



Joint Study Session Agenda
May 7, 2012
Placentia City Council
Financial Audit Oversight Committee

Mission Statement

The City Council is committed to keeping Placentia a pleasant place by providing a safe family atmosphere, superior public services and policies that promote the highest standards of community life.

Vision Statement

The City of Placentia will maintain an open, honest, responsive and innovative government that delivers quality services in a fair and equitable manner while optimizing available resources.

Jeremy B. Yamaguchi
Mayor

Chad P. Wanke
Mayor Pro Tem

Joseph V. Aguirre
Council Member

Scott W. Nelson
Council Member

Constance M. Underhill
Council Member

Patrick J. Melia
City Clerk

Craig S. Green
City Treasurer

Troy L. Butzlaff, ICMA-CM
City Administrator

Andrew V. Arczynski
City Attorney

Copies of all agenda materials are available for public review in the Office of the City Clerk, online at www.placentia.org, and at Placentia Library Reference Desk. Persons who have questions concerning any agenda item may call the City Clerk's Office, (714) 993-8231, to make inquiry concerning the nature of the item described on the agenda.

Procedures for Addressing the Council/Board Members

Any person who wishes to speak regarding an item on the agenda or on a subject within the City's jurisdiction during the "Oral Communications" portion of the agenda should fill out a "Speaker Request Form" and give it to the City Clerk BEFORE that portion of the agenda is called. Testimony for Public Hearings will only be taken at the time of the hearing. Any person who wishes to speak on a Public Hearing item should fill out a "Speaker Request Form" and give it to the City Clerk BEFORE the item is called.

The Council and Board members encourage free expression of all points of view. To allow all persons the opportunity to speak, please keep your remarks brief. If others have already expressed your position, you may simply indicate that you agree with a previous speaker. If appropriate, a spokesperson may present the views of an entire group. To encourage all views, the Council and Board discourage clapping, booing or shouts of approval or disagreement from the audience.

PLEASE SILENCE ALL PAGERS, CELL PHONES, AND OTHER ELECTRONIC EQUIPMENT WHILE COUNCIL AND BOARD MEMBERS ARE IN SESSION.

Special Accommodations

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (714) 993-8231. Notification 48 hours prior to the meeting will generally enable City Staff to make reasonable arrangements to ensure accessibility.
(28 CFR 35.102.35.104 ADA Title II)

In compliance with California Government Code § 54957.5, any writings or documents provided to a majority of the City Council regarding any item on this agenda that are not exempt from disclosure under the Public Records Act will be made available for public inspection at the City Clerk's Office at City Hall, 401 East Chapman Avenue, Placentia, during normal business hours.

Study Sessions are open to the public and held in the City Council Chambers or City Hall Community Room. Executive Sessions are held in the Council Caucus Room. While the public may be in attendance during oral announcements preceding Executive Sessions, Executive Sessions are not open to the public.

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**PLACENTIA CITY COUNCIL
FINANCIAL AUDIT OVERSIGHT COMMITTEE
JOINT STUDY SESSION AGENDA
May 7, 2012
6:00 p.m. – City Council Chambers
401 E. Chapman Avenue, Placentia, CA**

CALL TO ORDER:

ROLL CALL: Councilmember/Board Member Aguirre
Councilmember/Board Member Nelson
Councilmember/Board Member Underhill
Mayor Pro Tem/Board Vice Chair Wanke
Mayor/Board Chair Yamaguchi

AOC Committee Member Benuzzi
AOC Committee Member DeRose
AOC Committee Member Larson
AOC Committee Member McCallick
AOC Committee Member Moobery

- I. Opening Remarks** Jeremy Yamaguchi,
Mayor
Purpose of Meeting/Meeting Format

- II. Presentation on Comprehensive Annual Financial Report and Single Audit Report for Fiscal Year 2010-2011** Haskell & White, LLP
Auditors

- III. Review of Corrective Active Plan for Fiscal Year 2010-2011**

- IV. Oral Communications/Public Comments and Questions**

- V. Closing Remarks** Jeremy Yamaguchi,
Mayor

CITY COUNCIL/BOARD MEMBERS COMMENTS AND REPORTS:

The purpose of these reports is to provide information on projects and programs that are discussed at interagency board, committee, and commission meetings. No decisions are to be made on these issues. If a Council or Board Member would like formal action on any of the discussed items it will be placed on a future Council or Board Agenda.

CITY COUNCIL/BOARD MEMBERS REQUESTS:

Council/Board Members may make requests or ask questions of Staff. If a Council/Board Member would like to have formal action taken on a requested matter, it will be placed on a future Council or Board Agenda.

ADJOURNMENT:

The City Council will adjourn to the next regular meeting on May 15, 2012.

The Financial Audit Oversight Committee will adjourn to the next regular meeting on July 9, 2012.

CERTIFICATION OF POSTING

I, Tania Moreno, Deputy City Clerk for the City of Placentia, hereby certify that the Agenda for the May 7, 2012 Joint Study Session Meeting between City Council and Financial Audit Oversight Committee was posted on May 2, 2012.

Tania Moreno, Deputy City Clerk

CITY OF PLACENTIA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2011

Prepared by the Finance Department of the
City of Placentia

CITY OF PLACENTIA
ANNUAL FINANCIAL REPORT
JUNE 30, 2011

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The People are the City

Mayor

Jeremy B. Yamaguchi

Mayor Pro Tem

Chad P. Wanke

Councilmembers

Joseph V. Aguirre

Scott W. Nelson

Constance M. Underhill



City Clerk

Patrick J. Melia

City Treasurer

Craig S. Green

City Administrator

Troy L. Butzlaff, ICMA-CM

401 East Chapman Avenue – Placentia, California 92870

December 30, 2011

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

It is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the City of Placentia, California (City) for the fiscal year ended June 30, 2011. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. It is our opinion that the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of the operations of the City, and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB). This report consists of management's representations concerning the finances of the City of Placentia, California. 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 have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Haskell and White LLP, a public accounting firm fully licensed and qualified to perform audits of local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Placentia, California for the fiscal year ended June 30, 2011, 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 auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Placentia, California's financial statements for the fiscal year ended June 30, 2011, are 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 government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP require 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 the MD&A and should be read in conjunction with it. The City of Placentia's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

Profile of the City of Placentia

The City of Placentia is located in north Orange County, in the heart of Southern California, with Los Angeles County to the north and San Diego County to the south. There are currently 34 cities within the County offering one of the finest climates in the United States. Orange County is now the second largest county in California trailing only Los Angeles and surpassing San Diego and is the sixth largest county in the nation. The City was incorporated December 2, 1926. The City consists of approximately 6.7 square miles of land area and serves a population of over 50,000.

Placentia has operated under a charter form of government since 1965 and the City operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of five council members one of which is elected by the council to a one year term as mayor and one as mayor pro-tem. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring both the City Administrator and a contract City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations and for appointing heads of departments. The City Council are elected to four-year terms which are staggered with two members of Council elected in one election and three in the succeeding election.

The City provides a full range of municipal services including police, construction and maintenance of streets and parks, engineering, community development (e.g., building, planning, code compliance), recreational and cultural activities, economic development, and administrative services (e.g., personnel, finance, information services). Fire services are contracted with the Orange County Fire Authority (OCFA) and refuse collection is franchised to a private refuse company, Republic Services.

Budget: The annual budget serves as the foundation for the City of Placentia's financial planning and control. The Finance Department, with City Administrator direction, develops budget guidelines and appropriation limits for each department every year in January. The departments then submit revenue and expenditure appropriation requests which are summarized by the Finance Department and presented to the City Administrator for review. The City

Administrator then meets with each department and prepares a proposed budget document for the City Council.

The City's Charter requires that the City Administrator submit a proposed budget to the City Council at least 35 days prior to the start of each fiscal year. After the budget has been presented, it must be adopted by the City Council following a noticed public hearing.

Budgetary control is maintained at the department level, by fund. Budgetary control for capital improvement projects is maintained at the individual project level, by fund.

During the fiscal year, budget amendments between departments within a fund are approved by the City Administrator and new appropriations and transfers between funds are approved by City Council.

For Fiscal Year 2010-11, General Fund revenues approximated \$31.0 million. The top three individual revenue sources, Property Taxes, Sales Taxes and Sales Tax in Lieu, and the City's Utility Users Tax, represent 61% of all General Fund revenues. Tax revenues in total, including business licenses, franchise fees and other taxes represent nearly 63% of all General Fund revenues while only 27% is generated by other revenue sources.

General Fund Expenditures in Fiscal Year 2010-11 were budgeted at \$29.0 million. Personnel costs, which include salaries and benefits, represent 53% of the total expenditures. Operational costs, which include materials, services and supplies, account for 42% of the budget. Capital outlay and debt service costs account for 5%.

Factors Affecting Financial Condition

Local Economy: Much like the rest of the nation, Placentia has been hit hard by the economic recession and resulting decline in consumer confidence. By June 2011, unemployment in California was among the highest in the nation at 11.8% and in Orange County the unemployment rate stood at 9.4%. Industries experiencing the most severe slowdowns include: construction, building finishing contractors, retail, and food service. Job losses are expected to continue at a slower pace in the next year, even after the local economic climate begins to stabilize.

The rise in unemployment, declining real estate values, reduced property, sales and utility users' tax revenues, and restricted availability to credit has placed fiscal constraints on the City that are expected to last several years. Despite these challenges, it appears that there may be hopeful signs of growth and recovery on the horizon. The City continues to aggressively pursue economic development which will provide additional sales and property tax revenues in coming years coupled with continuation of evaluating operating expenditures.

The City's challenge in Fiscal Year 2010-11 and subsequent years is to effectively implement a multi-year plan to close the gap between revenues and expenses in the General Fund, thus achieving a fiscally sustainable budget. Although the City has taken various measures to reduce costs and stabilize the budget, unless additional corrective actions are taken it is projected that expenditures will again exceed revenues as earlier as 2013. Permanently closing the gap will

require difficult decisions relative to program and service priorities and discipline to ensure that we are implementing long-term solutions to address the City's financial challenges.

Long-Range Fiscal Planning: In light of the fiscal constraints noted above, the City will continue to face substantial challenges in returning to a long-term structurally balanced General Fund budget. Addressing this challenge will require difficult decisions relative to which programs and services are funded and at what level. The City has been exploring new ways of delivering programs and services and is also working with other cities in North Orange County to consolidate services and find other cost reduction measures.

In addition to controlling costs and finding new ways to deliver public services, the City has prepared several master planning documents to identify long-term needs and how to pay for them. In 2011, the City retained a consultant to assess the pavement condition of the City's pavement network and to prepare an on-going maintenance plan for the City's 82.18 centerline miles of paved surfaces throughout the community. The other planning document the City has prepared demonstrates how resources are to be allocated is its 7-year Capital Improvement Program. The Capital Improvement Program serves as a guide for the efficient and effective planning of public improvements and facilities. Total projected improvements in Fiscal Year 2011-12 are \$8.2 million including: \$3.27 million for streets, curb and gutter; \$3.1 million for facility maintenance and improvements; and \$928,500 for Park Improvements. Majority of the funding sources is from the bond proceeds of the \$5.96 million 2011 Gas Tax Certificate of Participation issued in May 2011. All of these investments in the various areas reflect the City Council's commitment to maintain or improve the City's infrastructure and to provide the citizens with the highest possible service. The City will continue to bring expenditures in line with available revenues while also exploring new revenue enhancements that will further strengthen the City's financial position.

Budgetary Controls: The City maintains budgetary controls at the individual fund level. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The budget includes estimated revenues and appropriations for the City's funds categorized into six fund types including one general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds and all internal service funds are included in the annual appropriated budgets of the City. Using the City's automated accounting system, each City department's expenditures are restricted to the amount of that department's budgeted appropriations for the year at the object level. No department is allowed to spend more than its available appropriations. Changes in appropriations in excess of a department's total appropriation or fund balance or unrealized revenues must be approved by the City Council as a transfer from contingency reserve, transfer from another department, or as an appropriation of unanticipated or over realized revenue identified to a specific source. There is no "floor" in the level amount requiring approval.

Cash Management Policies and Practices: Idle cash held by the City has been invested mainly with the State Local Agency Investment Pool (LAIF) due to its high degree of liquidity and relatively competitive interest rates. The average annual return for LAIF investments was 0.495% for the current fiscal year.

The City annually adopts, by resolution, a statement of investment policy for the City's funds. The policy defines the objectives and priorities of the investment program, stressing safety and liquidity of funds as the highest priority.

Risk Management: The City is a member of a joint powers authority, Public Agency Risk Sharing Authority of California (PARSAC) for general liability coverage. The City is self-insured for the first \$100,000, and various levels of greater claims are covered through PARSAC and reinsurance. The City is self-insured for workers' compensation up to \$300,000 and also belongs to the Local Agency Workers' Compensation Excess (LAWCX) joint powers authority for claims from \$300,000 to \$5 million. Additional information about risk management can be found in Note 15 of the financial statements.

Pension and Post Employment Benefits: The City provides its full-time employees retirement and disability benefits to members and their beneficiaries through defined benefit pension plans for its public safety employees and miscellaneous employees. These plans are part of the California Public Employees Retirement System (CalPERS). The City makes contributions to the plans based on amounts determined by CalPERS actuaries. The City also contributes the employees' required contributions for the public safety employees on their behalf and for their account. Miscellaneous employees pay 100% of the employee's required contribution.

The City also provides post-retirement health, dental and optical care benefits to its employees in accordance with agreements reached with the various employees' bargaining groups. The City pays for the retirees' health care premiums in these plans up to limits established in the agreements with the bargaining units. These payments are financed on a pay-as-you-go basis. As of June 30, 2011, the City was providing benefits to approximately 120 participants.

Awards and Acknowledgments

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to government units that publish an easily readable and efficiently organized comprehensive annual financial report. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report meets the required criteria and we are submitting it to GFOA to determine its eligibility for a Certificate of Achievement and Excellence in Financial Reporting.

Acknowledgments: Preparation of this report was accomplished through the efficient and dedicated services of virtually everyone in the City's Finance Department. We would also like to thank the Mayor, City Council, and the residents of this great community for their continuing interest and support in planning and conducting the financial operations of the City in a progressive and professional manner. Finally, we would like to thank our auditors, Haskell and

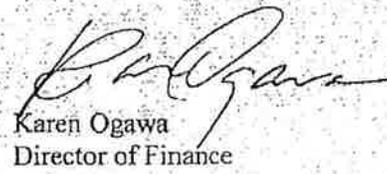
White, for their time and assistance in the preparation of the report. This report was completely prepared and published by City employees.

Respectfully submitted,



Troy Butzlaff, ICMA-CM
City Administrator

Respectfully submitted,



Karen Ogawa
Director of Finance

**CITY OF PLACENTIA
PRINCIPAL OFFICIALS**

June 30, 2011

CITY COUNCIL

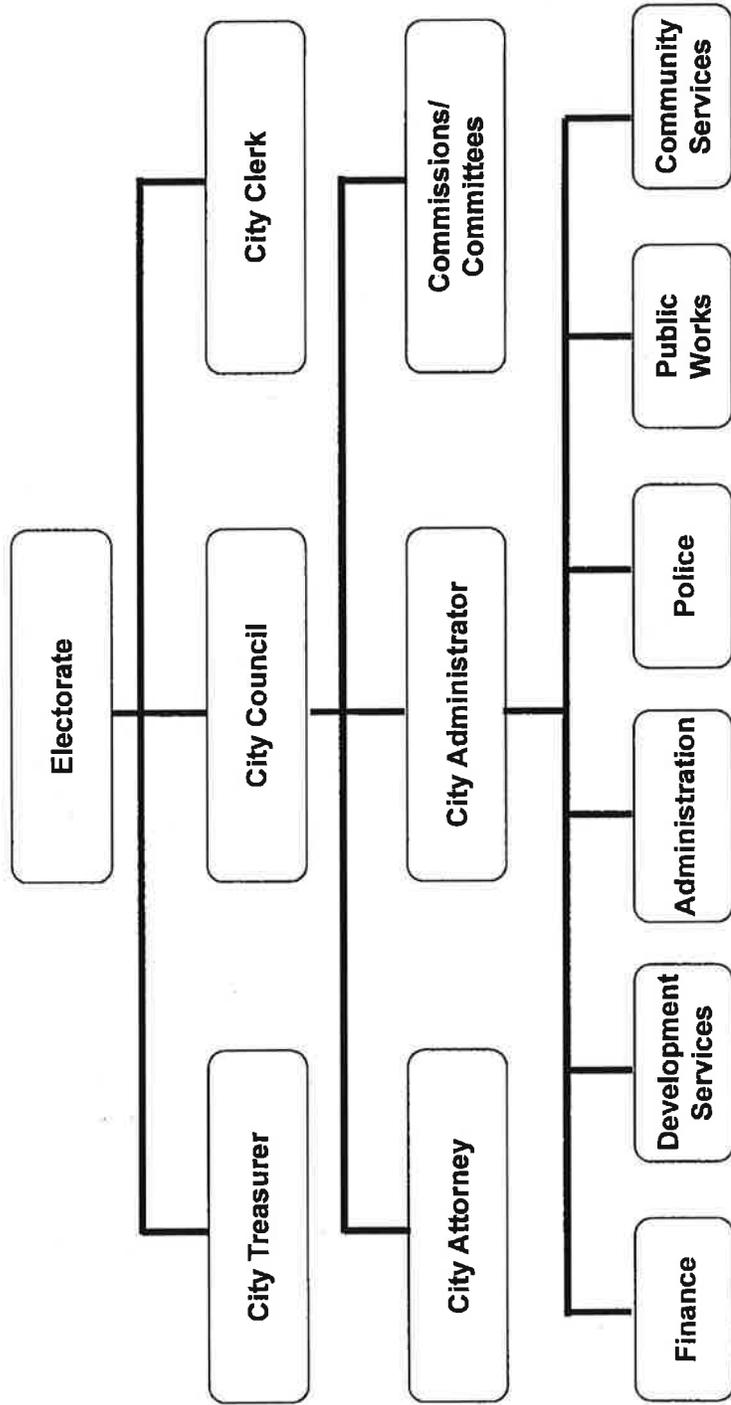
Scott W. Nelson	Mayor
Jeremy B. Yamaguchi	Mayor Pro Tem
Joseph V. Aguirre	Councilmember
Constance Underhill	Councilmember
Chad P. Wanke	Councilmember

CITY OFFICIALS

Craig S. Green	City Treasurer
Patrick J. Melia	City Clerk
Troy Butzlaff, ICMA-CM	City Administrator
Ken Domer	Assistant City Administrator
Andrew V. Arczynski	City Attorney
Stephen D. Pischel	Director of Administrative/ Community Services
Karen Ogawa	Director of Finance
Stephen F. Drinovsky	Director of Public Works
Rick Hicks	Police Chief



PLACENTIA MUNICIPAL ORGANIZATION





INDEPENDENT AUDITOR'S REPORT

To the Honorable City Council of the City of Placentia
Placentia, 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 Placentia (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, internal service, and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the 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. 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 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise, internal service, and fiduciary fund of the City as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 24 that were applied to restate the City's financial statements as of June 30, 2010. In our opinion, such adjustments are appropriate and have been properly applied.

As described in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.



As explained further in Note 21 to the Basic Financial Statements, on December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26. Due to the timing of the ruling and legal implications, City Management has not determined the full extent of the financial effect or timing of the dissolution of the Redevelopment Agency of the City of Placentia, California (the "Agency"). However, the City believes that interagency receivables recognized by the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. Furthermore, the City might be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The City continues to experience financial difficulty. The City's general fund has a nonspendable fund balance of \$5,823,730, an assigned fund balance of \$500,000, a negative unassigned fund balance of \$(294,232), and a total fund balance of \$6,029,498. In addition, the redevelopment agency debt service fund has a negative unassigned fund balance of \$(1,638,749), and a total negative fund balance of \$(1,638,749). If the Agency is dissolved as discussed in the previous paragraph, all redevelopment agency funds would be closed, and the negative fund balances would be absorbed by other City funds.

As described in Note 8, the City has issued 2009 subordinate tax allocation notes which are due and payable on February 1, 2014. Based on prior tax amounts collected, City management does not anticipate that sufficient funds will be available to repay the debt upon maturity and anticipates refinancing the debt at maturity. Additionally, as noted in Note 21, the Agency did not make its full payment to the state of California for their share of the Supplemental Educational Revenue Augmentation Funds ("SERAF").

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 83 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City of Placentia's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. 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.

Haskell & White LLP
HASKELL & WHITE, LLP

December 30, 2011

CITY OF PLACENTIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

This discussion and analysis section of the City of Placentia's the 'City' comprehensive annual financial report provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2011. This information should be read in conjunction with the basic financial statements and the notes, which accompany the basic financial statements.

FINANCIAL HIGHLIGHTS

- Net assets, the amount by which total assets exceed total liabilities, equal \$68.9 million. The governmental activities had net assets of \$56.6 million and business-type activities had net assets of \$12.2 million
- The City's total net assets increased by \$2.3 million over prior year totals. Governmental activities contributed \$4.4 million, and business-type activities used by \$(1.7 million).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15.8 million an increase of \$10.6 million in comparison with the prior year.
- At the end of the current fiscal year, general fund fund balance was \$6.0 million, or 26 percent of the general fund expenditures, not including transfers, for the fiscal year.
- The general fund revenues exceeded expenditures, not including transfers, by \$3.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are presented in three parts:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

This section of the management's discussion and analysis is intended to introduce and explain the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to give the reader a picture of the City from the economic resources measurement focus using the accrual basis of accounting. This broad overview is similar to the financial reporting used in private-sector business. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the City include general government (i.e., administration, City Council, personnel), public safety (i.e., police, fire protection through contract with Orange County Fire Authority), public works, community services, and redevelopment. The City's business-type activities include refuse, compressed natural gas, and sewer maintenance. Governmental activities are primarily supported by taxes, charges for services and grants, while business-type activities are self-supporting through user fees and charges.

CITY OF PLACENTIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The Statement of Net Assets presents information on all of the City's assets and liabilities; the difference between these two categories is reported as net assets.

These assets include the City's infrastructure and all assets previously included in the general fixed asset account group. Over time, increases or decreases in net assets may be one indicator of improvement or deterioration in the City's overall financial health.

The Statement of Activities presents information designed to show how the City's net assets changed during the year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by specific functions (i.e., charges for services, grants and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, which requires that revenues are reported when earned and expenses are reported when incurred, regardless of when cash is received or disbursed.

Fund Financial Statements

A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental Funds**

Governmental Funds are used to account for the governmental activities reported in the government-wide financial statements. Most of the City's basic services are included in governmental funds. The basis of accounting is different between the governmental fund statements and the government-wide financial statements.

The governmental funds focus on near term revenues/financial resources and expenditures, while the government-wide financial statements include both near term and long-term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the City's near term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide financial statements can help the reader better understand the long-term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances

CITY OF PLACENTIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- **Proprietary Funds**

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City uses enterprise funds to account for refuse services, compressed natural gas station and sewer system activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The internal service funds primarily benefits the governmental activities and, therefore, the internal service fund information has been included with the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the refuse fund, compressed natural gas fund and sewer maintenance fund. Conversely, the internal service fund is shown as a separate reporting category on the proprietary funds report and in the supplementary information section of this report.

- **Fiduciary Funds**

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds.

Fiduciary Funds are not included in the government-wide financial statements because their assets are not available to support the City's activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is important to a full understanding of the data in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

Other Information

In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information. Required supplementary information may be found immediately following the notes to the financial statements. The combining statements for other governmental funds, the individual fund schedules, the internal service fund statements and agency-type fiduciary fund schedules are presented immediately following the required supplementary information.

CITY OF PLACENTIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The statement of net assets can serve as a useful indicator of the City's financial position. The City of Placentia's net assets at June 30, 2011 total \$68.9 million. Following is a condensed version of the government-wide statement of net assets.

	NET ASSETS					
	(in millions)					
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
ASSETS						
Cash and investments	\$ 12.3	\$ 3.7	\$ 2.6	\$ 4.1	\$ 14.9	\$ 7.8
Other Assets	8.7	4.7	0.1	0.2	8.9	4.8
Capital Assets	80.0	79.8	13.3	13.9	93.3	93.7
Total Assets	<u>\$ 101.0</u>	<u>\$ 88.2</u>	<u>\$ 16.0</u>	<u>\$ 18.1</u>	<u>\$ 117.0</u>	<u>\$ 106.3</u>
LIABILITIES						
Current Liabilities	\$ 14.5	\$ 10.0	\$ 3.8	\$ 0.4	\$ 18.3	\$ 10.4
Long-term liabilities	29.8	29.8	-	0.1	29.8	29.9
Total Liabilities	<u>\$ 44.3</u>	<u>\$ 39.8</u>	<u>\$ 3.8</u>	<u>\$ 0.5</u>	<u>\$ 48.1</u>	<u>\$ 40.3</u>
NET ASSETS						
Invested in capital assets, net of related debt	\$ 60.2	\$ 58.1	\$ 13.3	\$ 12.5	\$ 73.5	\$ 70.7
Restricted	8.7	-	-	-	8.7	-
Unrestricted	<u>(12.3)</u>	<u>(9.8)</u>	<u>(1.0)</u>	<u>5.1</u>	<u>(13.3)</u>	<u>(4.7)</u>
Total Net Assets	<u>\$ 56.6</u>	<u>\$ 48.4</u>	<u>\$ 12.2</u>	<u>\$ 17.6</u>	<u>\$ 68.9</u>	<u>\$ 66.0</u>

The largest portion of the City's net assets is attributable to the investment in capital assets. The majority of the liabilities are certificates of participation and redevelopment tax allocation bonds.

Changes in Net Assets

The changes in net assets table illustrates the increases or decreases in net assets of the City resulting from its operating activities. The City of Placentia's net assets increased approximately \$2.7 million in the fiscal year ended June 30, 2011. The increase was split between the governmental activities increase of \$4.4 million and business-type activities decrease by \$(1.7) million.

CITY OF PLACENTIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The changes in net assets table illustrates the increases or decreases in net assets of the City resulting from its operating activities. The City of Placentia's net assets increased approximately \$2.7 million in the fiscal year ended June 30, 2011. The increase was split between the governmental activities increase of \$4.4 million and business-type activities decrease by \$(1.7) million.

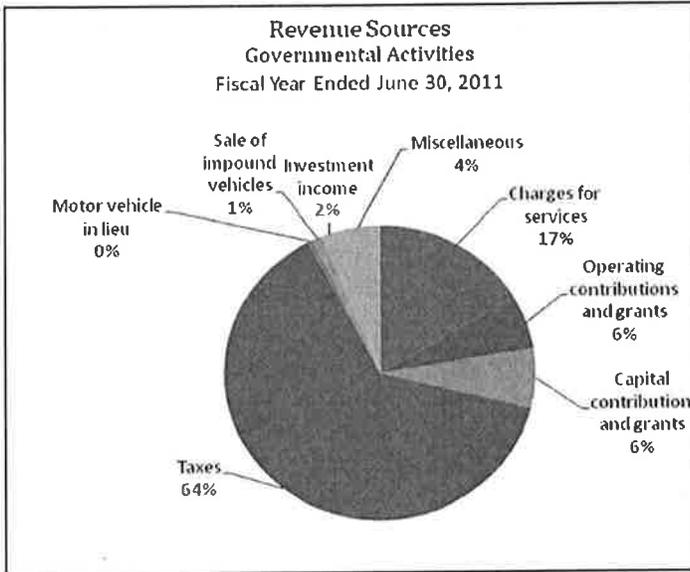
Following is a condensed version of the City's changes in net assets. The tables show the revenues, expenses, and related changes in net assets in tabular form for the governmental activities separate from the business-type activities.

	Change in Net Assets					
	(in millions)					
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
REVENUES						
Program Revenues:						
Charges for services	\$ 6.4	\$ 4.1	\$ 3.8	\$ 4.3	\$ 10.1	\$ 8.5
Operating contributions and grants	2.6	3.9	-	-	2.6	3.9
Capital contribution and grants	2.1	3.4	-	0.5	2.1	3.9
General Revenues:						
Taxes	24.6	22.1	-	-	24.6	22.1
Motor vehicle in lieu	0.2	0.2	-	-	0.2	0.2
Sale of impound vehicles	0.4	0.4	-	-	0.4	0.4
Investment income	0.6	0.0	0.0	0.0	0.6	0.0
Miscellaneous	1.7	2.8	-	-	1.7	2.8
Total revenues	<u>38.6</u>	<u>36.9</u>	<u>3.8</u>	<u>4.8</u>	<u>42.4</u>	<u>41.8</u>
EXPENSES						
General government	5.0	8.7	-	-	5.0	8.7
Public safety	18.3	15.8	-	-	18.3	15.8
Public works	6.5	4.2	-	-	6.5	4.2
Community services	1.1	1.8	-	-	1.1	1.8
Redevelopment	2.1	1.8	-	-	2.1	1.8
SERAF	0.2	0.8	-	-	0.2	0.8
Interest on long-term debt	1.9	1.7	-	-	1.9	1.7
Refuse	-	-	2.8	2.6	2.8	2.6
Compressed natural gas	-	-	0.5	0.4	0.5	0.4
Sewer maintenance	-	-	1.4	1.0	1.4	1.0
Total expenses	<u>35.1</u>	<u>34.8</u>	<u>4.6</u>	<u>4.0</u>	<u>39.7</u>	<u>38.9</u>
Increase in net assets before transfers	3.6	2.1	(0.9)	0.8	2.7	2.9
Transfers	0.8	0.6	(0.8)	(0.6)	-	-
Change in net assets	<u>4.4</u>	<u>2.7</u>	<u>(1.7)</u>	<u>0.2</u>	<u>2.7</u>	<u>2.9</u>
Net assets, beginning of year	<u>52.2</u>	<u>49.5</u>	<u>14.0</u>	<u>13.8</u>	<u>66.2</u>	<u>63.3</u>
Net assets, end of year	<u>\$ 56.6</u>	<u>\$ 52.2</u>	<u>\$ 12.2</u>	<u>\$ 14.0</u>	<u>\$ 68.9</u>	<u>\$ 66.2</u>

CITY OF PLACENTIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

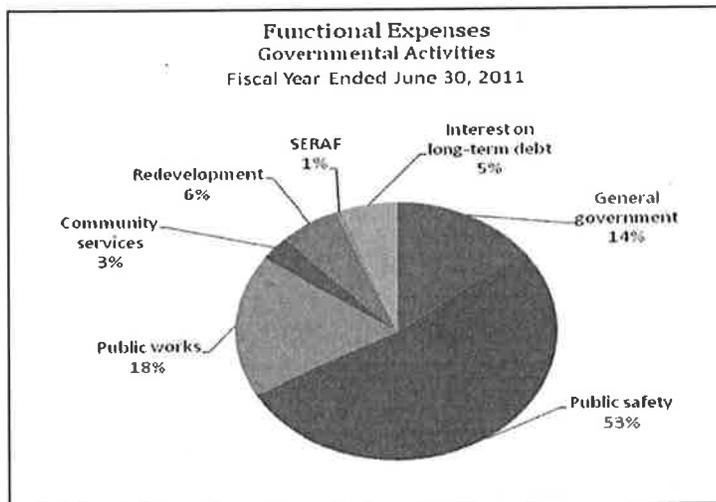
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



The total cost of all City programs and services during fiscal year ended June 30, 2011 was \$39.7 million. Public safety was the largest portion, accounting for 46% of the total expenditures. General government accounted for 13% and public works accounted for 16% of total expenditures. Business-type activities accounted for 12% of total expenditures.

The difference between the City's total revenues and expenditures, \$2.7 million, represented the increase in total net assets for 2011.

Governmental activities contributed to \$4.4 million of the increase in net assets. The revenues associated with governmental activities increased by \$1.7 million compared to Fiscal Year 2009-10. The largest increases in revenues as compared to the prior year were attributable to taxes and charges for services. The increase in taxes was primarily from the sales and use taxes and franchise fees. The charges for services increase were primarily due to the City's vehicle impound program.



The expenses associated with the governmental activities increased by \$248,567 compared to one year earlier. With the economic downturn and uncertainty of the City's core revenue sources, all City departments were charged with reducing operating expenses. The major areas which show increases are public safety and public works. Increases in public safety expenditures were primarily due to the increase in personnel costs. The public works increase in expenditures were a result of an increase in street maintenance.

Business-type activities had a \$1.7 million decrease in net assets. The net decrease is mainly attributed to the decrease in charges for services and capital contribution revenues and an increase in refuse operating expenses.

CITY OF PLACENTIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

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

As the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$15.8 million, an increase of \$10.6 million from the prior year.

Approximately \$7.6 million constitutes nonspendable fund balance, which is not available for spending because they are either (1) in a nonspendable form, such as prepaid items, inventories of supplies, loans receivable; or (2) legally contractually required to be maintained. This category was traditionally reported as a "reserved" fund balance under the old standard.

The restricted fund balance of \$9.1 million also reflects constraints on the use of resources that are either (1) externally imposed creditors, such as stated in the debt covenants, grantors contributors, laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. This category was traditionally reported as a "reserved" fund balance under the old standard.

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts are classified as committed fund balance. Currently, the City has not taken such action and therefore there are no funds classified as committed fund balance as of June 30, 2011.

The assigned fund balance of \$1.0 million is funds that are constrained by the City's intent to be used for specific purpose, but are neither restricted nor committed. The total assigned balance is comprised of a receivable of \$505,349 from California Department of Transportation and \$500,000 for uncertain economic activities.

The unassigned fund balance of \$(1.9 million) represents the portion of fund balance that does not fall into one of the other four fund balance categories. The majority of the unassigned fund balance is the Redevelopment Agency Debt Service Fund.

The general fund is the main operating fund of the City. As of June 30, 2011, fund balance of the general fund was \$6.0 million, The general fund which represents 26% of general fund expenditures, excluding transfers.

CITY OF PLACENTIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Proprietary Funds

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

The City's major proprietary funds are the refuse fund, compressed natural gas fund and sewer maintenance fund. Net assets of the refuse fund, compressed natural gas fund and sewer maintenance fund at the end of the fiscal year amounted to \$12.2 million. The total change in net assets decreased \$(1.7) million from the previous year.

Operating expenses exceeded operating revenues in refuse and sewer maintenance fund. The net decrease in net assets was due to a decrease in refuse operating revenues coupled with an increase in maintenance costs in the sewer maintenance fund. The compressed natural gas fund was the only fund to have an increase in net assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund receives the most public attention since it is where local tax revenues are accounted for and where the most popular municipal services such as police and public works are funded.

Year-to-date revenues, including transfers in, totaled \$31.0 million. Total general fund revenues and transfers in were higher than their adjusted budget amounts by \$2.5 million. Sales and use taxes, other taxes and miscellaneous were the main contributors to the variance in revenues.

Expenditures, including transfers out, for the current fiscal year totaled \$30.7 million. As a result, the revenues exceeded expenditures, including transfers, by \$220,572. Transfers out exceeded transfers in by \$3.1 million of which \$2.1 million was to cover the deficit cash balance in the orangethorpe corridor fund.

Although the projections were a decrease to fund balance, the City ended the fiscal year with an increase of \$220,572 to fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totaled \$93 million, net of depreciation. These assets include buildings, infrastructure, land, machinery and equipment, park facilities, vehicles, and construction in process.

The primary change in the City's Capital Assets was reclassification of sewer infrastructure to the Sewer Proprietary fund. These assets were previously recorded in the governmental activities financials.

CITY OF PLACENTIA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

CAPITAL ASSETS

(in millions)

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 25.9	\$ 25.7	\$ -	\$ -	\$ 25.9	\$ 25.7
Land - right of way	0.3	0.3	-	-	0.3	0.3
Infrastructure - trees	3.1	3.1	-	-	3.1	3.1
Construction in progress	5.8	5.1	-	-	5.8	5.1
Structures and improvements	6.6	6.8	13.1	13.6	19.8	20.5
Equipment	1.1	1.4	0.2	0.2	1.3	1.6
Infrastructure - streets network	20.4	20.0	-	-	20.4	20.0
Infrastructure - streets	13.5	14.1	-	-	13.5	14.1
Infrastructure - storm drain	3.2	3.4	-	-	3.2	3.4
Total Net Assets	<u>\$ 80.0</u>	<u>\$ 79.8</u>	<u>\$ 13.3</u>	<u>\$ 13.9</u>	<u>\$ 93.3</u>	<u>\$ 93.7</u>

Debt Administration

At the end of the current fiscal year, the City had total debt outstanding of \$30.0 million. The majority of the debt (66%) is in the Redevelopment Agency's, which has \$19.8 million in outstanding debt. Additions to the City's long-term debt included \$6.0 million of Gas Tax Certificate of Participation, \$1.5 million of other post-employment benefit (OPEB) obligations and \$1.7 million in general liability claims payable.

LONG-TERM DEBT

(in millions)

	<u>2011</u>	<u>2010</u>
Certificates of participation	\$ 12.3	\$ 7.5
Tax allocation bonds	6.6	6.8
Tax allocation notes	6.8	6.8
Lease revenue bonds	4.2	4.3
	<u>\$ 30.0</u>	<u>\$ 25.4</u>
Compensated absences	3.4	3.5
Net OPEB obligations	1.5	1.0
Claims payable - General liability	1.7	1.6
Total	<u>\$ 36.6</u>	<u>\$ 31.6</u>

CITY OF PLACENTIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City has been able to maintain its level of services to the community by positioning itself to withstand fluctuations in the economic environment. Despite the challenging economic climate, careful management of expenditures has enabled the City to maintain its ability to fund current levels of services to its residents.

In preparing the annual budget for the fiscal year ended June 30, 2012 management looked at the following economic factors:

- Key sectors of the local economy are showing signs of sustained growth.
- Annual average job growth turns positive in 2011, rising by 1.4 percent. The county labor market expansion is expected to accelerate between 2011 and 2016, averaging 3.0 percent growth per year.
- Employment in construction, wholesale trade, information, and professional services are expected to grow more than 20 percent between 2011 and 2016.
- Commercial real estate continues to show signs of recovery.
- Total taxable sales adjusted for inflation will grow at a faster pace in 2011 and 2012.

Key budget assumptions for forecasting general fund revenues include the following:

- The State of California's current fiscal situation may necessitate additional State "take away" or borrowing of local revenues to balance the State's budget.
- The threat to eliminate redevelopment or require cities to "pay to play" to keep redevelopment alive may affect General Fund revenues.
- Sales tax revenue will continue to grow by an estimated 4%.
- Property tax revenues will grow by an estimated 1%.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Placentia's finances for all those with an interest in the government's finances. If you have questions concerning any of the information provided in this report or need additional financial information, contact the City's Finance Department at the City of Placentia, 401 East Chapman Avenue, Placentia, California 92870, or call (714) 993-8237 or visit our website at www.placentia.org.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PLACENTIA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$ 4,258,691	\$ 2,597,078	\$ 6,855,769
Cash and investments with fiscal agent (Note 2)	8,001,341	-	8,001,341
Receivables:			
Accounts (net of allowance for uncollectibles)	2,240,662	109,688	2,350,350
Taxes	1,616,681	27,038	1,643,719
Interest	8,511	-	8,511
Due from other governments	344,382	7,653	352,035
Due from other funds (Note 3)	3,363,872	-	3,363,872
Loans receivable (Note 4)	461,767	-	461,767
Deposits	140,443	-	140,443
Inventory of supplies	115,467	-	115,467
Deferred costs of issuance	437,967	-	437,967
Capital Assets (Note 6):			
Non-depreciable capital assets	35,120,688	-	35,120,688
Depreciable capital assets, net of accumulated depreciation	44,861,586	13,276,878	58,138,464
Total Assets	<u>100,972,058</u>	<u>16,018,335</u>	<u>116,990,393</u>
LIABILITIES			
Accounts payable	1,327,072	241,624	1,568,696
Payroll payable	697,033	37,525	734,558
Other accrued liabilities	229,140	-	229,140
Interest payable	587,655	-	587,655
SERAF liability (Note 21)	991,314	-	991,314
Insurance claims payable (Note 15)	1,706,560	-	1,706,560
Due to other funds (Note 3)	-	3,363,872	3,363,872
Unearned revenue	139	17,990	18,129
OCTA advance (Note 7)	4,227,585	-	4,227,585
Compensated absences (Note 10)	3,247,827	121,643	3,369,470
Net OPEB Obligation (Note 14)	1,496,955	-	1,496,955
Long-term debt (Note 8):			
Portion due within one year	857,753	-	857,753
Portion due beyond one year	28,954,526	-	28,954,526
Total Liabilities	<u>44,323,559</u>	<u>3,782,654</u>	<u>48,106,213</u>
NET ASSETS			
Invested in capital assets, net of related debt	60,198,702	13,276,878	73,475,580
Restricted:			
Low and moderate housing	1,793,306	-	1,793,306
Special revenue	1,207,947	-	1,207,947
Debt service	5,564,731	-	5,564,731
Capital projects	150,621	-	150,621
Total restricted	<u>8,716,605</u>	<u>-</u>	<u>8,716,605</u>
Unrestricted	<u>(12,266,808)</u>	<u>(1,041,197)</u>	<u>(13,308,005)</u>
Total Net Assets	<u>\$ 56,648,499</u>	<u>\$ 12,235,681</u>	<u>\$ 68,884,180</u>

See accompanying notes to basic financial statements

CITY OF PLACENTIA

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities				
General government	\$ 4,974,385	\$ 1,861,240	\$ 428,152	\$ 212,021
Public safety	18,342,163	1,739,758	264,912	-
Public works	6,466,191	1,204,040	1,914,953	1,734,575
Community services	1,145,041	427,335	-	181,629
Redevelopment	2,077,323	1,142,293	-	-
SERAF	173,546	-	-	-
Interest on long-term debt	1,892,115	-	-	-
Total Governmental Activities	35,070,764	6,374,666	2,608,017	2,128,225
Business-type Activities				
Refuse	2,779,031	2,432,352	-	-
Compressed natural gas	464,087	540,566	-	-
Sewer maintenance	1,403,533	778,005	-	-
Total Business-Type Activities	4,646,651	3,750,923	-	-
Total	\$39,717,415	\$10,125,589	\$ 2,608,017	\$ 2,128,225

General Revenues

Taxes:

- Property taxes
- Sales and use taxes
- Utility users tax
- Real property transfer tax
- Transient occupancy tax
- Franchise taxes
- Other taxes

- Motor vehicle in lieu
- Sale of impound vehicles
- Investment income
- Other

Transfers in and out

Total General Revenues and Transfers

Change in Net Assets

Net Assets at beginning of year, as restated (Note 24)

Net Assets at end of year

See accompanying notes to basic financial statements

(Net Expense) Revenue and Changes in Net

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,472,972)	\$ -	\$ (2,472,972)
(16,337,493)	-	(16,337,493)
(1,612,623)	-	(1,612,623)
(536,077)	-	(536,077)
(935,030)	-	(935,030)
(173,546)	-	(173,546)
(1,892,115)	-	(1,892,115)
<u>(23,959,856)</u>	<u>-</u>	<u>(23,959,856)</u>
-	(346,679)	(346,679)
-	76,479	76,479
-	(625,528)	(625,528)
-	(895,728)	(895,728)
<u>(23,959,856)</u>	<u>(895,728)</u>	<u>(24,855,584)</u>
13,415,869	-	13,415,869
5,063,285	-	5,063,285
2,765,756	-	2,765,756
123,680	-	123,680
646,967	-	646,967
2,453,146	-	2,453,146
126,565	-	126,565
233,582	-	233,582
443,585	-	443,585
595,389	7,522	602,911
1,662,160	-	1,662,160
831,212	(831,212)	-
<u>28,361,196</u>	<u>(823,690)</u>	<u>27,537,506</u>
4,401,340	(1,719,418)	2,681,922
<u>52,247,159</u>	<u>13,955,099</u>	<u>66,202,258</u>
<u>\$ 56,648,499</u>	<u>\$ 12,235,681</u>	<u>\$ 68,884,180</u>

See accompanying notes to basic financial statements

FUND FINANCIAL STATEMENTS

CITY OF PLACENTIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

GENERAL FUND

The General Fund is required to be classified as a major fund and is used to account for all of the general revenues of the City of Placentia (the "City") not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City. The General Fund is generally used to account for all resources not required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted by law or administrative action for specified purposes. The following Special Revenue Funds have been classified as major funds in the accompanying financial statements.

Low and Moderate Housing Fund – Used to account for financing and construction of low and moderate income housing. Financing is provided by 20 percent of property tax revenue, in accordance with the California State Health and Safety Code Section 33334.2.

Miscellaneous Grants Fund – Used to account for grant revenues received for reimbursable (qualified) projects which are not accounted for in other special revenue funds.

DEBT SERVICE FUNDS

The Debt Service Fund is used to account for the accumulation of resources for the payment of interest and principal on the general debt of the City and related entities. The following Debt Service fund has been classified as major in the accompanying fund financial statements:

Redevelopment Agency Fund – To accumulate monies for the payments of interest and principal on the Redevelopment (the "Agency") Certificates of Participation and Tax Allocation Bonds. Debt service is financed via property tax revenues.

2011 Gas Tax COP – To accumulate monies for the payments of interest and principal on the 2011 Gas Tax Certificates of Participation. Debt service is financed via gas tax revenues.

CAPITAL PROJECTS FUND

Redevelopment Area 1 Fund – Used to account for the financing and construction within the boundaries of the Redevelopment Area I.

See accompanying notes to basic financial statements.

CITY OF PLACENTIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Special Revenue	
		Low and Moderate Housing	Miscellaneous Grants
ASSETS			
Cash and investments (Note 2)	\$ 831,855	\$ 1,125,866	\$ 371,109
Cash and investments with fiscal agent (Note 2)	439,086	224,905	-
Accounts receivable	197,929	17,739	1,002,950
Taxes receivable	1,374,207	-	-
Interest receivable	7,970	-	-
Due from other governments	120,177	-	-
Due from other funds (Note 3)	3,522,772	-	-
Interfund loans receivable (Note 3)	2,270,000	-	-
Loans receivable (Note 4)	20,000	441,767	-
Inventory of supplies	10,958	-	-
Total Assets	\$ 8,794,954	\$ 1,810,277	\$ 1,374,059
LIABILITIES			
Accounts payable	\$ 470,432	\$ 16,971	\$ 2,320
Payroll payable	655,641	-	-
Other accrued liabilities	229,140	-	-
SERAF liability (Note 21)	-	-	-
Due to other funds (Note 3)	-	-	-
Interfund loans payable (Note 3)	1,116,453	-	-
Deferred revenue	293,790	-	524,645
Total Liabilities	2,765,456	16,971	526,965
FUND BALANCE (Notes 12 and 13)			
Nonspendable	5,823,730	441,767	-
Restricted	-	1,351,539	847,094
Assigned	500,000	-	-
Unassigned	(294,232)	-	-
Total Fund Balances	6,029,498	1,793,306	847,094
Total Liabilities and Fund Balances	\$ 8,794,954	\$ 1,810,277	\$ 1,374,059

See accompanying notes to basic financial statements.

Debt Service		Capital Projects			
Redevelopment Agency	2011 Gas Tax COP	Redevelopment Area 1	Non-Major Governmental Funds	Total Governmental Funds	
\$ -	\$ -	\$ 190,192	\$ 1,516,852	\$ 4,035,874	
1,772,619	5,564,731	-	-	8,001,341	
-	-	-	1,020,564	2,239,182	
8,305	-	-	234,169	1,616,681	
541	-	-	-	8,511	
-	-	-	224,205	344,382	
-	-	-	-	3,522,772	
-	-	1,311,953	-	3,581,953	
-	-	-	-	461,767	
-	-	-	-	10,958	
<u>\$ 1,781,465</u>	<u>\$ 5,564,731</u>	<u>\$ 1,502,145</u>	<u>\$ 2,995,790</u>	<u>\$ 23,823,421</u>	
\$ -	\$ -	\$ 23,988	\$ 558,574	\$ 1,072,285	
-	-	15,583	10,548	681,772	
-	-	-	-	229,140	
991,314	-	-	-	991,314	
158,900	-	-	-	158,900	
2,270,000	-	-	195,500	3,581,953	
-	-	-	515,215	1,333,650	
<u>3,420,214</u>	<u>-</u>	<u>39,571</u>	<u>1,279,837</u>	<u>8,049,014</u>	
-	-	1,311,953	-	7,577,450	
-	5,564,731	150,621	1,207,947	9,121,932	
-	-	-	505,349	1,005,349	
(1,638,749)	-	-	2,657	(1,930,324)	
<u>(1,638,749)</u>	<u>5,564,731</u>	<u>1,462,574</u>	<u>1,715,953</u>	<u>15,774,407</u>	
<u>\$ 1,781,465</u>	<u>\$ 5,564,731</u>	<u>\$ 1,502,145</u>	<u>\$ 2,995,790</u>	<u>\$ 23,823,421</u>	

See accompanying notes to basic financial statements.

CITY OF PLACENTIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Fund Balances of Governmental Funds	\$ 15,774,407
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
<p>Capital assets net of accumulated depreciation have not been included as financial resources in governmental fund activity.</p>	
Capital assets	110,523,333
Accumulated depreciation	(31,211,057)
<p>Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Assets.</p>	
Certificates of participation	(12,855,021)
Deferred refunding charge on certificates of participation	689,493
Tax allocation bonds	(6,615,000)
Tax allocation notes, net of related issue discount	(6,788,065)
Lease revenue bonds, net of related issue discount	(4,243,686)
Compensated absences	(3,247,827)
OCTA advance	(4,227,585)
<p>Post employment benefits are paid on a pay-as-you-go basis which differs from the actuarially determined Annual Required Contribution ("ARC").</p>	
	(1,496,957)
<p>Issuance costs relating to long-term debt are recorded as expenditures in the governmental funds but are capitalized and amortized over the life of the debt in the Statement of Net Assets</p>	
Unamortized issuance costs on certificates of participation	437,967
<p>Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.</p>	
	(587,655)
<p>Deferred revenue balances relating to certain loans receivable and accounts receivable are not reported as liabilities in the Statement of Net Assets since revenue recognition is not based upon measurable and available criteria.</p>	
	1,333,650
<p>The Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds must be added to the Statement of Net Assets.</p>	
	<u>(837,498)</u>
Net Assets of Governmental Activities	<u><u>\$ 56,648,499</u></u>

See accompanying notes to basic financial statements.

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See accompanying notes to basic financial statements.

CITY OF PLACENTIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

		Special Revenue	
	General	Low and Moderate	Miscellaneous
	Fund	Housing	Grants
REVENUES:			
Taxes:			
Property taxes	\$ 11,143,701	\$ -	\$ -
Sales and use taxes	5,063,285	-	-
Other taxes	3,261,866	-	-
Intergovernmental	537,577	-	1,982,550
Licenses and permits	1,397,396	-	-
Fines and forfeitures	542,172	-	-
Investment income	514,827	47,221	2,212
Charges for services	1,648,767	-	-
Lease revenue	887,090	19,064	-
Miscellaneous	1,605,731	-	500,000
Total Revenues	26,602,412	66,285	2,484,762
EXPENDITURES:			
Current:			
General government	3,718,884	-	-
Public safety	15,210,617	-	-
Public works	3,058,148	-	41,393
Community development	829,100	-	-
Redevelopment	-	262,161	-
SERAF	-	-	-
Capital outlay	-	200,328	-
Debt Service:			
Principal	75,000	60,000	-
Interest	329,250	155,368	-
Total Expenditures	23,220,999	677,857	41,393
Excess (Deficiency) or Revenues Over (Under) Expenditures	3,381,413	(611,572)	2,443,369
OTHER FINANCING SOURCES (USES):			
Proceeds from the issuance of long-term debt	-	-	-
Transfers in	4,351,080	447,066	-
Transfers out	(7,511,921)	(267,336)	(417,873)
Total Other Financing Sources (Uses)	(3,160,841)	179,730	(417,873)
Net Change in Fund Balances	220,572	(431,842)	2,025,496
Fund Balances, Beginning of Year as restated (Note 24)	5,808,926	2,225,148	(1,178,402)
Fund Balances, End of Year	\$ 6,029,498	\$ 1,793,306	\$ 847,094

See accompanying notes to basic financial statements.

Debt Service		Capital Projects		Non-Major	Total
Redevelopment Agency	2011 Gas Tax COP	Redevelopment Area 1		Governmental Funds	Governmental Funds
\$ 2,272,168	\$ -	\$ -	\$ -	\$ -	\$ 13,415,869
-	-	-	-	-	5,063,285
-	-	-	-	2,854,248	6,116,114
-	-	-	-	2,515,573	5,035,700
-	-	-	-	-	1,397,396
-	-	-	-	62,245	604,417
23,219	30	-	-	7,880	595,389
-	-	-	-	694,703	2,343,470
997,636	-	125,593	-	-	2,029,383
-	-	-	-	12	2,105,743
<u>3,293,023</u>	<u>30</u>	<u>125,593</u>		<u>6,134,661</u>	<u>38,706,766</u>
-	218,892	-	-	20,316	3,958,092
-	-	-	-	109,800	15,320,417
-	-	-	-	2,764,526	5,864,067
-	-	-	-	153,683	982,783
895,298	-	618,443	-	-	1,775,902
173,546	-	-	-	-	173,546
-	-	-	-	192,111	392,439
750,000	-	-	-	535,000	1,420,000
1,252,484	-	-	-	22,069	1,759,171
<u>3,071,328</u>	<u>218,892</u>	<u>618,443</u>		<u>3,797,505</u>	<u>31,646,417</u>
221,695	(218,862)	(492,850)		2,337,156	7,060,349
-	5,783,593	-	-	-	5,783,593
1,659,990	140,559	677,850		4,786,554	12,063,099
(1,184,592)	(140,559)	(50,551)		(4,690,365)	(14,263,197)
<u>475,398</u>	<u>5,783,593</u>	<u>627,299</u>		<u>96,189</u>	<u>3,583,495</u>
697,093	5,564,731	134,449		2,433,345	10,643,844
(2,335,842)	-	1,328,125		(717,392)	5,130,563
<u>\$ (1,638,749)</u>	<u>\$ 5,564,731</u>	<u>\$ 1,462,574</u>		<u>\$ 1,715,953</u>	<u>\$ 15,774,407</u>

See accompanying notes to basic financial statements.

CITY OF PLACENTIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds	\$ 10,643,844
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets	
Capital outlay	2,118,874
Depreciation expense, net of disposals	(1,908,128)
Post employment benefits are paid on a pay-as-you-go basis which differs from the actuarially Annual Required Contribution (ARC).	(483,614)
Proceeds of long-term debt is an other financing source in the governmental funds and has the effect of increasing the fund balance because current financial resources have been provided. However, the proceeds increase the liabilities in the Statement of Net Assets and do not result in income in the Statement of Activities	(5,783,593)
Repayment of long-term debt principal is an expenditure in the governmental funds and, thus, has the effect of reducing the fund balances because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the Statement of Net Assets and do not result in an expense in the Statement of Activities.	1,420,000
Accrued interest expense related to long-term liabilities. This amount is the difference between the amount of interest paid and the amount of interest incurred on long-term liabilities.	(132,944)
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	207,709
The resulting discounts on issuance and issuance costs on debt are capitalized and amortized at the Statement of Net Assets.	
Debt issuance costs related to the 2011 Gas Tax COP	218,892
Amortization of debt discounts	(34,317)
Amortization of debt issuance costs	(53,396)
When long-term debt is refunded, the proceeds of the new debt issuance and all related payments are reported as other financing sources and uses in the governmental funds. However, in the government-wide financial statements, the new debt is reported directly on the Statement of Net Assets and there is no effect on the change in net assets reported on the Statement of Activities. The net result is a deferred refunding charge, which is then amortized over the life of the debt. This amount represents the current year's amortization of the deferred refunding charge on the 2003	(41,788)
Certain loans and grants receivable that have been accrued but not collected are reflected as deferred revenue in the governmental funds. However, earned revenue is recognized in the Statement of Activities, regardless of when the receivables were collected.	(65,876)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Funds are reported with governmental activities.	<u>(1,704,323)</u>
Change in Net Assets of Governmental Activities	<u>\$ 4,401,340</u>

See accompanying notes to basic financial statements.

CITY OF PLACENTIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

MAJOR ENTERPRISE FUNDS

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise.

The following Enterprise Funds have been classified as major funds:

Refuse Fund – To account for the provision of refuse services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, acquisition of equipment, and related debt service.

Compressed Natural Gas (CNG) Fund – To account for the activity of a compressed natural gas station located within the City.

Sewer Maintenance Fund – To account for the operations and maintenance of the sewer lines located in the City's sewer system, including administration and capital improvements. Fees are computed from water consumption amounts provided by local water companies. All residents and businesses connected to the City's sewer system are placed in categories based on a percentage of water consumption that is returned to the City sewer system.

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing of goods and services provided by one City department to others, or to other governmental units, on a cost-reimbursement basis (including depreciation).

See accompanying notes to basic financial statements.

CITY OF PLACENTIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-type Activities		
	Refuse	CNG	Sewer Maintenance
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$ 923,787	\$ 123,615	\$ 1,549,676
Accounts receivable, net	-	23,908	85,780
Taxes receivable	27,038	-	-
Due from other governments	-	7,653	-
Deposits	-	-	-
Inventory of supplies	-	-	-
Total Current Assets	<u>950,825</u>	<u>155,176</u>	<u>1,635,456</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation (Note 6)	-	157,846	13,119,032
Total Assets	<u>950,825</u>	<u>313,022</u>	<u>14,754,488</u>
LIABILITIES			
Current liabilities:			
Accounts payable	208,912	30,888	1,824
Payroll payable	12,520	1,872	23,133
Due to other funds (Note 3)	3,363,872	-	-
Unearned revenue	-	17,990	-
Compensated absences (Note 10)	58,342	-	63,301
Insurance claims payable (Note 15)	-	-	-
Total Current Liabilities	<u>3,643,646</u>	<u>50,750</u>	<u>88,258</u>
NET ASSETS (Note 13)			
Invested in capital assets	-	157,846	13,119,032
Unrestricted	<u>(2,692,821)</u>	<u>104,426</u>	<u>1,547,198</u>
Total Net Assets	<u>\$ (2,692,821)</u>	<u>\$ 262,272</u>	<u>\$ 14,666,230</u>

See accompanying notes to basic financial statements.

<u>Business-type Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Funds</u>
\$ 2,597,078	\$ 222,817
109,688	1,480
27,038	-
7,653	-
-	140,443
-	104,509
<u>2,741,457</u>	<u>469,249</u>
<u>13,276,878</u>	<u>670,000</u>
<u>16,018,335</u>	<u>1,139,249</u>
241,624	254,697
37,525	15,351
3,363,872	-
17,990	139
121,643	-
-	1,706,560
<u>3,782,654</u>	<u>1,976,747</u>
13,276,878	670,000
(1,041,197)	(1,507,498)
<u>\$ 12,235,681</u>	<u>\$ (837,498)</u>

See accompanying notes to basic financial statements.

CITY OF PLACENTIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities		
	Refuse	CNG	Sewer Maintenance
OPERATING REVENUES			
Reimbursements	\$ -	\$ 67,895	\$ -
Charges for services:			
Landfill	143,602	-	-
Contractor	2,288,750	-	-
Natural gas sales	-	472,671	-
Service charges	-	-	778,005
Miscellaneous	-	-	-
Total Operating Revenues	<u>2,432,352</u>	<u>540,566</u>	<u>778,005</u>
OPERATING EXPENSES			
Administration	201,039	8,431	31,142
Reinsurance premiums	-	-	-
Claims	-	-	-
Medical and dental premiums	-	-	-
Liability insurance premiums	-	-	-
Maintenance	259,177	376,623	860,578
Depreciation expense	-	79,033	511,813
Landfill and contractor charges	2,318,815	-	-
Total Operating Expenses	<u>2,779,031</u>	<u>464,087</u>	<u>1,403,533</u>
Operating Income (Loss)	<u>(346,679)</u>	<u>76,479</u>	<u>(625,528)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	<u>3,323</u>	<u>-</u>	<u>4,199</u>
Income before transfers	<u>(343,356)</u>	<u>76,479</u>	<u>(621,329)</u>
Transfers in	-	-	-
Transfers out	<u>(209,865)</u>	<u>(49,664)</u>	<u>(571,683)</u>
Total transfers	<u>(209,865)</u>	<u>(49,664)</u>	<u>(571,683)</u>
Change in Net Assets	<u>(553,221)</u>	<u>26,815</u>	<u>(1,193,012)</u>
Fund Net Assets at Beginning of Year, as restated (Note 24)	<u>(2,139,600)</u>	<u>235,457</u>	<u>15,859,242</u>
Fund Net Assets at End of Year	<u>\$ (2,692,821)</u>	<u>\$ 262,272</u>	<u>\$ 14,666,230</u>

See accompanying notes to basic financial statements.

Business-type Activities	Governmental Activities
Total	Internal Service Funds
\$ 67,895	\$ 188,974
143,602	-
2,288,750	-
472,671	-
778,005	-
-	45,910
<u>3,750,923</u>	<u>234,884</u>
240,612	2,378,711
-	125,822
-	603,126
-	943,951
-	635,127
1,496,378	-
590,846	283,782
2,318,815	-
<u>4,646,651</u>	<u>4,970,519</u>
<u>(895,728)</u>	<u>(4,735,635)</u>
7,522	-
<u>(888,206)</u>	<u>(4,735,635)</u>
-	4,654,849
<u>(831,212)</u>	<u>(1,623,537)</u>
(831,212)	3,031,312
(1,719,418)	(1,704,323)
13,955,099	866,825
<u>\$ 12,235,681</u>	<u>\$ (837,498)</u>

See accompanying notes to basic financial statements.

CITY OF PLACENTIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities		
	Refuse	CNG	Sewer Maintenance
Cash Flows from Operating Activities:			
Cash received from customers	\$ 2,454,117	\$ 547,671	\$ 834,955
Cash payments to suppliers for goods and services	(2,419,937)	(1,462)	(47,830)
Cash payments to employees	(739,310)	(413,262)	(883,580)
Net Cash Provided By (used for) Operating Activities	<u>(705,130)</u>	<u>132,947</u>	<u>(96,455)</u>
Cash Flows from Non-Capital Financing Activities:			
Cash received from other funds	-	-	-
Cash paid to other funds	(209,865)	(49,664)	(571,683)
Net Cash Provided By (used for) Non-Capital Financing Activities	<u>(209,865)</u>	<u>(49,664)</u>	<u>(571,683)</u>
Cash Flows from Investing Activities:			
Interest received on investments	3,323	-	4,199
Net Increase (Decrease) in Cash and Cash Equivalents	(911,672)	83,283	(663,939)
Cash and Cash Equivalents at Beginning of Year	1,835,459	40,332	2,213,615
Cash and Cash Equivalents at End of Year	<u>\$ 923,787</u>	<u>\$ 123,615</u>	<u>\$ 1,549,676</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ (346,679)	\$ 76,479	\$ (625,528)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	-	79,033	511,813
(Increase) decrease in accounts receivable	21,765	3,562	198
(Increase) decrease in due from other governments	-	(7,653)	-
(Increase) decrease in deposits	-	-	-
(Increase) decrease in inventory of supplies	-	-	-
Increase (decrease) in accounts payable	(101,122)	(1,462)	(47,830)
Increase (decrease) in payroll payable	4,420	(1,393)	8,140
Increase (decrease) in due to other funds	(300,000)	-	-
Increase (decrease) in deferred revenue	-	11,196	56,752
Increase (decrease) in compensated absences payable	16,486	(26,815)	-
Increase (decrease) in insurance claims payable	-	-	-
Total Adjustments	<u>(358,451)</u>	<u>56,468</u>	<u>529,073</u>
Net Cash Provided By (Used for) Operating Activities	<u>\$ (705,130)</u>	<u>\$ 132,947</u>	<u>\$ (96,455)</u>

See accompanying notes to basic financial statements.

Business-type Activities	Governmental Activities
Total	Internal Service Funds
\$ 3,836,743	\$ 128,154
(2,469,229)	(2,386,003)
(2,036,152)	(2,574,472)
<u>(668,638)</u>	<u>(4,832,321)</u>
-	4,654,849
<u>(831,212)</u>	<u>(1,623,537)</u>
<u>(831,212)</u>	<u>3,031,312</u>
<u>7,522</u>	<u>-</u>
(1,492,328)	(1,801,009)
4,089,406	2,023,826
<u>\$ 2,597,078</u>	<u>\$ 222,817</u>
<u>\$ (895,728)</u>	<u>\$ (4,735,635)</u>
590,846	283,782
25,525	(1,287)
(7,653)	-
-	(105,443)
-	(32,250)
(150,414)	(115,494)
11,167	(195,761)
(300,000)	-
67,948	-
(10,329)	-
-	69,767
<u>227,090</u>	<u>(96,686)</u>
<u>\$ (668,638)</u>	<u>\$ (4,832,321)</u>

See accompanying notes to basic financial statements.

CITY OF PLACENTIA

FIDUCIARY FUNDS

AGENCY FUNDS

The Agency Funds are used to account for funds when the City is acting as an agent for other governmental units, private organizations or individuals.

See accompanying notes to basic financial statements.

CITY OF PLACENTIA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Funds
ASSETS	
Cash and investments (Note 2)	\$ 3,242,695
Cash and investments with fiscal agent (Note 2)	2,007,411
Taxes receivable	71,639
Inventory of supplies	1,238
Notes receivables pledged as collateral for H.C.D. rehabilitation loans (Note 5)	139,489
Total Assets	\$ 5,462,472
LIABILITIES	
Due to other governments	\$ 300,784
Deposits payable	5,161,688
Total Liabilities	\$ 5,462,472

See accompanying notes to basic financial statements.

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Placentia, California (the "City") have been prepared in conformity with generally accepted accounting principles ("GAAP"), as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant City accounting policies are described below.

A. Reporting Entity

The City of Placentia was incorporated December 2, 1926. The City operates under an elected Council/City Manager form of government and under provisions of a City Charter adopted on June 29, 1965.

As required by generally accepted accounting principles, these financial statements present the City of Placentia and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body, and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

The two methods of reporting component unit data in the combined financial statements are blended and discrete presentation. Blending is limited exclusively to when the board of the component unit is substantively the same as that of the City or if the component unit serves the City exclusively, or almost exclusively.

Blended component units, although legally separate entities, are in substance, part of the government's operations. Data from these units are combined with data of the City. Component units that do not meet one of the two criteria for blending presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. Similar to the City, each blended component unit has a June 30 year-end. The City does not report any discretely presented component units.

Brief descriptions of the City's blended component units are as follows:

The Placentia Redevelopment Agency (the "Agency") was established on December 7, 1982, pursuant to the State of California Health and Safety Code Section 33000 entitled, "Community Redevelopment Law." Although it is a legally separate entity from the City, the Agency is reported as if it were part of the City because of its purpose to encourage private redevelopment of property and to rehabilitate areas suffering from economic blight within the territorial limits of the City.

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Civic Center Authority (the “Authority”) was organized on May 22, 1972, under a joint exercise of powers agreement between the City and the Placentia Library District (the “Library District”), for the purpose of financing and constructing a new civic center building for lease to the City and a new library building for lease to the Library District. The joint exercise of powers agreement establishing the Authority is effective for forty years from May 22, 1972, and provided that at the end of the term all real and personal property shall vest in the respective parties which lease the property from the Authority, and that any surplus money shall be returned to the City and the Library District in proportion to the contributions made by each.

The Placentia Public Financing Authority (the “PFA”) was formed in 1996 to issue Special Tax Revenue Bonds. The proceeds of the debt refunded the existing Mello-Roos Community Facilities District 89-1 bonds originally issued in September 1996.

Since the City Council serves as the governing board for these component units, they are considered to be blended component units. The Agency issued separate component unit financial statements that may be obtained through written request to the City Department of Finance or the City Clerk's office at City Hall, 401 East Chapman Avenue, Placentia, California 92870. The Civic Center Authority and the Public Financing Authority did not have any financial activity during the 2010-2011 fiscal year, and therefore, are not presented in the financial statements.

B. Fund Types

The following is a summary of the fund types utilized by the City:

Governmental Fund Types

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenditures and capital improvement costs which are not paid through other funds.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.

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

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary Fund Types.

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Types (Continued)

Proprietary Fund Types

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

Fiduciary Fund Types

Agency Funds are used to account for assets held by the City as an agent for individuals or private organizations, other governmental units and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

Financial reporting is based upon all GASB pronouncements, as well as the Financial Accounting Standards Board “FASB” Statements and Interpretations, Accounting Principles Board “APB” Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, that does not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

Government–Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended 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.

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Government – Wide Financial Statements (Continued)

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

Program revenues include charges for services, special assessments, and payments made by parties outside 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 an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

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 funds, proprietary funds, 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 aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 generally considers revenues available if they are collected within sixty days after the fiscal year-end. Significant revenues subject to accrual under the measurable and available criteria include property taxes, sales taxes and motor vehicle in-lieu.

Revenue recognition is subject to the measurable 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.

Noncurrent 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 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 noncurrent receivables are deferred until they become current receivables. Noncurrent portions of long-term receivables are either deferred or are offset by fund balance reserve accounts.

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 an other financing source 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 available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary Funds

The City's Enterprise and Internal Service Funds are proprietary funds. In the fund financial statements, proprietary funds 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 funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary 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 result from providing goods and services related to the fund's ongoing operations. The principal operating revenue of the City's proprietary funds are charges for services, departmental charges and reimbursements. Operating expenses include the cost of services provided, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Amounts paid to acquire capital assets are capitalized as assets in the proprietary funds financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the proprietary funds financial statements, rather than as an 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 an expenditure.

D. Major Funds The City reports the following major governmental funds:

General Fund – Used to account for all of the general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City. The General Fund is generally used to account for all resources not required to be accounted for in another fund.

Low and Moderate Housing Special Revenue Fund – Used to account for financing and construction of low and moderate income housing. Financing is provided by 20 percent of tax revenue increment, in accordance with the California State Health and Safety Code 33334.2.

Miscellaneous Grants Funds – Used to account for grant revenues received for reimbursable (qualified) projects which are not accounted for in other special revenue funds.

Redevelopment Agency Fund – Used to accumulate monies for payment of interest and principal on the Redevelopment Agency Certificates of Participation and Tax Allocation Bonds. Debt service is financed via property tax revenues.

2011 Gas Tax COP – Used to accumulate monies for payment of interest and principal on the 2011 Gas Tax COP. Debt service is financed via gas tax revenues.

Redevelopment Area 1 Fund – Used to account for the financing and construction within the boundaries of the Redevelopment Area I.

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Major Funds (Continued)

The City reports the following major enterprise funds:

Refuse Fund – Used to account for the provision of refuse services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, acquisition of equipment, and related debt service.

Compressed Natural Gas (“CNG”) Fund – To account for the activity of a compressed natural gas station located within the City.

Sewer Maintenance Fund – To account for the operations and maintenance of the sewer lines located in the City's sewer system, including administration and capital improvements. Fees are computed from water consumption amounts provided by local water companies. All residents and businesses connected to the City's sewer system are placed in categories based on a percentage of water consumption that is returned to the City sewer system.

E. Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for certain investment agreements that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The fair value of the investments is generally based on published market prices and quotations.

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, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments or as negative 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 balance.

F. 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, and have an original maturity date of 3 months or less.

G. Inventories

Inventories consist primarily of office supplies, automotive parts, and fuel. The inventories are stated at cost. Inventories are accounted for under the consumption method, whereby the costs are capitalized and subsequently recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute available spendable resources.

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Deferred Costs of Issuance and Amortization of Discounts

Deferred costs of issuance represent bond issue cost and underwriter's discounts incurred with the issuance of long term debt obligations. Costs of \$437,967 net of accumulated amortization are reflected on the Statement of Net Assets. Deferred financing costs are being amortized on a straight-line basis over the life of the related debt. Amortization expense of \$53,396 for the fiscal year ended June 30, 2011 has been included in the General Government activity within the Statement of Activities.

Original issue discounts on the issuance of long term debt is amortized on a straight-line basis over the life of the debt. Discounts of \$992,721 net of accumulated amortization are reflected on the Statement of Net Assets. Amortization for the year ended June 30, 2011 was \$34,317 and has been included in Interest on Long Term Debt within the Statement of Activities.

I. Capital Assets

Capital assets are recorded at historical cost at the time of purchase. Assets acquired from gifts or contributions are recorded at fair value on the date received. Generally, capital asset purchases in excess of \$2,500 are capitalized if they have an expected useful life of 1 year or more. Capital assets include public domain (infrastructure) capital assets consisting of certain street improvements. Capital assets used in operations are depreciated in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation of such assets is computed using the straight-line method over the estimated useful lives noted below and is charged to operations:

<u>Asset Type</u>	<u>Years</u>
Structures and improvements	5 to 50
Civic Center structures and improvements	50
Automotive equipment	2 to 10
Computer equipment	3
Other equipment	5
Infrastructure	
Roadways	35
Street appurtenances	10 to 50
Wastewater	50 to 60
Storm drain	50

J. Compensated Absences

In accordance with GASB Statement No. 16, a liability is recorded for compensated absences (unpaid vacation, sick leave and compensatory time) 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. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Revenue

Deferred revenue represents receivables at year-end that will not be collected soon enough to finance current year expenditures, and grant reimbursement revenue received in advance of the recognition of a related fund expenditure. The General Fund, Miscellaneous Grants Funds and the Orangethorpe Corridor Fund reported \$293,790, \$674,645, and \$365,215 of deferred revenue, respectively.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1 percent of assessed value and can increase the property tax rate no more than 2 percent per year. The property taxes go into a pool and are then allocated to the cities based on complex formulas. The City of Placentia accrues only those taxes which are received from the county within 60 days of the year end.

Lien date	January 1
Levy date	July 1
Collection dates	December 11 and April 11

N. Interfund Transfers, Administrative and Overhead Charges

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Pursuant to the California Community Redevelopment Law, Chapter 6, Article 2, Section 33610, a city may elect to allocate administrative and overhead expenses to a redevelopment agency. Payroll and administrative costs were allocated as overhead costs through transfers.

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Assets

In the Government-Wide Financial Statements and the Proprietary Fund Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets– This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets”.

P. Fund Balances

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the City Administrator and the Director of Finance for that purpose.

Unassigned – This category is for any balances that have no restrictions placed upon them.

Q. Use of Estimates

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

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Lease Receivable – Reimbursement Agreement with the City of Placentia

Debt service for the outstanding 2003 Certificates of Participation (“COP”) is partially funded from rents paid by the City of Placentia to the Agency based upon an agreement dated May 1, 2003. This agreement specifies that based upon a previous resolution that construction of the 1994 Project was of benefit to the amended project area and have subsequently determined that 87.52 percent of the additional capital improvements and facilities and related costs funded as part of the May 2003 Project and the November 2003 Project are of substantial benefit to the project area. The City has covenanted to make rental payments for the full amount of the debt service payment; and the Agency has covenanted to reimburse the City of the 87.52 percent of the debt service payment. The lease receivable and related debt is reduced by the principal portion of each payment made by the City. Because of the blended presentation, the above noted commitment of the City has not been reflected within the Fund Financial Statements or the Statement of Net Assets. The affect of blending the Agency into the City's financial statements requires the elimination of both the liability of the City and the receivable of the Agency.

S. Rental Properties

The Agency owns several properties which it rents on a temporary basis until the original projects begin construction. Rental income is presented as lease revenue in the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balance. Additionally, the Agency collects rental income on properties owned by the City as the intent of management was that the Agency receives the rental benefits of those properties until such time construction projects begin.

T. GASB Pronouncements

During 2011, the City implemented the following pronouncements:

GASB Statement No. 54 – In April 2008, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 12 for further discussion.

GASB Statement No. 57 – In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this statement is to address issues related to the use of alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple employers other postemployment benefit plans. This statement did not have a material impact on the financial statements of the City.

GASB Statement No. 59 – In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement did not have a material impact on the financial statements of the City.

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. GASB Pronouncements (continued)

GASB Statement No. 60 – In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement did not have a material impact on the financial statements of the City.

The following pronouncement has been issued, and is not required to be implemented until 2012:

GASB Statement No. 61 – In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The statement is effective for periods beginning after June 15, 2012. The City has not determined its effect on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2011, are classified as follows:

Statement of Net Assets:

Governmental Activities:

Cash and investments	\$ 4,258,691
Cash and investments held with fiscal agent	8,001,341

Business-Type Activities:

Cash and investments	2,597,078
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Fiduciary Funds Statement of Assets and Liabilities:

Cash and investments	3,242,695
Cash and investments held with fiscal agent	2,007,411
Total Cash and Investments	\$20,107,216

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

Petty cash	\$ 21,800
Demand deposits	10,076,664
Total Cash	10,098,464
Investments	-
Investments held with fiscal agent	10,008,752
Total Investments	10,008,752
Total Cash and Investments	\$20,107,216

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 – CASH AND INVESTMENTS (Continued)

	<u>Fund Type</u>	
Major Governmental Funds:		
General Fund		\$ 831,855
Low and Moderate Housing	Special Revenue	1,125,866
Miscellaneous Grants	Special Revenue	371,109
Redevelopment Agency	Debt Service	-
2011 Gas Tax COP	Debt Service	-
Redevelopment Area 1	Capital Projects	190,192
Total Major Governmental Funds		<u>2,519,022</u>
Non-Major Governmental Funds:		
Park Development	Special Revenue	107,982
Street Lightning	Special Revenue	-
Measure M	Special Revenue	-
Sewer Construction	Special Revenue	11,830
Storm Drain Construction	Special Revenue	42,582
Thoroughfare Construction	Special Revenue	37,655
Undergrounding Utilities	Special Revenue	39
Asset Seizure	Special Revenue	101,142
Traffic Offender	Special Revenue	8,280
Supplemental Law Enforcement	Special Revenue	4,087
Air Quality	Special Revenue	234,034
Landscape Maintenance District 92-1	Special Revenue	547,471
Housing and Community Development	Special Revenue	-
Utility Users Tax	Special Revenue	647
Gasoline Tax	Special Revenue	421,103
Total Non-Major Special Revenue Funds		<u>1,516,852</u>
Orangethorpe Corridor	Capital Projects	-
City Projects Fund	Capital Projects	-
Total Non-Major Capital Projects Funds		<u>-</u>
Total Governmental Funds		<u>4,035,874</u>
Major Proprietary Funds:		
Refuse	Enterprise	923,787
CNG	Enterprise	123,615
Sewer Maintenance	Enterprise	1,549,676
Total Major Proprietary Funds		<u>2,597,078</u>
Internal Service Funds		
Risk Management	Internal Service	-
Health and Welfare	Internal Service	13,062
Equipment Replacement	Internal Service	-
Information Technology	Internal Service	83,119
Citywide Services	Internal Service	126,636
Total Internal Service Funds		<u>222,817</u>
Agency Funds:		
Special Deposits	Agency	698,370
Community Facilities District	Agency	2,381,873
H.C.D. Rehabilitation Loans	Agency	161,295
Alta Vista 85-1 District	Agency	1,157
Total Agency Funds		<u>3,242,695</u>
Total Cash and Investments		<u>\$ 10,098,464</u>

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 – CASH AND INVESTMENTS (Continued)

A summary of the cash and investment in the Statement of Net Assets is as follows:

Statement of Net Assets:	
Governmental Activities:	
Cash and investments	\$ 4,258,691
Business-Type Activities:	
Cash and investments	2,597,078
Fiduciary Funds Statement of Assets and Liabilities:	
Cash and investments	3,242,695
Total Cash and Investments	<u>\$ 10,098,464</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, credit risk, and concentration of credit risk. A separate table addresses investments of debt proceeds that are held by fiscal agents. Those investments are governed by the provisions of debt agreements rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by State Law	Authorized by City Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	30%	15%
Banker's Acceptances	Yes	180 days	30%	30%
Commercial Paper	No	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	180 days	30%	None
Repurchase Agreements	Yes	30 days	30%	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	No	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	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

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investment 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 generally authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Certificates of Deposit	None	None	None
Municipal Obligations	None	None	None
Investment Agreements	None	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Other State-Administered Investment Pools	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments (including investments held by fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Fair Value	Maturity	
		12 Months or Less	Greater Than 12 Months
<i>Cash and investments:</i>			
Local Agency Investment Fund	\$ 8,067,419	\$ 8,067,419	\$ -
<i>Cash and investments with fiscal agents:</i>			
Money market mutual funds	8,878,938	8,878,938	-
FNMA discount notes	556,989	556,989	-
Investment agreement	571,500	-	571,500
	<u>\$ 18,074,846</u>	<u>\$ 17,503,346</u>	<u>\$ 571,500</u>

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations 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 yearend for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Ratings	
			AAA	Unrated
<i>Cash and investments:</i>				
Local Agency Investment Fund	\$ 8,067,419	N/A	\$ -	\$8,067,419
<i>Cash and investments with fiscal agents:</i>				
Money market mutual funds	8,878,938	AAA	8,878,938	-
FNMA discount notes	556,989	N/A	-	556,989
Investment agreement	571,500	N/A	-	571,500
	<u>\$18,074,846</u>		<u>\$8,878,938</u>	<u>\$9,195,908</u>

Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury Securities, Mutual Funds, and external investment pools) that represent 5 percent or more of total City investments are as follows:

Issuer	Investment Type	Amount
FNMA	Discount notes	\$ 556,989
Bayerische Landesbank Girozentrale	Investment contracts	571,500

Custodial Credit Risk

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

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent 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 percent of the secured public deposits. At June 30, 2011, the balances held in bank accounts collateralized by the pledging financial institution, but not in the City's name, were in excess of federal depository insurance limits.

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 2 – 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. LAIF is not registered with the Securities and Exchange Commission. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3 – INTERFUND TRANSACTIONS

Due To/From Other Funds

	Due From Other Funds	
	Governmental Funds:	
Due to Other Funds	General Fund	
Governmental Funds:		
Redevelopment Agency	\$	158,900
Proprietary Funds:		
Refuse		3,363,872
Total	\$	<u>3,522,772</u>

In 2011, interest payments of \$158,900 related to interfund loans from the Agency to the City were not made. The interfund loans were made for the purchase of two properties which were recorded at original cost in accordance with GASB Statement No. 48.

The amount due from the refuse fund to the general fund represents franchise fees collected by the refuse fund, but not remitted to the general fund in prior periods. Terms of a reimbursement agreement require the repayment of the franchise fees over a 10 year period at \$300,000 annually.

Interfund Loans Receivable/Payable

	Interfund Loans Receivable		
	Governmental Funds:		
Interfund Loans Payable	General Fund	Redevelopment Area 1	Total
Governmental Funds:			
General Fund	\$ -	\$ 1,116,453	\$ 1,116,453
Redevelopment Agency	2,270,000	-	2,270,000
Non-Major Governmental Funds	-	195,500	195,500
Total	<u>\$ 2,270,000</u>	<u>\$ 1,311,953</u>	<u>\$ 3,581,953</u>

The Agency advanced the City a total of \$1,241,953 for the purchase of two properties with costs of \$1,046,453 and \$195,500, respectively. On March 15, 2011, reimbursement agreements for each property were entered into between the Agency and the City.

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

The City and Agency entered into two loans for \$985,000 and \$1,285,000, for a total of \$2,270,000. The loans were for the purchase of two properties. Terms of the loans include interest at 7%, and monthly interest only payments of \$5,746 and \$7,496, for a total of \$158,900 per year. The loans mature in 2014.

Interfund Transfers

Transfers-Out	Transfers-In							
	Governmental Funds:					Proprietary Funds:		
	General Fund	Low and Moderate Housing	Redevelopment Agency	2011 Gas Tax COP	Redevelopment Area 1	Non-Major Governmental Funds	Internal Service Funds	Total
Governmental Funds:								
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,890,363	\$ 4,621,558	\$ 7,511,921
Low and Moderate Housing	82,336	-	-	-	185,000	-	-	267,336
Miscellaneous Grants	-	-	-	-	-	417,873	-	417,873
Redevelopment Agency	244,677	447,065	-	-	492,850	-	-	1,184,592
2011 Gas Tax COP	-	-	-	-	-	140,559	-	140,559
Redevelopment Area 1	50,551	-	-	-	-	-	-	50,551
Non-Major Governmental Funds	3,648,652	-	-	-	-	1,041,713	-	4,690,365
Proprietary Funds:								
Refuse	200,000	-	-	-	-	9,865	-	209,865
CNG	49,664	-	-	-	-	-	-	49,664
Sewer Maintenance	75,200	-	-	140,559	-	286,181	33,290	535,230
Internal Service Funds	-	-	1,623,537	-	-	-	-	1,623,537
Total	\$ 4,351,080	\$ 447,065	\$ 1,623,537	\$ 140,559	\$ 677,850	\$ 4,786,554	\$ 4,654,848	\$ 16,681,493

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4 – LOANS RECEIVABLE

Loans receivable consisted of the following:

The Agency provides loans to persons or families of low or moderate income under its First-Time Home Buyer and New Construction Programs for the purpose of increasing, improving or preserving the Agency's supply of low and moderate income housing. The First-Time Buyer Program is designed for low and moderate income home buyers who are residents of the City and who will use the house as their principal place of residence. Assistance is provided through a mortgage interest subsidy, a deferred second trust deed or down payment assistance. The New Construction Program provides funds for the construction of either rental units or owner-occupied units. The occupants of the units must meet required income guidelines. Loans under these programs are recorded in the Low and Moderate Housing Fund. During 2011, the Agency received \$25,000 in principal payments.

\$ 338,625

The Agency entered into an owner participation agreement dated January 5, 2001. Pursuant to that agreement, the Agency loaned \$150,000 to a businessman in Placentia. The term of the loan is 30 years and does not bear interest, except upon default. The loan is recorded in the Low and Moderate Housing Fund. During 2011, the Agency received \$1,667 in principal payments.

\$ 103,142

During 2006, the City provided three down-payment assistance loans in the amount of \$18,000, for a total of \$54,000, to employees as part of an incentive program. The loans do not accrue any interest and 1/10th of the loan is forgiven annually. During 2011, \$6,000 was forgiven by the City.

\$ 20,000

\$ 461,767

NOTE 5 – HOUSING AND URBAN DEVELOPMENT LOAN PROGRAM

The City has Housing and Urban Development (HUD) funds available with the County of Orange to provide housing rehabilitation loans to eligible applicants. As loan applications are received, cash advances are requested from the County and deposited in an interest bearing savings account. Under one loan arrangement, the City approves the loan, disburses separate bank funds to the loan participant, and transfers the HUD funds from the interest-bearing account to a non-interest bearing account which is collateral for the loans. Under a second arrangement, the City disburses the HUD funds directly for participant loans. The only collateral for these loans is the note receivable on each property, secured by a trust deed.

All cash advances from HUD are reflected in the H.C.D. Rehabilitation Loans Agency Fund. During 2011, no repayments were received. The notes receivable balance of \$139,489 is recorded at the Fiduciary Funds Statement of Net Assets. At June 30, 2011, the fund reflected the following balances.

Cash in interest bearing account	\$ 161,295
Secured notes receivable	<u>139,489</u>
	<u>\$ 300,784</u>

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 6 – CAPITAL ASSETS

On June 30, 2011, the City had a physical inventory of all non-infrastructure capital assets. As a result, certain capital assets, and the related accumulated depreciation, were removed from the City’s capital asset listing.

A summary of capital asset activity for the year ended June 30, 2011, is as follows:

Governmental Activities:	Balance at July 1, 2010, as previously reported	Adjustments to Beginning Balances	Balance at July 1, 2010, as restated	Additions	Deletions	Balance at June 30, 2011
Capital Assets Not Being Depreciated:						
Land	\$ 25,722,067	\$ -	\$ 25,722,067	\$ 200,884	\$ -	\$25,922,951
Land-Right of Way	258,822	-	258,822	-	-	258,822
Infrastructure-trees	3,114,540	-	3,114,540	-	-	3,114,540
Construction in progress:						
Streets network	5,097,445	(1,313,183)	3,784,262	2,040,113	-	5,824,375
Total Capital Assets Not Being Depreciated	34,192,874	(1,313,183)	32,879,691	2,240,997	-	35,120,688
Capital Assets, Being Depreciated:						
Structures and improvements	10,202,729	-	10,202,729	-	(5,795)	10,196,934
Equipment	5,684,684	-	5,684,684	97,977	(1,009,763)	4,772,898
Land improvements	977,785	-	977,785	-	(87,447)	890,338
Infrastructure-streets network	31,187,728	1,313,183	32,500,911	-	-	32,500,911
Infrastructure-street appurtenances	22,360,733	-	22,360,733	-	-	22,360,733
Infrastructure-storm drain	8,175,890	-	8,175,890	-	-	8,175,890
Total Capital Assets Being Depreciated	78,589,549	1,313,183	79,902,732	97,977	(1,103,005)	78,897,704
Less Accumulated Depreciation for:						
Structures and improvements	(3,359,292)	-	(3,359,292)	(203,932)	5,795	(3,557,429)
Equipment	(4,316,574)	-	(4,316,574)	(350,371)	1,009,763	(3,657,182)
Land improvements	(981,348)	-	(981,348)	(263)	87,447	(894,164)
Infrastructure-streets network	(11,230,560)	-	(11,230,560)	(820,683)	-	(12,051,243)
Infrastructure-street appurtenances	(8,235,664)	-	(8,235,664)	(653,142)	-	(8,888,806)
Infrastructure-storm drain	(4,823,776)	-	(4,823,776)	(163,518)	-	(4,987,294)
Total Accumulated Depreciation	(32,947,214)	-	(32,947,214)	(2,191,909)	1,103,005	(34,036,118)
Total Capital Assets, Being Depreciated, Net	45,642,335	1,313,183	46,955,518	(2,093,932)	-	44,861,586
Governmental Activities Capital Assets, Net	\$ 79,835,209	\$ -	\$ 79,835,209	\$ 147,065	\$ -	\$79,982,274

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 6 – CAPITAL ASSETS (Continued)

<u>Business Type Activities:</u>	Balance at July 1, 2010, as previously reported	Adjustments to Beginning Balances	Balance at July 1, 2010 as restated	Additions	Deletions	Balance at June 30, 2011
Sewer						
Capital Assets Not Being Depreciated:						
Construction in progress	\$ 1,324,912	\$(1,324,912)	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated:						
Structures and improvements	26,650,277	1,324,912	27,975,189	-	-	27,975,189
Less Accumulated Depreciation for:						
Structures and improvements	<u>(14,344,344)</u>	-	<u>(14,344,344)</u>	<u>(511,813)</u>	-	<u>(14,856,157)</u>
Sewer Capital Assets, Net	<u>\$13,630,845</u>	<u>\$ -</u>	<u>\$13,630,845</u>	<u>\$(511,813)</u>	<u>\$ -</u>	<u>\$13,119,032</u>
Refuse:						
Capital Assets Being Depreciated:						
Equipment	\$ 1,911,953	\$ -	\$ 1,911,953	\$ -	\$(1,911,953)	\$ -
Less Accumulated Depreciation for:						
Equipment	<u>(1,911,953)</u>	-	<u>(1,911,953)</u>	-	<u>1,911,953</u>	-
Refuse Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Compressed Natural Gas (CNG):						
Capital Assets Being Depreciated:						
Equipment	\$ 790,326	\$ -	\$ 790,326	\$ -	\$ -	\$ 790,326
Less Accumulated Depreciation for:						
Equipment	<u>(553,447)</u>	-	<u>(553,447)</u>	<u>(79,033)</u>	-	<u>(632,480)</u>
CNG Capital Assets, Net	<u>236,879</u>	-	<u>236,879</u>	<u>(79,033)</u>	-	<u>157,846</u>
Business-type Activities Total						
Capital Assets, Net	<u>\$13,867,724</u>	<u>\$ -</u>	<u>\$13,867,724</u>	<u>\$(590,846)</u>	<u>\$ -</u>	<u>\$13,276,878</u>

Depreciation expense was charged to functions for the year ended June 30, 2011, as follows:

Governmental Activities:	
General government	\$ 503,044
Public safety	92,993
Public works	<u>1,595,872</u>
Total Depreciation Expense	<u>\$2,191,909</u>
Business-type Activities:	
Compressed natural gas	\$ 79,033
Sewer	<u>511,813</u>
Total Depreciation Expense	<u>\$ 590,846</u>

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 7 – OCTA ADVANCE

On February 16, 2010, the City entered into a cooperative agreement with the Orange County Transportation Authority (OCTA). Terms of the cooperative agreement required OCTA to repay CalTrans \$1.5 million for previously disallowed costs in exchange for the City's support of OCTA's direction to CalTrans for any eligible project in Orange County. In addition, OCTA advanced the City \$4.1 million of future Measure M (M2) funds. Principal and accrued but unpaid interest payments are due bi-monthly beginning July 1, 2011, and will be made from future M2 funds over approximately 19 years. Interest is equal to the yield on OCTA's short-term investment portfolio, and resets annually on June 30. The advance is a long-term liability of a governmental fund. Therefore, the liability is recognized on the Statement of Net Assets.

The outstanding principal and accrued interest was \$4,227,585 as of June 30, 2011.

NOTE 8 – LONG-TERM DEBT

A summary of changes in long-term debt is as follows:

	Balance at July 1, 2010	Additions	Retirements	Balance at June 30, 2011	Portion Due Within One Year	Portion Due Beyond One Year
Certificates of Participation:						
2001 Certificates of Participation	\$ 535,000.00	\$ -	\$ (535,000)	\$ -	\$ -	\$ -
2003 Refunding and Improvement Project Certificates of Participation	7,730,000	-	(660,000)	7,070,000	690,000	6,380,000
Deferred Refunding Charge - 2003 Refunding and Improvement Project Certificates of Participation	(731,281)	-	41,788	(689,493)	(41,788)	(647,705)
2011 Gas Tax Certificate of Participation	-	5,955,000	-	5,955,000	185,000	5,770,000
Discount on 2011 Gas Tax Certificates of Participation		(171,407)	1,428	(169,979)	(8,570)	(161,409)
Total certificates of participation	<u>7,533,719</u>	<u>5,783,593</u>	<u>(1,151,784)</u>	<u>12,165,528</u>	<u>824,642</u>	<u>11,340,886</u>
Bonds and Notes:						
2002 Tax Allocation Bonds	6,765,000	-	(150,000)	6,615,000	16,000	6,599,000
2009 Subordinate Tax Allocation Notes	6,850,000	-	-	6,850,000	-	6,850,000
Discount on Subordinate Tax Allocation Notes	(85,910)	-	23,975	(61,935)	(23,975)	(37,960)
2009 Lease Revenue Bonds	4,390,000	-	(75,000)	4,315,000	50,000	4,265,000
Discount on 2009 Lease Revenue Bonds	(80,228)	-	8,914	(71,314)	(8,914)	(62,400)
Total bonds and notes	<u>17,838,862</u>	<u>-</u>	<u>(192,111)</u>	<u>17,646,751</u>	<u>33,111</u>	<u>17,613,640</u>
Total Long-term debt	<u>\$ 25,372,581</u>	<u>\$ 5,783,593</u>	<u>\$ (1,343,895)</u>	<u>\$ 29,812,279</u>	<u>\$ 857,753</u>	<u>\$ 28,954,526</u>

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 8 – LONG-TERM DEBT (Continued)

2001 Certificates of Participation

On July 11, 2001, the City issued certificates of participation in the amount of \$4,500,500 to finance traffic circulation improvements consisting of preliminary design, engineering and consultant costs relating to the railroad lowering project. The certificates are in denominations of \$5,000 each and bear interest ranging from 2.75 to 4.12 percent. Principal is payable annually on January 1. Interest is payable semiannually on January 1 and July 1.

The City is required to establish a reserve fund in the amount of \$450,000 or to obtain a Reserve Surety Bond in place of fully funding the reserve fund. As of June 30, 2011, the City had acquired a Reserve Surety Bond.

Each certificate represents a direct, undivided fractional interest of the owner thereof in lease payments to be made by the City as rental for an existing corporate yard and an existing public park (the "Project") pursuant to a Lease Agreement dated June 1, 2001 between the City and the Agency. Pursuant to the Lease Agreement, the City will sublease the property to the Agency and the Agency will sublease the property back to the City. The City had previously entered into a First Amended and Restated Lease Agreement (the "1994 Lease") dated April 1, 1994 for the Project relating to the 1994 Refunding Certificates of Participation. The Lease Agreement is a sublease under the 1994 Lease.

The City is legally required under the Lease Agreement to make lease payments from any source of available funds, including its general fund and Measure M Turnback Money, in each year the City has use and occupancy of the Project. Pursuant to Measure M of the County of Orange, the City receives a portion of sales tax revenues for transportation improvements based on population, arterial highway miles, and total taxable sales. The City has pledged to use the proceeds of the lease of the Project to the Agency for transportation improvements and to pay lease payments from moneys received from the Orange County Transportation Authority pursuant to Measure M. The annual lease payments are equal to the annual principal and interest due with respect to the certificates. The City has covenanted that it will provide the necessary appropriations in each annual budget.

As of June 30, 2011, there was no principal outstanding.

2003 Refunding and Improvement Project Certificates of Participation

On November 13, 2003, the City issued certificates of participation in the amount of \$11,145,000 to (a) refinance certain obligations relating to the Agency's 2003 Refunding Certificates of Participation ("2003 Financing Project"), which were originally issued at \$3,800,000, of which \$7,070,000 remains outstanding, (b) refinance certain obligations relating to the City's 2001 Certificates of Participation ("Traffic Circulation Project") and (c) finance and refinance certain capital improvements in the City. The certificates are in denominations of \$5,000 each and bear interest ranging from 2 to 4.4 percent.

Certificates maturing on or after January 1, 2014 are subject to call for prepayment at the option of the City at a price equal to principal plus accrued interest without premium. Certificates maturing on January 1, 2028 are subject to mandatory prepayment on January 1 each year commencing January 2, 2021 from lease payments made by the City at a price equal to the principal payment.

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 8 – LONG-TERM DEBT (Continued)

2003 Refunding and Improvement Project Certificates of Participation. (Continued)

Principal is payable annually on January 1. Interest is payable semiannually on January 1 and July 1 commencing July 1, 2004. The required reserve for the certificates was fully funded as of June 30, 2011. The amount of certificates outstanding as of June 30, 2011, was \$7,070,000.

Each certificate represents a direct, undivided fractional interest of the owner thereof in lease payments to be made by the City as rental for an existing corporate yard and an existing public park (the Project) pursuant to a First Amended and Restated Lease Agreement (“1994 Lease”) with the Agency. The City is legally required under the 1994 Lease to make payments to the Redevelopment Agency from any source of available funds in each year the City has use and occupancy of the Project. The annual lease payments are equal to the annual principal and interest due with respect of the certificates. The City has covenanted that it will provide the necessary appropriations in each annual budget.

The certificates are reported in the Statement of Net Assets net of the deferred refunding charge in the amount of \$689,493 as of June 30, 2011. The deferred refunding charge is amortized over the life of the debt. Amortization expense for the year ended June 30, 2011 was \$41,788.

On April 17, 2007, the City Council of the City of Placentia and the Board of Directors of the Placentia Redevelopment Agency approved a reimbursement agreement between the City and the Agency. This agreement provides that the Agency will reimburse the City for a portion of the lease payment paid by the City to the Agency, with respect to the 2003 Certificates of Participation. The portion reimbursed (87.52 percent) is based upon the portion of the capital improvements and improved facilities benefiting from the original proceeds of the related debt issue that were within the confines of the redevelopment project area.

The annual debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 690,000	\$ 310,186	\$ 1,000,186
2013	715,000	282,586	997,586
2014	740,000	253,986	993,986
2015	260,000	224,386	484,386
2016	275,000	213,986	488,986
2017-2021	1,545,000	889,089	2,434,089
2022-2026	1,935,000	500,650	2,435,650
2027-2031	910,000	65,313	975,313
Total	<u>\$ 7,070,000</u>	<u>\$ 2,740,182</u>	<u>\$ 9,810,182</u>

2011 Gas Tax Certificates of Participation

On May 1, 2011, the City issued Gas Tax Revenue Certificates of Participation in the amount of \$5,955,000. Proceeds from the debt will be used to (i) finance the design, acquisition, and construction of certain local roadway improvements and street resurfacing projects within the City, (ii) fund a reserve fund for the certificates, and (iii) pay the costs incurred in connection with the certificates.

CITY OF PLACENTIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (Continued)

The certificates are in denominations of \$5,000 each and bear interest ranging from 2.0% to 5.5%. Interest is payable semi-annually on June 1 and December 1. Principal payments of \$185,000 to \$275,000 are due June 1 through 2021. Term Certificates of \$1,590,000 are due June 1, 2026. Term Certificates of \$2,050,000 are due June.

All gas tax revenues and any other amounts (including proceeds of the sale of the Certificates) held by the trustee will be irrevocably pledged to the payment of the principal, interest, and prepayment premium, if any, will not be used for any other purpose while any of the Certificates remain outstanding.

Each Certificate evidences proportionate and undivided interests of the registered owners thereof in installment sale payments to be made by the City of Placentia to the California Statewide Communities Development Authority, as the purchase price for certain local roadway improvements and street resurfacing projects pursuant to a 2011 Installment Sale Agreement, dated as of May 1, 2011.

The Certificates are subject to optional, mandatory, and mandatory sinking fund prepayments under certain conditions.

Optional Prepayment

The Certificates maturing on or before June 1, 2021, are not subject to optional prepayment prior to the respective stated maturities. The Certificates maturing on or after June 1, 2022, will be subject to optional prepayment prior to maturity, at the option of the California Statewide Communities Development Authority upon direction of the City, on or after June 1, 2021, in whole or in part (by lot within any maturity), on any date, at a prepayment price equal to the principal amount to be prepaid, plus accrued interest to the date fixed for prepayment, without premium. The City is required to provide written notice at least 45 days prior to the prepayment date specifying the principal amount to be prepaid.

Mandatory Prepayment of Certificates Upon Acceleration

The Certificates are subject to mandatory prepayment prior to maturity, in whole or in part (by lot within any maturity), on any date, from amounts received upon the acceleration of payments upon the occurrence of an event of default, at a prepayment price equal to the principal amount to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Prepayment

The Certificates maturing on June 1, 2026, are subject to mandatory prepayment on June 1 of each year commencing June 1, 2022, in part, from mandatory sinking fund payments, on each June 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor shall be as follows:

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 8 – LONG-TERM DEBT (Continued)

Mandatory Sinking Fund Prepayment (Continued)

Mandatory Prepayment Date (June 1)	Amount
<u> </u>	<u> </u>
2022	\$290,000
2023	300,000
2024	315,000
2025	335,000
2026	350,000

The amount of each such prepayment shall be reduced in the event and to the extent that installment sale payments payable on the corresponding certificate payment date are optionally prepaid by the local agency pursuant to the 2011 installment sale agreement and applied to the prepayment of certificates maturing on June 1, 2026.

The certificates maturing on June 1, 2031, are subject to mandatory prepayment on June 1 of each year commencing June 1, 2027, in part, from mandatory sinking fund payments, on each June 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such certificates to be prepaid and the dates are as follows:

Mandatory Prepayment Date (June 1)	Amount
<u> </u>	<u> </u>
2027	\$365,000
2028	390,000
2029	410,000
2030	430,000
2031	455,000

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 8 – LONG-TERM DEBT (Continued)

Mandatory Sinking Fund Prepayment (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 185,000	\$ 293,403	\$ 478,403
2013	205,000	274,994	479,994
2014	210,000	268,844	478,844
2015	215,000	262,544	477,544
2016	225,000	253,944	478,944
2017-2021	1,275,000	1,126,056	2,401,056
2022-2026	1,590,000	810,000	2,400,000
2027-2031	2,050,000	350,350	2,400,350
Total	<u>\$ 5,955,000</u>	<u>\$ 3,640,135</u>	<u>\$ 9,595,135</u>

2002 Tax Allocation Bonds

On January 8, 2002, the Agency issued housing set-aside tax allocation bonds in the amount of \$3,100,000 (the “Series A”) and tax allocation bonds in the amount of \$4,655,000 (the “Series B”). Proceeds of the Series A and B bonds will be used to finance the Agency's low and moderate income housing program and its redevelopment program, respectively. The bonds are in denominations of \$5,000 each and bear interest at rates ranging from 3.75 to 5.85 percent for Series A and 3.75 to 5.75 percent for Series B. Principal is payable annually on August 1. Interest is payable semiannually on February 1 and August 1.

Bonds maturing on or before August 1, 2012 are not subject to call or redemption prior to maturity. The required reserves for the Series A and B bonds were fully funded as of June 30, 2011. The amount of bonds outstanding as of June 30, 2011 was \$6,615,000.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 160,000	\$ 376,808	\$ 536,808
2013	165,000	368,439	533,439
2014	175,000	359,124	534,124
2015	185,000	348,701	533,701
2016	200,000	337,555	537,555
2017-2021	1,155,000	1,499,759	2,654,759
2022-2026	1,540,000	1,111,103	2,651,103
2027-2031	2,040,000	595,798	2,635,798
2032-2036	995,000	58,336	1,053,336
Total	<u>\$ 6,615,000</u>	<u>\$ 5,055,623</u>	<u>\$ 11,670,623</u>

CITY OF PLACENTIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (Continued)

2009 Subordinate Tax Allocation Notes

On January 30, 2009, the Agency issued the 2009 Subordinate Tax Allocation Notes in the amount of \$6,850,000. Proceeds of the Notes will be used to finance redevelopment activities of the Agency within or of benefit to the Agency's project area. The Notes bear interest of 7.75 percent and is payable semiannually on February 1 and August 1. The entire principal amount of \$6,850,000 is due and payable on February 1, 2014. The amount of bonds outstanding as of June 30, 2011 was \$6,850,000.

The annual debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 530,875	\$ 530,875
2013	-	530,875	530,875
2014	6,850,000	530,875	7,380,875
Total	<u>\$ 6,850,000</u>	<u>\$ 1,592,625</u>	<u>\$ 8,442,625</u>

As noted above, the 2009 Subordinate Tax Allocation Notes are due and payable on February 1, 2014 and management does not anticipate that sufficient taxes will have been collected to retire the debt at that point and anticipates refunding the debt at that time.

Debt Related Pledge of Revenue

The Agency has pledged a portion of future tax increment revenues to repay the 2002 Tax Allocations Bonds and the 2009 Subordinate Tax Allocation Notes, as the source of repayment of this debt. Tax increment revenues were projected to produce a certain percentage of the debt service requirements over the life of the debt. During 2011, pledged tax increment revenue collected was \$2,272,168.

The following table discloses the total principal and interest remaining on the debt, the current year principal and interest paid, and the percent of debt service tax increment was expected to produce.

	Remaining	Debt Service in 2011	
	Debt Service	Principal	Interest
Governmental Activities:			
2002 Tax Allocation Bonds	\$ 11,670,623	\$ 150,000	\$ 384,790
2009 Subordinated Tax Allocation Notes	8,442,625	-	530,875
Total	<u>\$ 20,113,248</u>	<u>\$ 150,000</u>	<u>\$ 915,665</u>

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 8 – LONG-TERM DEBT (Continued)

2009 Lease Revenue Bonds

On June 24, 2009, the Public Financing Authority issued \$4,390,000 of Lease Revenue Bonds (Working Capital Financing) to finance the City's accumulated working capital deficit, fund a reserve fund for the bonds and pay the costs incurred in connection with the issuance of the bonds. The bonds are payable from lease payments to be made by the City of Placentia to the Placentia Public Financing Authority as rental for certain real property and the improvements thereon. Interest on the bonds is payable semiannually on December 1st and June 1st of each year, commencing on December 1, 2009, until maturity and yield and interest rate of 7.5 percent.

The annual debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 50,000	\$ 323,625	\$ 373,625
2013	150,000	319,875	469,875
2014	200,000	308,625	508,625
2015	300,000	293,625	593,625
2016	525,000	271,125	796,125
2017-2021	3,090,000	493,875	3,583,875
Total	\$ 4,315,000	\$ 2,010,750	\$ 6,325,750

Source of payment for the Bonds/Pledge of Revenue

The bonds will be secured by a first pledge of, security interest in and lien on all of the lease payments received with respect to the Leased Property. The Authority has, pursuant to the Assignment Agreement, assigned all of its rights under the Lease Agreement including its rights to receive Lease Payments from the City and its remedies to the Trustee for the benefit of the Owners of the Bonds. The lease payments are calculated to be sufficient to pay, when due, the annual principal of and interest on the bonds.

NOTE 9 – DEBT WITHOUT GOVERNMENT COMMITMENT

Special Assessment Bonds Payable:

1996 and 2001 Special Tax Revenue Bond

On August 27, 1996, \$27,765,000 of Special Tax Revenue Bonds, Series A and B were issued to refund the existing Mello-Roos Community Facilities District bonds originally issued on September 1990. On June 15, 2001, \$5,715,000 of Special Tax Revenue Bonds, Series A, was issued to refund the 1996 Special Tax Revenue Bonds, Series B. The bonds were issued to provide financing for the design, construction and installation of certain public improvements within Community Facilities District No. 89-1. The bonds are secured by the assessments levied against the private property within the assessment district. The bonds are not general obligations of the City, and neither the faith and credit nor taxing power of the City is pledged to the payment of the bonds. The City is acting only in an agent capacity for the property owners. As noted below, the 2009 Special Tax Revenue Refunding Bonds defeased the 1996 Special Tax Revenue Bonds Series A.

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 9 – DEBT WITHOUT GOVERNMENT COMMITMENT (Continued)

2009 Special Tax Revenue Refunding Bonds

On May 27, 2009, \$9,715,000 of Special Tax Revenue Refunding Bonds were issued to provide for defeasance and refunding of the Authority's Special Tax Revenue Bond, 1996 Series A, to fund a reserve fund and to pay costs of issue the bonds. On June 16, 2009, \$12,400,144 was deposited into an irrevocable trust to defease the 1996 Series A bonds. As such, the 1996 Series A Special Tax Revenue Bonds have been considered defeased. The 2009 bonds are not general obligations of the City, and neither the faith and credit nor taxing power of the City is pledged to the payment of the bonds. The City is acting only in an agency capacity for the property owners.

NOTE 10 – COMPENSATED ABSENCES

A summary of changes in compensated absences is as follows:

	Balance at <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>June 30, 2011</u>	Portion Due Within <u>One Year</u>	Portion Due Beyond <u>One Year</u>
Governmental Activities	\$ 3,455,536	\$ 828,613	\$ (1,036,322)	\$ 3,247,827	\$ 1,055,915	\$ 2,191,912
Business-type Activities	<u>75,220</u>	<u>48,552</u>	<u>(2,129)</u>	<u>121,643</u>	<u>39,548</u>	<u>82,095</u>
Total	<u>\$ 3,530,756</u>	<u>\$ 877,165</u>	<u>\$ (1,038,451)</u>	<u>\$ 3,369,470</u>	<u>\$ 1,095,463</u>	<u>\$ 2,274,007</u>

NOTE 11 – LEASE RECEIVABLE AND PAYABLE

As more fully described at Note 8, the City has covenanted to make rental payments for the full amount of the 2003 Certificates of Participation (COP) debt service payment; and the Agency has covenanted to reimburse the City for the 87.52 percent of the debt service payment. The 12.48 percent of the COP's are payable by a pledge of revenues consisting of payments of revenues by the City of Placentia pursuant to the Amended and Restated Reimbursement Agreement dated May 1, 2003. The following table shows the City's portion of the above noted COP (12.48 percent) due to the Agency as of June 30, 2011.

<u>Year Ending June 30,</u>	<u>Lease</u>
2012	\$ 124,823
2013	124,499
2014	124,049
2015	60,451
2016	61,025
2017-2021	303,774
2022-2026	303,969
2027-2030	<u>121,719</u>
Total future minimum lease payments to be received	1,224,309
Less: unearned interest income	<u>(341,975)</u>
Total	<u>\$ 882,334</u>

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 11 – LEASE RECEIVABLE AND PAYABLE (Continued)

This transaction involved both the City and the Agency. As discussed in Note 1-A, the Agency has been presented as a blended component unit within these financial statements. Because of the blended presentation, the above noted commitment of the City has not been reflected within the Fund Financial Statements or the Statement of Net Assets. The effect of blending the Agency into the City's financial statements requires the elimination of both the liability of the City and the receivable of the Agency.

NOTE 12 – FUND BALANCES

The City has adopted the provisions of GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification.

	General Fund	Low and Moderate Housing	Miscellaneous Grants	Redevelopment Agency	2011 Gas Tax COP	Redevelopment Area 1	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:								
Due from other funds	\$3,522,772	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,522,772
Interfund loans receivable	2,270,000	-	-	-	-	1,311,953	-	3,581,953
Loans receivable	20,000	441,767	-	-	-	-	-	461,767
Inventory of supplies	10,958	-	-	-	-	-	-	10,958
Total nonspendable	<u>5,823,730</u>	<u>441,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,311,953</u>	<u>-</u>	<u>7,577,450</u>
Restricted:								
Low and moderate housing	-	1,351,539	-	-	-	-	-	1,351,539
Grants	-	-	847,094	-	-	-	-	847,094
Debt service	-	-	-	-	5,564,731	-	-	5,564,731
Redevelopment	-	-	-	-	-	150,621	-	150,621
Measure M	-	-	-	-	-	-	55,311	55,311
Asset seizure	-	-	-	-	-	-	91,627	91,627
Traffic offender	-	-	-	-	-	-	8,280	8,280
Supplemental law enforcement	-	-	-	-	-	-	10,947	10,947
Air quality	-	-	-	-	-	-	245,960	245,960
Utility users tax	-	-	-	-	-	-	217,751	217,751
Gas tax	-	-	-	-	-	-	578,071	578,071
Total restricted	<u>-</u>	<u>1,351,539</u>	<u>847,094</u>	<u>-</u>	<u>5,564,731</u>	<u>150,621</u>	<u>1,207,947</u>	<u>9,121,932</u>
Assigned								
Economic uncertainty	500,000	-	-	-	-	-	-	500,000
Orangethorpe corridor	-	-	-	-	-	-	505,349	505,349
Total assigned	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>505,349</u>	<u>1,005,349</u>
Unassigned								
	<u>(294,232)</u>	<u>-</u>	<u>-</u>	<u>(1,638,749)</u>	<u>-</u>	<u>-</u>	<u>2,657</u>	<u>(1,930,324)</u>
	<u>\$6,029,498</u>	<u>\$1,793,306</u>	<u>\$ 847,094</u>	<u>\$ (1,638,749)</u>	<u>\$5,564,731</u>	<u>\$ 1,462,574</u>	<u>\$ 1,715,953</u>	<u>\$15,774,407</u>

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 13 – DEFICIT FUND BALANCES/NET ASSETS

The following funds had deficit fund balances or deficit net assets:

Fund	Deficit Fund Balance/ Net Assets
<i>Governmental Funds:</i>	
Major funds:	
Redevelopment agency	\$ 1,638,749
Nonmajor funds:	
Street lighting	29,500
Housing and community development	60
City captial projects	704,022
 <i>Proprietary Funds:</i>	
Refuse	2,692,821
 <i>Internal Service Funds:</i>	
Risk managment	1,660,537

NOTE 14 – POSTEMPLOYMENT BENEFITS

Post-Employment Health Care Benefits

During the year ended June 30, 2009, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions by State and Local Governmental Employers*.

Plan description

The City provides post-employment benefits to retired employees in the form of a contribution towards their medical premiums under the CalPERS health plan which provides medical insurance benefits to eligible retirees in accordance with various labor agreements. The minimum required retiree contributions are established by CalPERS. Survivor benefits are not provided. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Eligibility

All employees hired prior to November 21, 1995 are in Tier I and become eligible for these benefits as long as they are 50 years of age or older and have worked for the City a minimum of five years and elect a service retirement from the City of Placentia. The health benefits for Tier I retirees include medical, dental, optical and life. Vision benefits are also provided to employees who retired after September 30, 1990. The life insurance is available to all retirees until they reach age 70.

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 14 – POSTEMPLOYMENT BENEFITS (Continued)

All employees hired on or after November 21, 1995 are Tier II, and upon retirement they have the option of participating in a post-retirement medical insurance benefit program at their own cost.

Membership of the plan consisted of the following at June 30, 2011:

	Placentia City City Employee <u>Association</u>	Placentia Police Officers <u>Association</u>	Police <u>Management</u>	Management and <u>Mid-Management</u>	<u>Total</u>
Retirees Receiving Benefits	43	11	14	22	90
Eligible Active Employees	54	31	15	20	120

The above table does not reflect current retirees not enrolled in the CalPERS health plan that may be eligible to enroll in the plan at a later date.

Funding Policy

The City's current contribution is paid on a pay-as-you-go basis. Benefits provided to retirees vary based on employment date and unit. Tier II retirees choosing to participate in the post-retirement medical benefit program are responsible for the premium costs in excess of the City's monthly contribution of \$101. For the year-ended June 30, 2011, the City paid \$831,498 towards their post-employment health care benefits. Current active employees are not required to contribute any portion towards these benefits.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 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) 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:

	Placentia City Employee <u>Association</u>	Placentia Police Officers <u>Association</u>	Police <u>Management</u>	Management and <u>Mid-Management</u>	<u>Total</u>
Balance at July 1, 2010	\$ 349,854	\$ 193,838	\$ 399,511	\$ 70,138	\$ 1,013,341
Annual required contribution	586,654	219,142	373,008	261,599	1,440,403
Interest on net OPEB obligation	16,371	8,598	17,709	2,922	45,600
Annual required contribution adjustment	(15,898)	(8,349)	(17,197)	(2,837)	(44,281)
Contributions made	(428,270)	(121,642)	(164,777)	(243,417)	(958,106)
Balance at June 30, 2011	<u>\$ 508,711</u>	<u>\$ 291,587</u>	<u>\$ 608,254</u>	<u>\$ 88,405</u>	<u>\$ 1,496,957</u>

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 14 – POSTEMPLOYMENT BENEFITS (Continued)

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2009	\$ 1,307,298	63.8%	\$ 472,278
2010	1,371,350	26.3%	1,013,341
2011	1,440,401	66.5%	1,496,957

Funding Status and Progress

As of July 1, 2008, the most recent valuation date, the actuarial accrued liability for benefits was \$24.4 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (“UAAL”) of \$24.4 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0 percent. The covered payroll (annual payroll of active employees) was \$8.8 million and the ratio of the UAAL to the covered payroll was 36 percent. No estimate to the actuarial accrued liability at June 30, 2011 has been made. The City is evaluating its options in developing a funding policy for its OPEB obligations.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial 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 4.5 percent investment rate of return, which is based on assumed long-term investment returns on the City's assets, as appropriate, and an annual healthcare cost trend rate of 4 percent in 2009, 9 percent in 2010, and decreasing by 1/2 percent until 2017 (4.5 percent) thereafter. All rates included a 3.5 percent 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 3.25 percent per year.

CITY OF PLACENTIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 15 – INSURANCE

Description of self-insurance pool pursuant to Joint Powers Agreement

The City is a member of the Public Agency Risk Sharing Authority of California (“PARSAC”). The PARSAC is composed of 36 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500, et seq. The purpose of the PARSAC is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. Each member government has an elected official as its representative on the Board of Directors. Officers are elected annually by the Board members.

Self-insurance program of the PARSAC

General liability

Annual deposits are paid by member cities, and are adjusted retrospectively to cover cost. Each member city is self-insured for an amount of \$1,000 to \$500,000, based on the option chosen. The City of Placentia is self-insured for the first \$100,000. Participating cities then share in the losses, up to \$1,000,000 per loss occurrence. The California Affiliated Risk Management Authority (“CARMA”) provides excess coverage above \$1,000,000 to \$3,000,000. Losses exceeding \$3,000,000 to \$10,000,000 are reinsured by Am Re Managers. Specific coverage includes comprehensive and general liability, personal injury, contractual liability, errors and omissions, and certain other coverage. In addition, \$1,000,000,000 of shared loss limits all risk insurance for real and personal property, as well as boiler and machinery insurance coverage, was brokered through Robert Driver Company.

Other Insurance Coverage

Due to the high cost of earthquake insurance, the City remained self-insured for this coverage. The City is also self-insured for \$300,000 workers' compensation insurance and has obtained from an independent provider coverage for a total of \$5,000,000 in workers' compensation insurance. Fidelity/Public Employee Dishonesty Bond insurance includes all employees (including elected officials) for coverage of \$1,000,000.

Adequacy of Protection

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

CITY OF PLACENTIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 15 – INSURANCE (Continued)

At June 30, 2011, \$1,706,560 has been accrued for self-insurance losses. The amount represents an estimate of the amounts to be paid for claims reported through June 30, 2011 and claims which have been incurred but not reported as of June 30, 2011. While the ultimate amount of losses incurred through June 30, 2011 is dependent on future developments, based upon information from the City Attorney, the City's claims administrators and others involved in the administration of the programs, City management believes the accrual is adequate to cover such losses. A reconciliation of changes in aggregate liabilities for claims filed in the current and prior fiscal years is as follows:

Balance at July 1, 2010	Actual and Estimated Claims Incurred	Paymnets Made for Current and Prior Year Claims	Balance at June 30, 2011
<u>\$1,636,551</u>	<u>\$701,724</u>	<u>\$ (631,715)</u>	<u>\$ 1,706,560</u>

NOTE 16 – DEFINED BENEFIT PENSION PLAN (PERS)

A. Plan Description

The City of Placentia contributes to the California Public Employees Retirement System (“CalPERS”), a cost sharing multiple employer public employee defined benefit pension plan. CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

B. Funding Policy

The City of Placentia contributes to the CalPERS, Participants are required to contribute 7 percent of their annual covered payroll. During 2009-2010, the City contributed the 7 percent on behalf of Safety Employees, and management and mid-management paid 4.615 percent of their required 7 percent. The City of Placentia is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 6.997 percent for miscellaneous employees and 37.239 percent for the safety plan. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. Benefit provisions and all other requirements are established by state statute and city contracts with employee bargaining groups.

CITY OF PLACENTIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 16 – DEFINED BENEFIT PENSION PLAN (PERS), (Continued)

C. Annual Pension Cost

Three-Year trend Information

Safety Plan

Year Ended June 30,	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 1,753,675	100%	\$ -
2010	1,698,255	100%	-
2011	1,628,165	100%	-

Miscellaneous Plan

Year Ended June 30,	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 400,655	100%	\$ -
2010	382,565	100%	-
2011	363,613	100%	-

NOTE 17 – DEFERRED COMPENSATION

The City has made available to its employees two deferred compensation plans, created in accordance with Internal Revenue Code Section 457, whereby employees authorize the City to defer a portion of their salary to be deposited in individual investment accounts. There are several options available for employees to invest, including annuities, life insurance, savings accounts and mutual funds. Funds may be withdrawn by participants upon termination of employment, retirement, or a certified emergency. The City makes no contribution under the plans.

Pursuant to changes in Internal Revenue Code (IRC) Section 457, the City amended its plans and established a trust into which all assets and income of the 457 plan were transferred during the year ended June 30, 1998. The assets and all income attributable to such amounts are held in trust for the exclusive benefit of the participant and their beneficiaries. These assets are no longer the property of the City, and therefore, are no longer subject to the claims of the City's general creditors. As a result, the assets of the 457 deferred compensation plans are no longer presented in an Agency Fund of the City's financial statements. The City has minimal involvement in the administration of the 457 plans, and therefore, lacks the fiduciary accountability that would require the 457 plan assets be recorded in an expendable trust fund.

CITY OF PLACENTIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 18 – LITIGATION

The City is presently involved in 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. Additionally, City management believes that sufficient reserves are available to the City to cover any potential losses, should an unfavorable outcome materialize.

NOTE 19 – JOINT VENTURE – ORANGE COUNTY FIRE AUTHORITY

The City entered into a joint powers agreement with 17 other cities and the County of Orange (the "County") in January 1995, and subsequently amended on September 23, 1999, to create the Orange County Fire Authority (the "Fire Authority"). Since 1995, other cities within the County have also joined the Authority to bring the total members in the Fire Authority to 21. The purpose of the Fire Authority is to provide for mutual fire protection, prevention and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, hazardous materials regulation, as well as providing facilities and personnel for such services. The Fire Authority's governing board consists of one representative from each city and two from the County. The operations of the Fire Authority are funded with structural fire fees collected by the County through either the property tax roll or with cash contributions based on the Fire Authority's annual budget. The County pays all structural fire fees it collects to the Fire Authority.

No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2011. However, The Fire Authority's Financial Statements for the year ending June 30, 2011, presented positive increase to their accumulating General Fund balance. Upon dissolution of the Fire Authority, all surplus money and property of the Fire Authority will be conveyed or distributed to each member in proportion to all funds provided to the Fire Authority by that member or by the County on behalf of that member during its membership. Separate audited financial statements may be obtained from the Fire Authority at 1 Fire Authority Road, Irvine, California 92602.

NOTE 20 – JOINT VENTURE – TRI-CITY PARK AUTHORITY

The City of Placentia, along with the Cities of Fullerton and Brea, established the Tri-City Park Authority ("Tri-City Authority") on March 12, 1974. The purpose of the Tri-City Park Authority is to oversee and maintain the 40-acre park site known as Tri-City Park. Each of the three city councils appoints two members to the governing board. The seventh member is appointed by the County of Orange Board of Supervisors. The cities share in management and financing decisions based on their proportionate interests. The Tri-City Park Authority prepares an annual budget which is submitted for approval to each of the three cities. Each city's share of the annual budget is based on a population formula and other factors. For the year ended June 30, 2011, the percentages were as follows:

<u>City</u>	<u>Percentage</u>
Brea	21.60%
Fullerton	35.60%
Placentia	42.80%
Total	<u>100.00%</u>

The condensed financial information of the Tri-City Park Authority has not been reproduced in this report, but is available upon request from the Tri-City Park Authority at the City of Brea, 1 Civic Center Circle, Brea, California 92821.

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

NOTE 21 – CONTINGENCIES/COMMITMENTS

The City receives a number of grants and allocations annually. The City's entitlement to these funds could be subject to audits by the funding agencies, these audits could generate disallowances. The amount of expenditures, if any, which could be disallowed by the grantor cannot be determined at this time although it is the opinion of the City that such amounts, if any, would be immaterial.

Pass-through Liabilities

The Agency is subject to and a party of several pass-through agreements. At June 30, 2011, the Agency's total pass-through liabilities, per various agreements, totaled \$300,784, and are included as "Due to other governments".

Tax Increment Financing

The Agency has no power to levy and collect taxes and any legislative property tax de-emphasis might reduce the amount of tax revenues that would otherwise be available to pay the principal and interest on the Certificates, Bonds or loans from the City. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on the Certificates, Bonds, or loans from the City.

Agency Legal Matters

There are certain legal actions currently pending against the Agency arising in the normal course of the Agency's operations. In the opinion of management and the Agency Attorney, the ultimate resolution of such actions is not expected to have a significant effect upon the component unit financial statements of the Agency.

SERAF

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4X, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds ("SERAF") to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. During 2011, the Agency did not make any payments. The remaining balance of \$991,314 was accrued as a liability in the Agency's Debt Service Fund. The Agency's share of this revenue shift was \$173,378 in 2011. Payments are to be made by May 10 of each respective fiscal year.

CITY OF PLACENTIA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

NOTE 21 – CONTINGENCIES/COMMITMENTS (Continued)

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Placentia intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 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 Assembly Bill X1 26.

The League of California Cities and the California Redevelopment Association ("CRA") filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB 1X 26.

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26. Due to the timing of the ruling and legal implications, the City has not determined the full extent of the financial effect or timing of the dissolution of the Agency. However, the City believes that interagency receivables recognized by the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. Furthermore, the City might be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 21 – CONTINGENCIES/COMMITMENTS (Continued)

Lease of Property

The Agency entered into agreement to lease property with the option to purchase. A third party private investor purchased the property from the seller. During escrow a lease agreement was entered into where the Agency paid an initial \$400,000 non-refundable purchase option. The Agency will lease the property from the investor for \$12,500 per month and after 24 months, the Agency will initiate the purchase of the property for \$750,000 (not including the non-refundable purchase option). While the lease agreement is structured to be an initial five (5) years, it is the Agency's goal to purchase the property after a two year period. The \$400,000 purchase option price and other related costs have been recorded in the Agency's Governmental Funds Financial Statements as Redevelopment Expense in the Low & Moderate Housing Fund.

NOTE 22 – RELATED PARTY TRANSACTIONS

Several down payment assistance loans were issued to employees as part of an incentive program. These amounts are forgivable at the rate of 1/10th of the loan each anniversary year. During 2011, \$6,000 was forgiven by the City and the balance at year end was \$20,000.

NOTE 23 – HOUSING PROGRAMS

As part of programs to provide affordable housing, the Agency has entered into short-term lease agreements for various properties owned by the Agency. Monthly rents charged range from \$300 to \$700 and the agreements range from one to three years.

NOTE 24 – PRIOR PERIOD ADJUSTMENT

The following summarizes the effect of restatements to beginning net assets as of July 1, 2011:

Statement of Net Assets

	Previously Reported	(1)	(2)	As Restated
Governmental Activities:				
Due from other funds	\$ -	\$3,663,872	\$ -	\$ 3,663,872
Capital assets:				
Non-depreciable	34,192,874	-	(1,313,183)	32,879,691
Depreciable, net of accumulated depreciation	45,642,335	-	1,313,183	46,955,518
Net assets				
Invested in capital assets, net of related debt	58,118,947	-	-	58,118,947
Unrestricted	(9,755,760)	3,663,872	-	(6,091,888)
Business-type Activities:				
Due to other funds	\$ -	\$3,663,872	\$ -	\$ 3,663,872
Net assets				
Unrestricted	5,076,473	(3,663,872)	-	1,412,601

CITY OF PLACENTIA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 24 – PRIOR PERIOD ADJUSTMENT (Continued)

- (1) During 2011, the City determined that franchise fees of \$3,663,872 were collected by the refuse fund in prior years and should have remitted to the general fund. The City recognized the due from other funds in the governmental activities and the due to other funds in the business-type activities. The amount is to be repaid in equal annual installments of \$300,000 over the next 10 years.
- (2) During 2011, the City determined that construction in-progress projects with a cost of \$1,313,183 were completed prior to July 1, 2010. The City reclassified the projects from non-depreciable capital assets to depreciable capital assets.

Governmental Funds Balance Sheet

	As Previously Reported	(1)	(2)	As Restated
General Fund:				
Due from other funds	\$ 19,048	\$3,663,872	\$ -	\$ 3,682,920
Interfund loans payable	1,046,453	-	70,000	1,116,453
Fund balance	2,215,054	3,663,872	(70,000)	5,808,926
 Redevelopment Area 1:				
Interfund loans receivable	\$ 1,241,953	\$ -	\$ 70,000	\$ 1,311,953
Fund balance	1,258,125	-	70,000	1,328,125

- (1) During 2011, the City determined that franchise fees of \$3,663,872 were collected by the refuse fund in prior years and should have remitted to the general fund. The City recognized the due from other funds in the governmental activities and the due to other funds in the business-type activities. The amount is to be repaid in equal annual installments of \$300,000 over the next 10 years.
- (2) During 2011, the City determined that the General fund purchased properties in 2009 with a cost of \$70,000, using debt proceeds from the redevelopment agency's 2009 tax allocation notes. On March 15, 2011, the City and redevelopment agency enter into a reimbursement agreement for the transaction.

CITY OF PLACENTIA

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 24 – PRIOR PERIOD ADJUSTMENT, (Continued)

Proprietary Funds Balance Sheet

	As Previously Reported	(1)	(2)	(3)	As Restated
Refuse Fund:					
Due to other funds	\$ -	\$ 3,663,872	\$ -	\$ -	\$ 3,663,872
Net assets					
Unrestricted	1,524,272	(3,663,872)	-	-	(2,139,600)
Sewer Maintenance Fund:					
Capital assets:					
Non-depreciable	\$ 1,324,912	\$ -	\$(1,324,912)	\$ -	\$ -
Depreciable, net of accumulated depreciation	26,650,277	-	1,324,912	-	27,975,189
Internal Service Funds:					
Capital assets:					
Depreciable, net of accumulated depreciation	\$ 733,681	\$ -	\$ -	\$ 220,100	\$ 953,781
Net assets					
Invested in capital assets, net of related debt	733,681	-	-	220,100	953,781

Proprietary Funds Balance Sheet (Continued)

- (1) During 2011, the City determined that franchise fees of \$3,663,872 were collected by the refuse fund in prior years and should have remitted to the general fund. The City recognized the due from other funds in the governmental activities and the due to other funds in the business-type activities. The amount is to be repaid in equal annual installments of \$300,000 over the next 10 years.
- (2) During 2011, the City determined that construction in-progress projects with a cost of \$1,313,183 were completed prior to July 1, 2010. The City reclassified the projects from non-depreciable capital assets to depreciable capital assets.
- (3) During 2011, the City determined that equipment with a cost of \$233,699 and related accumulated depreciation of \$13,599, for a net of \$220,100, were not included in the prior year statement of net assets.

NOTE 25 – SUBSEQUENT EVENTS

The City has evaluated all subsequent events through the date of issuance of the financial statements, December 30, 2011. Other than the ruling of the California Supreme Court related to Assembly Bill X1 26 as discussed in Note 1 to the basic financial statements, the City did not note any events or transactions that required any adjustment or disclosure in the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PLACENTIA

**OTHER POST EMPLOYMENT BENEFITS (OPEB)
FOR THE YEAR ENDED JUNE 30, 2011**

The following schedule summarizes the City of Placentia's funding progress for OPEB:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B-A)/(C)
7/1/2008	\$ -	\$24,391,359	\$24,391,359	0%	\$8,854,045	275%

CITY OF PLACENTIA

MAJOR FUNDS GENERAL FUND

The General Fund has been classified as a major fund and is used to account for all of the general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City. The General Fund is generally used to account for all resources not required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes. The following has been classified as a major fund. The budget-actual comparison for this fund has been presented in the accompanying financial statements as *Required Supplementary Information*.

Low and Moderate Housing Fund – Used to account for financing and construction of low and moderate income housing. Financing was provided by 20 percent of tax revenue increment, in accordance with the California State Health and Safety Code Section 33334.2.

Miscellaneous Grant Funds – Used to account for grant revenues received for reimbursable (qualified) projects which are not accounted for in other special revenue funds.

CITY OF PLACENTIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 11,149,670	\$ 11,149,670	\$ 11,143,701	\$ (5,969)
Sales and use taxes	4,219,760	4,369,000	5,063,285	694,285
Other taxes	2,718,000	2,450,000	3,261,866	811,866
Intergovernmental	113,000	163,000	537,577	374,577
Licenses and permits	1,118,467	1,143,467	1,397,396	253,929
Fines and forfeitures	646,000	806,000	542,172	(263,828)
Investment income	226,000	190,000	514,827	324,827
Charges for services	1,894,500	1,817,500	1,648,767	(168,733)
Lease Revenue	869,324	869,324	887,090	17,766
Miscellaneous	155,100	635,100	1,605,731	970,631
Total Revenues	<u>23,109,821</u>	<u>23,593,061</u>	<u>26,602,412</u>	<u>3,009,351</u>
EXPENDITURES				
Current:				
General government	3,679,732	4,020,488	3,718,884	301,604
Public safety	14,586,779	15,264,039	15,210,617	53,422
Public works	3,117,712	3,221,005	3,058,148	162,857
Community development	891,478	915,830	829,100	86,730
Debt Service:				
Principal	75,000	75,000	75,000	-
Interest	329,250	329,250	329,250	-
Total Expenditures	<u>22,679,951</u>	<u>23,825,612</u>	<u>23,220,999</u>	<u>604,613</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>429,870</u>	<u>(232,551)</u>	<u>3,381,413</u>	<u>3,613,964</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,890,554	4,890,554	4,351,080	(539,474)
Transfers out	(5,203,664)	(5,203,664)	(7,511,921)	(2,308,257)
Total Other Financing Sources (Uses)	<u>(313,110)</u>	<u>(313,110)</u>	<u>(3,160,841)</u>	<u>(2,847,731)</u>
Net Change in Fund Balance	116,760	(545,661)	220,572	766,233
Fund Balance, Beginning of Year as restated	394,941	394,941	5,808,926	-
Fund Balance, End of Year	<u>\$ 511,701</u>	<u>\$ (150,720)</u>	<u>\$ 6,029,498</u>	<u>\$ 6,180,218</u>

CITY OF PLACENTIA

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOW AND MODERATE INCOME HOUSING FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ 10,000	\$ 10,000	\$ 47,221	\$ 37,221
Lease revenue	-	-	19,064	19,064
Miscellaneous	130,000	130,000	-	(130,000)
Total Revenues	140,000	140,000	66,285	(73,715)
EXPENDITURES				
Current				
Redevelopment	211,686	470,966	262,161	208,805
Capital outlay	200,000	300,000	200,328	99,672
Debt Service:				
Principal	55,000	60,000	60,000	-
Interest	165,000	165,000	155,368	9,632
Total Expenditures	631,686	995,966	677,857	318,109
Excess (Deficiency) of Revenues Over (Under) Expenditures	(491,686)	(855,966)	(611,572)	244,394
OTHER FINANCING SOURCES (USES)				
Transfers in	480,000	480,000	447,066	(32,934)
Transfers out	(82,336)	(267,336)	(267,336)	-
Total Other Financing Sources (Uses)	397,664	212,664	179,730	(32,934)
Net Change in Fund Balance	(94,022)	(643,302)	(431,842)	211,460
Fund Balance, Beginning of Year	2,225,148	2,225,148	2,225,148	-
Fund Balance, End of Year	\$ 2,131,126	\$ 1,581,846	\$ 1,793,306	\$ 211,460

CITY OF PLACENTIA

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MISCELLANEOUS GRANTS FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 5,564	\$ 1,982,550	\$ 1,976,986
Investment income	-	-	2,212	2,212
Miscellaneous	-	-	500,000	500,000
Total Revenues	-	5,564	2,484,762	2,479,198
EXPENDITURES				
Current				
Public Works	104,340	104,340	41,393	62,947
Total Expenditures	104,340	104,340	41,393	62,947
Excess (Deficiency) of Revenues Over (Under) Expenditures	(104,340)	(98,776)	2,443,369	2,542,145
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(7,056,420)	(7,056,420)	(417,873)	6,638,547
Total Other Financing Sources (Uses)	(7,056,420)	(7,056,420)	(417,873)	6,638,547
Net Change in Fund Balance	(7,160,760)	(7,155,196)	2,025,496	9,180,692
Fund Balance, Beginning of Year	(1,178,402)	(1,178,402)	(1,178,402)	-
Fund Balance, End of Year	<u>\$(8,339,162)</u>	<u>\$(8,333,598)</u>	<u>\$ 847,094</u>	<u>\$ 9,180,692</u>

CITY OF PLACENTIA

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011**

NOTE 1 – BUDGETARY CONTROL AND ACCOUNTING

The City prepares its budgets on the basis of estimated actual revenues and expenditures and, accordingly, the budget amounts included in the accompanying financial statements are presented on a basis substantially consistent with generally accepted accounting principles. Encumbrance accounting is utilized during the fiscal year, whereby purchase orders, contracts and other commitments are recorded in order to control appropriations. However, at fiscal year end all appropriations lapse. Accordingly, encumbrances are cancelled and generally are re-appropriated as part of the following year's budget. Encumbrances are not included in reported expenditures.

Annual budgets are adopted for the General, Special Revenue, Debt Service, and Capital Projects Funds. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year.

The budgetary level of control for all governmental fund types is the fund level. The City Administrator has the discretion to transfer appropriations between departments within a fund, but transfers between funds must be approved by City Council.

SUPPLEMENTARY STATEMENTS AND SCHEDULES

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CITY OF PLACENTIA

GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

These funds constitute all other governmental funds that do not meet the major test of assets, liabilities, revenues or expenditures for 10 percent of the governmental funds and 5 percent of the total governmental and enterprise funds. These funds include other Special Revenue Funds and the Capital Projects Funds.

CITY OF PLACENTIA

**NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET
JUNE 30, 2011**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS			
Cash and investments	\$ 1,516,852	\$ -	\$ 1,516,852
Accounts receivable	150,000	870,564	1,020,564
Taxes receivable	234,169	-	234,169
Due from other governments	224,205	-	224,205
Total Assets	<u>\$ 2,125,226</u>	<u>\$ 870,564</u>	<u>\$ 2,995,790</u>
LIABILITIES			
Accounts payable	\$ 50,052	\$ 508,522	\$ 558,574
Payroll payable	10,548	-	10,548
Interfund loans payable	-	195,500	195,500
Deferred revenue	150,000	365,215	515,215
Total Liabilities	<u>210,600</u>	<u>1,069,237</u>	<u>1,279,837</u>
FUND BALANCES			
Restricted	1,207,947	-	1,207,947
Assigned	-	505,349	505,349
Unassigned	706,679	(704,022)	2,657
Total Fund Balances	<u>1,914,626</u>	<u>(198,673)</u>	<u>1,715,953</u>
Total Liabilities and Fund Balances	<u>\$ 2,125,226</u>	<u>\$ 870,564</u>	<u>\$ 2,995,790</u>

CITY OF PLACENTIA

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	Special Revenue	Capital Projects	Total Non-Major Governmental Funds
REVENUES			
Taxes:			
Other taxes	\$ 2,854,248	\$ -	\$ 2,854,248
Intergovernmental	2,010,233	505,340	2,515,573
Fines and forfeitures	62,245	-	62,245
Investment income	7,880	-	7,880
Charges for services	694,703	-	694,703
Miscellaneous	12	-	12
Total Revenues	5,629,321	505,340	6,134,661
EXPENDITURES			
Current:			
General government	20,316	-	20,316
Public safety	109,800	-	109,800
Public works	595,376	2,169,150	2,764,526
Community development	153,683	-	153,683
Capital outlay	32,733	159,378	192,111
Debt Service:			
Principal	535,000	-	535,000
Interest	22,069	-	22,069
Total Expenditures	1,468,977	2,328,528	3,797,505
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	4,160,344	(1,823,188)	2,337,156
OTHER FINANCING SOURCES (USES)			
Transfers in	575,465	4,211,089	4,786,554
Transfers out	(4,537,666)	(152,699)	(4,690,365)
Total Other Financing Sources (Uses)	(3,962,201)	4,058,390	96,189
Net Change in Fund Balances	198,143	2,235,202	2,433,345
Fund Balances, Beginning of Year	1,716,483	(2,433,875)	(717,392)
Fund Balances, End of Year	\$ 1,914,626	\$ (198,673)	\$ 1,715,953

CITY OF PLACENTIA
NON-MAJOR SPECIAL REVENUE FUNDS

The following Special Revenue Funds have been classified as non-major funds in the accompanying fund financial statements:

Park Development Fund – This fund is used to account for the construction and equipment of parks within the City. Revenues for this fund are derived from developer fees paid in lieu of park land dedications.

Street Lighting Fund – The Special Street Lighting District established the street lighting fund in certain areas of the City not covered by the County Lighting District. The revenue source is a special assessment on property owners.

Measure M Fund – Revenues for this fund are derived from the one-half cent sales tax approved by Orange County voters in November 1990. Monies must be expended for countywide transportation improvements.

Sewer Construction Fund – To account for construction of sewers throughout the City. Revenues for this fund are derived from an acreage fee placed on developers at time of development.

Storm Drain Construction Fund – To account for the construction of storm drains throughout the City. Revenues for this fund are derived from an acreage fee placed on developers at time of development.

Thoroughfare Construction Fund – To account for the construction of traffic signals, bridges and culverts. Revenues for this fund are derived from an acreage fee placed on the developer at time of development.

Undergrounding Utilities Fund – To account for the construction of underground utilities within designated areas. Revenues for this fund are derived from monies paid by developers and property owners at time of development. An annual budget is not adopted for this fund since revenues cannot be anticipated.

Asset Seizure Fund – This fund can only be used for the City's K-9 program, the City's contribution to the D.A.R.E. program (Drug Awareness Resistance Education) and for salaries of narcotic enforcement investigators. Revenues for this fund are derived from the City's share of forfeited assets attributed to narcotics dealing.

Traffic Offender Fund – To account for collection and disbursement of fees collected from impounding of vehicles. Revenues received must generally be expended for law enforcement activities.

Supplemental Law Enforcement Fund – To account for monies received from the County of Orange pursuant to Assembly Bill 3229. These funds must be utilized for front-line municipal police services.

Air Quality Fund – To account for monies received from the South Coast Air Quality Management District pursuant to Assembly Bill 2766 to reduce air pollution from mobile sources. Revenues for this fund are derived from motor vehicle registration fees.

CITY OF PLACENTIA

NON-MAJOR SPECIAL REVENUE FUNDS

Landscape Maintenance District 92-1 – Special landscape maintenance district established to provide for the maintenance, operation, and administration of landscape improvements in certain areas of the City. The revenue source is a special assessment on property owners.

Housing and Community Development Fund – To account for Federal grants received for housing and community development. Revenues for this fund are derived from Federal grants for neighborhood rehabilitation in the deteriorating sections of the City.

Utility Users Tax Fund – This fund is used at Council direction and can be used to pay civic center/police station bond debt service payments, capital equipment replacement, special capital projects or general City operations support. Revenues for this fund are derived from a 3.5 percent user's tax on electricity, telephone, gas, and cable TV.

Gasoline Tax Fund – This fund is used to account for funds collected under Sections 2105, 2106, 2107 and 2107.5 of the Streets and Highways Code which are distributed to cities, primarily on the basis of population, and are deposited into the Gasoline Tax Fund. Monies so received must generally be expended for the construction and maintenance of the State approved "Select aid system of Streets."

CITY OF PLACENTIA

**NON-MAJOR SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET
JUNE 30, 2011**

	<u>Park Development</u>	<u>Street Lighting</u>	<u>Measure M</u>	<u>Sewer Construction</u>
ASSETS				
Cash and investments	\$ 107,982	\$ -	\$ -	\$ 11,830
Accounts receivable	-	-	-	-
Taxes receivable	-	1,327	-	-
Due from other governments	-	-	55,311	-
Total Assets	<u>\$ 107,982</u>	<u>\$ 1,327</u>	<u>\$ 55,311</u>	<u>\$ 11,830</u>
LIABILITIES				
Accounts payable	\$ -	\$ 30,827	\$ -	\$ -
Payroll payable	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>30,827</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	-	55,311	-
Unassigned	107,982	(29,500)	-	11,830
Total Fund Balances	<u>107,982</u>	<u>(29,500)</u>	<u>55,311</u>	<u>11,830</u>
Total Liabilities and Fund Balances	<u>\$ 107,982</u>	<u>\$ 1,327</u>	<u>55,311</u>	<u>\$ 11,830</u>

<u>Storm Drain Construction</u>	<u>Thoroughfare Construction</u>	<u>Undergroundin g Utilities</u>	<u>Asset Seizure</u>	<u>Traffic Offender Fund</u>	<u>Supplemental Law Enforcement</u>	<u>Air Quality</u>
\$ 42,582	\$ 37,655	\$ 39	\$ 101,142	\$ 8,280	\$ 4,087	\$ 234,034
-	-	-	-	-	-	-
-	-	-	-	-	11,315	-
-	-	-	-	-	-	11,926
<u>\$ 42,582</u>	<u>\$ 37,655</u>	<u>\$ 39</u>	<u>\$ 101,142</u>	<u>\$ 8,280</u>	<u>\$ 15,402</u>	<u>\$ 245,960</u>
\$ -	\$ -	\$ -	\$ 9,515	\$ -	\$ -	\$ -
-	-	-	-	-	4,455	-
-	-	-	-	-	-	-
-	-	-	9,515	-	4,455	-
-	-	-	91,627	8,280	10,947	245,960
42,582	37,655	39	-	-	-	-
<u>42,582</u>	<u>37,655</u>	<u>39</u>	<u>91,627</u>	<u>8,280</u>	<u>10,947</u>	<u>245,960</u>
<u>\$ 42,582</u>	<u>\$ 37,655</u>	<u>\$ 39</u>	<u>\$ 101,142</u>	<u>\$ 8,280</u>	<u>\$ 15,402</u>	<u>\$ 245,960</u>

CITY OF PLACENTIA

**NON-MAJOR SPECIAL REVENUE FUNDS COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2011**

	<u>Landscape Maintenance District 92-1</u>	<u>Housing and Community Development</u>	<u>Utility Users Tax</u>	<u>Gasoline Tax</u>	<u>Total Non-Major Special Revenue Funds</u>
ASSETS					
Cash and investments	\$ 547,471	\$ -	\$ 647	\$ 421,103	\$ 1,516,852
	-	150,000	-	-	150,000
Taxes receivable	4,423	-	217,104	-	234,169
Due from other governments	-	-	-	156,968	224,205
Total Assets	<u>\$ 551,894</u>	<u>\$ 150,000</u>	<u>\$ 217,751</u>	<u>\$ 578,071</u>	<u>\$ 2,125,226</u>
LIABILITIES					
Accounts payable	\$ 9,650	\$ 60	\$ -	\$ -	\$ 50,052
Payroll payable	6,093	-	-	-	10,548
	-	150,000	-	-	150,000
Total Liabilities	<u>15,743</u>	<u>150,060</u>	<u>-</u>	<u>-</u>	<u>210,600</u>
FUND BALANCES					
Restricted	-	-	217,751	578,071	1,207,947
Unassigned	536,151	(60)	-	-	706,679
Total Fund Balances	<u>536,151</u>	<u>(60)</u>	<u>217,751</u>	<u>578,071</u>	<u>1,914,626</u>
Total Liabilities and Fund Balances	<u>\$ 551,894</u>	<u>\$ 150,000</u>	<u>\$ 217,751</u>	<u>\$ 578,071</u>	<u>\$ 2,125,226</u>

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CITY OF PLACENTIA

NON-MAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 YEAR ENDED JUNE 30, 2011

	Park Developmen t	Street Lighting	Measure M	Sewer Constructio n	Storm Drain Constructio n
REVENUES					
Taxes:					
Other taxes	\$ -	\$ -	\$ -	\$ 11,654	\$ 41,832
Intergovernmental	-	-	470,302	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	828	-	97	15	54
Charges for services	149,230	144,636	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	<u>150,058</u>	<u>144,636</u>	<u>470,399</u>	<u>11,669</u>	<u>41,886</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	337,218	-	-	-
Community development	47,018	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service:					
Principal	-	-	535,000	-	-
Interest	-	-	22,069	-	-
Total Expenditures	<u>47,018</u>	<u>337,218</u>	<u>557,069</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>103,040</u>	<u>(192,582)</u>	<u>(86,670)</u>	<u>11,669</u>	<u>41,886</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	146,483	139,698	-	-
Transfers out	(409,264)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(409,264)</u>	<u>146,483</u>	<u>139,698</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(306,224)	(46,099)	53,028	11,669	41,886
Fund Balances, Beginning of Year	414,206	16,599	2,283	161	696
Fund Balances, End of Year	<u>\$ 107,982</u>	<u>\$ (29,500)</u>	<u>\$ 55,311</u>	<u>\$ 11,830</u>	<u>\$ 42,582</u>

<u>Thoroughfare Construction</u>	<u>Underground Utilities</u>	<u>Asset Seizure</u>	<u>Traffic Offender Fund</u>	<u>Supplemental Law Enforcement</u>	<u>Air Quality</u>	<u>Landscape Maintenance District 92-1</u>
\$ 35,006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	100,015	56,807	-
-	-	62,245	-	-	-	-
48	-	334	28	7	944	845
-	-	-	2,301	-	-	398,536
-	-	-	-	-	12	-
<u>35,054</u>	<u>-</u>	<u>62,579</u>	<u>2,329</u>	<u>100,022</u>	<u>57,763</u>	<u>399,381</u>
-	-	20,316	-	-	-	-
-	-	-	-	109,800	-	-
-	-	-	-	-	-	258,158
-	-	-	-	-	-	-
-	-	32,733	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>53,049</u>	<u>-</u>	<u>109,800</u>	<u>-</u>	<u>258,158</u>
<u>35,054</u>	<u>-</u>	<u>9,530</u>	<u>2,329</u>	<u>(9,778)</u>	<u>57,763</u>	<u>141,223</u>
-	-	-	-	-	-	-
-	-	-	-	(887)	(51,441)	-
-	-	-	-	(887)	(51,441)	-
<u>35,054</u>	<u>-</u>	<u>9,530</u>	<u>2,329</u>	<u>(10,665)</u>	<u>6,322</u>	<u>141,223</u>
<u>2,601</u>	<u>39</u>	<u>82,097</u>	<u>5,951</u>	<u>21,612</u>	<u>239,638</u>	<u>394,928</u>
<u>\$ 37,655</u>	<u>\$ 39</u>	<u>\$ 91,627</u>	<u>\$ 8,280</u>	<u>\$ 10,947</u>	<u>\$ 245,960</u>	<u>\$ 536,151</u>

CITY OF PLACENTIA

**NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(CONTINUED)
YEAR ENDED JUNE 30, 2011**

	Housing and Community Developmetn	Utility Users Tax	Gasoline Ttax	Total Non-Major Special Revenue Funds
REVENUES				
Taxes:				
Other taxes	\$ -	\$ 2,765,756	\$ -	\$ 2,854,248
Intergovernmental	-	-	1,383,109	2,010,233
Fines and forfeitures	-	-	-	62,245
Investment income	-	647	4,033	7,880
Charges for services	-	-	-	694,703
Miscellaneous	-	-	-	12
Total Revenues	<u>-</u>	<u>2,766,403</u>	<u>1,387,142</u>	<u>5,629,321</u>
EXPENDITURES				
Current:				
General government	-	-	-	20,316
Public safety	-	-	-	109,800
Public works	-	-	-	595,376
Community development	106,665	-	-	153,683
Capital Outlay	-	-	-	32,733
Debt Service:				
Principal	-	-	-	535,000
Interest	-	-	-	22,069
Total Expenditures	<u>106,665</u>	<u>-</u>	<u>-</u>	<u>1,468,977</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(106,665)</u>	<u>2,766,403</u>	<u>1,387,142</u>	<u>4,160,344</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	289,284	-	-	575,465
Transfers out	-	(2,548,652)	(1,527,422)	(4,537,666)
Total Other Financing Sources (Uses)	<u>289,284</u>	<u>(2,548,652)</u>	<u>(1,527,422)</u>	<u>(3,962,201)</u>
Net Change in Fund Balances	182,619	217,751	(140,280)	198,143
Fund Balances, Beginning of Year	(182,679)	-	718,351	1716483
Fund Balances, End of Year	<u>\$ (60)</u>	<u>\$ 217,751</u>	<u>\$ 578,071</u>	<u>\$ 1,914,626</u>

CITY OF PLACENTIA

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARK DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ -	\$ 828	\$ 828
Charges for Services	20,000	20,000	149,230	129,230
Total Revenues	20,000	20,000	150,058	130,058
EXPENDITURES				
Current:				
Public safety				
Community development	50,000	50,000	47,018	2,982
Total Expenditures	50,000	50,000	47,018	2,982
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(30,000)	(30,000)	103,040	133,040
OTHER FINANCING SOURCES (USES)				
Transfers Out	(265,000)	(409,264)	(409,264)	-
Total Other Financing Sources	(265,000)	(409,264)	(409,264)	-
Net Change in Fund Balance	(295,000)	(439,264)	(306,224)	133,040
Fund Balance, Beginning of Year	414,206	414,206	414,206	-
Fund Balance, End of Year	\$ 119,206	\$ (25,058)	\$ 107,982	\$ 133,040

CITY OF PLACENTIA

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET LIGHTING FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Charges for services	126,000	126,000	144,636	18,636
Total Revenues	129,000	129,000	144,636	15,636
EXPENDITURES				
Current:				
General government				
Public works	171,700	360,418	337,218	23,200
Total Expenditures	171,700	360,418	337,218	23,200
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(42,700)	(231,418)	(192,582)	38,836
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	146,483	146,483
Total Other Financing Sources	-	-	146,483	146,483
Net Change in Fund Balance	(42,700)	(231,418)	(46,099)	185,319
Fund Balance, Beginning of Year	16,599	16,599	16,599	-
Fund Balance, End of Year	\$ (26,101)	\$ (214,819)	\$ (29,500)	\$ 185,319

CITY OF PLACENTIA

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MEASURE M FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 556,000	\$ 556,000	\$ 470,302	\$ (85,698)
Investment income			97	97
Total Revenues	<u>556,000</u>	<u>556,000</u>	<u>470,399</u>	<u>(85,601)</u>
EXPENDITURES				
Debt Service:				
Principal	535,000	535,000	535,000	-
Interest	22,069	22,069	22,069	-
Total Expenditures	<u>557,069</u>	<u>557,069</u>	<u>557,069</u>	-
Excess (deficiency) of revenues over (under) expenditures	<u>(1,069)</u>	<u>(1,069)</u>	<u>(86,670)</u>	<u>(85,601)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,069	1,069	139,698	(138,629)
Total Other Financing Sources (Uses)	<u>1,069</u>	<u>1,069</u>	<u>139,698</u>	<u>(138,629)</u>
Net Change in Fund Balance	-	-	53,028	53,028
Fund Balance, Beginning of Year	<u>2,283</u>	<u>2,283</u>	<u>2,283</u>	-
Fund Balance, End of Year	<u>\$ 2,283</u>	<u>\$ 2,283</u>	<u>\$ 55,311</u>	<u>\$ 53,028</u>

CITY OF PLACENTIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SEWER CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Other taxes	\$ -	\$ -	\$ 11,654	\$ 11,654
Investment Income	-	-	15	15
Total Revenues	-	-	11,669	11,669
Net Change in Fund Balance	-	-	11,669	11,669
Fund Balance, Beginning of Year	161	161	161	-
Fund Balance, End of Year	\$ 161	\$ 161	\$ 11,830	\$ 11,669

CITY OF PLACENTIA

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STORM DRAIN CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Other taxes	\$ -	\$ -	\$ 41,832	\$ 41,832
Investment income	-	-	54	54
Total Revenues	-	-	41,886	41,886
Net Change in Fund Balance	-	-	41,886	41,886
Fund Balance, Beginning of Year	-	-	696	696
Fund Balance, End of Year	\$ -	\$ -	\$ 42,582	\$ 42,582

CITY OF PLACENTIA

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
THOROUGHFARE CONSTRUCTION FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Other taxes	\$ -	\$ -	\$ 35,006	\$ 35,006
Investment income	-	-	48	48
Total Revenues	-	-	35,054	35,054
Net Change in Fund Balance	-	-	35,054	35,054
Fund Balance, Beginning of Year	-	-	2,601	2,601
Fund Balance, End of Year	\$ -	\$ -	\$ 37,655	\$ 37,655

CITY OF PLACENTIA

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ASSET SEIZURE FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 62,245	\$ 62,245
Investment income	-	-	334	334
Total Revenues	-	-	62,579	62,579
EXPENDITURES				
Current:				
Public safety	173,001	170,196	20,316	149,880
Capital outlay	31,500	34,305	32,733	1,572
Total Expenditures	204,501	204,501	53,049	151,452
Excess (Deficiency) of Revenues Over (Under) Expenditures	-204,501	(204,501)	9,530	214,031
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,000)	(5,000)	-	5,000
Total Other Financing Sources (Uses)	(5,000)	(5,000)	-	5,000
Net Change in Fund Balance	(209,501)	(209,501)	9,530	219,031
Fund Balance, Beginning of Year	82,097	82,097	82,097	-
Fund Balance, End of Year	\$ (127,404)	\$ (127,404)	\$ 91,627	\$ 219,031

CITY OF PLACENTIA

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRAFFIC OFFENDER FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ -	\$ 28	\$ 28
Charges for services	3,000	3,000	2,301	(699)
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>2,329</u>	<u>(671)</u>
 Net Change in Fund Balance	 3,000	 3,000	 2,329	 (671)
 Fund Balance, Beginning of Year	 <u>5,951</u>	 <u>5,951</u>	 <u>5,951</u>	 <u>-</u>
Fund Balance, End of Year	<u>\$ 8,951</u>	<u>\$ 8,951</u>	<u>\$ 8,280</u>	<u>\$ (671)</u>

CITY OF PLACENTIA

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SUPPLEMENTAL LAW ENFORCEMENT SERVICE FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,015	\$ 15
Investment income	-	-	7	7
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>100,022</u>	<u>22</u>
EXPENDITURES				
Current:				
Public safety	134,940	134,940	109,800	25,140
Total Expenditures	<u>134,940</u>	<u>134,940</u>	<u>109,800</u>	<u>25,140</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(34,940)</u>	<u>(34,940)</u>	<u>(9,778)</u>	<u>25,162</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(887)	(887)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(887)</u>	<u>(887)</u>
Net Change in Fund Balance	(34,940)	(34,940)	(10,665)	24,275
Fund Balance, Beginning of Year	<u>21,612</u>	<u>21,612</u>	<u>21,612</u>	
Fund Balance, End of Year	<u>\$ (13,328)</u>	<u>\$ (13,328)</u>	<u>\$ 10,947</u>	<u>\$ 24,275</u>

CITY OF PLACENTIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AIR QUALITY IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 56,807	\$ (3,193)
Investment income	-	-	944	944
Miscellaneous	5,000	5,000	12	(4,988)
Total Revenues	<u>65,000</u>	<u>65,000</u>	<u>57,763</u>	<u>(7,237)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(318,475)</u>	<u>(318,475)</u>	<u>(51,441)</u>	<u>267,034</u>
Total Other Financing Sources (Uses)	<u>(318,475)</u>	<u>(318,475)</u>	<u>(51,441)</u>	<u>267,034</u>
Net Change in Fund Balance	(253,475)	(253,475)	6,322	259,797
Fund Balance, Beginning of Year	<u>239,638</u>	<u>239,638</u>	<u>239,638</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (13,837)</u>	<u>\$ (13,837)</u>	<u>\$ 245,960</u>	<u>\$ 259,797</u>

CITY OF PLACENTIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LANDSCAPE MAINTENANCE DISTRICT 92-1 FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ -	\$ 845	\$ 845
Charges for services	380,730	380,730	398,536	17,806
Total Revenues	<u>380,730</u>	<u>380,730</u>	<u>399,381</u>	<u>18,651</u>
EXPENDITURES				
Current:				
Public works	531,310	532,142	258,158	273,984
Total Expenditures	<u>531,310</u>	<u>532,142</u>	<u>258,158</u>	<u>273,984</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(150,580)</u>	<u>(151,412)</u>	<u>141,223</u>	<u>292,635</u>
Fund Balance, Beginning of Year	<u>394,928</u>	<u>394,928</u>	<u>394,928</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 244,348</u>	<u>\$ 243,516</u>	<u>\$ 536,151</u>	<u>\$ 292,635</u>

CITY OF PLACENTIA

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
HOUSING AND COMMUNITY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 150,000	\$ 150,000	\$ -	\$ (150,000)
Total Revenues	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
EXPENDITURES				
Current:				
Community development	150,000	150,000	106,665	43,335
Total Expenditures	<u>150,000</u>	<u>150,000</u>	<u>106,665</u>	<u>43,335</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures			<u>(106,665)</u>	<u>(106,665)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	289,284	289,284
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>289,284</u>	<u>289,284</u>
Net Change in Fund Balance	-	-	182,619	182,619
Fund Balance, Beginning of Year	<u>(182,679)</u>	<u>(182,679)</u>	<u>(182,679)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (182,679)</u>	<u>\$ (182,679)</u>	<u>\$ (60)</u>	<u>\$ 182,619</u>

CITY OF PLACENTIA

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
UTILITY USERS TAX FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Other taxes	\$ 2,600,000	\$ 2,600,000	\$ 2,765,756	\$ 165,756
Investment income	-	-	647	647
Total Revenues	<u>2,600,000</u>	<u>2,600,000</u>	<u>2,766,403</u>	<u>166,403</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				-
Transfers out	(2,600,000)	(2,600,000)	(2,548,652)	51,348
Total Other Financing Sources (Uses)	<u>(2,600,000)</u>	<u>(2,600,000)</u>	<u>(2,548,652)</u>	<u>51,348</u>
Net Change in Fund Balance	-	-	217,751	217,751
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,751</u>	<u>\$ 217,751</u>

**CITY OF PLACENTIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GASOLINE TAX FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,337,970	\$ 1,337,970	\$ 1,383,109	\$ 45,139
Investment income	-	-	4,033	4,033
Total Revenues	<u>1,337,970</u>	<u>1,337,970</u>	<u>1,387,142</u>	<u>49,172</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				-
Transfers out	(2,068,790)	(2,068,790)	(1,527,422)	541,368
Total Other Financing Sources (Uses)	<u>(2,068,790)</u>	<u>(2,068,790)</u>	<u>(1,527,422)</u>	<u>541,368</u>
Net Change in Fund Balance	(730,820)	(730,820)	(140,280)	590,540
Fund Balance, Beginning of Year	<u>718,351</u>	<u>718,351</u>	<u>718,351</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (12,469)</u>	<u>\$ (12,469)</u>	<u>\$ 578,071</u>	<u>\$ 590,540</u>

CITY OF PLACENTIA

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY FUND
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes:				
Property taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,272,168	\$ (127,832)
Investment income	30,000	30,000	23,219	(6,781)
Lease revenue	1,121,386	1,121,386	997,636	(123,750)
Total Revenues	<u>3,551,386</u>	<u>3,551,386</u>	<u>3,293,023</u>	<u>(258,363)</u>
EXPENDITURES				
Current:				
Redevelopment	1,123,324	1,123,318	895,298	228,020
SERAF	-	-	173,546	(173,546)
Debt Service:				
Principal	705,000	727,340	750,000	(22,660)
Interest	610,000	1,252,490	1,252,484	6
Total Expenditures	<u>2,438,324</u>	<u>3,103,148</u>	<u>3,071,328</u>	<u>31,820</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>1,113,062</u>	<u>448,238</u>	<u>221,695</u>	<u>(226,543)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,659,990	1,659,990
Transfers out	<u>(244,677)</u>	<u>(1,458,126)</u>	<u>(1,184,592)</u>	<u>273,534</u>
Total Other Financing Sources (Uses)	<u>(244,677)</u>	<u>(1,458,126)</u>	<u>475,398</u>	<u>1,933,524</u>
Net Change in Fund Balance	868,385	(1,009,888)	697,093	1,706,981
Fund Balance, Beginning of Year	<u>(2,335,842)</u>	<u>(2,335,842)</u>	<u>(2,335,842)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (1,467,457)</u>	<u>\$ (3,345,730)</u>	<u>\$ (1,638,749)</u>	<u>\$ 1,706,981</u>

CITY OF PLACENTIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
2011 GAS TAX COP
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ -	\$ 30	\$ 30
Total Revenues	<u>-</u>	<u>-</u>	<u>30</u>	<u>30</u>
EXPENDITURES				
Current:				
General government	-	166,119	218,892	(52,773)
Total Expenditures	<u>-</u>	<u>166,119</u>	<u>218,892</u>	<u>(52,773)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(166,119)</u>	<u>(218,862)</u>	<u>(52,743)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt	-	-	5,783,593	5,783,593
Transfers in	-	-	140,559	140,559
Transfers out	-	(140,559)	(140,559)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(140,559)</u>	<u>5,783,593</u>	<u>5,924,152</u>
Net Change in Fund Balance	<u>-</u>	<u>(306,678)</u>	<u>5,564,731</u>	<u>5,871,409</u>
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ (306,678)</u>	<u>\$ 5,564,731</u>	<u>\$ 5,871,409</u>

CITY OF PLACENTIA

NONMAJOR CAPITAL PROJECTS FUNDS

The Capital Projects Funds are established to account for resources used for the acquisition and construction of capital facilities in the City. The following Capital Projects Funds have been classified as non-major in the accompanying fund financial statements:

Orangethorpe Corridor Capital Project Fund – Used to account for financing and construction of all rail projects within the boundaries of the City.

City Capital Projects Fund – Used to account for financing and construction within the boundaries of the City.

CITY OF PLACENTIA
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	Orangethorpe Corridor	City Capital Projects	Total Nonmajor Capital Projects Fund
ASSETS			
Accounts receivable	\$ 870,564	\$ -	\$ 870,564
Total Assets	<u>\$ 870,564</u>	<u>\$ -</u>	<u>\$ 870,564</u>
LIABILITIES			
Accounts payable	\$ -	\$ 508,522	\$ 508,522
Interfund loans payable	-	195,500	195,500
Deferred revenue	365,215	-	365,215
Total Liabilities	<u>365,215</u>	<u>704,022</u>	<u>1,069,237</u>
FUND BALANCES			
Assigned	505,349	-	505,349
Unassigned	-	(704,022)	(704,022)
Total Fund Balances	<u>505,349</u>	<u>(704,022)</u>	<u>(198,673)</u>
Total Liabilities and Fund Balances	<u>\$ 870,564</u>	<u>\$ -</u>	<u>\$ 870,564</u>

CITY OF PLACENTIA

**NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2011**

	<u>Orangethorpe Corridor</u>	<u>City Capital Projects</u>	<u>Total Non-Major Capital Projects Funds</u>
REVENUES:			
Intergovernmental	\$ 505,340	\$ -	\$ 505,340
Lease revenue			-
Total Revenues	<u>505,340</u>	<u>-</u>	<u>505,340</u>
EXPENDITURES:			
Current:			
Public works	-	2,169,150	2,169,150
Capital outlay	-	159,378	159,378
Total Expenditures	<u>-</u>	<u>2,328,528</u>	<u>2,328,528</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>505,340</u>	<u>(2,328,528)</u>	<u>(1,823,188)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	2,086,903	<u>2,124,186</u>	4,211,089
Transfers out	<u>(152,699)</u>	-	<u>(152,699)</u>
Total Other Financing Sources (Uses)	<u>1,934,204</u>	<u>2,124,186</u>	<u>4,058,390</u>
Net Change in Fund Balances	2,439,544	(204,342)	2,235,202
Fund Balances, Beginning of Year	<u>(1,934,195)</u>	<u>(499,680)</u>	<u>(2,433,875)</u>
Fund Balances, End of Year	<u>\$ 505,349</u>	<u>\$ (704,022)</u>	<u>\$ (198,673)</u>

CITY OF PLACENTIA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
ORANGETHORPE CORRIDOR FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 505,340	\$ 505,340
Total Revenues	-	-	505,340	505,340
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,086,903	2,086,903
Transfers out	-	(152,700)	(152,699)	1
Total Other Financing Sources (Uses)	-	(152,700)	1,934,204	2,086,904
 Net Change in Fund Balance	 -	 (152,700)	 2,439,544	 2,592,244
 Fund Balance, Beginning of Year	 (1,934,195)	 (1,934,195)	 (1,934,195)	 -
Fund Balance, End of Year	\$ (1,934,195)	\$ (2,086,895)	\$ 505,349	\$ 2,592,244

CITY OF PLACENTIA

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CITY CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Current:				
Public works	\$ 8,972,420	\$ 9,693,611	\$ 2,169,150	\$ 7,524,461
Capital outlay	276,475	276,475	159,378	117,097
Total Expenditures	<u>9,248,895</u>	<u>9,970,086</u>	<u>2,328,528</u>	<u>7,641,558</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,124,186	2,124,186
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,124,186</u>	<u>2,124,186</u>
Net Change in Fund Balance	(9,248,895)	(9,970,086)	(204,342)	9,765,744
Fund Balance, Beginning of Year as restated	<u>(499,680)</u>	<u>(499,680)</u>	<u>(499,680)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (9,748,575)</u>	<u>\$ (10,469,766)</u>	<u>\$ (704,022)</u>	<u>\$ 9,765,744</u>

CITY OF PLACENTIA

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
REDEVELOPMENT AREA I
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Lease revenue	\$ -	\$ -	\$ 125,593	\$ 125,593
Total Revenues	-	-	125,593	125,593
EXPENDITURES				
Current:				
Redevelopment	918,135	918,135	618,443	299,692
Total Expenditures	918,135	918,135	618,443	299,692
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(918,135)	(918,135)	(492,850)	(174,099)
OTHER FINANCING SOURCES (USES)				
Transfers in	784,000	784,000	677,850	(106,150)
Transfers out	(175,551)	(175,551)	(50,551)	125,000
Total Other Financing Sources (Uses)	608,449	608,449	627,299	18,850
Net Change in Fund Balance	(309,686)	(309,686)	134,449	(155,249)
Fund Balance, Beginning of Year	6,742,110	6,742,110	1,328,125	-
Fund Balance, End of Year	\$ 6,432,424	\$ 6,432,424	\$ 1,462,574	\$ (155,249)

CITY OF PLACENTIA
INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one City department to others, or to other governmental units, on a cost-reimbursement basis (including depreciation).

Risk Management Fund – To account for payments made for insurance services relative to workers' compensation, unemployment, and general liability.

Health and Welfare Fund – To account for payments made for insurance services relative to health and welfare.

Equipment Replacement Fund – To account for the acquisition of vehicles and other significant equipment, and to accumulate funds for equipment replacement.

Information Technology Fund – To account for the acquisition of computers and other technological equipment, and to accumulate funds for equipment replacement.

Citywide Services Fund – To account for reprographics, vehicle maintenance, and building maintenance.

CITY OF PLACENTIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF FUND NET ASSETS
JUNE 30, 2011

	Managemen t	Health and Welfare	Equipment Replacement	Information Technology	Citywide Services	Total
ASSETS						
Current Assets						
Cash and investments	\$ -	\$ 13,062	\$ -	\$ 83,119	\$ 126,636	\$ 222,817
Accounts receivable, net	539	185	-	-	756	1,480
Deposits	126,994	13,449	-	-	-	140,443
Inventory of supplies	-	-	-	-	104,509	104,509
Total Current Assets	<u>127,533</u>	<u>26,696</u>	<u>-</u>	<u>83,119</u>	<u>231,901</u>	<u>469,249</u>
Noncurrent assets						
Equipment, net of accumulated depreciation	-	-	450,706	195,579	23,715	670,000
Total Assets	<u>127,533</u>	<u>26,696</u>	<u>450,706</u>	<u>278,698</u>	<u>255,616</u>	<u>1,139,249</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	81,510	26,557	-	11,758	134,872	254,697
Payroll payable	-	-	-	112	15,239	15,351
Insurance claims payable	1,706,560	-	-	-	-	1,706,560
Deferred Revenue	-	139	-	-	-	139
Total Current Liabilities	<u>1,788,070</u>	<u>26,696</u>	<u>-</u>	<u>11,870</u>	<u>150,111</u>	<u>1,976,747</u>
NET ASSETS						
Invested in capital assets, net of related debt	-	-	450,706	195,579	23,715	670,000
Unrestricted	<u>(1,660,537)</u>	<u>-</u>	<u>-</u>	<u>71,249</u>	<u>81,790</u>	<u>(1,507,498)</u>
Total Net Assets	<u>\$ (1,660,537)</u>	<u>\$ -</u>	<u>\$ 450,706</u>	<u>\$ 266,828</u>	<u>\$ 105,505</u>	<u>\$ (837,498)</u>

CITY OF PLACENTIA

INTERNAL SERVICE FUNDS

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

	Risk Management	Health and Welfare	Equipment Replacement	Information Technology	Citywide Services	Internal Service Funds
OPERATING REVENUES						
Reimbursements	\$ 106,994	\$ 81,980	\$ -	\$ -	\$ -	\$ 188,974
Miscellaneous	-	-	45,910	-	-	45,910
Total Operating Revenues	<u>106,994</u>	<u>81,980</u>	<u>45,910</u>	<u>-</u>	<u>-</u>	<u>234,884</u>
OPERATING EXPENSES						
Administration	161,626	1,432	-	269,492	1,946,161	2,378,711
Reinsurance premiums	-	125,822	-	-	-	125,822
Claims	603,126	-	-	-	-	603,126
Medical and dental premiums	-	943,951	-	-	-	943,951
Liability insurance premiums	617,126	18,001	-	-	-	635,127
Depreciation expense	-	-	204,931	71,201	7,650	283,782
Total Operating Expenses	<u>1,381,878</u>	<u>1,089,206</u>	<u>204,931</u>	<u>340,693</u>	<u>1,953,811</u>	<u>4,970,519</u>
Operating Income (Loss) Before Transfers	<u>(1,274,884)</u>	<u>(1,007,226)</u>	<u>(159,021)</u>	<u>(340,693)</u>	<u>(1,953,811)</u>	<u>(4,735,635)</u>
Transfers in	1,237,884	1,032,744	291,084	340,694	1,752,443	4,654,849
Transfers out	<u>(1,623,537)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,623,537)</u>
Net Income (Loss)	(1,660,537)	25,518	132,063	1	(201,368)	(1,704,323)
Fund Net Assets at Beginning of Year	<u>-</u>	<u>(25,518)</u>	<u>318,643</u>	<u>266,827</u>	<u>306,873</u>	<u>866,825</u>
Fund Net Assets at End of Year	<u><u>\$ (1,660,537)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 450,706</u></u>	<u><u>\$ 266,828</u></u>	<u><u>\$ 105,505</u></u>	<u><u>\$ (837,498)</u></u>

CITY OF PLACENTIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

	Risk Management	Health and Welfare
Cash Flows from Operating Activities:		
Cash received from (paid to) user customers	\$ (539)	\$ 83,541
Cash payments to suppliers for goods and services	(1,171,354)	(1,088,035)
Cash payments to employees	(161,626)	(1,412)
Net Cash Provided by (Used for) Operating Activities	<u>(1,333,519)</u>	<u>(1,005,906)</u>
Cash Flows from Non-Capital Financing Activities:		
Cash received from other funds	1,237,884	1,032,744
Cash paid to other funds	<u>(1,623,537)</u>	<u>-</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	(385,653)	1,032,744
Net Increase (Decrease) in Cash and Cash Equivalents	(1,719,172)	26,838
Cash and Cash Equivalents at Beginning of Year	<u>1,719,172</u>	<u>(13,776)</u>
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ 13,062</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used for) Operating Activities:		
Operating income (loss)	<u>\$ (1,274,884)</u>	<u>\$ (1,007,226)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	-	-
(Increase) decrease in accounts receivable	(539)	10
(Increase) decrease in deposits	(106,994)	1,551
(Increase) decrease in inventory of supplies	-	-
Increase (decrease) in accounts payable	(21,111)	(261)
Increase (decrease) in payroll payable	-	20
Increase (decrease) in insurance claims payable	70,009	-
Total Adjustments	<u>(58,635)</u>	<u>1,320</u>
Net Cash Provided By (used for) Operating Activities	<u>\$ (1,333,519)</u>	<u>\$ (1,005,906)</u>

<u>Equipment Replacement</u>	<u>Information Technology</u>	<u>Citywide Services</u>	<u>Total</u>
\$ 45,910	\$ -	\$ (758)	\$ 128,154
-	(242)	(126,372)	(2,386,003)
(179,119)	(287,494)	(1,944,821)	(2,574,472)
<u>(133,209)</u>	<u>(287,736)</u>	<u>(2,071,951)</u>	<u>(4,832,321)</u>
291,084	340,694	1,752,443	4,654,849
-	-	-	(1,623,537)
<u>291,084</u>	<u>340,694</u>	<u>1,752,443</u>	<u>3,031,312</u>
157,875	52,958	(319,508)	(1,801,009)
(157,875)	30,161	446,144	2,023,826
<u>\$ -</u>	<u>\$ 83,119</u>	<u>\$ 126,636</u>	<u>\$ 222,817</u>
<u>\$ (159,021)</u>	<u>\$ (340,693)</u>	<u>\$ (1,953,811)</u>	<u>\$ (4,735,635)</u>
204,931	71,201	7,650	283,782
-	-	(758)	(1,287)
-	-	-	(105,443)
-	-	(32,250)	(32,250)
-	-	(94,122)	(115,494)
(179,119)	(18,002)	1,340	(195,761)
-	(242)	-	69,767
<u>25,812</u>	<u>52,957</u>	<u>(118,140)</u>	<u>(96,686)</u>
<u>\$ (133,209)</u>	<u>\$ (287,736)</u>	<u>\$ (2,071,951)</u>	<u>\$ (4,832,321)</u>

CITY OF PLACENTIA
AGENCY FUNDS

The Agency Funds are used to account for funds when the City is acting as an agent for other governmental units, private organizations, or individuals.

Special Deposits Fund - To account for monies held and disbursed by the City in the capacity of an agent for individuals, developers or other entities.

Community Facilities District Fund - To account for monies held and disbursed by the City in the capacity of an agent for developers or other entities. Also, to account for the collection and payment to the holders of the Community Facilities District 89-1 Special Tax Bonds.

H.C.D. Rehabilitation Loans Fund - To account for monies held and disbursed by the City for the H.C.D. Rehabilitation Loan Program.

Alta Vista 85-1 District Fund - To account for the collection and payment to the holders of the 1915 Act Assessment 85-1 District Bonds.

CITY OF PLACENTIA

**AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2011**

	<u>Special Deposits</u>	<u>Community Facilities District</u>	<u>H.C.D. Rehabilitation Loans</u>	<u>Alta Vista 85-1 District</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ 698,370	\$ 2,381,873	\$ 161,295	\$ 1,157	\$ 3,242,695
Cash and investments with fiscal agent	-	2,007,411	-	-	2,007,411
Taxes Receivable	22,255	49,384	-	-	71,639
Auto supply inventory	1,238	-	-	-	1,238
Notes receivable pledged as collateral for H.C.D. rehabilitation loans	-	-	139,489	-	139,489
Total Assets	<u>\$ 721,863</u>	<u>\$ 4,438,668</u>	<u>\$ 300,784</u>	<u>\$ 1,157</u>	<u>\$ 5,462,472</u>
LIABILITIES					
Due to other governments	\$ -	\$ -	\$ 300,784	\$ -	\$ 300,784
Deposits payable	<u>721,863</u>	<u>4,438,668</u>	<u>-</u>	<u>1,157</u>	<u>5,161,688</u>
Total Liabilities	<u>\$ 721,863</u>	<u>\$ 4,438,668</u>	<u>\$ 300,784</u>	<u>\$ 1,157</u>	<u>\$ 5,462,472</u>

CITY OF PLACENTIA

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2011**

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>SPECIAL DEPOSITS</u>				
ASSETS				
Cash and investments	\$ 712,459	\$ 802,469	\$ (816,558)	\$ 698,370
Accounts receivable	22,731	22,255	(22,731)	22,255
Auto supply inventory	1,238	-	-	1,238
Total Assets	<u>\$ 736,428</u>	<u>\$ 824,724</u>	<u>\$ (839,289)</u>	<u>\$ 721,863</u>
LIABILITIES				
Deposits payable	<u>\$ 736,428</u>	<u>\$ 824,724</u>	<u>\$ (839,289)</u>	<u>\$ 721,863</u>
<u>COMMUNITY FACILITIES DISTRICT</u>				
ASSETS				
Cash and investments	\$ 2,487,311	\$ 2,884,419	\$ (2,989,857)	\$ 2,381,873
Cash and investments with fiscal agent	1,974,664	3,252,844	(3,220,097)	2,007,411
Taxes receivable	37,798	49,383	(37,797)	49,384
Total Assets	<u>\$ 4,499,773</u>	<u>\$ 6,186,646</u>	<u>\$ (6,247,751)</u>	<u>\$ 4,438,668</u>
LIABILITIES				
Deposits payable	<u>\$ 4,499,773</u>	<u>\$ 6,186,646</u>	<u>\$ (6,247,751)</u>	<u>\$ 4,438,668</u>
<u>H.C.D. REHABILITATION LOANS</u>				
ASSETS				
Cash and investments	\$ 157,465	\$ 4,795	\$ (965)	\$ 161,295
Notes receivable pledged as collateral	143,066	839	(4,416)	139,489
Total Assets	<u>\$ 300,531</u>	<u>\$ 5,634</u>	<u>\$ (5,381)</u>	<u>\$ 300,784</u>
LIABILITIES				
Due to other governments	<u>\$ 300,531</u>	<u>\$ 5,634</u>	<u>\$ (5,381)</u>	<u>\$ 300,784</u>
<u>ALTA VISTA 85-1 DISTRICT</u>				
ASSETS				
Cash and investments	\$ 364,189	\$ 1,157	\$ (364,189)	\$ 1,157
Total Assets	<u>\$ 364,189</u>	<u>\$ 1,157</u>	<u>\$ (364,189)</u>	<u>\$ 1,157</u>
LIABILITIES				
Deposits payable	<u>\$ 364,189</u>	<u>\$ 1,157</u>	<u>\$ (364,189)</u>	<u>\$ 1,157</u>
<u>TOTALS-ALL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 3,721,424	\$ 3,692,840	\$ (4,171,569)	\$ 3,242,695
Cash and investments with fiscal agent	1,974,664	3,252,844	(3,220,097)	2,007,411
Accounts receivable	22,731	22,255	(22,731)	22,255
Taxes receivable	37,798	49,383	(37,797)	49,384
Auto supply inventory	1,238	-	-	1,238
Notes receivable pledged as collateral	143,066	839	(4,416)	139,489
Total Assets	<u>\$ 5,900,921</u>	<u>\$ 7,018,161</u>	<u>\$ (7,456,610)</u>	<u>\$ 5,462,472</u>
LIABILITIES				
Due to other governments	\$ 300,531	\$ 5,634	\$ (5,381)	\$ 300,784
Deposits payable	5,600,390	7,012,527	(7,451,229)	5,161,688
Total Liabilities	<u>\$ 5,900,921</u>	<u>\$ 7,018,161</u>	<u>\$ (7,456,610)</u>	<u>\$ 5,462,472</u>

STATISTICAL SECTION

(Unaudited)

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

Financial Trends - These schedules contain information to help the reader to understand how the City's financial performance and well-being have changed over time.

Net Assets by Component	133
Changes in Net Assets	134-135
Fund Balances of Governmental Funds	136
Changes in Fund Balances of Governmental Funds	138-139
General Governmental Tax Revenue	140

Revenue Capacity - These schedules contain information to help the reader assess the City's property tax.

Assessed Value of Taxable Property	141
Direct and Overlapping Property Tax Rates	142
Principal Property Tax Owners	143
Property Tax Levies and Collections	144
Pledged Revenue Coverage	145

Debt Capacity - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Ratio of Outstanding Debt by Type	146
Direct and Overlapping Debt	147
Legal Debt Margin Information	148

Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Demographic and Economic Statistics	149
Principal Employers	150

Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Full-time City Governmental Employees by Function/Program	151
Operational Indicators by Function/Program	152
Capital Assets Statistics by Function/Program	153

CITY OF PLACENTIA

**Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$12,751	\$14,705	\$66,401	\$71,954	\$82,805	\$69,881	\$78,071	\$58,119	\$60,198
Restricted	9,524	3,871	7,047	7,234	6,104	5,316	7,785	-	8,717
Unrestricted	(7,029)	1,612	(25,373)	(14,159)	(20,936)	(20,681)	(38,860)	(9,756)	(12,267)
Total governmental activities net assets	<u>\$15,246</u>	<u>\$20,188</u>	<u>\$48,075</u>	<u>\$65,029</u>	<u>\$67,973</u>	<u>\$54,516</u>	<u>\$46,996</u>	<u>\$48,363</u>	<u>\$56,648</u>
Business-type activities									
Invested in capital assets, net of related debt	\$790	\$669	\$579	\$535	\$474	\$13,725	\$13,134	\$12,543	\$13,277
Restricted	200	-	-	-	-	-	-	-	-
Unrestricted	(391)	62	384	1,542	2,603	3,578	2,921	5,076	(1,041)
Total business-type activities net assets	<u>\$599</u>	<u>\$731</u>	<u>\$963</u>	<u>\$2,077</u>	<u>\$3,077</u>	<u>\$17,303</u>	<u>\$16,055</u>	<u>\$17,619</u>	<u>\$12,236</u>
Primary government									
Invested in capital assets, net of related debt	\$13,541	\$15,374	\$66,980	\$72,489	\$83,279	\$83,606	\$91,205	\$70,662	\$73,475
Restricted	9,724	3,871	7,047	7,234	6,104	5,316	7,785	-	8,717
Unrestricted	(7,420)	1,674	(24,989)	(12,617)	(18,333)	(17,103)	(35,939)	(4,680)	(13,308)
Total primary government net assets	<u>\$15,845</u>	<u>\$20,919</u>	<u>\$49,038</u>	<u>\$67,106</u>	<u>\$71,050</u>	<u>\$71,819</u>	<u>\$63,051</u>	<u>\$65,982</u>	<u>\$68,884</u>

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

Source: City of Placentia, Finance Department

CITY OF PLACENTIA

**Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government	\$ 3,946	\$ 3,111	\$ 3,617	\$ 4,117	\$ 1,984	\$ 2,693	\$ 3,801	\$ 8,664	\$ 4,974
Public safety	13,197	13,869	14,328	16,044	16,342	17,481	17,568	15,770	18,342
Public works	8,427	5,246	8,910	4,136	8,812	8,435	8,019	4,222	6,466
Community services	2,120	2,521	2,099	2,091	2,964	3,608	2,820	1,850	1,145
Redevelopment	2,944	766	599	2,109	674	682	1,305	1,755	2,077
SERAF	-	-	-	-	-	-	-	843	174
Interest on long-term debt	774	626	1,392	1,378	1,357	1,361	1,197	1,718	1,892
Total governmental activities	<u>31,408</u>	<u>26,139</u>	<u>30,945</u>	<u>29,875</u>	<u>32,133</u>	<u>34,260</u>	<u>34,710</u>	<u>34,822</u>	<u>35,070</u>
Business-type activities:									
Refuse	1,948	2,013	2,107	2,286	2,430	2,599	3,163	2,579	2,779
Compressed natural gas	38	222	324	347	363	410	143	425	464
Sewer maintenance	-	-	41	214	682	808	928	1,029	1,404
Total business-type activities	<u>1,986</u>	<u>2,235</u>	<u>2,472</u>	<u>2,847</u>	<u>3,475</u>	<u>3,817</u>	<u>4,234</u>	<u>4,033</u>	<u>4,647</u>
Total primary government expenses	<u>\$ 33,394</u>	<u>\$ 28,374</u>	<u>\$ 33,417</u>	<u>\$ 32,722</u>	<u>\$ 35,608</u>	<u>\$ 38,077</u>	<u>\$ 38,944</u>	<u>\$ 38,855</u>	<u>\$ 39,717</u>
Program Revenues									
Governmental activities:									
Charges for services									
General government	\$ 1,709	\$ 1,577	\$ 1,584	\$ 1,456	\$ 761	\$ 745	\$ 1,302	\$ 1,556	\$ 3,003
Public safety	578	486	795	714	1,085	876	1,116	947	1,740
Public works	415	418	420	469	925	1,162	1,280	1,131	1,204
Community Services	194	387	468	466	545	660	511	505	427
Operating grants	15,134	2,833	2,402	-	3,149	3,124	2,425	3,883	2,608
Capital grants and contributions	689	5,674	423	-	4,234	4,238	3,372	3,377	2,128
Total governmental activities program revenues	<u>18,719</u>	<u>11,375</u>	<u>6,092</u>	<u>3,105</u>	<u>10,699</u>	<u>10,805</u>	<u>10,006</u>	<u>11,399</u>	<u>11,110</u>
Business-type activities:									
Charges for services									
Refuse	2,094	2,513	2,503	2,701	2,923	3,032	2,898	3,015	2,432
Compressed natural gas	2	115	213	293	430	419	372	417	541
Sewer maintenance	478	23	18	933	1,126	1,069	830	898	778
Capital grants and contributions	-	-	-	-	-	-	-	501	-
Total business-type activities program revenues	<u>2,574</u>	<u>2,651</u>	<u>2,734</u>	<u>3,927</u>	<u>4,479</u>	<u>4,520</u>	<u>4,100</u>	<u>4,831</u>	<u>3,751</u>
Total primary government program revenues	<u>21,293</u>	<u>14,026</u>	<u>8,826</u>	<u>7,032</u>	<u>15,178</u>	<u>15,325</u>	<u>14,106</u>	<u>16,230</u>	<u>14,861</u>
Net (expense)/revenue									
Governmental activities	(12,689)	(14,764)	(24,853)	(26,770)	(21,434)	(23,455)	(24,704)	(23,423)	(23,960)
Business-type activities	588	416	262	1,080	1,004	703	(134)	798	(896)
Total primary government net expenses	<u>\$(12,101)</u>	<u>\$(14,348)</u>	<u>\$(24,591)</u>	<u>\$(25,690)</u>	<u>\$(20,430)</u>	<u>\$(22,752)</u>	<u>\$(24,838)</u>	<u>\$(22,625)</u>	<u>\$(24,856)</u>

The City of Placentia implemented GASB 34 for the fiscal year ended June 30, 2004. Information prior to the implementation of GASB 34 is not available.

Source: City of Placentia, Finance Department

CITY OF PLACENTIA

**Changes in Net Assets
Last Nine Fiscal Years (continued)
(accrual basis of accounting)
(amounts expressed in thousands)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property	\$ 6,347	\$ 6,796	\$ 9,662	\$ 11,078	\$ 12,918	\$ 13,791	\$ 13,827	\$ 12,553	\$ 13,416
Sales and use	5,144	5,682	5,372	5,704	5,820	5,452	4,686	3,930	5,063
Utility users	1,924	2,214	2,304	2,604	2,756	2,603	2,822	2,694	2,767
Franchise	980	1,127	1,253	1,156	1,077	1,226	1,150	1,203	2,453
Other	906	795	938	1,068	1,001	891	803	1,762	771
Motor vehicle in lieu	2,568	2,177	1,102	314	259	216	188	153	126
Investment income	420	150	296	642	261	46	43	39	595
Other	659	481	1,381	1,984	214	350	972	715	2,339
Special item	-	-					(4,047)	2,500	
Extraordinary item	-	-					(5,562)		
Transfers	222	284	29	14	71	249	1,145	566	831
Total governmental activities	19,170	19,706	22,337	24,564	24,377	24,824	16,027	26,115	28,361
Business-type activities									
Investment income	-	-	-	48	66	86	31	6	8
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-
Gain on disposal of assets	-	-	-	-	2	-	-	-	-
Other	-	-	-	-	-	15	-	-	-
Transfers	127	(284)	(29)	(14)	(71)	(249)	(1,145)	(566)	(831)
Total business-type activities	127	(284)	(29)	34	(3)	(148)	(1,114)	(560)	(823)
Total primary government	19,297	19,422	22,308	24,598	24,374	24,676	14,913	25,555	27,538
Change in Net Assets									
Governmental activities	6,481	4,942	(2,516)	(2,206)	2,943	1,369	(8,677)	2,692	4,401
Business-type activities	715	132	233	1,114	1,001	555	(1,248)	238	(1,719)
Total primary government	\$ 7,196	\$ 5,074	\$ (2,283)	\$ (1,092)	\$ 3,944	\$ 1,924	\$ (9,925)	\$ 2,930	\$ 2,682

CITY OF PLACENTIA

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)**

	<u>2011</u>
General Fund	
Nonspendable	\$ 5,823,730
Restricted	-
Assigned	500,000
Unassigned	<u>(294,232)</u>
Total General Fund	<u>6,029,498</u>
All Other Governmental Funds	
Nonspendable	1,753,720
Restricted	9,121,932
Assigned	505,349
Unassigned	<u>(1,636,092)</u>
Total All Other Governmental Funds	<u>9,744,909</u>
Total All Governmental Funds	<u>\$ 15,774,407</u>

The City of Placentia implemented GASB 54 for the fiscal year ended June 30, 2011. Information prior to the implementation of GASB 54 is not available.

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund									
Reserved	\$ 5,252	\$ 9,419	\$ 14,265	\$ 16,638	\$ 7,503	\$ 101	\$ 139	\$ 3,894	\$ 6,736
Unreserved	<u>1,969</u>	<u>(3,496)</u>	<u>(2,015)</u>	<u>(5,487)</u>	<u>(4,887)</u>	<u>(3,108)</u>	<u>(4,698)</u>	<u>(5,234)</u>	<u>(4,521)</u>
Total General Fund	<u>7,221</u>	<u>5,923</u>	<u>12,250</u>	<u>11,151</u>	<u>2,616</u>	<u>(3,007)</u>	<u>(4,559)</u>	<u>(1,340)</u>	<u>2,215</u>
All Other Governmental Funds									
Reserved	10,799	6,755	7,589	5,482	5,254	6,106	3,039	4,548	7,541
Unreserved, reported in:									
Special Revenue Funds	(2,455)	(3,252)	(3,815)	1,201	2,568	1,992	4,569	1,850	1,145
Debt Service Funds	(12)	(236)	628	308	637	-	840	1,692	(4,651)
Capital Project Funds	<u>(8,605)</u>	<u>(5,774)</u>	<u>(19,351)</u>	<u>(22,083)</u>	943	<u>(1,994)</u>	<u>(3,133)</u>	<u>(2,814)</u>	<u>(4,783)</u>
Total All Other Governmental Funds	<u>(273)</u>	<u>(2,507)</u>	<u>(14,949)</u>	<u>(15,092)</u>	<u>9,402</u>	<u>6,104</u>	<u>5,315</u>	<u>5,276</u>	<u>(748)</u>
Total All Governmental Funds	<u>\$ 6,948</u>	<u>\$ 3,416</u>	<u>\$ (2,699)</u>	<u>\$ (3,941)</u>	<u>\$ 12,018</u>	<u>\$ 3,097</u>	<u>\$ 756</u>	<u>\$ 3,936</u>	<u>\$ 1,467</u>

Source: City of Placentia, Finance Department

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CITY OF PLACENTIA

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
Property Tax	\$ 6,042	\$ 6,423	\$ 6,947	\$ 9,835
Sales Tax	5,215	5,351	5,902	4,252
Other Tax	5,668	5,193	7,516	6,714
Intergovernmental	7,094	18,001	7,686	3,442
Licenses and permits	766	790	659	575
Fines and forfeitures	453	405	333	488
Investment income	569	460	193	336
Charges for services	945	862	1,168	1,593
Other	637	427	189	1,486
Total Revenues	<u>27,389</u>	<u>37,912</u>	<u>30,593</u>	<u>28,721</u>
Expenditures				
Current:				
General Government	5,865	3,083	2,834	3,418
Public Safety	12,799	12,570	13,359	13,489
Public Works	4,548	8,179	4,989	8,746
Recreation & human services	1,690	1,936	2,104	2,053
Redevelopment	-	1,666	806	672
SERAF	-	-	-	-
Capital Outlay	13,314	13,820	18,729	6,745
Debt Service				
Principal	3,012	740	649	1,048
Interest	273	803	598	1,149
Other debt service		426	621	183
Other	3,851	2,141	3,818	83
Total Expenditures	<u>45,352</u>	<u>45,364</u>	<u>48,507</u>	<u>37,586</u>
Excess of revenues over/(under) expenditures	<u>(17,963)</u>	<u>(7,452)</u>	<u>(17,914)</u>	<u>(8,865)</u>
Other Financing Sources/(Uses)				
Transfers In	10,326	6,976	20,057	8,327
Transfers Out	(10,211)	(7,103)	(19,596)	(8,323)
Proceeds from long-term debt	13,147	3,800	11,145	6,940
Other	3,495	247	193	679
Total other financing sources	<u>16,757</u>	<u>3,920</u>	<u>11,799</u>	<u>7,623</u>
Net Change in Fund Balances	<u>\$ (1,206)</u>	<u>\$ (3,532)</u>	<u>\$ (6,115)</u>	<u>\$ (1,242)</u>

Note: The redevelopment expenditures were not segregated prior to fiscal year 2003.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 11,208	\$ 12,918	\$ 13,791	\$ 13,816	\$ 13,559	\$ 13,415
4,881	5,820	5,300	4,686	3,930	5,063
6,118	4,923	4,732	4,955	4,654	6,116
19,387	4,451	5,855	5,165	5,295	5,036
533	1,328	1,441	2,126	2,448	1,397
522	904	845	878	819	604
604	1,637	1,332	1,141	83	595
1,429	1,472	1,465	1,595	1,464	2,343
<u>2,521</u>	<u>1,009</u>	<u>1,286</u>	<u>919</u>	<u>342</u>	<u>4,138</u>
<u>47,203</u>	<u>34,462</u>	<u>36,047</u>	<u>35,281</u>	<u>32,594</u>	<u>38,707</u>
3,780	3,256	3,437	3,544	3,584	3,958
15,067	16,070	17,167	17,217	15,602	15,322
9,042	8,826	10,427	6,573	2,850	5,864
2,039	2,950	3,568	2,846	1,826	983
1,491	2,692	1,550	2,177	1,755	1,775
-	-	-	-	843	174
566	-	-	8,251	3,940	392
1,278	8,210	1,260	1,345	1,430	1,420
1,332	1,332	1,097	933	1,749	1,759
-	-	-	339	-	-
-	-	-	-	-	-
<u>34,595</u>	<u>43,336</u>	<u>38,506</u>	<u>43,225</u>	<u>33,579</u>	<u>31,647</u>
<u>12,608</u>	<u>(8,874)</u>	<u>(2,459)</u>	<u>(7,944)</u>	<u>(985)</u>	<u>7,060</u>
22,887	6,581	6,545	15,946	14,707	12,063
(22,912)	(6,581)	(6,440)	(15,898)	(18,693)	(14,263)
-	-	-	11,240	1	5,784
<u>3,376</u>	<u>12</u>	<u>13</u>	<u>(164)</u>	<u>2,500</u>	<u>-</u>
<u>3,351</u>	<u>12</u>	<u>118</u>	<u>11,124</u>	<u>(1,485)</u>	<u>3,584</u>
<u>\$ 15,959</u>	<u>\$ (8,862)</u>	<u>\$ (2,341)</u>	<u>\$ 3,180</u>	<u>\$ (2,470)</u>	<u>\$ 10,644</u>

CITY OF PLACENTIA

**General Governmental Tax Revenue by Source
Last Ten Fiscal Years
(amounts expressed in thousands)**

Fiscal Year	Property Taxes	Sales and Use Taxes	Other Taxes	Licenses and Permits	Fines Forfeitures & Penalties	Use of Money and Property	Inter-governmental Revenue	Charges for Current Services	Other Revenues	Totals
2002	\$6,042,242	\$5,214,489	\$5,667,897	\$765,595	\$453,240	\$569,201	\$6,998,612	\$945,099	\$650,359	\$27,306,734
2003	6,423,234	5,351,279	5,193,644	789,712	405,240	460,132	18,001,305	861,938	426,836	37,913,320
2004	6,947,569	5,902,477	7,516,485	658,775	332,913	190,773	2,857,789	1,167,909	176,842	25,751,532
2005	9,835,841	4,252,155	6,714,252	574,689	487,648	335,823	3,441,909	1,592,677	1,485,654	28,720,648
2006	9,533,303	4,881,095	3,242,081	532,904	436,086	192,235	1,298,757	960,553	2,162,766	23,239,780
2007	10,699,537	5,820,037	2,078,677	1,309,238	801,584	195,105	929,088	1,003,834	953,884	23,790,984
2008	11,371,081	5,300,514	2,116,009	1,441,263	765,264	4,352	1,527,873	995,223	1,199,926	24,721,505
2009	11,464,895	4,685,797	1,912,555	2,062,294	713,172	29,157	630,639	1,121,933	914,860	23,535,302
2010	11,185,541	3,930,224	1,960,357	2,445,469	788,012	34,236	460,128	935,521	109,395	21,848,883
2011	11,143,701	5,063,285	3,261,866	1,397,396	542,172	514,827	537,577	1,648,767	2,492,821	26,602,412

Source: City of Placentia, Finance Department

CITY OF PLACENTIA

**Assessed Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)**

Fiscal Year Ended June 30	City			Taxable Assessed Value	Redevelopment Agency			Taxable Assessed Value
	Secured	Public Utility	Unsecured		Secured	Public Utility	Unsecured	
2002	\$2,886,544	\$3,320	\$127,502	\$3,017,366				\$ -
2003	3,117,311	3,135	140,622	3,261,068	\$121,622	\$(63)	\$25,098	146,657
2004	3,356,745	2,939	139,573	3,499,257	128,188	(67)	27,215	155,336
2005	3,649,241	2,900	139,925	3,792,066	138,669	(68)	29,363	167,964
2006	4,025,669	2,927	160,990	4,189,586	149,040	(68)	24,390	173,362
2007	4,475,589	2,838	150,559	4,628,986	166,838	(70)	30,587	197,355
2008	4,820,355	381	170,439	4,991,175	198,740	(74)	35,414	234,080
2009	4,693,057	465	140,530	4,834,052	205,849	(74)	29,366	235,141
2010	4,794,903	390	172,357	4,967,650	281,498	-	41,114	322,612
2011	4,795,545	390	173,088	4,969,023	270,650	-	38,978	309,628

Note:

The Redevelopment Agency assessed valuation is not available prior to fiscal year 2003.

Note:

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

Source: County of Orange

CITY OF PLACENTIA

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

	<u>2002</u>	<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>
Placentia City	0.1340	0.1340	0.1340	0.1340	0.1340	0.1340	0.1340	0.1340	0.1340	0.1340
Placentia City Lighting Reorganization	0.0304	0.0304	0.0304	0.0304	0.0304	0.0304	0.0300	0.0304	0.0304	0.0304
 Direct City Rate	 0.1644	 0.1644	 0.1644	 0.1644	 0.1644	 0.1644	 0.1640	 0.1644	 0.1644	 0.1644
 Overlapping Rates:										
O.C. Water District Water Reserve	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
O.C. Vector Control	0.0011	0.0011	0.0011	0.0011	0.0011	0.0011	0.0010	0.0011	0.0011	0.0011
O.C. Transportation Authority	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026	0.0026
O.C. Water District	0.0080	0.0080	0.0080	0.0080	0.0080	0.0080	0.0080	0.0080	0.0080	0.0080
O.C. Harbors, Beaches, Parks	0.0144	0.0144	0.0144	0.0144	0.0144	0.0144	0.0144	0.0144	0.0144	0.0144
O.C. Department of Education	0.0171	0.0171	0.0171	0.0171	0.0171	0.0171	0.0170	0.0170	0.0171	0.0171
O.C. Flood Control Dist General	0.0186	0.0186	0.0186	0.0186	0.0186	0.0186	0.0190	0.0186	0.0186	0.0186
O.C. Sanitation District 2 Operating	0.0309	0.0309	0.0309	0.0309	0.0309	0.0309	0.0310	0.0309	0.0309	0.0309
Placentia Library District	0.0376	0.0376	0.0376	0.0376	0.0376	0.0376	0.0380	0.0376	0.0376	0.0376
O.C. General Fund	0.0579	0.0579	0.0579	0.0579	0.0579	0.0579	0.0580	0.0579	0.0579	0.0579
North O.C. Community College General	0.0656	0.0656	0.0656	0.0656	0.0656	0.0656	0.0660	0.0655	0.0655	0.0655
Education Revenue Augmentation Fund	0.1876	0.1876	0.1876	0.1876	0.1876	0.1876	0.1880	0.1876	0.1876	0.1876
Placentia Unified General Fund	0.3943	0.3943	0.3943	0.3943	0.3943	0.3943	0.3940	0.3943	0.3943	0.3943
 Total Direct City and Overlapping Rate	 1.0000									
 Metro Water District	 0.0077	 0.0067	 0.0061	 0.0058	 0.0052	 0.0047	 0.0045	 0.0043	 0.0043	 0.0037
Placentia Schools	0.0000	0.0475	0.0299	0.0449	0.0442	0.0265	0.0295	0.0476	0.0616	0.058
North O.C. Community College Bonds	0.0000	0.0000	0.0000	0.0000	0.0000	0.0144	0.0150	0.0149	0.0166	0.0176
Total Rate	<u>1.0077</u>	<u>1.0542</u>	<u>1.0360</u>	<u>1.0507</u>	<u>1.0494</u>	<u>1.0456</u>	<u>1.0490</u>	<u>1.0668</u>	<u>1.0825</u>	<u>1.0793</u>

Note:

In 1978, the voters of the State of California passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within.

Source: HdL Coren & Cone

CITY OF PLACENTIA

**Principal Property Tax Payers
Current and Nine Years Ago
(amounts expressed in thousands)**

Taxpayer	2011			Taxpayer	2002		
	Taxable Assessed Value	Estimated Total Tax	Percent of Total City Taxable Assessed Value		Taxable Assessed Value	Estimated Total Tax	Percent of Total City Taxable Assessed Value
OC of SD Holdings LLC (2)	\$ 63,819	\$ 638	1.28%	Donahue Schriber Realty Group	36,378	\$ 364	1.21%
Placentia 422	50,827	508	1.02%	TR Somerset Ownership Corporation	27,316	273	0.91%
Villa Tierra Apartments LLC (2)	33,438	334	0.67%	Sandcastle Partners	18,757	188	0.62%
Placentia-Linda Hospital Inc. (3)	29,932	299	0.60%	Hunt Wesson, Inc.	11,754	118	0.39%
Donahue Schriber Realty Group (10)	24,349	243	0.49%	Marriot Corporation	11,098	111	0.37%
Inland Western Placentia LLC (5)	22,100	221	0.44%	Knott Family Company, LLC	10,337	103	0.34%
Reef Imperial Rose Inc. (7)	19,819	198	0.40%	IRP Muller Associates LLC	8,479	85	0.28%
Western Oak Tree Court Partners L	14,558	146	0.29%	Totea Associates	5,171	52	0.17%
Greka Oil and Gas Inc	14,494	145	0.29%	MNC Brothers	5,026	50	0.17%
Bradford Terrace Placentia Apmts.	14,279	143	0.29%	General Rewinding, Inc.	4,266	43	0.14%
	<u>\$ 287,615</u>	<u>\$ 2,875</u>	<u>5.79%</u>		<u>\$ 138,582</u>	<u>\$ 1,386</u>	<u>4.59%</u>

Note:

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

Source: HdL Coren & Cone

CITY OF PLACENTIA

**Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)**

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
2002	\$ 4,844,853	\$ 4,768,462	98.43%	N/A	N/A	N/A
2003	5,182,432	5,107,407	98.55%	N/A	N/A	N/A
2004	5,639,891	5,552,451	98.45%	N/A	N/A	N/A
2005	9,219,670	9,022,689	97.86%	N/A	N/A	N/A
2006	10,509,134	10,273,977	97.76%	N/A	N/A	N/A
2007	12,096,749	12,038,615	99.52%	N/A	N/A	N/A
2008	13,053,161	12,753,432	97.70%	N/A	N/A	N/A
2009	14,171,276	14,099,708	99.49%	N/A	N/A	N/A
2010	13,659,309	12,718,318	93.11%	N/A	N/A	N/A
2011	13,612,265	13,551,901	99.56%	N/A	N/A	N/A

Note:

The amounts presented include City property taxes and Redevelopment Agency tax increment and In-Lieu VLF.

Source: County of Orange Auditor-Controller

CITY OF PLACENTIA

**Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts in thousands)**

Redevelopment Tax Allocation Bonds

<u>Fiscal Year</u>	<u>Property Tax Increment</u>	<u>Debt Service Principal</u>	<u>Debt Service Interest</u>	<u>Coverage</u>
2002	\$ 1,130	\$ -	\$ -	0.00
2003	1,457	110	243	4.13
2004	1,503	110	427	2.80
2005	1,550	115	423	2.88
2006	1,675	125	419	3.08
2007	1,773	125	412	3.30
2008	1,935	130	406	3.61
2009	2,351	135	399	4.40
2010	2,373	140	392	4.46
2011	2,272	150	385	4.25

Source: City of Placentia, Finance Department

CITY OF PLACENTIA

**Ratio of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-type	Total Primary Government	Percent of Assessed Valuation	Per Capita
	Tax Allocation Bonds and Notes	Capital Leases	Certificates of Participation	Capital Leases			
2002	\$ 7,755	\$ 1,708	\$ 6,565	\$ 179	\$ 16,207	0.537%	\$ 335
2003	7,645	1,303	7,369	137	16,454	0.505%	335
2004	7,535	879	13,738	92	22,224	0.636%	446
2005	7,420	808	19,965	53	28,246	0.745%	561
2006	7,295	471	19,002	18	26,786	0.639%	523
2007	7,170	208	11,038	-	18,416	0.398%	357
2008	7,040	111	9,950	-	17,101	0.343%	331
2009	17,946	15	8,782	-	26,743	0.553%	515
2010	17,839	-	7,534	-	25,373	0.511%	485
2011	17,790	-	12,336	-	30,126	0.606%	576

Source: City of Placentia, Finance Department

CITY OF PLACENTIA

**Direct and Overlapping Governmental Activity Debt
As of June 30, 2011
(amounts in thousands)**

2010-11 Assessed Valuation:	\$4,969,023
Redevelopment Incremental Valuation:	<u>309,628</u>
Adjusted Assessed Valuation:	\$4,659,395

	Total Debt <u>06/30/11</u>	<u>% Applicable (1)</u>	City's Share of Debt 6/30/11
DIRECT DEBT:			
Certificates of Participation	\$ 12,336,000	100.00%	\$ 12,336,000
Tax Allocation Bonds	17,790,000	100.00%	<u>17,790,000</u>
			30,126,000
 <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
North Orange County Community College 2003 B	\$ 48,187,788	5.314%	\$ 2,560,808
North Orange County Community College 2002 A	6,288,463	5.314%	334,183
Placentia-Yorba Linda Unified School Dist. 2002 A	27,786,221	22.569%	6,271,123
Placentia-Yorba Linda Unified School Dist. 2004 B	25,159,744	22.569%	5,678,348
Placentia-Yorba Linda Unified School Dist. 2005 C	25,954,610	22.569%	5,857,743
North Orange County Community College 2005 Refunding	154,990,099	5.314%	8,236,524
Placentia-Yorba Linda Unified School Dist. 2008 A	74,250,000	22.574%	16,757,618
Placentia-Yorba Linda Unified School Dist. 2008 B	54,993,547	22.574%	12,411,594
Placentia-Yorba Linda Unified School Dist. 2008 D, E, & Q	65,003,918	22.574%	14,670,853
Metropolitan Water District	45,704,591	1.266%	<u>578,537</u>
TOTAL OVERLAPPING DEBT			<u>73,357,331</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u><u>\$ 103,483,331</u></u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

Ratios of Direct vs. Overlapping Debt

Direct Debt	29.11%
Overlapping Debt	70.89%
Total Debt	100.00%

Source - HdL, Coren & Cone

CITY OF PLACENTIA

**Legal Debt Margin Information
Last Ten Fiscal Years**

Legal Debt Margin Calculation for the Current Year

Assessed value	\$ 5,119,390,649
Debt limit (3.75% of assessed value)	191,977,149
Debt applicable to limit	-
Legal debt margin - Current Year	<u>\$ 191,977,149</u>

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
2002	\$ 113,151,225	\$ -	\$ 113,151,225	\$ -
2003	122,290,050	-	122,290,050	-
2004	131,222,138	-	131,222,138	-
2005	142,202,480	-	142,202,480	-
2006	157,109,469	-	157,109,469	-
2007	173,586,979	-	173,586,979	-
2008	187,169,052	-	187,169,052	-
2009	181,276,941	-	181,276,941	-
2010	186,295,449	-	186,295,449	-
2011	191,977,149	-	191,977,149	-

Note:

The City charter includes a debt limit of 15%; however, at the time the charter was established, only 25% of the market value was used. For the purpose of determining the debt limit, the City is following the intent of the charter and reducing the debt limit to 3.75% of assessed valuation.

Source: City of Placentia, Finance Department

CITY OF PLACENTIA

**Demographic and Economic Statistics
Last Ten Calendar Years
(personal income in thousands)**

Los Angeles-Long Beach-Santa Ana Area

Calendar Year	City Population	Area Population	Personal Income	Per Capita		Unemployment Rate
				Personal Income	Unemployment Rate	
2002	48,319	12,708,788	\$ 412,753,239	\$ 32,478		6.7%
2003	49,097	12,824,025	427,041,303	33,300		6.9%
2004	49,891	12,901,515	453,032,702	35,115		6.3%
2005	50,323	12,933,839	475,262,940	36,746		5.0%
2006	51,236	12,866,834	482,011,000	37,462		4.4%
2007	51,597	11,872,228	513,123,392	39,880		4.7%
2008	51,727	12,270,908	539,163,000	41,875		7.7%
2009	51,932	12,875,587	552,450,000	42,907		11.9%
2010	52,305	12,874,797	512,220,900	39,785		12.1%
2011	50,665	13,248,388	550,831,747	41,577		11.3%

N/A - Not Available

Sources:

City Population - State Department of Finance

Area Population and Area Personal Income - Bureau of Economic Activity/Analysis
Unemployment Rate - Bureau of Labor Statistics (November 2010)

CITY OF PLACENTIA

**Principal Employers
Current Year and Ten Years Ago**

<u>Taxpayer</u>	<u>2011</u>		<u>2002</u>	
	<u>Employees</u>	<u>Percent of Total Employment</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Placentia-Yorba Linda Unified School District	2,500	10.63%	2,400	10.21%
Placentia-Linda Community Hospital	375	1.59%	350	1.49%
The Hartwell Corporation	290	1.23%	290	1.23%
Premedia	200	0.85%	200	0.85%
City of Placentia	211	0.90%	248	1.05%

Source: City of Placentia, Finance Department

CITY OF PLACENTIA

**Budgeted Full-Time Employees by Department
Last Ten Fiscal Years**

	<u>2002</u>	<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>
Department:										
City Clerk	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.00	1.00	2.00
Treasurer	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Administration	7.00	7.00	7.00	7.00	6.50	6.50	6.50	7.00	7.00	7.00
Finance	8.75	8.75	8.00	8.00	8.00	9.00	9.00	9.00	7.00	7.00
Community Development	10.00	10.00	7.00	7.00	8.00	8.00	7.00	5.50	3.00	3.00
Police	76.00	76.00	70.00	70.00	70.00	73.00	73.00	68.00	62.00	62.00
Public Works	37.00	37.00	31.50	34.00	34.00	36.00	37.00	29.00	24.00	22.00
Community Services	9.00	9.00	8.00	8.00	8.00	9.00	9.00	5.00	5.00	4.00
Total	<u>149.75</u>	<u>149.75</u>	<u>133.50</u>	<u>136.00</u>	<u>137.00</u>	<u>144.00</u>	<u>144.00</u>	<u>125.50</u>	<u>110.00</u>	<u>108.00</u>

Source: City of Placentia, Finance Department

CITY OF PLACENTIA

**Operation Indicators
Last Four Fiscal Years**

Function/Program	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police				
Physical arrests	963	1,360	1,517	2,170
Parking violations	13,718	11,688	11,138	7,971
Traffic violations	5,206	6,362	5,496	5,628
Community Development				
Building Permits	1,071	866	536	646
Building and Zoning Inspections	152	184	140	112
Public Works				
Feet of Sewer Main Cleaned	401,280	401,280	401,280	401,280
Streetsweeping Miles	21,684	21,684	21,684	21,684
Traffic Signals Maintained	56	56	56	57
Culture and Recreation				
Picnic Shelters Reserved (Hrs.)	3,501	2,642	2,349	2,637
Recreation Classes	817	616	616	585

Source: Various City of Placentia Departments

CITY OF PLACENTIA

**Capital Asset Statistics by Function/Program
Last Four Fiscal Years**

Function/Program	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public Safety				
Police Stations	1	1	1	1
Sworn Officers	55	55	55	55
Patrol Vehicles	24	26	26	26
Fire Stations	2	2	2	2
Highways and Streets				
Miles of Streets	107	107	107	107
Street Trees	9,264	9,214	9,214	9,214
Traffic Signals	224	229	229	229
Street Lights	3,656	3,656	3,656	3,656
Sewer				
Miles of Sanitary Sewer	76	76	76	76
Storm Drains	506	506	506	506
Recreation and Culture				
Parks	16	16	16	16
Area of Parks (Acres)	74.23	72.9	72.9	72.9
Community Buildings	2	2	2	2
Community Centers	4	4	4	4
Senior Center	1	1	1	1
Baseball Diamonds	6	7	7	7
Basketball Courts	4	7.5	7.5	7.5
Soccer Fields	5	1	1	1
Pools	2	2	2	2
Gymnasiums	1	1	1	1

Source: City of Placentia, Finance Department

**CITY OF PLACENTIA,
CALIFORNIA**

SINGLE AUDIT REPORT

JUNE 30, 2011

CITYOF PLACENTIA, CALIFORNIA

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CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Placentia, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Placentia, California (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2011-01 through 2011-05 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged



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with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2011-06 through 2011-09 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City in a separate letter dated March 28, 2012.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, others within the entity, Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Haskell + White LLP

HASKELL & WHITE, LLP

March 28, 2012
Irvine, California

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council
City of Placentia, California

Compliance

We have audited the City of Placentia's, California (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of

internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2011, and have issued our report thereon dated March 28, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of management, City Council, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Haskell + White LLP
HASKELL & WHITE, LLP

March 28, 2012
Irvine, California

CITY OF PLACENITA, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance (CFDA)</u>	<u>Pass-Through Grant Identification Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed through the County of Orange:			
CDBG Entitlement Grants Cluster:	14.218	Various	\$ 450,125
U.S. Department of Transportation			
Passed through the California Department of Transportation:			
Highway Bridge Program Funds	20.205	STPL-5269(018)	58,301
U.S. Department of Justice			
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	Various	27,393
U.S. Department of Energy			
ARRA Energy Efficiency and Conservation Block Grant	81.128	DE-EE0002728	<u>23,114</u>
Total Expenditures of Federal Awards			<u>\$ 558,933</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF PLACENTIA, CALIFORNIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Placentia, California (the "City") that are reimbursable under federal programs of federal financial assistance. For purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the City from non-federal organizations. Only the portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

B. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the City becomes obligated for a payment as a result of the receipt of the related goods or services. Expenditures reported include any property or equipment acquisitions incurred under the Federal program.

C. Sub-recipients

There were no sub-recipients of federal awards for the year ended June 30, 2011.

D. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Placentia, California (the City). The City's reporting entity is defined in Note #1 of the City's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies to the City are included in the accompanying schedule.

E. Relationship to Basic Financial Statements

Federal awards revenues are generally reported within the City's financial statements under the financial statement caption "Intergovernmental" for the General and Special Revenue Funds.

CITY OF PLACENTIA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses?	<u>No</u>
Significant deficiencies?	<u>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u>No</u>
Identification of major programs:	<u>CFDA Number: Name of Federal Program or Cluster</u>
	14.218 CDBG Entitlement Grants Cluster
	20.205 Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
Auditee qualifies as low-risk auditee?	<u>No</u>

CITY OF PLACENTIA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

II. FINANCIAL STATEMENT FINDINGS

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are reported in accordance with *Government Audit Standards*.

FINDING 2011-1, MATERIAL WEAKNESS

OVERSIGHT BY THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

Criteria or Specific Requirement:

The City should have adequate internal control systems over financial reporting.

Condition Found:

The City Council and City Management did not take sufficient steps to ensure that the prior year findings were implemented. The following 2010 material weaknesses and significant deficiencies were not completely remediated as of June 30, 2011:

1. Year End Closing – City should have sufficient resources and adequate oversight to perform the year end closing procedures timely.
2. Capital Asset Inventory – City should ensure adequate controls for monitoring assets owned and assets purchased.
3. Reporting of Federal Expenditures – City did not have adequate internal controls relating to the preparation and presentation of the Schedule of Expenditures of Federal Awards.
4. Stale Dated Checks – City should adopt a policy to address stale dated checks.
5. Documentation of Inventory – City should adopt procedures to document the inventory observation

In addition, new material weaknesses were noted.

Cause:

The City did not resolve all of the prior year findings which were documented in the City's June 30, 2010 single audit report and certain other processes were not effective during the fiscal year ended June 30, 2011.

The June 30, 2010 audit was completed on March 11, 2011 and control deficiencies noted by the audit firm were reported by to the City on March 11, 2011. The City Staff and the Finance Committee developed a plan to address each control deficiencies. Due to the limited amount of time from March 11, 2011 until June 30, 2011, not all control deficiencies were remediated.

Improvements were noted to have been made during the fiscal year ended June 30, 2011, however continued efforts are required to continue to remediate all control deficiencies.

CITY OF PLACENTIA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINDING 2011-1, MATERIAL WEAKNESS (CONTINUED)

**OVERSIGHT BY THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT
(CONTINUED)**

Effect:

As currently designed, the City's internal control systems would not prevent or detect and correct on a timely basis all material misstatements in the entity's financial statements.

Recommendation:

The City Council and the City's management team should continue to work to develop a plan to address the findings in this letter. The plan should include specifics relating to levels of review, timelines and reporting structure to ensure that the findings are addressed in a timely manner. In developing this plan, we recommend that the City consider the following objectives:

- Those charged with governance are actively involved and have significant influence over the entity's internal control environment and its financial reporting.
- Management, through its attitudes and actions, demonstrates character, integrity, and ethical values. Sound integrity and ethical values, particularly of top management, are developed and set the standard of conduct for the organization and financial reporting.
- Management's philosophy and operating style are consistent with a sound control environment and have a pervasive effect on the entity. Management analyzes the risks and benefits of new activities, assesses turnover among employees, investigates and resolves improper business practices, views accounting as a means to monitor and control the various activities of the organization, and adopts accounting policies that reflect the economic realities of the governmental unit.
- The organizational structure of the entity is appropriately designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the governmental unit provide unfettered influence to effectively run the entity and support effective financial reporting.
- Human resource policies and procedures send messages to employees regarding expected levels of integrity, ethical behavior, and competence.
- The entity assigns authority and responsibility to provide a basis for accountability and control.
- The entity is committed to competence in the requirements of particular jobs and in translating those requirements into knowledge and skills.

Views of Responsible Officials and Planned Corrective Action:

The City has been progressively addressing various control deficiencies that have been noted by its independent auditors. Although substantial progress has been made and a number of the control deficiencies have been mitigated due to timing issues specifically as a result of not receiving the prior year's audit until March 11, 2011, management was unable to remediate all of the control deficiencies. Management plans to develop additional checklists to better facilitate the year end closing process and to insure that all control deficiencies have been addressed in a timely manner.

CITY OF PLACENTIA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINDING 2011-2, MATERIAL WEAKNESS

**TIMELY SUBMITTAL OF CASH AND INVESTMENT REPORTS TO THE CITY
COUNCIL**

Criteria or Specific Requirement:

The City should provide financial information to the City Council in a timely manner. This information is critical for the City Council to monitor the ongoing financial health of the City.

Condition Found:

During the interim and year-end phase of the audit, it was noted that in February 2011 the City Council received the December 2010 cash investment report certified by the City Treasurer. On November 15, 2011, the City Council received the certified January through June 2011 cash and investments reports. As of December 31, 2011, the City Council had not received the certified July through December 2011 cash and investment reports.

Cause:

The investment reports are not being certified and presented to the City Council in a timely manner.

Effect:

The certified cash and investment reports are essential to monitoring the cash and investment balances of the City. Given the cash position of the City over the past few years, cash flow and position are critical metrics to operations. The City Council's decisions related to the spending of capital and the allocation of resources could benefit from the receipt of timely financial data.

Recommendation:

We recommend that the City Council request monthly certified cash and investment reports from the City Treasurer in a timely manner. In order to accomplish timely reporting, the City Council should consider setting deadlines for the City Treasurer. In establishing the deadlines, the City should consider that the City Treasurer must work closely with City finance department personnel to obtain the information and supporting documentation.

Views of Responsible Officials and Planned Corrective Action:

Monthly cash and investment reports will be certified in a timely manner.

CITY OF PLACENTIA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINDING 2011-3, MATERIAL WEAKNESS

SUPPORTING DOCUMENTATION WAS NOT PROVIDED FOR VARIOUS ACCOUNTS

Criteria or Specific Requirement:

The City should have support for all accounts in the general ledger.

Condition Found:

During the audit it was noted that support or reconciliations could not be provided for certain accounts in the City's general ledger.

Cause:

The City does not have control procedures in place to ensure all accounts are properly reconciled and supported.

Effect:

Supporting documentation is critical to the City's ability to:

- Substantiate the existence of assets and the occurrence of liabilities.
- Document the procedures performed to ensure completeness of liabilities.
- Validate rights of ownership of assets and the performance of obligations related to liabilities.
- Support the valuation or allocation of assets and liabilities.
- Provide accuracy and classification of assets and liabilities.
- Document the procedures performed to ensure a proper cutoff for reporting assets, liabilities, revenues and expenditures.

Additionally, material errors could exist in these accounts and not be detected.

Recommendation:

We recommend that the City evaluate each account balance in each fund to determine if supporting documentation exists. Supporting documentation can include detailed listings, memorandums, staff reports submitted to City Council, actuarial evaluations and fair value calculations, and inventories performed by third parties.

Views of Responsible Officials and Planned Corrective Action:

City was unable to provide supporting documentation due to the fact that some of the accounts had been inactive since fiscal year 2002-03 and the records were not readily accessible. City will evaluate significant account balances and confirm appropriate supporting documentation exists.

CITY OF PLACENTIA, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

FINDING 2011-4, MATERIAL WEAKNESS

YEAR-END CLOSE PROCESS

Criteria or Specific Requirement:

The City should have adequate staffing, policies and procedures in place to ensure the year end closing process is performed within a timely manner to allow for the preparation of financial statements and other management reports. Additionally, management should provide the appropriate level of review over the financial closing process.

Condition Found:

The year-end closing procedures were completed in a timeframe which resulted in the financial statements being issued six months after year-end. We noted that the closing procedures did not include a sufficient review of all schedules and supporting documents before they were provided to the audit team. All accounting issues were not detected and/or resolved during the year-end closing procedures.

Cause:

The City does not have a formal closing process to ensure all accounts are supported, reconciled and reviewed. Insufficient staffing may have also contributed to this weakness. Several control deficiencies throughout various accounts contributed to this material weakness. Although all the conditions were not considered to be material weaknesses individually, due to the number and nature of the conditions identified, we consider the year-end closing process to be a material weakness.

Due to the June 30, 2010 audit being completed on March 11, 2011, there was a limited amount of time from March 11, 2011 to June 30, 2011 to remediate all control deficiencies. Midway through the fiscal year, there was an increase in staffing levels with the addition of an Accountant and a Management Analyst; however due to the limited time not all of the 2010 control deficiencies were resolved by June 30, 2011.

Effect:

As a result of the above noted condition, several material adjustments were required.

Recommendation:

We recommend that the City thoroughly evaluate the year-end closing procedures to develop a comprehensive, detailed checklist of procedures to perform. The checklist should include reviews of reconciliations, detailed listings, and supporting documentation by a supervisor or manager to ensure accuracy and completeness. The checklist should also incorporate dates by which procedures should be performed.

Views of Responsible Officials:

Current staffing levels should provide efficient resources to further refine the year end closing procedures. City will continue to develop additional processes to enhance the review processes.

CITY OF PLACENTIA, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

FINDING 2011-5, MATERIAL WEAKNESS

CAPITAL ASSETS

Criteria or Specific Requirement:

Capital assets purchased and owned by the City should be tracked by the City to ensure they are either appropriately capitalized or removed.

Condition Found:

In 2011, the City engaged a third party to inventory the depreciable assets of the City, and compile a detailed listing of the depreciable assets as of June 30, 2011. Based on the detailed listings, the City wrote-off equipment of approximately \$1,000,000 from the governmental activities, and \$700,000 from the internal service funds.

During our audit, we noted that ongoing controls related to fixed assets should be strengthened to ensure the fixed asset listing is maintained. Specifically, we believe stronger controls are needed to monitor and record the retirement of fixed assets and to reconcile fixed asset sub ledgers to the general ledger.

We further noted that the City used excel to maintain the detailed listing of capital assets. The use of excel can lead to the deletion of capital assets without being detected by City personnel and it can lead to errors in the calculation of depreciation expense and accumulated depreciation.

Cause:

This was noted as a material weakness in the prior year. In response, management hired a third party to inventory the depreciable assets of the City, and compile a detailed listing of the depreciable assets as of June 30, 2011. Based on the detailed listings, the City wrote-off equipment of approximately \$1,000,000 from the governmental activities, and \$700,000 from the internal service funds.

Process and controls have not been implemented to maintain this list and to capture all disposals of assets. Due to inadequate staffing levels prior to the fiscal year, a reconciliation of the capital assets listing and inventory listing were not prepared sufficiently.

Effect:

A material misstatement could occur within the capital asset accounts and not be detected by the City's personnel. Additionally, weak controls related to capital asset accounts subjects the City to a higher risk of misappropriation of assets.

CITY OF PLACENTIA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINDING 2011-5, MATERIAL WEAKNESS (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Recommendation:

We recommend that the City:

- Develop internal controls to ensure that detailed listings are maintained timely, accurately, and agree to the general ledger.
- Annually provide each department a detailed listing of the depreciable assets within that department for review and certification by the department head that the assets are present, in use, and not impaired.
- Use capital assets software or the module within the accounting software to maintain the listing of capital assets.

Views of Responsible Officials:

City has developed internal controls to ensure capital assets are maintained timely, accurately, and agree to the general ledger as well has department certification of accuracy. City is currently exploring the accounting system fixed asset module that is available through its accounting system provider.

FINDING 2011-6, SIGNIFICANT DEFICIENCY

SCHEDULE OF FEDERAL EXPENDITURES

Criteria or Specific Requirement:

OMB Circular A-133 in Subpart C states that the City shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the City is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards.

Condition Found:

The initial single audit schedule of federal expenditures (the "SEFA") provided by the City was found to contain errors. Several revisions were needed to correct the schedule.

CITY OF PLACENTIA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINDING 2011-6, SIGNIFICANT DEFICIENCY (CONTINUED)

SCHEDULE OF FEDERAL EXPENDITURES (CONTINUED)

Cause:

Although the City does have procedures for the preparation of the SEFA, sufficient review of the SEFA was not performed to ensure all amounts presented were accurate. A similar condition was noted in last year's report on internal controls.

Effect:

Grant management and reporting is critical to compliance with grant requirements. Failure to comply with grant requirements can result in disallowed costs that require reimbursement, questioned costs that result in ineligibility of future funding, and findings. This also creates an increase in the risk that the schedule of expenditures is incorrectly presented.

Recommendation:

We recommend that the City implement procedures to monitor all federal awards in order to ensure the schedule of expenditures of federal awards captures all federal awards expended. We also recommend that a detailed review of the schedule be performed at the close of every period.

Views of Responsible Officials:

City has implemented procedures to monitor all grant programs, including federally awarded programs, to monitor, maintain, and verify eligibility of expenditures.

FINDING 2011-7, SIGNIFICANT DEFICIENCY

DEFERRED REVENUE

Criteria or Specific Requirement:

The City should have adequate staffing, policies and procedures in place to ensure the year end closing process is performed within a timely manner to allow for the preparation of financial statements and other management reports. Additionally, management should provide the appropriate level of review over the financial closing process.

Condition Found:

During our audit, we noted that deferred revenue, and related accounts receivable, in the Miscellaneous Grants fund was overstated. The City calculated deferred revenue for each outstanding grant by subtracting total grant expenditures from grant payments received. However, deferred revenue is limited to the grant award.

CITY OF PLACENTIA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINDING 2011-7, SIGNIFICANT DEFICIENCY (CONTINUED)

DEFERRED REVENUE (CONTINUED)

Cause:

We believe this condition occurred because the City does not have comprehensive close procedures and supporting schedules are not reviewed or need to be reviewed more thoroughly after they are prepared.

Effect:

The overstatement of deferred revenue and accounts receivable could result in City personnel expecting to be reimbursed for funds expended when the entire grant award has already been received. Additionally, it could lead to a misstatement in the City's financial statements.

Recommendation:

We recommend that the City develop internal controls for the review of schedules and supporting documentation that includes the recalculation of amounts.

Views of Responsible Officials:

Current staffing levels should provide efficient resources to further refine the year end closing procedures. City will continue to develop additional processes to enhance the review process.

FINDING 2011-8, SIGNIFICANT DEFICIENCY

LONG-TERM DEBT

Criteria or Specific Requirement:

The City should have adequate staffing, policies and procedures in place to ensure events that transpired during the period have been properly accounted for in the City's financial records. Controls should be in place to identify one-time transactions that could have complex or unusual accounting treatment. Additionally, management should provide the appropriate level of review over the financial closing process.

Condition Found:

In 2011, the City issued the 2011 Gas Tax COPS for \$5,900,000. To record the transaction, the City relied on the cash with fiscal agent's bank statements. However, prior to the transfer of funds to the fiscal agent, a cash disbursement from the debt proceeds was made for approximately \$58,000 for an insurance policy. The result was an understatement of the expense and proceeds from debt issuance.

In addition, the City did not identify the debt discount of approximately \$171,000, and did not include the discount in the long-term debt rollforward schedule.

CITY OF PLACENTIA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINDING 2011-8, SIGNIFICANT DEFICIENCY (CONTINUED)

LONG-TERM DEBT (CONTINUED)

Cause:

The City does not have a formal closing process to ensure all accounts are supported, reconciled and reviewed. Insufficient staffing may have also contributed to this weakness.

Due to the June 30, 2010 audit being completed on March 11, 2011, there was a limited amount of time from March 11, 2011 to June 30, 2011 to remediate all control deficiencies. Midway through the fiscal year, there was an increase in staffing levels with the addition of an Accountant and a Management Analyst; however due to the limited time not all of the 2010 control deficiencies were resolved by June 30, 2011.

Effect:

As a result of the two conditions, the City was unable to reconcile the amount of debt issued to the net cash proceeds.

Recommendation:

We recommend that the City use debt official statements to identify all costs of issuance, debt discounts, and that the City reconcile net cash proceeds to the amount of debt issued. Additionally, we recommend a checklist of closing procedures be prepared and utilized to ensure all accounts have been reconciled and reviewed and to ensure all events are properly recorded.

Views of Responsible Officials:

Management plans to develop additional checklists to better facilitate the year end closing process.

FINDING 2011-9, SIGNIFICANT DEFICIENCY

SAFE-GUARDING OF CASH

Criteria or Specific Requirement:

The City should have procedures and policies in place to ensure the safe-guarding of all City assets.

Condition Found:

During the review of cash handling procedures, we noted the following conditions:

- There are no surprise cash counts of the cash drawers in the Finance Department or Community Services. By not having surprise cash counts, custodians of the cash drawers could temporarily misappropriate the cash without the City's knowledge.
- Deposits are placed in unsecured deposit bags. Unsecured deposit bags allow for cash and checks to be removed after the deposit is prepared.

CITY OF PLACENTIA, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

FINDING 2011-9, SIGNIFICANT DEFICIENCY (CONTINUED)

SAFE-GUARDING OF CASH (CONTINUED)

- City personnel transport the deposits to the bank unescorted by security or police personnel. City personnel could be subjected to great bodily harm if robbed.
- On several occasions, we noted that the Finance Department cash drawer is not locked. An unlocked cash drawer could allow City personnel to misappropriate cash from the City.

Cause:

Insufficient controls related to the safe-guarding of cash.

Effect:

The following scenarios could result due to weaknesses in the control environment as it is currently designed:

- By not having surprise cash counts, custodians of the cash drawers could temporarily misappropriate the cash without the City's knowledge.
- Unsecured deposit bags allow for cash and checks to be removed after the deposit is prepared.
- City personnel could be subjected to great bodily harm if robbed.
- An unlocked cash drawer could allow City personnel to misappropriate cash from the City.

Recommendation:

We recommend the following:

- Perform monthly surprise counts on the cash drawers. A second cash drawer could be used for the day while the surprise cash count is performed, and citizens making payments would not be inconvenienced.
- Use secured deposit bags where the bank has the only key to open the bag.
- Have someone from the police department escort the City personnel to the bank. A police officer is not required, only someone with a police radio (e.g. a Community Service Office) in case of emergency.
- Lock all cash drawers when not processing transactions.

Views of Responsible Officials:

Management will perform surprise counts on cash drawers and cash drawers are locked.

CITY OF PLACENTIA, CALIFORNIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF PLACENTIA, CALIFORNIA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Prior Year Finding		
Number	Description	Status
2010-1	Oversight by those Charged With Governance and Management	Improved and partially implemented. See Current Year Finding 2011-1.
2010-2	Financial Condition	Implemented.
2010-3	Cash Management/Borrowing Agreement	Implemented.
2010-4	Bank Statement and Fiscal Agent Reconciliations	Implemented.
2010-5	Year-End Closing	Not implemented. See Current Year Findings 2011-3 and 2011-4.
2010-6	General Fund Reimbursement by Agency	Implemented.
2010-7	Allocated Costs	Implemented.
2010-8	Agency Capital Assets and Properties	Implemented.
2010-9	Prior Period Adjustment/Loan Payable/Interest Payable	Implemented.
2010-10	Capital Asset Inventory	Not implemented. See Current Year Finding 2011-5.
2010-11	Reporting of Federal Expenditures	Not implemented. See Current Year Finding 2011-6.

CITY OF PLACENTIA

**CORRECTIVE ACTION PLAN
FOR
FISCAL YEAR 2010-11**

**PROJECTED
DATE OF
COMPLETION**

SINGLE AUDIT FINDINGS

DESCRIPTION

**DATE OF
COMPLETION**

<p>Finding 2011-1: Oversight by those charged with governance and management</p>	<p>Summary: City should continue to work to develop a plan to address the findings</p> <p>The FY 2009-10 audit was completed on March 11, 2011 and control deficiencies noted by the audit firm were reported to the City on March 11, 2011. The Finance staff developed a plan to address each control deficiency. Due to the limited amount of time from March 11, 2011 until June 30, 2011, not all control deficiencies were remediated. The Finance Director also plans to hire an independent consulting firm to develop additional checklists and internal control procedures to reduce the number of internal control deficiencies.</p>	<p>June 2012</p>
<p>Finding 2011-2: Timely Submittal of Cash and Investment Reports to the City Council</p>	<p>Summary: City should provide financial information, cash, and investment reports to the City Council in a timely manner.</p> <p>Monthly cash and investment reports will be certified by the both the City Treasurer and Finance Director in a timely manner. Finance Director/Finance Services Manager will meet with the City Treasurer on a monthly basis to review the Cash and Investment Reports so that it can be certified and presented to City Council on a timely basis.</p>	<p>May 2012</p>

*The date listed is an "estimate" and is not the actual date of implementation

**PROJECTED
DATE OF
COMPLETION**

DESCRIPTION

SINGLE AUDIT FINDINGS

PROJECTED DATE OF COMPLETION	DESCRIPTION	SINGLE AUDIT FINDINGS
June 2012	The Accountant will review account balances whose activity have been inactive for several consecutive years and take the proper steps and procedures to close them out. Finance Director will approve all accounts that are deemed inactive and to be closed.	<p>Finding 2011-3: Supporting Documentation was not provided for various accounts</p> <p>Summary: During the audit it was noted that the City could not provide supporting documentation for certain accounts in the City's general ledger.</p>
June 2012	In December 2010, the Finance Department increased staffing levels by hiring an Accountant and a Management Analyst. These additions are critical to continuing enhancements of the internal controls. The Finance Director will be hiring an independent consulting firm to review our internal control procedures and year-end audit process. This will improve and enhance our year-end closing process thereby reducing internal control deficiencies.	<p>Finding 2011-4: Year-end close process</p> <p>Summary: City should have adequate staffing, policies, and procedures in place to ensure the year-end closing process is performed within a timely manner to allow for the preparation of financial statements and other management reports.</p>
December 2012	Finance Services Manager and Accountant will integrate the manual fixed asset list into the new upgraded accounting software to reduce internal control deficiencies with the City's capital asset system. Finance Director will oversee and verify accuracy.	<p>Finding 2011-5: Capital Assets</p> <p>Summary: Process and controls have not been implemented to maintain the capital asset list. The capital asset and inventory list was not properly reconciled.</p>

*The date listed is an "estimate" and is not the actual date of implementation

PROJECTED DATE OF COMPLETION

DESCRIPTION

SINGLE AUDIT FINDINGS

PROJECTED DATE OF COMPLETION	DESCRIPTION	DATE OF COMPLETION
June 2012	<p>Finding 2011-6: Schedule of Federal Expenditures</p> <p>Summary: City did not ensure that all expenditures for federal awards were reported correctly on the SEFA.</p> <p>Finance Director will hire an independent consulting firm to assist Finance Services Manager in monitoring and implementing procedures to ensure that all expenditures in the SEFA are accurately reported.</p>	June 2012
June 2012	<p>Finding 2011-7: Deferred Revenue</p> <p>Summary: Deferred revenue and accounts receivable were overstated in the Miscellaneous Grants Fund.</p> <p>Finance Director will hire an independent consulting firm to assist Finance Services Manager in implementing internal control procedures to ensure that all deferred revenue and accounts receivable are accurately reported.</p>	June 2012
June 2012	<p>Finding 2011-8: Long Term Debt</p> <p>Summary: City should use debt official statements to identify all costs of issuance, debt discounts, and that the City reconcile net cash proceeds to the amount of debt issued.</p> <p>The City will use Official Statements from debt issue(s) to properly identify all costs of issuance, debt discounts, and other reportable items needed to reconcile net cash proceeds to the amount of debt issued.</p>	June 2012
June 2012	<p>Finding 2011-9: Safe-guarding of Cash</p> <p>Summary: There are insufficient controls in place to ensure the safe-guarding of all City cash on hand.</p> <p>Finance Director and Finance Services Manager will conduct periodic surprise cash counts to ensure the cash drawers are secured.</p>	June 2012

*The date listed is an "estimate" and is not the actual date of implementation