954	594,332	6,378
Charges to Appropriation (Outflow):				
Highway and streets	350	350	437	(87)
Total Charges to Appropriations	350	350	437	(87)
Budgetary Fund Balance, June 30	\$ 588,404	\$ 587,604	\$ 593,895	\$ 6,291

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
 FREEWAY INTERCHANGES
 YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 320,009	\$ 320,009	\$ 320,009	\$ -
Resources (Inflows):				
Licenses and permits	47,200	47,000	65,481	18,481
Use of money and property	5,000	4,000	3,905	(95)
Amounts Available for Appropriation	372,209	371,009	389,395	18,386
Charges to Appropriation (Outflow):				
Highway and streets	1,000	1,000	1,310	(310)
Total Charges to Appropriations	1,000	1,000	1,310	(310)
Budgetary Fund Balance, June 30	\$ 371,209	\$ 370,009	\$ 388,085	\$ 18,076

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING DISTRICT #1
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes	25,000	26,000	25,514	(486)
Amounts Available for Appropriation	25,000	26,000	25,514	(486)
Charges to Appropriation (Outflow):				
Highway and streets	14,597	14,590	5,727	8,863
Transfers out	-	-	19,552	(19,552)
Total Charges to Appropriations	14,597	14,590	25,279	(10,689)
Budgetary Fund Balance, June 30	\$ 10,403	\$ 11,410	\$ 235	\$ (11,175)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
CFD 2004-1 ASSESSMENT
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 443,718	\$ 443,718	\$ 443,718	\$ -
Resources (Inflows):				
Taxes	110,000	115,000	120,458	5,458
Use of money and property	5,500	5,000	5,872	872
Amounts Available for Appropriation	559,218	563,718	570,048	6,330
Charges to Appropriation (Outflow):				
General government	158,680	70,527	72,061	(1,534)
Transfers out	-	109,000	109,000	-
Total Charges to Appropriations	158,680	179,527	181,061	(1,534)
Budgetary Fund Balance, June 30	\$ 400,538	\$ 384,191	\$ 388,987	\$ 4,796

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
LANDSCAPE MAINTENANCE DISTRICT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Taxes	30,000	30,000	28,582	(1,418)
Transfers in	-	-	11,129	11,129
Amounts Available for Appropriation	30,000	30,000	39,711	9,711
Charges to Appropriation (Outflow):				
General government	29,807	36,307	39,652	(3,345)
Total Charges to Appropriations	29,807	36,307	39,652	(3,345)
Budgetary Fund Balance, June 30	\$ 193	\$ (6,307)	\$ 59	\$ 6,366

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
DISASTER RECOVERY
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (842,569)	\$ (842,569)	\$ (842,569)	\$ -
Resources (Inflows):				
Intergovernmental	-	184,646	149,285	(35,361)
Transfers in	-	-	15,304	15,304
Amounts Available for Appropriation	<u>(842,569)</u>	<u>(657,923)</u>	<u>(677,980)</u>	<u>(20,057)</u>
Charges to Appropriation (Outflow):				
General government	-	41,652	54,009	(12,357)
Capital outlay	-	55,881	-	55,881
Total Charges to Appropriations	<u>-</u>	<u>97,533</u>	<u>54,009</u>	<u>43,524</u>
Budgetary Fund Balance, June 30	<u>\$ (842,569)</u>	<u>\$ (755,456)</u>	<u>\$ (731,989)</u>	<u>\$ 23,467</u>

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY - SPECIAL REVENUE
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 424,033	\$ 424,033	\$ 424,033	\$ -
Resources (Inflows):				
Use of money and property	6,000	-	(293)	(293)
Transfers in	-	787,720	787,720	-
Amounts Available for Appropriation	430,033	1,211,753	1,211,460	(293)
Charges to Appropriation (Outflow):				
General government	586,217	251,213	211,087	40,126
Transfers out	-	789,607	789,607	-
Extraordinary loss on dissolution of redevelopment agency	-	-	210,766	(210,766)
Total Charges to Appropriations	586,217	1,040,820	1,211,460	(170,640)
Budgetary Fund Balance, June 30	\$ (156,184)	\$ 170,933	\$ -	\$ (170,933)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
STORM DRAIN CONSTRUCTION
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,435,654	\$ 2,435,654	\$ 2,435,654	\$ -
Resources (Inflows):				
Licenses and permits	7,400	8,500	5,629	(2,871)
Use of money and property	38,000	15,000	25,157	10,157
Miscellaneous	-	385	385	-
Amounts Available for Appropriation	2,481,054	2,459,539	2,466,825	7,286
Charges to Appropriation (Outflow):				
Highway and streets	23,400	75,751	77,349	(1,598)
Capital outlay	205,040	117,228	27,871	89,357
Total Charges to Appropriations	228,440	192,979	105,220	87,759
Budgetary Fund Balance, June 30	\$ 2,252,614	\$ 2,266,560	\$ 2,361,605	\$ 95,045

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
 GENERAL OBLIGATION BONDS - SERIES 1998A
 YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 193,617	\$ 193,617	\$ 193,617	\$ -
Resources (Inflows):				
Use of money and property	2,500	2,000	2,130	130
Amounts Available for Appropriation	196,117	195,617	195,747	130
Budgetary Fund Balance, June 30	\$ 196,117	\$ 195,617	\$ 195,747	\$ 130

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY - CAPITAL PROJECT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 152,408	\$ 152,408	\$ 152,408	\$ -
Resources (Inflows):				
Use of money and property	24,438	16,482	9,831	(6,651)
Transfers in	-	868,967	623,252	(245,715)
	176,846	1,037,857	785,491	(252,366)
Amounts Available for Appropriation				
Charges to Appropriation (Outflow):				
General government	1,132,828	666,950	473,887	193,063
Capital outlay	-	12,652	6,017	6,635
Transfers out	-	197,289	197,289	-
Extraordinary loss on dissolution of redevelopment agency	-	-	108,298	(108,298)
	1,132,828	876,891	785,491	91,400
Total Charges to Appropriations				
Budgetary Fund Balance, June 30	\$ (955,982)	\$ 160,966	\$ -	\$ (160,966)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
GENERAL DEBT SERVICE
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,272,545	\$ 3,272,545	\$ 3,272,545	\$ -
Resources (Inflows):				
Taxes	645,000	663,000	727,865	64,865
Use of money and property	25,000	15,000	19,695	4,695
Transfers in	-	2,464,745	2,576,244	111,499
Amounts Available for Appropriation	3,942,545	6,415,290	6,596,349	181,059
Charges to Appropriation (Outflow):				
Debt service:				
Principal retirement	1,715,000	1,715,000	1,715,000	-
Interest and fiscal charges	1,364,937	1,364,237	1,363,576	661
Total Charges to Appropriations	3,079,937	3,079,237	3,078,576	661
Budgetary Fund Balance, June 30	\$ 862,608	\$ 3,336,053	\$ 3,517,773	\$ 181,720

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
 REDLANDS PUBLIC IMPROVEMENT CORPORATION
 YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Transfers in	-	1,913,444	1,912,894	(550)
Amounts Available for Appropriation	-	1,913,444	1,912,894	(550)
Charges to Appropriation (Outflow):				
Debt service:				
Principal retirement	1,525,000	1,525,000	1,525,000	-
Interest and fiscal charges	388,444	388,444	387,894	550
Total Charges to Appropriations	1,913,444	1,913,444	1,912,894	550
Budgetary Fund Balance, June 30	\$ (1,913,444)	\$ -	\$ -	\$ -

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY - DEBT SERVICE
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,250,856	\$ 5,250,856	\$ 5,250,856	\$ -
Resources (Inflows):				
Taxes	6,498,700	3,928,752	3,928,752	-
Use of money and property	100,000	17,690	75,719	58,029
Transfers in	-	740,284	740,284	-
Amounts Available for Appropriation	11,849,556	9,937,582	9,995,611	58,029
Charges to Appropriation (Outflow):				
General government	-	-	7,186	(7,186)
Debt service:				
Principal retirement	2,060,000	2,060,000	2,060,000	-
Interest and fiscal charges	1,520,625	1,516,125	858,584	657,541
Pass-through agreement payments	915,628	524,481	524,481	-
Transfers out	-	1,656,687	1,410,972	245,715
Extraordinary loss on dissolution of redevelopment agency	-	-	5,134,388	(5,134,388)
Total Charges to Appropriations	4,496,253	5,757,293	9,995,611	(4,238,318)
Budgetary Fund Balance, June 30	\$ 7,353,303	\$ 4,180,289	\$ -	\$ (4,180,289)

CITY OF REDLANDS

**BUDGETARY COMPARISON SCHEDULE
CEMETERY ENDOWMENT
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,839,417	\$ 1,839,417	\$ 1,839,417	\$ -
Resources (Inflows):				
Miscellaneous	60,000	60,000	58,424	(1,576)
Amounts Available for Appropriation	1,899,417	1,899,417	1,897,841	(1,576)
Budgetary Fund Balance, June 30	\$ 1,899,417	\$ 1,899,417	\$ 1,897,841	\$ (1,576)

CITY OF REDLANDS

**COMBINING STATEMENT OF NET ASSETS
 NON-MAJOR PROPRIETARY FUNDS
 JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds				Totals
	Groves	Non-Potable Water	Cemetery	Aviation	
Assets:					
Current:					
Cash and investments	\$ -	\$ 1,023,786	\$ 650,835	\$ 217,848	\$ 1,892,469
Receivables:					
Accounts	66,567	-	68,208	40,085	174,860
Due from other governments	-	-	-	45,476	45,476
Total Current Assets	66,567	1,023,786	719,043	303,409	2,112,805
Noncurrent:					
Capital assets - net of accumulated depreciation	16,375,957	-	652,331	3,616,717	20,645,005
Total Noncurrent Assets	16,375,957	-	652,331	3,616,717	20,645,005
Total Assets	\$ 16,442,524	\$ 1,023,786	\$ 1,371,374	\$ 3,920,126	\$ 22,757,810
Liabilities and Net Assets:					
Liabilities:					
Current:					
Accounts payable	\$ 31,552	\$ -	\$ 5,022	\$ 3,805	\$ 40,379
Accrued payroll	946	2,611	16,426	5,490	25,473
Deposits payable	-	-	669,275	1,431	670,706
Due to other funds	60,934	-	-	-	60,934
Accrued compensated absences	-	-	6,637	-	6,637
Total Current Liabilities	93,432	2,611	697,360	10,726	804,129
Noncurrent:					
Advances from other funds	200,750	-	1,215,586	1,266,302	2,682,638
Accrued compensated absences	-	-	6,637	-	6,637
OPEB obligation	-	-	62,953	-	62,953
Total Noncurrent Liabilities	200,750	-	1,285,176	1,266,302	2,752,228
Total Liabilities	294,182	2,611	1,982,536	1,277,028	3,556,357
Net Assets:					
Invested in capital assets, net of related debt	16,375,957	-	652,331	3,616,717	20,645,005
Unrestricted	(227,615)	1,021,175	(1,263,493)	(973,619)	(1,443,552)
Total Net Assets	16,148,342	1,021,175	(611,162)	2,643,098	19,201,453
Total Liabilities and Net Assets	\$ 16,442,524	\$ 1,023,786	\$ 1,371,374	\$ 3,920,126	\$ 22,757,810

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds				Totals
	Groves	Non-Potable Water	Cemetery	Aviation	
Operating Revenues:					
Sales and service charges	\$ 778,378	\$ 474,349	\$ 311,420	\$ -	\$ 1,564,147
Miscellaneous	495	-	76,442	288,062	364,999
Total Operating Revenues	778,873	474,349	387,862	288,062	1,929,146
Operating Expenses:					
Administration and general	921,349	50,709	196,753	142,001	1,310,812
Utility plant operations	-	75,530	-	-	75,530
Transmission, distribution & treatment	-	10,702	-	-	10,702
Depreciation expense	-	-	620	106,220	106,840
Personnel services	18,306	65,993	276,885	91,163	452,347
Repairs and maintenance	-	956	38,724	419	40,099
Total Operating Expenses	939,655	203,890	512,982	339,803	1,996,330
Operating Income (Loss)	(160,782)	270,459	(125,120)	(51,741)	(67,184)
Nonoperating Revenues (Expenses):					
Intergovernmental	66	-	-	-	66
Interest revenue	1,280	11,766	13,258	3,004	29,308
Interest expense	(750)	-	(4,560)	(5,198)	(10,508)
Miscellaneous income	-	-	47,624	42,793	90,417
Property taxes	-	-	-	37,808	37,808
Grants	-	-	-	307,622	307,622
Total Nonoperating Revenues (Expenses)	596	11,766	56,322	386,029	454,713
Changes in Net Assets	(160,186)	282,225	(68,798)	334,288	387,529
Net Assets:					
Beginning of Year	16,308,528	738,950	(542,364)	2,308,810	18,813,924
End of Fiscal Year	\$ 16,148,342	\$ 1,021,175	\$ (611,162)	\$ 2,643,098	\$ 19,201,453

CITY OF REDLANDS

**COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds				Totals
	Groves	Non-Potable Water	Cemetery	Aviation	
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 712,306	\$ 474,349	\$ 379,720	\$ 286,690	\$ 1,853,065
Cash paid to suppliers for goods and services	(3,410)	(153,181)	(329,797)	(92,052)	(578,440)
Cash paid to employees for services	(920,857)	(48,599)	(172,389)	(137,100)	(1,278,945)
Net Cash Provided (Used) by Operating Activities	(211,961)	272,569	(122,466)	57,538	(4,320)
Cash Flows from Non-Capital Financing Activities:					
Cash received from other activities	-	-	47,624	42,793	90,417
Repayment made to other funds	60,934	-	-	-	60,934
Advance from other funds	750	-	(440)	(119,802)	(119,492)
Intergovernmental	66	-	-	(7,131)	(7,065)
Grants received	-	-	-	307,622	307,622
Net Cash Provided (Used) by Non-Capital Financing Activities	61,750	-	47,184	223,482	332,416
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	-	-	-	(328,477)	(328,477)
Interest paid on long-term debt	(750)	-	(4,560)	(5,198)	(10,508)
Net Cash Provided (Used) by Capital and Related Financing Activities	(750)	-	(4,560)	(333,675)	(338,985)
Cash Flows from Investing Activities:					
Interest received	1,280	11,766	13,258	3,004	29,308
Net Cash Provided (Used) by Investing Activities	1,280	11,766	13,258	3,004	29,308
Net Increase (Decrease) in Cash and Cash Equivalents	(149,681)	284,335	(66,584)	(49,651)	18,419
Cash and Cash Equivalents at Beginning of Year	149,681	739,451	717,419	267,499	1,874,050
Cash and Cash Equivalents at End of Year	\$ -	\$ 1,023,786	\$ 650,835	\$ 217,848	\$ 1,892,469
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	(160,782)	270,459	(125,120)	(51,741)	(67,184)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	-	-	620	106,220	106,840
(Increase) decrease in accounts receivable	(66,567)	-	(8,142)	(1,372)	(76,081)
Increase (decrease) in accounts payable	14,896	-	(1,334)	(470)	13,092
Increase (decrease) in accrued payroll	492	2,110	2,772	4,901	10,275
Increase (decrease) in deposits payable	-	-	(12,854)	-	(12,854)
Increase (decrease) in net OPEB obligation	-	-	18,883	-	18,883
Increase (decrease) in compensated absences	-	-	2,709	-	2,709
Total Adjustments	(51,179)	2,110	2,654	109,279	62,864
Net Cash Provided (Used) by Operating Activities	\$ (211,961)	\$ 272,569	\$ (122,466)	\$ 57,538	\$ (4,320)

CITY OF REDLANDS

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012**

	Governmental Activities - Internal Service Funds			
	Liability Self- Insurance	Information Technology	Workers' Compensation Self-Insurance	Equipment Maintenance
Assets:				
Current:				
Cash and investments	\$ 1,011,437	\$ 456,788	\$ 1,056,964	\$ 252,148
Receivables:				
Accounts	135	-	-	50,297
Inventories	-	-	-	191,749
Total Current Assets	1,011,572	456,788	1,056,964	494,194
Noncurrent:				
Capital assets - net of accumulated depreciation	-	50,284	-	120,202
Total Noncurrent Assets	-	50,284	-	120,202
Total Assets	\$ 1,011,572	\$ 507,072	\$ 1,056,964	\$ 614,396
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 34,273	\$ 41,609	\$ 69,887	\$ 247,303
Accrued payroll	6,074	48,968	9,313	41,944
Accrued compensated absences	42,782	73,779	-	49,988
Accrued claims and judgments	417,500	-	1,203,500	-
Total Current Liabilities	500,629	164,356	1,282,700	339,235
Noncurrent:				
Accrued compensated absences	42,781	73,778	-	49,988
Accrued claims and judgments	417,500	-	1,203,500	-
Net OPEB obligation	29,573	511,379	79	422,415
Total Noncurrent Liabilities	489,854	585,157	1,203,579	472,403
Total Liabilities	990,483	749,513	2,486,279	811,638
Net Assets:				
Invested in capital assets, net of related debt	-	50,284	-	120,202
Unrestricted	21,089	(292,725)	(1,429,315)	(317,444)
Total Net Assets	21,089	(242,441)	(1,429,315)	(197,242)
Total Liabilities and Net Assets	\$ 1,011,572	\$ 507,072	\$ 1,056,964	\$ 614,396

CITY OF REDLANDS

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2012**

	Governmental Activities - Internal Service Funds		
	Utility Billing	Payroll Clearing	Totals
Assets:			
Current:			
Cash and investments	\$ 1,449,283	\$ 67,199	\$ 4,293,819
Receivables:			
Accounts	4,109	-	54,541
Inventories	-	-	191,749
Total Current Assets	1,453,392	67,199	4,540,109
Noncurrent:			
Capital assets - net of accumulated depreciation	-	-	170,486
Total Noncurrent Assets	-	-	170,486
Total Assets	\$ 1,453,392	\$ 67,199	\$ 4,710,595
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 2,994	\$ 67,199	\$ 463,265
Accrued payroll	39,495	-	145,794
Accrued compensated absences	38,456	-	205,005
Accrued claims and judgments	-	-	1,621,000
Total Current Liabilities	80,945	67,199	2,435,064
Noncurrent:			
Accrued compensated absences	38,455	-	205,002
Accrued claims and judgments	-	-	1,621,000
Net OPEB obligation	376,422	-	1,339,868
Total Noncurrent Liabilities	414,877	-	3,165,870
Total Liabilities	495,822	67,199	5,600,934
Net Assets:			
Invested in capital assets, net of related debt	-	-	170,486
Unrestricted	957,570	-	(1,060,825)
Total Net Assets	957,570	-	(890,339)
Total Liabilities and Net Assets	\$ 1,453,392	\$ 67,199	\$ 4,710,595

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011**

	Governmental Activities - Internal Service Funds			
	Liability Self- Insurance	Information Technology	Workers' Compensation Self-Insurance	Equipment Maintenance
Operating Revenues:				
Sales and service charges	\$ -	\$ 1,945,275	\$ 363,774	\$ 4,004,448
Miscellaneous	21,263	150	1,360	614
Total Operating Revenues	21,263	1,945,425	365,134	4,005,062
Operating Expenses:				
Administration and general	826,248	857,131	1,527,960	1,007,049
Depreciation expense	-	11,839	-	9,301
Personnel services	119,018	1,046,644	426,632	696,681
Repairs and maintenance	-	-	-	2,216,646
Premiums paid out	296,800	-	90,982	-
Total Operating Expenses	1,242,066	1,915,614	2,045,574	3,929,677
Operating Income (Loss)	(1,220,803)	29,811	(1,680,440)	75,385
Nonoperating Revenues (Expenses):				
Interest revenue	5,219	5,833	10,716	2,029
Total Nonoperating Revenues (Expenses)	5,219	5,833	10,716	2,029
Income (Loss) Before Transfers	(1,215,584)	35,644	(1,669,724)	77,414
Transfers in	857,000	-	-	-
Transfers out	-	-	-	-
Changes in Net Assets	(358,584)	35,644	(1,669,724)	77,414
Net Assets:				
Beginning of Year, as originally reported	379,673	(278,085)	240,409	(286,198)
Restatements	-	-	-	11,542
Beginning of Fiscal Year, as restated	379,673	(278,085)	240,409	(274,656)
End of Fiscal Year	\$ 21,089	\$ (242,441)	\$ (1,429,315)	\$ (197,242)

CITY OF REDLANDS

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011**

	Governmental Activities - Internal Service Funds		
	Utility Billing	Payroll Clearing	Totals
Operating Revenues:			
Sales and service charges	\$ 956,174	\$ 2,576,244	\$ 9,845,915
Miscellaneous	447,835	-	471,222
Total Operating Revenues	1,404,009	2,576,244	10,317,137
Operating Expenses:			
Administration and general	522,745	-	4,741,133
Depreciation expense	-	-	21,140
Personnel services	723,782	-	3,012,757
Repairs and maintenance	3,210	-	2,219,856
Premiums paid out	-	-	387,782
Total Operating Expenses	1,249,737	-	10,382,668
Operating Income (Loss)	154,272	2,576,244	(65,531)
Nonoperating Revenues (Expenses):			
Interest revenue	15,684	-	39,481
Total Nonoperating Revenues (Expenses)	15,684	-	39,481
Income (Loss) Before Transfers	169,956	2,576,244	(26,050)
Transfers in	-	-	857,000
Transfers out	-	(2,576,244)	(2,576,244)
Changes in Net Assets	169,956	-	(1,745,294)
Net Assets:			
Beginning of Year, as originally reported	787,614	-	843,413
Restatements	-	-	11,542
Beginning of Fiscal Year, as restated	787,614	-	854,955
End of Fiscal Year	\$ 957,570	\$ -	\$ (890,339)

CITY OF REDLANDS

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012**

	Governmental Activities - Internal Service Funds			
	Liability Self- Insurance	Information Technology	Workers' Compensation Self-Insurance	Equipment Maintenance
Cash Flows from Operating Activities:				
Cash received from user departments	\$ 21,263	\$ 1,945,425	\$ 365,134	\$ 4,012,794
Cash paid to suppliers for goods and services	(795,346)	(768,849)	(1,519,598)	(3,079,337)
Cash payments for claims	(248,800)	-	46,018	-
Cash paid to employees for services	(103,162)	(1,075,268)	(426,455)	(687,503)
Net Cash Provided (Used) by Operating Activities	(1,126,045)	101,308	(1,534,901)	245,954
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	-	-	-
Cash transfers in	857,000	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	857,000	-	-	-
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(54,309)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(54,309)	-	-
Cash Flows from Investing Activities:				
Interest received	5,219	5,833	10,716	2,029
Net Cash Provided (Used) by Investing Activities	5,219	5,833	10,716	2,029
Net Increase (Decrease) in Cash and Cash Equivalents	(263,826)	52,832	(1,524,185)	247,983
Cash and Cash Equivalents at Beginning of Year	1,275,263	403,956	2,581,149	4,165
Cash and Cash Equivalents at End of Year	\$ 1,011,437	\$ 456,788	\$ 1,056,964	\$ 252,148
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (1,220,803)	\$ 29,811	\$ (1,680,440)	\$ 75,385
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	-	11,839	-	9,301
(Increase) decrease in accounts receivable	(135)	-	-	7,732
(Increase) decrease in inventory	-	-	-	(13,351)
Increase (decrease) in accounts payable	24,250	(20,315)	12,972	95,055
Increase (decrease) in accrued payroll	697	(23,747)	177	3,459
Increase (decrease) in OPEB obligation	6,787	108,597	(4,610)	62,654
Increase (decrease) in claims and judgments	48,000	-	137,000	-
Increase (decrease) in compensated absences	15,159	(4,877)	-	5,719
Total Adjustments	94,758	71,497	145,539	170,569
Net Cash Provided (Used) by Operating Activities	\$ (1,126,045)	\$ 101,308	\$ (1,534,901)	\$ 245,954

CITY OF REDLANDS

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2012**

	Governmental Activities - Internal Service Funds		
	Utility Billing	Payroll Clearing	Totals
Cash Flows from Operating Activities:			
Cash received from user departments	\$ 1,404,141	\$ 2,576,244	\$ 10,325,001
Cash paid to suppliers for goods and services	(445,251)	(174,364)	(6,782,745)
Cash payments for claims	-	-	(202,782)
Cash paid to employees for services	(689,767)	-	(2,982,155)
Net Cash Provided (Used) by Operating Activities	269,123	2,401,880	357,319
Cash Flows from Non-Capital Financing Activities:			
Cash transfers out	-	(2,576,244)	(2,576,244)
Cash transfers in	-	-	857,000
Net Cash Provided (Used) by Non-Capital Financing Activities	-	(2,576,244)	(1,719,244)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	-	(54,309)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(54,309)
Cash Flows from Investing Activities:			
Interest received	15,684	-	39,481
Net Cash Provided (Used) by Investing Activities	15,684	-	39,481
Net Increase (Decrease) in Cash and Cash Equivalents	284,807	(174,364)	(1,376,753)
Cash and Cash Equivalents at Beginning of Year	1,164,476	241,563	5,670,572
Cash and Cash Equivalents at End of Year	\$ 1,449,283	\$ 67,199	\$ 4,293,819
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 154,272	\$ 2,576,244	\$ (65,531)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	-	-	21,140
(Increase) decrease in accounts receivable	132	-	7,729
(Increase) decrease in inventory	-	-	(13,351)
Increase (decrease) in accounts payable	(744)	(174,364)	(63,146)
Increase (decrease) in accrued payroll	9,686	-	(9,728)
Increase (decrease) in OPEB obligation	81,448	-	254,876
Increase (decrease) in claims and judgments	-	-	185,000
Increase (decrease) in compensated absences	24,329	-	40,330
Total Adjustments	114,851	(174,364)	422,850
Net Cash Provided (Used) by Operating Activities	\$ 269,123	\$ 2,401,880	\$ 357,319

CITY OF REDLANDS

COMBINING BALANCE SHEET
 ALL AGENCY FUNDS
 JUNE 30, 2012

	<u>Special Deposits</u>	<u>Community Facilities District Trust</u>	<u>Totals</u>
Assets:			
Cash and investments	\$ 2,432,104	\$ -	\$ 2,432,104
Cash and investments with fiscal agents	-	2,636,601	2,636,601
Receivables:			
Accrued interest	294,504	99	294,603
Total Assets	<u>\$ 2,726,608</u>	<u>\$ 2,636,700</u>	<u>\$ 5,363,308</u>
Liabilities:			
Accounts payable	\$ 13,444	\$ -	\$ 13,444
Deposits payable	2,713,164	2,636,700	5,349,864
Total Liabilities	<u>\$ 2,726,608</u>	<u>\$ 2,636,700</u>	<u>\$ 5,363,308</u>

CITY OF REDLANDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012**

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2012</u>
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 2,422,784	\$ 2,157,752	\$ 2,148,432	\$ 2,432,104
Receivables:				
Accrued interest	333,902	298,823	338,221	294,504
Total Assets	<u>\$ 2,756,686</u>	<u>\$ 2,456,575</u>	<u>\$ 2,486,653</u>	<u>\$ 2,726,608</u>
Liabilities:				
Accounts payable	\$ 46,856	\$ 330,520	\$ 363,932	\$ 13,444
Deposits payable	2,709,830	373,115	369,781	2,713,164
Total Liabilities	<u>\$ 2,756,686</u>	<u>\$ 703,635</u>	<u>\$ 733,713</u>	<u>\$ 2,726,608</u>
<u>Community Facilities District Trust</u>				
Assets:				
Cash and investments	\$ 2,510	\$ -	\$ 2,510	\$ -
Cash and investments with fiscal agents	2,984,708	1,244,287	1,592,394	2,636,601
Receivables:				
Accrued interest	5,893	99	5,893	99
Total Assets	<u>\$ 2,993,111</u>	<u>\$ 1,244,386</u>	<u>\$ 1,600,797</u>	<u>\$ 2,636,700</u>
Liabilities:				
Deposits payable	\$ 2,993,111	\$ 1,022,892	\$ 1,379,303	\$ 2,636,700
Total Liabilities	<u>\$ 2,993,111</u>	<u>\$ 1,022,892</u>	<u>\$ 1,379,303</u>	<u>\$ 2,636,700</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 2,425,294	\$ 2,157,752	\$ 2,150,942	\$ 2,432,104
Cash and investments with fiscal agents	2,984,708	1,244,287	1,592,394	2,636,601
Receivables:				
Accrued interest	339,795	298,922	344,114	294,603
Total Assets	<u>\$ 5,749,797</u>	<u>\$ 3,700,961</u>	<u>\$ 4,087,450</u>	<u>\$ 5,363,308</u>
Liabilities:				
Accounts payable	\$ 46,856	\$ 330,520	\$ 363,932	\$ 13,444
Deposits payable	5,702,941	1,396,007	1,749,084	5,349,864
Total Liabilities	<u>\$ 5,749,797</u>	<u>\$ 1,726,527</u>	<u>\$ 2,113,016</u>	<u>\$ 5,363,308</u>

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STATISTICAL SECTION

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

Contents	Page
Financial Trends	144
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	152
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	157
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	162
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	164
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

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

CITY OF REDLANDS
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 76,832,088	\$ 286,402,338	\$ 333,560,602	\$ 338,283,471	\$ 376,161,773	\$ 475,848,979	\$ 538,505,009	\$ 552,406,654	\$ 568,588,535	\$ 592,254,886
Restricted	7,680,350	20,217,874	20,169,777	19,302,690	19,431,228	17,261,278	30,310,832	28,304,090	24,855,791	19,135,526
Unrestricted	17,731,491	22,731,051	15,269,017	21,427,233	29,808,370	62,448,864	9,510,396	(2,664,585)	(8,498,201)	(28,840,249)
Total governmental activities net assets	102,243,929	329,351,263	368,999,396	379,013,394	425,401,371	555,559,121	578,326,237	578,046,159	584,946,125	582,550,163
Business-type activities:										
Invested in capital assets, net of related debt	73,291,319	97,298,064	106,786,695	101,228,505	118,629,704	129,384,736	126,384,905	131,748,403	130,856,115	132,535,317
Restricted	-	-	-	-	-	-	4,120,375	4,166,635	4,212,895	4,259,155
Unrestricted	27,462,231	19,503,335	17,894,867	32,616,394	28,140,260	37,237,084	47,119,032	45,773,154	53,408,410	61,219,702
Total business-type activities net assets	100,753,550	116,801,399	124,681,562	133,844,899	146,769,964	166,621,820	177,624,312	181,688,192	188,477,420	198,014,174
Primary government:										
Invested in capital assets, net of related debt	150,123,407	383,700,402	440,347,297	439,511,976	494,791,477	605,233,715	664,889,914	684,155,057	699,444,650	724,790,203
Restricted	7,680,350	20,217,874	20,169,777	19,302,690	19,431,228	17,261,278	34,431,207	32,470,725	29,068,686	23,394,681
Unrestricted	45,193,722	42,234,386	33,163,884	54,043,627	57,948,630	99,685,948	56,629,428	43,108,569	44,910,209	32,379,453
Total primary government net assets	\$ 202,997,479	\$ 446,152,662	\$ 493,680,958	\$ 512,858,293	\$ 572,171,335	\$ 722,180,941	\$ 755,950,549	\$ 759,734,351	\$ 773,423,545	\$ 780,564,337

NOTE:
The City of Redlands implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.

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CITY OF REDLANDS
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental activities:										
General government	\$ 11,406,883	\$ 9,937,107	\$ 10,634,567	\$ 11,868,103	\$ 13,987,953	\$ 15,161,802	\$ 19,973,152	\$ 15,277,666	\$ 11,803,705	\$ 9,468,848
Public safety	21,521,649	27,458,958	32,397,475	36,994,587	36,805,550	37,623,861	38,005,815	40,002,463	38,587,942	39,036,010
Culture and recreation	2,694,475	3,667,475	2,858,152	3,692,986	3,668,992	4,129,747	4,021,267	3,610,031	3,349,080	2,810,345
Highway and streets	6,130,261	5,752,512	6,284,884	8,325,785	8,492,440	8,341,455	8,648,714	8,391,171	9,380,254	8,465,455
Library	1,569,843	1,707,371	1,806,206	1,871,418	1,845,482	1,955,443	2,082,948	2,167,109	1,964,269	1,820,554
Interest and fiscal charges	4,366,521	3,352,377	3,169,104	3,713,659	2,883,874	5,035,588	4,335,844	6,957,598	3,456,262	2,120,151
Total governmental activities expenses	47,689,632	51,875,800	57,150,388	66,466,538	67,684,291	72,247,896	77,067,740	76,406,038	68,541,512	63,721,363
Business-type activities:										
Water	14,743,147	15,018,863	15,165,061	14,882,261	14,926,296	14,112,424	15,666,955	15,813,173	16,211,193	15,328,398
Disposal	6,535,367	8,154,201	8,339,209	8,799,485	8,753,717	8,956,968	10,446,326	9,344,247	9,217,359	8,925,740
Sewer	4,384,793	7,465,712	6,945,863	6,922,541	7,458,724	7,650,890	8,021,053	7,888,041	7,882,670	7,643,531
Aviation	143,518	117,417	456,441	218,316	268,309	400,298	370,715	250,732	287,854	335,501
Cemetery	519,639	569,764	630,307	591,363	541,946	552,989	522,045	494,949	503,445	522,711
Groves	472,247	463,753	872,263	749,143	708,779	604,998	725,163	717,394	656,608	941,578
NP Water	-	-	-	-	-	-	-	411,980	142,541	203,890
Total business-type activities expenses	26,798,711	31,789,710	32,409,144	32,163,109	32,657,771	32,278,567	35,752,257	34,920,516	34,901,670	33,901,349
Total primary government expenses	74,488,343	83,665,510	89,559,532	98,629,647	100,342,062	104,526,463	112,819,997	111,326,554	103,443,182	97,622,712
Program revenues:										
Governmental activities:										
Charges for services:										
General government	7,739,885	5,920,646	5,644,238	6,559,998	6,393,161	5,826,011	5,290,837	5,112,805	8,562,031	8,654,843
Public safety	978,690	1,137,806	1,160,479	935,186	1,189,004	1,229,744	1,390,380	1,330,555	1,711,440	1,394,932
Culture and recreation	303,366	251,492	219,018	263,771	230,870	237,357	277,167	222,454	293,028	220,020
Highway and streets	417,834	1,189,059	1,201,865	1,491,579	1,623,290	1,891,618	1,286,006	1,159,894	909,511	1,123,342
Library	44,126	43,648	67,977	55,976	50,716	51,886	47,282	44,333	34,456	35,086
Operating grants and contributions	7,526,482	9,695,136	9,849,623	18,542,273	18,206,757	14,314,045	10,058,173	10,048,934	5,883,602	6,160,827
Capital grants and contributions	4,443,648	10,258,428	38,659,823	3,715,690	36,180,849	125,567,546	29,395,240	11,513,845	8,488,204	1,146,004
Total governmental activities program revenues	21,454,031	28,496,215	56,803,023	31,564,473	63,874,647	149,118,207	47,745,085	29,432,820	25,882,272	18,735,054
Business-type activities:										
Charges for services:										
Water	15,061,628	14,797,671	13,651,258	14,988,327	17,235,534	18,074,421	18,132,373	17,918,992	18,666,325	20,319,999
Disposal	8,396,057	8,815,119	11,619,754	9,056,597	9,060,415	9,297,234	9,631,846	8,893,718	10,013,969	10,079,232
Sewer	6,691,929	6,131,723	5,364,393	6,093,675	7,041,203	6,868,701	7,077,737	7,650,779	8,200,777	8,653,651
Aviation	331,945	90,768	86,507	154,907	210,434	230,835	254,398	292,300	21,015	11,721
Cemetery	422,644	475,047	455,865	561,620	537,454	401,733	308,923	419,284	360,923	311,420
Groves	374,712	464,116	950,970	713,935	720,621	600,363	439,670	551,266	432,136	778,378
NP Water	-	-	-	-	-	-	-	529,891	570,107	474,349
Operating grants and contributions	29,128	26,628	1,488,852	423,720	617,206	4,313,798	702,524	186,999	871,940	1,301
Capital grants and contributions	-	14,266,620	4,794,810	7,891,272	7,512,629	10,917,476	5,729,189	960,605	531,096	1,821,907
Total business-type activities program revenues	31,308,043	45,067,692	38,412,409	39,884,053	42,935,496	50,704,561	42,276,660	37,403,834	39,668,288	42,451,958
Total primary government program revenues	52,762,074	73,563,907	95,215,432	71,448,526	106,810,143	199,822,768	90,021,745	66,836,654	65,550,560	61,187,012

CITY OF REDLANDS
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net revenues (expenses):										
Governmental activities	(26,235,601)	(23,379,585)	(347,365)	(34,902,065)	(3,809,644)	76,870,311	(29,322,655)	(46,973,218)	(42,659,240)	(44,986,309)
Business-type activities	4,509,332	13,277,982	6,003,265	7,720,944	10,277,725	18,425,994	6,524,403	2,483,318	4,766,618	8,550,609
Total net revenues (expenses)	(21,726,269)	(10,101,603)	5,655,900	(27,181,121)	6,468,081	95,296,305	(22,798,252)	(44,489,900)	(37,892,622)	(36,435,700)
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
Property taxes	13,894,252	15,248,199	15,346,936	23,914,760	27,036,122	29,165,961	30,626,167	29,907,393	30,098,303	26,741,406
Sales taxes	10,546,723	10,870,623	13,646,820	15,267,688	14,762,456	13,986,798	11,862,852	11,669,250	12,090,894	12,903,249
Franchise taxes	816,204	939,519	996,858	1,097,157	3,659,356	4,044,161	5,476,066	2,886,836	3,227,606	2,826,459
Other taxes	892,445	1,080,199	1,115,401	1,230,525	1,543,302	1,726,102	1,354,067	1,167,543	1,065,671	1,198,772
Use of money & property	725,284	905,943	1,356,544	2,180,119	2,421,829	2,763,654	2,384,773	746,194	647,310	665,553
Intergovernmental (unrestricted)	7,467,008	3,394,937	8,261,949	1,225,814	654,950	496,302	436,414	370,373	480,868	165,876
Other	-	-	-	-	-	-	-	-	642,842	273,246
Gain on sale of capital assets	-	216,174	-	-	-	-	-	-	-	-
Extraordinary gain/(loss) on dissolution of Redevelopment agency (Note 18)	-	-	-	-	-	-	-	-	-	-
Transfers	136,947	48,139	(729,010)	-	119,606	1,104,461	(50,568)	(54,449)	573,115	856,972
Total governmental activities	34,478,863	32,703,733	39,995,498	44,916,063	50,197,621	53,287,439	52,089,771	46,693,140	48,826,609	67,075,801
Business-type activities:										
Property taxes	-	-	-	-	52,655	51,398	45,221	38,082	68,098	37,808
Use of money & property	1,378,230	611,614	1,147,888	1,442,393	2,714,291	2,478,925	2,029,765	1,488,031	610,787	757,749
Other	-	-	-	-	-	-	-	-	922,642	914,887
Gain on sale of capital assets	-	-	-	-	-	-	-	-	516,500	34,949
Transfers	(136,947)	(48,139)	729,010	-	(119,606)	(1,104,461)	50,568	54,449	(573,115)	(856,972)
Total business-type activities	1,241,283	563,475	1,876,898	1,442,393	2,647,340	1,425,862	2,125,554	1,580,562	1,544,912	888,421
Total primary government	35,720,146	33,267,208	41,872,396	46,358,456	52,844,961	54,713,301	54,215,325	48,273,702	50,371,521	67,964,222
Changes in net assets										
Governmental activities	8,243,262	9,324,148	39,648,133	10,013,998	46,387,977	130,157,750	22,767,116	(280,078)	6,167,369	22,089,492
Business-type activities	5,750,615	13,841,457	7,880,163	9,163,337	12,925,065	19,851,856	8,649,957	4,063,880	6,311,530	9,439,030
Total primary government	\$ 13,993,877	\$ 23,165,605	\$ 47,528,296	\$ 19,177,335	\$ 59,313,042	\$ 150,009,606	\$ 31,417,073	\$ 3,783,802	\$ 12,478,899	\$ 31,528,522

NOTE:
The City of Redlands implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.

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CITY OF REDLANDS

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund:										
Reserved	\$ 9,099,467	\$ 7,693,349	\$ 8,559,857	\$ 8,886,457	\$ 8,893,298	\$ 10,169,670	\$ 10,972,417	\$ 11,947,625	\$ -	\$ -
Unreserved	10,548,153	10,672,433	7,058,101	2,922,503	4,354,426	4,958,881	7,889,723	5,802,815	-	-
Nonspendable	-	-	-	-	-	-	-	-	6,046,174	6,598,127
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	6,605,311	6,855,311
Unassigned	-	-	-	-	-	-	-	-	8,767,650	9,773,767
Total general fund	\$ 19,647,620	\$ 18,365,782	\$ 15,617,958	\$ 11,808,960	\$ 13,247,724	\$ 15,128,551	\$ 18,862,140	\$ 17,750,440	\$ 21,419,135	\$ 23,227,205
All other governmental funds:										
Reserved	\$ 1,428,001	\$ 2,601,356	\$ 11,500,492	\$ 2,033,335	\$ 6,977,364	\$ 4,274,778	\$ 10,888,944	\$ 10,779,313	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	5,301,464	17,717,671	9,791,298	16,410,790	17,708,775	23,528,904	19,904,622	15,648,593	-	-
Debt service fund	4,716,871	8,617,660	8,392,355	6,793,832	6,891,672	8,634,444	3,518,914	977,863	-	-
Capital projects fund	1,039,229	6,470,702	6,862,140	9,865,235	9,361,936	9,632,720	1,772,665	2,272,252	-	-
Nonspendable	-	-	-	-	-	-	-	-	548,166	361,351
Restricted	-	-	-	-	-	-	-	-	19,604,935	19,035,151
Committed	-	-	-	-	-	-	-	-	6,193,677	5,609,361
Unassigned	-	-	-	-	-	-	-	-	(1,399,875)	(7,711,358)
Total all other governmental funds	\$ 12,485,565	\$ 35,407,389	\$ 36,546,285	\$ 35,103,192	\$ 40,939,747	\$ 46,070,846	\$ 36,085,145	\$ 29,678,021	\$ 24,946,903	\$ 17,294,505

NOTE:
The City of Redlands implemented GASB 54 in 2011 which changes the reporting of fund balance.

CITY OF REDLANDS

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	\$ 25,874,219	\$ 28,211,269	\$ 31,241,724	\$ 41,642,820	\$ 47,142,875	\$ 49,074,516	\$ 49,319,152	\$ 45,816,050	\$ 46,974,366	\$ 43,669,886
Licenses and permits	7,926,637	9,813,539	9,412,476	14,071,545	14,785,863	14,405,549	7,422,024	5,216,551	4,760,789	5,628,860
Intergovernmental	12,267,871	9,230,680	11,082,073	11,497,035	15,650,446	9,741,769	6,261,983	5,219,602	7,030,818	5,947,380
Charges for services	4,117,522	1,746,893	1,552,689	1,578,029	2,214,772	2,808,774	4,946,435	6,433,198	7,043,801	6,934,677
Charges for services to other city funds	-	3,252,119	2,935,835	-	-	-	-	-	-	-
Use of money and property	1,259,181	1,300,138	2,004,338	3,144,775	3,586,384	5,336,312	2,559,089	1,497,930	647,310	626,072
Contributions from property owners	-	6,608,423	-	-	-	-	-	-	-	-
Other	4,453,462	1,667,652	2,320,474	2,138,612	2,077,164	2,238,590	2,214,972	1,132,620	1,226,613	632,943
Total revenues	55,898,892	61,830,713	60,549,609	74,072,816	85,457,504	83,605,510	72,723,655	65,315,951	67,683,697	63,439,818
Expenditures										
Current:										
General government	12,144,871	9,548,691	10,308,122	11,478,185	13,758,100	19,638,037	19,663,593	14,533,699	11,506,994	9,788,982
Public safety	22,672,706	26,073,331	30,772,182	35,350,737	36,008,498	57,179,014	35,519,554	35,576,831	34,796,584	35,502,542
Highway and streets	4,415,591	3,542,929	6,600,623	5,076,512	5,434,175	4,826,627	4,844,425	4,131,236	4,651,164	4,250,686
Culture and recreation	2,567,771	2,443,711	2,594,046	3,344,777	3,311,493	3,821,206	3,534,250	2,940,479	2,701,864	2,121,891
Library	1,583,168	1,642,304	1,761,765	1,856,592	1,851,926	1,966,965	2,028,917	1,986,391	1,853,094	1,722,370
SERAF Obligation	-	-	-	-	-	-	-	2,389,188	491,892	-
Other pass-through payments	-	-	-	-	-	-	-	424,628	777,095	524,481
Capital outlay	5,172,975	8,911,917	3,196,389	16,004,189	13,561,057	8,384,995	5,817,816	3,650,267	5,403,411	3,176,270
Debt service:										
Principal	4,356,901	1,727,146	2,449,329	2,403,739	3,955,548	4,198,760	4,541,378	5,192,896	5,400,124	5,636,144
Interest and fiscal charges	2,939,298	2,265,258	3,178,312	3,722,579	2,898,827	4,065,938	4,337,676	3,834,596	3,783,017	2,717,604
Underwriters' fees	-	268,705	-	-	-	-	-	-	-	-
Cost of issuance	-	704,438	-	-	-	-	-	-	-	-
Total expenditures	55,853,281	57,128,430	60,860,768	79,237,310	80,779,624	104,081,542	80,287,609	74,660,211	71,365,239	65,440,970
Excess (deficiency) of revenues over (under) expenditures	45,611	4,702,283	(311,159)	(5,164,494)	4,677,880	(20,476,032)	(7,563,954)	(9,344,260)	(3,681,542)	(2,001,152)

CITY OF REDLANDS

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other financing sources (uses):										
Transfers in	6,265,001	18,897,881	8,407,181	9,655,411	11,985,951	18,608,919	21,658,490	14,225,197	14,749,386	13,566,661
Transfers out	(6,025,606)	(20,134,841)	(9,704,950)	(10,993,456)	(12,642,677)	(17,269,538)	(20,346,648)	(12,514,759)	(13,065,366)	(10,990,445)
Land sale proceeds	-	216,174	-	-	-	-	-	-	-	-
Extraordinary gain/(loss) on dissolution of Redevelopment agency (Note 18)	-	-	-	-	-	-	-	-	-	(5,453,452)
Restatements	-	-	-	-	-	-	-	-	-	(30,841)
Proceeds of capital lease	-	654,891	-	1,250,448	1,269,165	236,136	-	114,998	-	-
Issuance of long term debt	17,366,732	17,300,000	-	-	1,985,000	30,502,392	-	-	-	-
Refunding bonds issued	-	5,380,000	-	-	-	-	-	-	-	-
Discount on issuance of long term debt	-	(154,936)	-	-	-	(297,722)	-	-	-	-
Premium on refunding bonds issued	-	142,261	-	-	-	-	-	-	-	-
Payment to refunding bond escrow agent	(17,338,898)	(5,363,727)	-	-	-	(4,292,229)	-	-	-	-
Total other financing sources (uses)	267,229	16,937,703	(1,297,769)	(87,597)	2,597,439	27,487,958	1,311,842	1,825,436	1,684,020	(2,908,077)
Net change in fund balances	\$ 312,840	\$ 21,639,986	\$ (1,608,928)	\$ (5,252,091)	\$ 7,275,319	\$ 7,011,926	\$ (6,252,112)	\$ (7,518,824)	\$ (1,997,522)	\$ (4,909,229)
Debt service as a percentage of noncapital expenditures ¹	16.8%	9.2%	10.8%	10.7%	11.4%	9.5%	13.5%	14.6%	16.4%	15.6%

NOTE:

In 2011 there were a number of revenue reclassifications for which the City did not go back and adjust prior year totals to reflect the changes.

¹ Calculated by dividing the sum of principal and interest by the sum of current expenditures, less principal and interest expense and capital outlay.

CITY OF REDLANDS
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30 ¹	City				Redevelopment Agency				Total		
	Unsecured		Secured		Unsecured		Secured		Taxable Assessed Value	Taxable Assessed Value	Total Direct Tax Rate
	Less: Exemptions	Taxable Assessed Value	Less: Exemptions	Taxable Assessed Value	Less: Exemptions	Taxable Assessed Value	Less: Exemptions	Taxable Assessed Value			
2003	\$ 3,332,102	\$ 145,151	\$ (79,354)	\$ 3,397,899	\$ 271,199	\$ 49,078	\$ (823)	\$ 319,454	\$ 3,717,353	0.31242	
2004	3,672,991	152,007	(79,354)	3,745,644	287,821	46,720	(854)	333,687	4,079,331	0.30736	
2005	4,072,008	137,651	(79,611)	4,130,048	316,589	44,019	(843)	359,765	4,489,813	0.30247	
2006	4,854,140	160,644	(79,240)	4,935,544	348,224	47,055	(841)	394,438	5,329,982	0.28812	
2007	5,745,855	164,409	(79,612)	5,830,652	390,031	49,336	(774)	438,593	6,269,245	0.27572	
2008	6,535,813	204,391	(79,555)	6,660,649	428,699	56,938	(767)	484,870	7,145,519	0.27358	
2009	6,935,648	231,948	(79,734)	7,087,862	456,545	58,275	(764)	514,056	7,601,918	0.27448	
2010	6,518,846	232,468	(79,791)	6,671,523	705,249	81,977	(5,199)	782,027	7,453,550	0.27641	
2011	6,348,706	200,425	(80,197)	6,468,934	704,031	99,220	(5,168)	798,083	7,267,017	0.28110	
2012	6,214,264	189,324	(79,239)	6,324,349	702,581	98,928	(5,052)	796,457	7,120,806	0.28343	

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

Source: San Bernardino County Assessor (via HdL, Coren & Cone)
California Municipal Statistics, Inc.
San Bernardino County Auditor-Controller - Property Tax Division

CITY OF REDLANDS
Assessed Value and Estimated Actual Value of Taxable Property by Major Type
Last Ten Fiscal Years
(in thousands of dollars)

Category	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Residential	\$ 2,731,840	\$ 3,035,139	\$ 3,298,525	\$ 3,717,496	\$ 4,232,501	\$ 4,724,469	\$ 4,866,787	\$ 4,511,071	\$ 4,344,036	\$ 4,375,904
Commercial	426,292	446,564	492,024	560,210	658,585	745,188	828,697	905,533	939,004	909,737
Industrial	120,855	182,833	232,590	257,161	325,169	495,797	682,669	732,243	751,264	649,237
Dry Farm	2,062	1,113	1,097	337	344	840	714	-	-	-
Government	4,050	3,444	8,320	4,284	4,370	4,457	1,380	471	470	2,499
Institutional	27,394	10,896	15,557	25,209	13,607	14,163	14,604	14,399	13,898	13,890
Irrigated	26,701	24,053	29,247	39,464	41,481	36,360	40,045	32,307	30,874	26,967
Miscellaneous	70,751	15,709	11,049	12,328	12,968	18,547	17,869	14,379	14,718	16,123
Recreational	26,336	26,728	27,379	27,870	27,527	28,932	30,591	31,864	32,472	32,453
Vacant Land	149,807	151,675	175,163	248,366	264,268	289,940	313,328	307,578	269,144	249,102
SBE Nonunitary	17,213	61,061	96,019	306,375	555,066	605,819	595,509	664,832	647,926	629,042
Unsecured	194,229	198,727	181,670	207,699	213,745	261,329	290,223	323,863	308,576	297,334
Unknown	-	1,597	1,627	3,264	-	-	-	-	-	2,809
Total Assessed Value	3,797,530	4,159,539	4,570,267	5,410,063	6,349,631	7,225,841	7,682,416	7,538,540	7,352,382	7,205,097
Less: Exemptions	(80,177)	(80,208)	(80,454)	(80,081)	(80,386)	(80,322)	(80,498)	(84,990)	(85,365)	(84,291)
Taxable Assessed Value	3,717,353	4,079,331	4,489,813	5,329,982	6,269,245	7,145,519	7,601,918	7,453,550	7,267,017	7,120,806
Total Direct Rate	0.31242	0.30736	0.30247	0.28812	0.27572	0.27358	0.27448	0.27641	0.28110	0.28343

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

Source: San Bernardino County Assessor (via HdL, Coren & Cone)

CITY OF REDLANDS
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Share of Basic Levy ⁽¹⁾	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878
Overlapping Rates: ⁽²⁾										
County General Fund	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600	0.14600
County Superintendent	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750	0.00750
East Valley Resource Conservation District	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050	0.00050
Educational Revenue Augmentation Fund	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110	0.22110
Flood Control Zone 3	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560	0.02560
Flood Control Zone 8	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088	0.00088
Redlands Unified	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160	0.30160
San Bernardino Community College	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130	0.05130
San Bernardino Valley Municipal Water	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630	0.02630
San Bernardino Valley Water Conservation District	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>	<u>0.00044</u>
Total Proposition 13 Rate	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
Redlands Debt Service	0.01960	0.01770	0.01550	0.01350	0.01200	0.01030	0.00990	0.01060	0.01080	0.01110
Redlands Unified	0.03510	0.06280	0.04690	0.04490	0.03760	0.03220	0.05190	0.05410	0.06170	0.05820
San Bernardino Community College	-	0.01690	0.01890	0.01660	0.01950	0.01270	0.03930	0.02800	0.04670	0.03730
San Bernardino Unified	0.03150	0.04100	0.09160	0.07880	0.07070	0.06610	0.06780	0.07470	0.08840	0.09780
San Bernardino Valley Municipal Water	0.14000	0.14000	0.14000	0.16000	-	-	-	-	-	-
San Bernardino Valley Municipal Water Debt Service	-	-	-	-	<u>0.15500</u>	<u>0.16500</u>	<u>0.16500</u>	<u>0.16500</u>	<u>0.16500</u>	<u>0.16500</u>
Total Voter Approved Rate	<u>0.22620</u>	<u>0.27840</u>	<u>0.31290</u>	<u>0.31380</u>	<u>0.29480</u>	<u>0.28630</u>	<u>0.33390</u>	<u>0.33240</u>	<u>0.37260</u>	<u>0.36940</u>
Total Direct and Overlapping Rate	<u>1.22620</u>	<u>1.27840</u>	<u>1.31290</u>	<u>1.31380</u>	<u>1.29480</u>	<u>1.28630</u>	<u>1.33390</u>	<u>1.33240</u>	<u>1.37260</u>	<u>1.36940</u>
City Share of 1% Levy Per Prop 13 ⁽³⁾	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878	0.21878
Redlands Debt Service	0.01960	0.01770	0.01550	0.01350	0.01200	0.01030	0.00990	0.01060	0.01080	0.01110
RDA Incremental Rate ⁽⁴⁾	1.15960	1.15770	1.15550	1.17350	1.16700	1.17530	1.17490	1.17560	1.17580	1.17610
City Direct Rate ⁽⁵⁾	0.31242	0.30736	0.30247	0.28812	0.27572	0.27358	0.27448	0.27641	0.28110	0.28343

NOTES:

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

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

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

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

(5) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section

Source: San Bernardino County Assessor (via HdL, Coren & Cone)

CITY OF REDLANDS
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2012		2003	
	Total Assessed Value	Percentage of Total City Assessed Value	Total Assessed Value	Percentage of Total City Assessed Value
Southern California Edison	\$ 628,809	8.72%	\$ -	
Prologis	82,640	1.15%	-	N/A
NYS, LLC	60,338	84.00%	-	N/A
AMB Institutional Alliance Fund	57,000	0.79%	-	N/A
2301 W. San Bernardino Avenue Investment Group	52,877	0.73%		N/A
Redlands Business Center, LLC	46,977	0.65%	-	N/A
Parkview Terrace Asso. LLC	37,116	0.51%	-	N/A
NP Redlands LLC	35,096	0.49%	-	N/A
Environmental Systems Research Institute	34,274	0.48%	-	N/A
MSEM Redlands LLC	31,716	0.44%	-	N/A
Evans Withycombe Residential	-	N/A	62,846	1.65%
Mountainview Power Company	-	N/A	60,757	1.60%
Robert Pattillo Properties Inc.	-	N/A	28,268	0.74%
NYS New	-	N/A	21,785	0.57%
Redlands Community Hospital	-	N/A	19,431	0.51%
University of Redlands	-	N/A	18,067	0.48%
Lowe Shiw Inc.	-	N/A	17,842	0.47%
Home Depot USA Inc.	-	N/A	14,450	0.38%
Bixby Land Company	-	N/A	13,500	0.36%
Union Pacific Railroad Company	-	N/A	12,555	0.33%
	<u>\$ 1,066,843</u>	<u>14.79%</u>	<u>\$ 269,501</u>	<u>7.09%</u>

Source: San Bernardino County Assessor (via HdL, Coren & Cone)

CITY OF REDLANDS
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2003	\$ 13,523,293	\$ 13,093,816	96.82%	\$ 829,560	\$ 13,923,376	102.96%
2004	14,453,979	14,146,989	97.88%	682,615	14,829,604	102.60%
2005	18,648,647	18,153,068	97.34%	722,833	18,875,901	101.22%
2006	22,796,971	22,204,121	97.40%	1,392,399	23,596,520	103.51%
2007	26,404,200	25,513,769	96.63%	1,292,499	26,806,268	101.52%
2008	28,989,125	27,666,659	95.44%	1,487,446	29,154,105	100.57%
2009	29,041,866	27,732,874	95.49%	1,820,062	29,552,936	101.76%
2010	27,857,389	27,284,416	97.94%	1,625,142	28,909,558	103.78%
2011	29,341,082	27,744,927	94.56%	1,437,741	29,182,668	99.46%
2012	28,198,322	26,757,388	94.89%	722,821	27,480,209	97.45%

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies. Collections in Subsequent Years may include delinquent tax payments from multiple levy years which are not identified separately by the County of San Bernardino. The State dissolved the redevelopment agency effective in 2012. This resulted in the City having to issue a refund of increment received that the County deemed as excess.

Source: City of Redlands

CITY OF REDLANDS

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Debt Per Capita	
	General Obligation Bonds	Taxable Pension Bonds	Tax Allocation Bonds	Certificates of Participation	Loans	Total Governmental Activities	Water Revenue Bonds	Wastewater Revenue Bonds	Certificates of Participation	Loans				Total Business-type Activities
2003	\$ 5,140,000	\$ -	\$ 27,985,000	\$ 17,366,732	\$ 195,287	\$ 50,687,019	\$ 20,085,000	\$ 15,670,000	\$ 3,205,000	\$ 2,692,748	\$ 41,652,748	\$ 92,339,767	5.67%	1,391
2004	4,940,000	-	44,375,000	17,313,394	333,237	66,961,631	18,910,000	14,915,000	2,480,000	11,995,991	48,300,991	115,262,622	6.81%	1,700
2005	4,510,000	-	42,680,000	17,260,056	235,277	64,685,333	17,685,000	14,130,000	1,705,000	11,199,198	44,719,198	109,404,531	6.13%	1,586
2006	4,075,000	-	41,105,000	16,620,000	135,647	61,935,647	16,415,000	13,315,000	880,000	12,508,935	43,118,935	105,054,582	5.59%	1,497
2007	3,625,000	-	39,375,000	15,310,000	2,048,891	60,358,891	15,090,000	12,460,000	-	12,069,804	39,619,804	99,978,695	5.03%	1,411
2008	3,170,000	25,907,621	37,930,000	13,955,000	1,965,577	82,928,198	13,700,000	11,565,000	-	11,496,989	36,761,989	119,690,187	5.82%	1,685
2009	2,695,000	25,626,705	36,080,000	12,575,000	1,902,279	78,878,984	12,250,000	10,635,000	-	10,909,182	33,794,182	112,673,166	5.42%	1,579
2010	2,195,000	24,773,830	34,185,000	11,160,000	1,858,954	74,172,784	10,730,000	9,660,000	-	10,305,982	30,695,982	104,868,766	5.14%	1,466
2011	1,680,000	23,587,392	32,210,000	9,685,000	1,814,264	68,976,656	9,145,000	8,645,000	-	9,686,972	27,476,972	96,453,628	4.39%	1,341
2012	1,145,000	22,407,392	-	8,160,000	1,768,167	33,480,559	7,485,000	7,580,000	-	10,170,891	25,235,891	58,716,450	2.71%	845

NOTE:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
As a result of the dissolution of the redevelopment agency in 2012, the outstanding \$30,150,000 indebtedness of the former redevelopment agency was transferred to the Successor Agency.

Source: City of Redlands

CITY OF REDLANDS
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt						Percent of Assessed Value ¹	Per Capita
	General Obligation Bonds	Taxable Pension Bonds	Tax Allocation Bonds	Certificates of Participation	Loans	Total		
2003	\$ 5,140	\$ -	\$ 27,985	\$ 17,367	\$ 195	\$ 50,687	1.33%	764
2004	4,940	-	44,375	17,313	333	66,962	1.61%	988
2005	4,510	-	42,680	17,260	235	64,685	1.42%	938
2006	4,075	-	41,105	16,620	136	61,936	1.14%	882
2007	3,625	-	39,375	15,310	2,049	60,359	0.95%	852
2008	3,170	25,908	37,930	13,955	1,966	82,928	1.15%	1,168
2009	2,695	25,627	36,080	12,575	1,902	78,879	1.03%	1,106
2010	2,195	24,774	34,185	11,160	1,859	74,173	0.98%	1,037
2011	1,680	23,587	32,210	9,685	1,814	68,977	0.94%	959
2012	1,145	22,407	-	8,160	1,768	33,481	0.46%	482

NOTE:

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

As a result of the dissolution of the redevelopment agency in 2012, the outstanding \$30,150,000 indebtedness of the former redevelopment agency was transferred to the Successor Agency.

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

CITY OF REDLANDS
Direct and Overlapping Debt
June 30, 2012

Total 2011-2012 Assessed Valuation	\$ 7,205,098,137	
Redevelopment Agency Incremental Valuation	<u>1,142,230,546</u>	
Adjusted City Assessed Valuation	<u>\$ 6,062,867,591</u>	
	<u>Percentage</u>	<u>Estimated</u>
	<u>Applicable ¹</u>	<u>Share of</u>
	<u>Outstanding</u>	<u>Overlapping</u>
	<u>Debt 06/30/12</u>	<u>Debt</u>
Overlapping Tax and Assessment Debt:		
San Bernardino Community College District	16.432%	\$ 70,262,517
Redlands Unified School District	67.496%	71,052,893
San Bernardino City Unified School District	0.088%	145,468
City of Redlands Community Facilities District No. 2001-1	100.000%	7,010,000
City of Redlands Community Facilities District No. 2003-1	100.000%	<u>9,215,000</u>
Total Overlapping Tax and Assessment Debt		<u>157,685,878</u>
Overlapping General Fund Debt:		
San Bernardino County General Fund Obligations	5.327%	\$ 32,667,028
San Bernardino County Pension Obligations	5.327%	29,185,865
San Bernardino County Flood Control District General Fund Obligations	5.327%	5,764,347
Redlands Unified School District Certificates of Participation	67.496%	3,374,800
San Bernardino City Unified School District	0.088%	46,710
Yucaipa-Calimesa Joint Unified School District Authority	0.810%	114,494
Total Gross Overlapping General Fund Debt		<u>71,153,244</u>
Less: Redlands Unified School District Self-Supporting Qualified Zone Academy Bonds*		<u>(2,981,438)</u>
Total Net Overlapping General Fund Debt		<u>68,171,806</u>
Total Gross Overlapping Debt		\$ 228,839,122
Total Net Overlapping Debt		\$ 225,857,684
Direct Tax and Assessment Debt:		
City of Redlands	100.000%	<u>\$ 1,145,000</u>
Direct General Fund Debt:		
City of Redlands General Fund Obligations	100.000%	\$ 8,160,000
City of Redlands Pension Obligations	100.000%	<u>22,407,392</u>
Total Direct General Fund Debt		<u>30,567,392</u>
Total Direct Debt		\$ 31,712,392
Total Gross Direct and Overlapping Debt ²		\$ 260,551,514
Total Net Direct and Overlapping Debt ²		\$ 257,570,076

¹ The overlapping district's assessed valuation located within the City is divided by the total assessed valuation of the overlapping district. That percentage is multiplied by the total debt outstanding for the overlapping district resulting in the City's share of debt.

² Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, tax allocation bonds, and non-bonded capital lease obligations.

³ Academy Bond Annual Payment of \$288,366.00 subtracted from balance originally 5 M issued 2004

Sources: California Municipal Statistics, Inc.
San Bernardino County Assessor (via HdL, Coren & Cone)
San Bernardino County Auditor-Controller - Property Tax Division

CITY OF REDLANDS
Legal Debt Margin Information
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed valuation	3,797,530,098	4,159,538,812	4,570,267,222	5,410,062,595	6,349,631,333	7,225,841,687	7,682,415,838	7,538,540,177	7,352,381,771	7,205,098,137
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	949,382,525	1,039,884,703	1,142,566,806	1,352,515,649	1,587,407,833	1,806,460,422	1,920,603,960	1,884,635,044	1,838,095,443	1,801,274,534
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	142,407,379	155,982,705	171,385,021	202,877,347	238,111,175	270,969,063	288,090,594	282,695,257	275,714,316	270,191,180
Total net debt applicable to limit:										
General obligation bonds	5,140,000	4,940,000	4,510,000	4,075,000	3,625,000	3,170,000	2,695,000	2,195,000	1,680,000	1,145,000
Legal debt margin	137,267,379	151,042,705	166,875,021	198,802,347	234,486,175	267,799,063	285,395,594	280,500,257	274,034,316	269,046,180
Total debt applicable to the limit as a percentage of debt limit	3.6%	3.2%	2.6%	2.0%	1.5%	1.2%	0.9%	0.8%	0.6%	0.4%

NOTE:

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

Source: San Bernardino County Assessor (via HdL, Coren & Cone)
City of Redlands

CITY OF REDLANDS
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue Bonds				Wastewater Revenue Bonds				Tax Allocation Bonds			
	Water Revenue	Less Operating Expenses	Net Available Revenue	Coverage	Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Coverage	Tax Increment	Debt Service Principal	Debt Service Interest	Coverage
2003	\$ 15,073,046	\$ 11,108,209	\$ 3,964,837	1.90	\$ 6,691,929	\$ 3,941,439	\$ 2,750,490	1.86	\$ 4,194,603	\$ 880,000	\$ 1,291,163	1.93
2004	17,392,023	11,107,771	6,284,252	3.01	17,829,276	4,630,817	13,198,459	8.94	4,263,387	910,000	1,377,309	1.86
2005	16,131,641	11,292,982	4,838,659	2.32	7,995,331	4,891,105	3,104,226	2.10	4,269,038	1,695,000	1,866,995	1.20
2006	19,199,475	11,976,185	7,223,290	3.47	9,919,748	4,584,864	5,334,884	3.63	5,905,194	1,575,000	1,815,247	1.74
2007	21,807,806	11,514,062	10,293,744	4.96	11,288,913	5,353,323	5,935,390	4.03	5,864,297	1,730,000	1,762,942	1.68
2008	21,741,391	11,261,448	10,479,943	5.04	9,982,096	5,645,675	4,336,421	2.94	6,246,123	1,785,000	1,725,164	1.78
2009	20,449,999	12,606,173	7,843,826	3.78	9,330,293	5,982,855	3,347,438	2.28	6,570,850	1,850,000	1,734,574	1.83
2010	18,925,773	12,560,995	6,364,778	3.06	8,079,798	5,718,330	2,361,468	1.60	6,538,478	1,895,000	1,658,316	1.84
2011	19,547,528	13,029,649	6,517,879	3.15	8,551,454	5,884,446	2,667,008	1.82	7,584,058	1,975,000	1,576,677	2.14
2012	21,849,228	12,337,619	9,511,609	4.59	9,377,389	5,686,984	3,690,405	2.51	-	-	-	-

NOTE:
Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.
As a result of the dissolution of the redevelopment agency in 2012, the outstanding indebtedness of the former redevelopment agency was transferred to the Successor Agency.

Source: City of Redlands

CITY OF REDLANDS
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (In Thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)
2002	66,371	\$ 1,627,812	\$ 24,526	4.3%
2003	67,787	1,692,262	24,964	4.5%
2004	68,977	1,784,967	25,878	4.2%
2005	70,199	1,878,417	26,758	3.8%
2006	70,848	1,988,501	28,067	3.4%
2007	71,021	2,055,127	28,937	4.0%
2008	71,339	2,078,671	29,138	5.8%
2009	71,532	2,039,266	28,508	9.6%
2010	71,926	2,198,418	30,565	10.5%
2011	69,498	2,167,990	31,195	9.7%

Sources:

- (1) State of California, Department of Finance - Demographic Research Unit
- (2) U.S Department of Commerce U.S Census Bureau
- (3) State of California, Employment Development Department
Labor Market Information Section , Monthly Labor Force Data
for cities and (CDP)

CITY OF REDLANDS
Principal Employers
Current Year and Nine Years Ago

Employer	2012		2003	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Redlands Unified School District	1,700	5.17%	1,600	4.85%
ESRI	1,900	5.78%	1,500	4.55%
Southern CA. Gas Company/Sempra	383	1.16%	425	1.29%
U.S. Postal Service	1,400	4.26%	1,281	3.88%
Verizon	1,240	3.77%	81	0.25%
Redlands Community Hospital	1,250	3.80%	752	2.28%
University of Redlands	547	1.66%	615	1.86%
City of Redlands	478	1.45%	489	1.48%
Beaver Medical Group	518	1.57%	467	1.42%
Wal-Mart Stores, Inc.	420	1.28%	353	1.07%
La-Z-Boy, Inc.	391	1.17%	439	1.31%
Total of Top Employers	10,227		8,002	
Total Employees in City	32,900		33,000	

NOTE:

"Total Employment" as used above represents the total employment of all employers located within City limits.
For 2012, the June 2012 non-preliminary employment figure was used.
For 2003, the June 2003 non-preliminary employment figure was used.

Sources:

Redlands Chamber of Commerce
Hoovers Information Resources
State of California, Employment Development Department (total employment data)
Primary Employer Human Resources Department

CITY OF REDLANDS
City Employees
by Function
Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Full-time employees:										
City clerk's office	2	2	2	2	2	2	-	-	-	-
City manager's office	6	6	6	6	6	8	6	5	5	6
City treasurer's office	8	8	7	7	7	6	-	-	-	-
Community development	16	18	18	18	19	17	17	15	16	20
Finance	12	12	12	11	12	13	24	21	21	21
Fire	60	60	60	67	67	64	64	61	60	60
Human Resources	5	5	5	5	5	6	4	4	5	5
Library	21	21	21	21	21	20	20	17	15	15
Management information systems	4	4	4	4	4	10	14	11	8	9
Municipal utilities and engineering:										
Administration	18	23	23	29	31	34	26	23	23	24
Water	41	38	38	39	40	41	45	48	47	47
Wastewater	24	24	24	24	24	24	24	24	23	24
Police	151	157	154	161	161	149	159	133	129	131
Quality of life										
Administration, parks & streets	56	57	56	52	53	48	47	37	39	42
Equipment maintenance	15	15	15	15	15	15	11	11	9	7
Solid waste	42	44	42	40	40	39	37	38	34	33
Cemetery	7	7	7	5	3	3	3	3	3	3
Redevelopment	-	-	-	5	5	9	10	5	4	-
	<u>488</u>	<u>501</u>	<u>494</u>	<u>511</u>	<u>515</u>	<u>508</u>	<u>510</u>	<u>455</u>	<u>440</u>	<u>447</u>
Part-time employees ¹	-	-	-	72	67	56	45	40	47	64
At-will employees	-	-	-	10	10	-	-	-	-	-
Grant-funded employees	<u>13</u>	<u>16</u>	<u>14</u>	<u>15</u>	<u>14</u>	<u>14</u>	<u>3</u>	<u>11</u>	<u>7</u>	<u>12</u>
Total	<u>501</u>	<u>517</u>	<u>508</u>	<u>608</u>	<u>606</u>	<u>578</u>	<u>558</u>	<u>506</u>	<u>494</u>	<u>523</u>

¹ Data not available for all fiscal years.

Reorganizations in 2008 created new departments, moved divisions and transferred employees. Historical data has been changed to reflect some but not all of these reorganizations.

Since 2006, At-will employees have not been counted. Currently there are three At-will employees.

Source: City of Redlands Budget

CITY OF REDLANDS
 Operating Indicators
 by Function
 Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Calls for service ¹	55,512	63,727	63,560	59,182	56,821	61,184	58,702	54,725	52,611	51,248
Emergency calls for service ¹	9,699	10,521	11,178	11,970	16,546	2,643	2,730	3,091	2,333	1,167
Citations issued ¹	9,338	8,291	5,410	5,242	7,390	3,754	7,639	6,516	5,688	5,803
Fire:										
Number of incidents	6,675	7,116	7,040	7,625	8,038	7,885	8,113	8,239	8,470	8,323
Inspections performed ¹	2,456	2,498	2,576	2,737	3,610	2,296	3,145	2,794	2,247	2,994
Building and safety:										
Permits issued	2,876	3,070	2,997	2,838	2,967	2,446	1,453	1,721	1,647	1,536
Inspections performed	12,228	15,961	15,679	17,273	14,611	15,868	12,543	7,920	8,506	7,358
Parks and recreation:										
Community center attendance	36,211	45,228	35,160	62,048	69,861	85,216	68,093	37,973	22,398	18,000
Senior center attendance	47,941	43,644	42,496	43,374	43,633	41,258	34,899	43,706	29,008	20,668
Joslyn center attendance	47,292	43,201	49,808	39,328	40,830	38,960	43,989	37,477	26,707	13,016
Youth sports attendance	12,980	15,781	17,781	14,859	4,665	7,284	10,991	6,787	1,538	3,566
Adult sports attendance	10,255	11,989	20,418	19,797	17,427	30,509	10,259	10,260	4,735	7,780
Water:										
Number of services	19,670	20,140	20,500	21,047	21,450	21,547	21,667	21,534	22,487	23,075
Average daily consumption (thousands of gallons)	25,700	25,400	27,000	23,553	29,458	33,650	22,346	29,960	26,960	23,362
Solid waste:										
Recycled materials (tons)	24,502	29,794	37,123	38,083	40,851	34,317	37,334	28,329	25,194	24,183
Refuse disposed (tons)	54,599	56,865	59,745	61,607	58,402	57,480	54,171	78,832	81,428	71,441
Library:										
Number of volumes	138,513	136,671	138,446	141,310	140,644	141,241	142,050	142,945	144,229	143,622

¹ Data reported by calendar year until 2008. Data is by Fiscal Year effective 2009.

In FY 2007/2008 the Police department switched reporting to a fiscal year basis and began reporting emergency calls as priority 1 calls only.

Source: City of Redlands

CITY OF REDLANDS
Capital Asset Statistics
by Function
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	4	4	4	4	4	4	2	2	2	2
Fire:										
Fire stations	3	3	4	4	4	4	4	4	4	4
Public works:										
Streets (miles)	305	307	310	312	315	315	315	315	315	315
Traffic signals (city-owned)	58	61	61	64	68	68	68	68	68	68
Parks and recreation:										
Parks (acreage)	250	250	250	250	230	230	260	260	260	260
Groves (acreage)	200	175	175	196	192	204	204	204	195	195
Community centers	3	3	3	3	3	3	3	3	3	3
Water:										
Water mains (miles)	368	381	387	407	416	421	404	386	386	386
Maximum daily production capacity (thousands of gallons)	45,400	55,400	59,000	50,000	50,000	55,000	55,000	55,000	55,000	55,000
Non Potable Water *										
Water mains (miles)	-	-	-	-	-	-	28	28.46	29.06	26.96
Maximum daily production capacity (thousands of gallons)	-	-	-	-	-	-	4,500	4,500	4,500	4,500
Wastewater:										
Sewers (miles)	222	222	226	232	239	239	241	239	242	240
Daily capacity of wastewater plant (thousands of gallons)	9,500	9,500	9,500	9,500	5,500	5,500	9,500	9,500	9,500	9,500
Solid waste:										
Landfill (city-owned)	1	1	1	1	1	1	1	1	1	1
Library:										
Public library	1	1	1	1	1	1	1	1	1	1

* Beginning in 2008-2009 potable and non potable water data is reported separately.

Source: City of Redlands